

Gol Intelligent Airlines Inc.
Form 20-F/A
May 30, 2018

As filed with the Securities and Exchange Commission on May 30, 2018.

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

FORM 20-F/A

(Amendment No. 1)

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES**
EXCHANGE ACT OF 1934
OR
x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF**
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**
THE SECURITIES EXCHANGE ACT OF 1934
OR
.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES**
EXCHANGE ACT OF 1934

Commission file number 001-32221

Gol Linhas Aéreas Inteligentes S.A.

(Exact name of Registrant as specified in its charter)

Gol Intelligent Airlines Inc.

(Translation of Registrant's name into English)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Richard F. Lark, Jr.

+55 11 5098-7881

Fax: +55 11 5098-2341

E-mail: ri@voegol.com.br

Praça Comandante Linneu Gomes, S/N Portaria 3,

Jardim Aeroporto

04626-020 São Paulo, São Paulo

Federative Republic of Brazil

(+55 11 2128-4700)

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

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

Title of each class:

Preferred Shares, without par value
American Depositary Shares (as evidenced by American
Depositary Receipts), each representing one share of Preferred
Stock

Name of each exchange on which registered:

New York Stock Exchange*
New York Stock Exchange

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

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

Number of outstanding shares of each class of stock of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2017:

2,863,682,710 Shares of Common Stock

265,899,432 Shares of Preferred Stock

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Edgar Filing: Gol Intelligent Airlines Inc. - Form 20-F/A

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

U.S. GAAP

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

Other

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

Item 17 Item 18

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

Explanatory Note

This Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2017 of Gol Linhas Aéreas Inteligentes S.A. (the “Company”), filed with the Securities and Exchange Commission on April 30, 2018 (the “Annual Report”), is being filed for the following reasons:

(i) To file Exhibit 101, which presents financial information of the Company in eXtensible Business Reporting Language (XBRL). “Item 19. Exhibits” of the Annual Report is hereby amended to include the following exhibits:

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema. |
| 101.CAL | XBRL Taxonomy Extension Scheme Calculation Linkbase. |
| 101.DEF | XBRL Taxonomy Extension Scheme Definition Linkbase. |
| 101.LAB | XBRL Taxonomy Extension Scheme Label Linkbase. |
| 101.PRE | XBRL Taxonomy Extension Scheme Presentation Linkbase. |

(ii) To amend and restate the second footnote under the table “Reconciliation of Net Income (Loss) to EBITDA and EBITDAR” in “Item 3. Key Information—A. Selected Financial Data,” on page 7 of the Annual Report, as follows:

(2) We calculate EBITDA as net income (loss) *plus* financial income (expense), net, income taxes and depreciation and amortization. We calculate EBITDAR as net income (loss) *plus* financial income (expense), net, income taxes, depreciation and amortization and aircraft rent expenses. EBITDA and EBITDAR are not measures of financial performance recognized under Brazilian GAAP or IFRS, nor should they be considered as alternatives to net income (loss) as measures of operating performance, or as alternatives to operating cash flows or as measures of liquidity. EBITDA and EBITDAR are not calculated using a standard methodology and may not be comparable to the definition of EBITDA or EBITDAR or similarly titled measures used by other companies. Because our calculation of EBITDA eliminates financial income (expense), net, income taxes and depreciation and amortization, we believe that our EBITDA provides an indication of our general economic performance, without giving effect to interest rate or exchange rate fluctuations, changes in income and social contribution tax rates or depreciation and amortization. Because our calculation of EBITDAR eliminates aircraft rent expenses, which are a normal and recurring cash operating expense necessary to operate our business, our EBITDAR’s usefulness is especially limited and we present EBITDAR solely as a valuation metric. You should not consider EBITDAR as a measure of our general economic performance.

(iii) To file amended consolidated financial statements, which reflect the following two amendments:

(a) To include additional disclosure on total net income (loss) attributable to equity holders of the parent and the Company's calculation of earnings (loss) per share in explanatory note "13. Earnings (loss) per share" to the Company's audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015, on page F-36 of the Annual Report, to clarify that the Company's preferred shares carry economic rights, including dividend rights, 35 times those of common shares. Accordingly, net income (loss) for the year attributable to equity holders of the parent is allocated in proportion to equity holders' interest in common shares and preferred shares.

The following table sets forth net income (loss) for the year attributable to equity holders of the parent for the periods indicated:

Numerator

| | | | | | | | | | |
|---|--------------|---------------|---------------|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| Net income (loss) for the year attributable to equity holders of the parent | | | 19,184 | | 849,619 | | (4,460,883) | | |
| | 7,869 | 11,315 | 353,129 | 496,490 | (2,123,945) | (2,336,938) | | | |
| | 7,869 | 11,315 | 19,184 | 353,129 | 496,490 | 849,619 | (2,123,945) | (2,336,938) | (4,460,883) |

Denominator

| | | | | | | |
|---|------------------|----------------|------------------|----------------|------------------|----------------|
| Weighted average number of outstanding shares (in thousands)* | 4,981,350 | 204,664 | 5,035,037 | 202,261 | 5,035,037 | 158,285 |
| Effects of dilution from stock options | - | 2,614 | - | 347 | - | - |
| Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands)* | 4,981,350 | 207,278 | 5,035,037 | 202,608 | 5,035,037 | 158,285 |
| Basic earnings (loss) per share | 0.002 | 0.055 | 0.070 | 2.455 | (0.422) | (14.764) |
| Diluted earnings (loss) per share | 0.002 | 0.055 | 0.070 | 2.450 | (0.422) | (14.764) |

(*) Weighted average considers the split of common shares approved at the Company's extraordinary shareholders' meeting on March 23, 2015, in accordance with IAS 33. Earnings per share presented herein reflects the economic rights attributable to each class of shares.

(b) To replace the misidentified term "Gross profit" with the correct term "Total net revenue" in the tables presenting net revenue in explanatory note "25.2. Results of the operating segments" to the Company's audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015, on pages F-51, F-52 and F-53 of the Annual Report, as follows:

Net revenue

| | | | | | |
|--------------------------|------------------|------------------|-------------------|------------------|-------------------|
| Passenger (*) | 8,785,938 | - | 8,785,938 | 399,867 | 9,185,805 |
| Cargo and other (*) | 768,566 | - | 768,566 | (104,350) | 664,216 |
| Mileage revenue (*) | - | 1,804,129 | 1,804,129 | (1,078,128) | 726,001 |
| Total net revenue | 9,554,504 | 1,804,129 | 11,358,633 | (782,611) | 10,576,022 |

Net revenue

| | | | | | |
|--------------------------|------------------|------------------|-------------------|------------------|------------------|
| Passenger (*) | 8,340,545 | - | 8,340,545 | 330,897 | 8,671,442 |
| Cargo and other (*) | 729,096 | - | 729,096 | 426 | 729,522 |
| Mileage revenue (*) | - | 1,548,109 | 1,548,109 | (1,081,738) | 466,371 |
| Total net revenue | 9,069,641 | 1,548,109 | 10,617,750 | (750,415) | 9,867,335 |

Net revenue

| | | | | | |
|--------------------------|------------------|------------------|-------------------|------------------|------------------|
| Passenger (*) | 8,294,463 | - | 8,294,463 | 288,925 | 8,583,388 |
| Cargo and other (*) | 941,928 | 47,199 | 989,127 | (19,198) | 969,929 |
| Miles revenue (*) | - | 1,172,322 | 1,172,322 | (947,632) | 224,690 |
| Total net revenue | 9,236,391 | 1,219,521 | 10,455,912 | (677,905) | 9,778,007 |

This Amendment No. 1 comprises a cover page, this explanatory note, the amended consolidated financial statements, the exhibits referred to in paragraph (i) of this explanatory note, the signature page and the required certifications of the chief executive officer and chief financial officer of the Company.

Except as described above, this Amendment No. 1 does not amend any other information set forth in the Annual Report, and the Company has not updated disclosures included therein to reflect any events that occurred subsequent to April 30, 2018.

ITEM 19. EXHIBITS

| <u>Exhibit Number</u> | | <u>Description</u> |
|-----------------------|---|--|
| <u>12.1</u> | * | <u>Section 302 Certification of Chief Executive Officer.</u> |
| <u>12.2</u> | * | <u>Section 302 Certification of Chief Financial Officer.</u> |
| <u>13.1</u> | * | <u>Section 906 Certification of Chief Executive Officer.</u> |
| <u>13.2</u> | * | <u>Section 906 Certification of Chief Financial Officer.</u> |
| 101.INS | * | XBRL Instance Document. |
| 101.SCH | * | XBRL Taxonomy Extension Schema. |
| 101.CAL | * | XBRL Taxonomy Extension Scheme Calculation Linkbase. |
| 101.DEF | * | XBRL Taxonomy Extension Scheme Definition Linkbase. |
| 101.LAB | * | XBRL Taxonomy Extension Scheme Label Linkbase. |
| 101.PRE | * | XBRL Taxonomy Extension Scheme Presentation Linkbase. |

* Filed herewith.

Consolidated financial statements

GOL Linhas Aéreas Inteligentes S.A.

December 31, 2017, 2016 and 2015

with Reports of Independent Registered Public Accounting Firm

Gol Linhas Aéreas Inteligentes S.A.

Consolidated financial statements

December 31, 2017, 2016 and 2015

Contents

| | |
|--|------|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting | F-2 |
| Statements of financial position | F-3 |
| Statements of operations | F-5 |
| Statements of comprehensive income (loss) | F-6 |
| Statements of changes in equity | F-7 |
| Statements of cash flows | F-8 |
| Notes to the consolidated financial statements | F-10 |

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Gol Linhas Aéreas Inteligentes S.A.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Gol Linhas Aéreas Inteligentes S.A. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards - IFRS as issued by the International Accounting Standards Board - IASB.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 30, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG

Auditores Independentes S.S.

We have served as the Company's auditor since 2014.

São Paulo, Brazil

April 30, 2018, except for Notes 13 and 25.2, which are dated May 30, 2018

F - 1

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Gol Linhas Aéreas Inteligentes S.A.

Opinion on Internal Control over Financial Reporting

We have audited Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Gol Linhas Aéreas Inteligentes S.A. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated April 30, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG

Auditores Independentes S.S.

São Paulo, Brazil

April 30, 2018

F - 2

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of financial position

As of december 31, 2017 and 2016

(In thousands of Brazilian Reais - R\$)

Current assets

| | | | |
|-----------------------------|-----|------------------|------------------|
| Cash and cash equivalents | 3 | 1,026,862 | 562,207 |
| Short-term investments | 4 | 955,589 | 431,233 |
| Trade receivables | 6 | 936,478 | 760,237 |
| Inventories | 7 | 178,491 | 182,588 |
| Recoverable taxes | 8.1 | 83,210 | 27,287 |
| Derivatives | 27 | 40,647 | 3,817 |
| Other current assets | | 123,721 | 113,345 |
| Total current assets | | 3,344,998 | 2,080,714 |

Noncurrent assets

| | | | |
|--------------------------------|-----|------------------|------------------|
| Deposits | 9 | 1,163,759 | 1,188,992 |
| Restricted cash | 5 | 268,047 | 168,769 |
| Recoverable taxes | 8.1 | 7,045 | 72,060 |
| Deferred taxes | 8.2 | 276,514 | 107,159 |
| Other noncurrent assets | | - | 4,713 |
| Investments | 12 | 1,333 | 17,222 |
| Property, plant and equipment | 14 | 3,195,767 | 3,025,010 |
| Intangible assets | 15 | 1,747,285 | 1,739,716 |
| Total noncurrent assets | | 6,659,750 | 6,323,641 |

| | | | |
|---------------------|--|-------------------|------------------|
| Total assets | | 10,004,748 | 8,404,355 |
|---------------------|--|-------------------|------------------|

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

F - 3

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of financial position

As of december 31, 2017 and 2016

(In thousands of Brazilian Reais - R\$)

Current liabilities

| | | | |
|----------------------------------|----|------------------|------------------|
| Short-term debt | 16 | 1,162,872 | 835,290 |
| Suppliers | | 1,249,124 | 1,097,997 |
| Suppliers - Forfaiting | 17 | 78,416 | - |
| Salaries | | 305,454 | 283,522 |
| Taxes payable | 18 | 134,951 | 146,174 |
| Landing fees | | 365,651 | 239,566 |
| Advance ticket sales | 19 | 1,456,939 | 1,185,945 |
| Mileage program | 20 | 765,114 | 781,707 |
| Advances from customers | | 21,718 | 16,823 |
| Provisions | 21 | 46,561 | 66,502 |
| Derivatives | 27 | 34,457 | 89,211 |
| Operating leases | 26 | 28,387 | 7,233 |
| Other liabilities | | 100,401 | 98,772 |
| Total current liabilities | | 5,750,045 | 4,848,742 |

Noncurrent liabilities

| | | | |
|-------------------------------------|-----|------------------|------------------|
| Long-term debt | 16 | 5,942,795 | 5,543,930 |
| Suppliers | | 222,026 | 13,517 |
| Provisions | 21 | 562,628 | 723,713 |
| Mileage program | 20 | 188,204 | 219,325 |
| Deferred taxes | 8.2 | 188,005 | 338,020 |
| Taxes payable | 18 | 66,196 | 42,803 |
| Operating leases | 26 | 110,723 | - |
| Other liabilities | | 43,072 | 31,056 |
| Total noncurrent liabilities | | 7,323,649 | 6,912,364 |

Equity

| | | | |
|---|----|--------------------|--------------------|
| | 22 | | |
| Capital stock | | 3,082,802 | 3,080,110 |
| Share issuance costs | | (155,618) | (155,618) |
| Treasury shares | | (4,168) | (13,371) |
| Capital reserves | | 88,762 | 91,399 |
| Equity valuation adjustments | | (79,316) | (147,229) |
| Share-based payments reserve | | 119,308 | 113,918 |
| Gains on change in investment | | 760,545 | 693,251 |
| Accumulated losses | | (7,293,274) | (7,312,458) |
| Deficit attributable to equity holders of the parent | | (3,480,959) | (3,649,998) |
| Non-controlling interests from Smiles | | 412,013 | 293,247 |
| Total deficit | | (3,068,946) | (3,356,751) |

| | | |
|--------------------------------------|-------------------|------------------|
| Total liabilities and deficit | 10,004,748 | 8,404,355 |
|--------------------------------------|-------------------|------------------|

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

F - 4

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of operations

For the years ended of December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais - R\$, except basic and diluted earnings (loss) per share)

Net revenue

| | | | | |
|--------------------------|-----------|-------------------|------------------|------------------|
| Passenger | | 9,185,805 | 8,671,442 | 8,583,388 |
| Cargo and other | | 1,390,217 | 1,195,893 | 1,194,619 |
| Total net revenue | 23 | 10,576,022 | 9,867,335 | 9,778,007 |

Operating costs and expenses

| | | | | |
|---|--|--------------------|--------------------|--------------------|
| Salaries | | (1,708,111) | (1,656,785) | (1,580,531) |
| Aircraft fuel | | (2,887,737) | (2,695,390) | (3,301,368) |
| Aircraft rent | | (939,744) | (996,945) | (1,100,086) |
| Sales and marketing | | (590,814) | (555,984) | (617,403) |
| Landing fees | | (664,170) | (687,366) | (681,378) |
| Aircraft, traffic and mileage servicing | | (874,736) | (753,497) | (678,075) |
| Maintenance, materials and repairs | | (368,719) | (593,090) | (603,925) |
| Depreciation and amortization | | (505,425) | (447,668) | (419,691) |
| Passenger service expenses | | (437,045) | (461,837) | (481,765) |
| Other operating expenses | | (610,310) | (320,948) | (493,621) |
| Total operating costs and expenses | | (9,586,811) | (9,169,510) | (9,957,843) |

| | | | | |
|---|----|-----|---------|---------|
| Equity results | 12 | 544 | (1,280) | (3,941) |
| Income (loss) before financial result, net and | | | | |

| | | | | |
|---------------------|--|----------------|----------------|------------------|
| income taxes | | 989,755 | 696,545 | (183,777) |
|---------------------|--|----------------|----------------|------------------|

Financial results

| | | | | |
|--------------------------------|----|------------------|----------------|--------------------|
| Financial income | 24 | 213,446 | 568,504 | 332,567 |
| Financial expenses | | (1,050,461) | (1,271,564) | (1,328,891) |
| Exchange rate variation, net | | (81,744) | 1,367,937 | (2,266,999) |
| Total financial results | | (918,759) | 664,877 | (3,263,323) |

| | | | | |
|--|--|---------------|------------------|--------------------|
| Income (loss) before income taxes | | 70,996 | 1,361,422 | (3,447,100) |
|--|--|---------------|------------------|--------------------|

Income taxes

| | | | | |
|---------------------------|----------|----------------|------------------|------------------|
| Current | | (239,846) | (257,944) | (196,140) |
| Deferred | | 547,059 | (1,114) | (648,000) |
| Total income taxes | 8 | 307,213 | (259,058) | (844,140) |

| | | | | |
|---------------------------------------|--|----------------|------------------|--------------------|
| Net income (loss) for the year | | 378,209 | 1,102,364 | (4,291,240) |
|---------------------------------------|--|----------------|------------------|--------------------|

Net income (loss) attributable to:

| | | | | |
|---------------------------------------|--|---------|---------|-------------|
| Equity holders of the parent | | 19,184 | 849,619 | (4,460,883) |
| Non-controlling interests from Smiles | | 359,025 | 252,745 | 169,643 |

Basic earnings (loss) per share

| | | | | |
|---------------------|----|-------|-------|----------|
| Per common share | 13 | 0.002 | 0.070 | (0.422) |
| Per preferred share | 13 | 0.055 | 2.455 | (14.764) |

Diluted earnings (loss) per share

| | | | | |
|---------------------|----|-------|-------|----------|
| Per common share | 13 | 0.002 | 0.070 | (0.422) |
| Per preferred share | 13 | 0.055 | 2.450 | (14.764) |

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

F - 5

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of comprehensive income (loss)

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

| | | | | |
|--|----|----------------|------------------|--------------------|
| Net income (loss) for the year | | 378,209 | 1,102,364 | (4,291,240) |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods | 27 | | | |
| Cash flow hedge | | 67,913 | 123,889 | (60,949) |
| Tax effect | | - | (92,179) | 20,723 |
| Total | | 67,913 | 31,710 | (40,226) |
| Total comprehensive income (loss) for the year | | 446,122 | 1,134,074 | (4,331,466) |
| Comprehensive income (loss) for the year attributable to: | | | | |
| Equity holders of the parent | | 87,097 | 881,329 | (4,501,109) |
| Non-controlling interests from Smiles | | 359,025 | 252,745 | 169,643 |

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

F - 6

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of changes in equity

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

| | | | | | | | |
|---|------------------|-----------|------------------|-----------------|---------------|---------------|------------------|
| Balances as of December 31, 2014 | 2,618,748 | 51 | (150,214) | (31,357) | 32,387 | 70,979 | (138,713) |
| Other comprehensive income (loss), net | - | - | - | - | - | - | (40,226) |
| Net loss for the year | - | - | - | - | - | - | - |
| Stock options exercised | 89 | (51) | - | - | - | - | - |
| Capital increase | 461,273 | - | - | - | - | - | - |
| Share issuance costs | - | - | (5,009) | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - |
| Gains on change in investment | - | - | - | - | - | - | - |
| Restricted shares transferred | - | - | - | 8,658 | (4,505) | - | - |
| Interest attributable to shareholders' equity | - | - | - | - | - | - | - |
| Dividends declared | - | - | - | - | - | - | - |
| Balances as of December 31, 2015 | 3,080,110 | - | (155,223) | (22,699) | 27,882 | 70,979 | (178,939) |
| Other comprehensive income, net | - | - | - | - | - | - | 31,710 |

| | | | | | | | |
|--|------------------|----------|------------------|-----------------|---------------|---------------|------------------|
| Stock option exercised | - | - | - | - | - | - | - |
| Share issuance costs | - | - | (395) | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - |
| Gains on change in investment | - | - | - | - | - | - | - |
| Net income for the year | - | - | - | - | - | - | - |
| Restricted shares transferred | - | - | - | 9,328 | (7,462) | - | - |
| Interest attributable to shareholders' equity | - | - | - | - | - | - | - |
| Dividends declared | - | - | - | - | - | - | - |
| Balances as of December 31, 2016 | 3,080,110 | - | (155,618) | (13,371) | 20,420 | 70,979 | (147,229) |
| Other comprehensive income, net | - | - | - | - | - | - | 67,913 |
| Stock options exercised | 2,692 | - | - | - | - | - | - |
| Capital increase from exercise of stock option in subsidiary | - | - | - | - | - | - | - |
| Share issuance costs | - | - | - | - | - | - | - |
| Share-based payments | 11 | - | - | - | - | - | - |
| Gains on change in investment | - | - | - | - | - | - | - |
| Sale of interest in subsidiary | 12 | - | - | - | - | - | - |
| Restricted shares transferred | - | - | - | 9,203 | (2,637) | - | - |
| Net income for the year | - | - | - | - | - | - | - |
| Interest attributable to shareholders' equity declared by Smiles | - | - | - | - | - | - | - |

| | | | | | | |
|--|------------------|------------------|----------------|---------------|---------------|-----------------|
| Minimum dividends declared by Smiles | - | - | - | - | - | - |
| Additional dividends distributed by Smiles | - | - | - | - | - | - |
| Balances as of December 31, 2017 | 3,082,802 | (155,618) | (4,168) | 17,783 | 70,979 | (79,316) |

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

F - 7

Gol Linhas Aéreas Inteligentes S.A.

Statements of cash flows

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

Operating activities

| | | | |
|--|------------------|------------------|------------------|
| Net income (loss) for the year | 378,209 | 1,102,364 | (4,291,240) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | |
| Depreciation and amortization | 505,425 | 447,668 | 419,691 |
| Allowance for doubtful accounts | 24,913 | 9,806 | 39,287 |
| Provisions for legal proceedings | 158,263 | 189,244 | 44,460 |
| Provisions (reversals) for inventory obsolescence | 3,059 | - | (414) |
| Deferred taxes | (547,059) | 1,114 | 648,000 |
| Equity results | (544) | 1,280 | 3,941 |
| Share-based payments | 14,849 | 13,524 | 14,352 |
| Exchange and monetary variations, net | 95,132 | (1,149,616) | 1,723,441 |
| Interest on debt and finance lease | 566,902 | 682,188 | 600,410 |
| Unrealized hedge results | 8,639 | 82,990 | 18,475 |
| Provision for profit sharing | 65,573 | 56,238 | 10,633 |
| Write-off of property, plant and equipment and intangible assets | 145,855 | 181,308 | 25,069 |
| Write-off of goodwill on investment in associate | 15,184 | - | - |
| Losses from capital increase in associate | - | 1,368 | - |
| Other | - | 16,232 | - |
| Gain on redemption of debt | - | (286,799) | - |
| | 1,434,400 | 1,348,909 | (743,895) |

Changes in assets and liabilities:

| | | | |
|---|----------------|-----------------|------------------|
| Trade receivables | (198,370) | (307,574) | (149,623) |
| Short-term investments | (353,231) | 83,062 | 309,749 |
| Inventories | 1,038 | 16,648 | (60,140) |
| Deposits | 46,388 | (323,641) | 21,077 |
| Suppliers | (202,462) | 204,184 | 210,474 |
| Suppliers - Forfeiting | 76,157 | - | - |
| Advance ticket sales | 270,994 | (20,710) | 105,044 |
| Mileage program | (47,714) | 9,374 | 211,940 |
| Advances from customers | 4,895 | 3,364 | 10,263 |
| Salaries | (43,641) | (23,351) | (15,438) |
| Landing fees | 126,085 | (74,090) | (1,492) |
| Taxes obligation | 460,980 | 257,464 | 233,930 |
| Derivatives | (32,310) | (13,384) | (6,267) |
| Provisions | (270,970) | (253,643) | (61,386) |
| Operating leases | 131,877 | (158,994) | 166,227 |
| Other assets (liabilities) | 18,157 | 64,220 | (67,602) |
| Interest paid | (528,398) | (606,405) | (548,773) |
| Income taxes paid | (221,122) | (226,500) | (213,555) |
| Net cash flows from (used in) operating activities | 672,753 | (21,067) | (599,467) |

Investing activities

| | | | |
|---|------------------|----------------|--------------------|
| Sale of interest in subsidiary | 68,163 | - | - |
| Short-term investments of Smiles | (171,174) | (45,651) | (254,416) |
| Restricted cash | (100,835) | 542,107 | (403,854) |
| Capital increase in associate | - | (3,439) | - |
| Advances for property, plant and equipment acquisition, net | 68,679 | 536,444 | (167,646) |
| Property, plant and equipment | (370,438) | (409,709) | (391,731) |
| Intangible assets | (55,449) | (29,656) | (42,812) |
| Dividends received from associate | 1,249 | 1,993 | 1,302 |
| Net cash flows (used in) from investing activities | (559,805) | 592,089 | (1,259,157) |

F - 8

Gol Linhas Aéreas Inteligentes S.A.

Statements of cash flows

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

Financing activities

| | | | |
|---|----------------|--------------------|------------------|
| Loan funding | 1,898,738 | - | 2,510,521 |
| Debt issuance and exchange offer costs | (65,628) | (27,249) | (41,990) |
| Loan payments | (274,480) | (520,519) | (1,632,039) |
| Early payment of Senior Notes | (707,142) | - | - |
| Finance lease payments | (239,092) | (342,791) | (409,519) |
| Dividends and interest attributable to shareholders' equity paid to non-controlling interests of Smiles | (254,892) | (171,829) | (136,822) |
| Capital increase | 2,692 | - | 465,048 |
| Share issuance costs | (523) | (395) | (5,009) |
| Net cash flows from (used in) financing activities | 359,673 | (1,062,783) | 750,190 |
| Foreign exchange variation on cash held in foreign currencies | (7,966) | (18,364) | 281,993 |
| Net increase (decrease) in cash and cash equivalents | 464,655 | (510,125) | (826,441) |
| Cash and cash equivalents at beginning of the year | 562,207 | 1,072,332 | 1,898,773 |
| Cash and cash equivalents at end of the year | 1,026,862 | 562,207 | 1,072,332 |

Statements of cash flows – Additional information

Non-cash transactions

| | | | |
|--|----------|---------|---------|
| Interest on shareholders' equity and dividends, net of taxes | (49,602) | - | - |
| Deposits in guarantee for lease agreements | 10,307 | - | - |
| Write-off of finance lease agreements | (15,334) | - | - |
| Renegotiation of finance lease agreements | - | 549,144 | 145,487 |
| Provision for aircraft return | - | 97,423 | 259,673 |
| Software acquisition | - | 25,660 | - |
| Engine maintenance financing | 529,775 | 201,170 | - |
| Property, plant and equipment acquisition through Finimp | 63,066 | - | 107,592 |

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

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

1. General information

Gol Linhas Aéreas Inteligentes S.A. (the “Company” or “GLAI”) is a publicly-listed company incorporated on March 12, 2004, under the Brazilian Corporate Law. The Company is a holding company of the following main subsidiaries: (i) Gol Linhas Aéreas S.A. (“GLA”, formerly “VRG Linhas Aéreas S.A.”), which is mainly engaged in (a) the regular and non-regular flight transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the regulator; and (b) other activities in relation to flight transport services provided in its by-laws; and (ii) Smiles Fidelidade S.A. (“Smiles Fidelidade”, formerly Webjet Participações S.A. prior to the change in the corporate name on July 1, 2017), which mainly operates (a) the development and management of its own or third party’s customer loyalty program, and (b) sale of redemption rights of awards related to the loyalty program.

Additionally, the Company is the direct parent company of the wholly-owned subsidiaries GAC Inc. (“GAC”), Gol Finance Inc., Gol Finance, formerly Gol LuxCo S.A. (“Gol Finance”), Gol Dominicana Lineas Aereas SAS (“Gol Dominicana”), and indirect parent company of Smiles Viagens e Turismo S.A. (“Smiles Viagens”).

The Company’s corporate address is located at Praça Comandante Linneu Gomes, s/n, concierge 3, building 24, Jardim Aeroporto, São Paulo, Brazil.

The Company’s shares are traded on the B3 S.A. - Brasil, Bolsa, Balcão (“B3”) and on the New York Stock Exchange (“NYSE”). The Company adopted Level 2 Differentiated Corporate Governance Practices from the B3 and is included in the Special Corporate Governance Stock Index (“IGC”) and the Special Tag Along Stock Index (“ITAG”), which were created for companies committed to apply differentiated corporate governance practices.

GLA is highly sensitive to the economy and also to the U.S. dollar, as approximately 50% of its costs are denominated in U.S. dollar. To overcome the challenges faced throughout 2016, the Company implemented a plan to improve its liquidity and its operating margin. As a result, the Company has been improving its liquidity and ability to respond effectively to the adverse

events caused by the instability of the Brazilian economic scenario. The diligent work performed to adjust the fleet size to the economy growth and match seat supply to demand are some of the ongoing initiatives implemented to maintain a high load factor. The Company will continue to maintain a solid strategy of liquidity initiatives, such as the adjustment of the route network, initiatives to reduce costs and the adjustment of its capital structure.

Moving forward with its liquidity plan, at the end of December 2017, the Company implemented several initiatives to restructure its debt, reducing the financial cost of its debt. The offering of Senior Notes on December 11, 2017 raised US\$500 million, at lower rates, was partially used to amortize the Company's most onerous debt and will significantly reduce the financial cost as from 2018. Other initiatives are scheduled for 2018, reinforcing the Company's commitment to reducing the financial cost in order to promote and solidify its liquidity strategy.

Even in a scenario with an outlook for improvement, the Company is subject to uncertainties in the Brazilian economy and political scenario that may directly impact the effectiveness of the expected results.

Management understands that the business plan prepared, presented and approved by the Board of Directors on January 11, 2018, shows strong elements to continue as going concern.

On July 1, 2017, due to change in the organizational structure, and to generate tax savings from the use of tax losses carryforward, the Company approved a corporate restructuring through the merger of Smiles S.A. and Smiles Fidelidade S.A.. As a result of the merger, Smiles S.A. was dissolved and all its assets, rights and obligations were transferred to Smiles Fidelidade S.A., pursuant to articles 224, 225, 227 and 264 of the Brazilian Corporate Law.

Irregular Payments Investigation

In 2016, the Company received inquiries from Brazilian tax authorities regarding certain payments to firms that turned out to be owned by politically exposed persons in Brazil. Following an internal investigation, the Company engaged U.S. and Brazilian legal counsel to conduct an external independent investigation to ascertain the facts with regard to these and any other payments identified as irregular

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

and to evaluate the adequacy and effectiveness of the Company's internal control and compliance programs in light of the findings of the investigation.

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

The external independent investigation was concluded in April 2017. It revealed that certain additional irregular payments were made to politically exposed persons. None of the amounts paid were material (individually or in the aggregate) in terms of cash flow, and none of our current employees, representatives or members of the board or Management knew of any illegal purpose behind any of the identified transactions or knew of any illicit benefit to the Company arising out of the transactions investigated. The Company reported the conclusions of the investigation to the relevant authorities and will maintain them informed of any developments, as well as collaborate with them in their analysis. These authorities may impose fines and possibly other sanctions on the Company.

The Company continue to take steps to strengthen and expand its internal control and compliance programs. Among other measures, the Company are monitoring its transactions with politically exposed persons, and enhanced its procurement procedures, including the contracting and execution of services by outside providers. The Company have hired specialists to assess risks and review internal controls related to fraud and corruption to identify and help us implement further improvements, and the Company will continue to hire specialists to implement any necessary improvements, as well as systems to monitor its transactions and train its employees.

2. Approval and summary of significant accounting policies applied in preparing the financial statements

The consolidated financial statements were amended in relation to those issued on April 30, 2018 to present additional information (i) on Note 13 to present the total net income (loss) for the year attributable to equity holders of the parent and additional disclosure to clarify that the Company's preferred shares carry economic rights, including dividend rights, 35 times those of common shares; and (ii) to replace the misidentified term "gross profit" to "total net revenue" in the tables presenting net revenue by segment in Note 25.2.

The Company's consolidated financial statements were authorized for issue by Management on May 30, 2018.

2.1. Compliance statement

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2. Basis of preparation

These financial statements were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value and investments measured using the equity method.

The Company's consolidated financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 were prepared based on the going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

Except for Gol Dominicana, which functional currency is U.S. dollar, the Company and its subsidiaries functional currency is the Brazilian Real. The presentation currency of these

consolidated financial statements is the Brazilian Real.

Certain comparative amounts were reclassified to conform to the current year presentation.

F - 11

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Basis of consolidation

The consolidated financial statements comprise Gol Linhas Aéreas Inteligentes S.A., its subsidiaries, jointly controlled and associate, as follows:

Extensions:

| | | | | | | |
|------------------|------------|----------------|----------------------|--------|-------|-------|
| GAC | 03/23/2006 | Cayman Islands | Aircraft acquisition | Direct | 100.0 | 100.0 |
| Gol Finance Inc. | 03/16/2006 | Cayman Islands | Financial funding | Direct | 100.0 | 100.0 |
| Gol Finance | 06/21/2013 | Luxembourg | Financial funding | Direct | 100.0 | 100.0 |

Subsidiaries:

| | | | | | | |
|--------------------|------------|--------------------|-----------------------|----------|-------|-------|
| GLA | 04/09/2007 | Brazil | Flight transportation | Direct | 100.0 | 100.0 |
| Smiles Fidelidade | 08/01/2011 | Brazil | Loyalty program | Direct | 52.7 | 53.8 |
| Smiles Viagens (*) | 08/10/2017 | Brazil | Travel agency | Indirect | 100.0 | - |
| Gol Dominicana | 02/28/2013 | Dominican Republic | Non-operational | Direct | 100.0 | 100.0 |

Jointly controlled:

| | | | | | | |
|----------|------------|--------|-----------------|----------|------|------|
| SCP Trip | 04/27/2012 | Brazil | Flight magazine | Indirect | 60.0 | 60.0 |
|----------|------------|--------|-----------------|----------|------|------|

Associate:

| | | | | | | |
|-----------|------------|--------|-----------------|----------|------|------|
| Netpoints | 11/08/2013 | Brazil | Loyalty program | Indirect | 25.4 | 25.4 |
|-----------|------------|--------|-----------------|----------|------|------|

(*) The entity is a start up.

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

The summary of significant accounting policies adopted by the Company is as follows:

a) Cash and cash equivalents

Cash and cash equivalents include bank deposits and short-term investments with maturities of three months or less (or with no restriction period for redemption) which have high liquidity and are readily convertible into a known amount of cash and have an insignificant risk of change in value.

b) Short-term investments

Short-term investments are represented by financial investments with first-tier financial institutions and include exclusive investment funds.

c) Restricted cash

Restrict cash comprises mainly deposits in guarantee and linked to securities, and short and long term debt.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

d) Trade receivables

Trade receivables are measured based on cost, less allowances for doubtful accounts, which approximate their fair value, due to their short-term nature. An allowance for doubtful accounts is recorded when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable through risk analysis and taking into account the historical analysis of the recovery of arrears. The allowance for doubtful receivables is the difference between the original book value and amount considered recoverable. Provision is made for all accounts overdue for more than 90 days for installment sales, travel and cargo agencies, and 180 days in respect of airline partners. Additionally, in some cases, the Company performs an individual analysis of overdue balances.

e) Inventories

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

f) Financial assets and liabilities

Financial assets

After initial recognition, these are measured in each balance sheet with the pre-defined classification, based on the purposes for which they were acquired or issued, as described below:

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

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

Financial liabilities

- i. Financial liabilities at fair value through profit or loss: include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss, except those designated as hedge instruments. They are remeasured at fair value at every balance sheet date. Interest, inflation adjustment, foreign exchange changes and changes arising from measurement at fair value, when applicable, are recognized in the profit or loss when incurred. The Company classifies under this category derivatives not designated as hedging instruments.

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

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Derivatives: Changes on aircraft fuel, interest rate and foreign expose the Company and its subsidiaries to risks that may affect its financial performance. In order to mitigate these risks, the Company uses financial instruments that may or may not be designated as hedge accounting, and, if designated, are classified as cash flow hedges or fair value hedges.

- **Not designated as hedge accounting:** the Company may use derivative financial instruments as not designated as hedge accounting when the objectives of the risk Management do not require such classification. The non-designated operations have movements in fair value directly recognized in financial results.
- **Designated as cash flow hedge:** hedge the income or expenses from the fluctuations on exchange rates. The effectiveness is based on statistical correlation methods and the ratio between gains and losses on the financial instruments used as hedge, and the cost and expense fluctuation of the hedged items. The instruments are considered as effective when the fluctuation in the value of derivatives offsets between 80% and 125% the impact of the price fluctuation on the cost or expense of the hedged item. The balance of the actual fluctuations in the fair values of the derivatives are classified in equity (under "Other comprehensive income (loss)") and the ineffective gains or losses are recognized in profit or loss (under "Financial results"), until the revenue recognition or hedged expense under the same item of profit or loss in which the item is recognized.

Derecognition: the Company writes off a financial asset only when the contractual rights to the cash flows from the asset expire, or transfers the asset and substantially all the risks and benefits of ownership to a third party. If the Company does not transfer nor retains substantially all the risks and benefits of ownership of the financial asset, but continues to control the transferred asset, the Company recognizes the participation retained and its liabilities on the values that it will have to pay. If the Company retains substantially all the risks and benefits of ownership of the financial asset transferred, the Company continues recognizing this asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Hedge accounting is discontinued prospectively when the Company (i) cancel the hedge operation (ii) the derivative matures or is sold, terminated, or exercised, or (iii) when no longer qualifies as hedge accounting. If the operation is discontinued, any gains or losses previously registered and accumulated in equity in "Other comprehensive income (loss)" until that date are registered on statement of operations as the operation is registered. When the Company expects that the hedge operation will no longer occur, the accumulated and deferred gains or losses in equity are immediately recorded in profit or loss, under the same line that it was initially recorded.

Offsetting of financial instruments: financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

g) Deposits

Aircraft and engine maintenance deposits: refer to payments made in U.S. dollars by the Company to commercial lease companies to be used in future aircraft and engine maintenance work. The realization of these assets occurs substantially by utilization of the deposits to pay the maintenance services and the receipts of funds, according to the negotiations with the lessors. The exchange rate variations arising from payments, net of uses for maintenance, are recognized as an expense or revenue in the financial results. Management performs regular reviews of the recovery of maintenance deposits based on future maintenance events, and believes that the amounts recorded in the consolidated financial position are recoverable.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Certain lease agreements establish that if a maintenance event does not occur, the deposits are not refundable. Any excess amounts retained by the lessor upon termination of the lease agreement are recognized in profit or loss, under "maintenance, materials and repairs".

Additionally, the Company maintains agreements with some lessors under which the deposits have been replaced by letters of credit, which can be executed by the lessor if the aircraft maintenance is not performed as scheduled. Many of the aircraft lease agreements do not require maintenance deposits and are guaranteed with letters of credit. As of December 31, 2017, no letter of credit has been executed.

Deposits in guarantee and collaterals for lease agreements: the deposits in guarantee and collaterals are denominated in U.S. dollars, and are adjusted on a monthly basis for foreign exchange fluctuations, they do not bear interest and are reimbursable to the Company upon termination of the agreements.

h) Leases and sale-leaseback transactions

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee, or meet the following conditions:

- i. the lease transfers ownership of the asset to the lessee at the end of the lease agreement□
- ii. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, is reasonably certain that the option will be exercised□
- iii. the lease term is the most part of the economic asset life, even if the title is not transferred□

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

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

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

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term in "Aircraft leases". Future payments are not recognized in the financial statements but are future commitments undertaken are presented on Note 26.

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

- Immediately recorded in profit or loss when it is clear that the transaction is established at fair value;
- If the sale price is below fair value, any profit or loss is immediately recognized as other (expense) income, however if the loss is compensated by future lease payments at below or above market price (the gains or losses are deferred and amortized in proportion to the lease payments during the period that the assets will be used);
- In the event of the sale price being higher than the fair value of the asset, the value exceeding the fair value is deferred and amortized during the period when the asset is expected to be used. The amortization of the gain is recorded as a reduction in lease expenses.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The amount of deferred losses is recorded as other current or noncurrent assets, and the amount of deferred gains is recorded as other liabilities. The breakdown between short and long-term is based on the lease terms.

If the sale-leaseback transactions results in finance lease, any excess proceeds over the carrying amount shall be deferred and amortized over the lease term. The Company did not enter into any sale-leaseback transaction that resulted in a finance lease during the years ended December 31, 2017, 2016 and 2015.

i) Property, plant and equipment

Property, plant and equipment, including rotatable parts, are recorded at acquisition or construction costs, including interest and other financial charges. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. The estimated useful life for property and equipment, for depreciation purposes, is disclosed in Note 14.

The estimated market value at the end of its useful life is a premise for measuring the residual value of the Company's property, plant and equipment. Except for aircraft with purchase option at the end of the agreements, the other items have no residual value. The residual value and the useful life of assets are reviewed annually and adjusted, if necessary.

The carrying amount of the property, plant and equipment is analyzed in order to verify possible impairment losses when events or changes in circumstances indicate that the book amount is higher than the estimated recoverable amount.

A write-off of a property, plant and equipment item occurs after disposal or when there is no future economic benefits resulting from continued use of the asset. Any gains or losses on property, plant and equipment sales or write-offs are determined by the difference between

the values received in the sale and the asset's book value, and are recognized in the statement of operations.

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

Advances for aircraft acquisition: refer to prepayments made based on the agreements entered into with Boeing for the purchase of Boeing 737-800 Next Generation and 737- MAX aircraft. The advances are recorded by historical exchange rate at the conversion date.

Lease agreements: assets held through finance leases, when the risks and rewards are transferred to the Company, the asset is registered on the balance sheet. At the beginning of the lease agreement, the Company registers the finance lease as asset and the liability at fair value, or, if lower, the present value of the minimum lease payments.

The leased asset is depreciated over the useful life of the asset. However, when it is uncertain that ownership will be transferred to the Company at the end of the lease agreement, the asset is depreciated over its expected useful life or the contractual lease term period, whichever is shorter.

Other engine and aircraft leases are classified as operating leases and lease expense on a straight-line basis on the statement of operations.

Aircraft and engine redelivery expenses: the Company records a provision for future costs to be incurred upon the aircraft return. Such provision is determined based on the the estimated costs to be incurred upon redelivery and the contractual requirements of operating lease agreements as described in Note 14. After initial recognition, the corresponding asset is depreciated on a straight line basis over the terms of the contract.

Capitalization of major engine, aircraft and APU (Auxiliary Power Unit) maintenance expenses: costs on major maintenance (including replacement and labor parts) are capitalized only when there is an extension of the estimated useful life of the aircraft or the engine. Such costs are capitalized and depreciated until the next major maintenance. Incurred costs that do not extend the useful life of the aircraft, the engine or APU's, or related to other components of the aircraft are recognized directly in profit or loss.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

j) Intangible assets

Intangible assets are non-monetary assets without physical properties, which carrying amount of intangible assets with indefinite life is tested for impairment annually or when strong evidence of changes in circumstances indicates that the carrying amount may not be recoverable.

Goodwill: goodwill is annually tested for impairment by comparing the carrying amount of the cash-generating units (GLA and Smiles Fidelidade) with its recoverable amount. Management exercises considerable judgment to assess the impact of operating and macroeconomic changes in order to estimate the future cash flows and measure the recoverable amount of that asset.

Airport operating rights: airport operating rights were acquired as part of the acquisition of GLA and of Webjet (formerly named Webjet Linhas Aéreas S.A.), and were recognized at fair value at the acquisition date and are not amortized. Those rights are considered to have an indefinite useful life due to several factors and considerations, including requirements and necessary permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The carrying value of these rights is evaluated annually as to its recoverable amount or in case of changes in circumstances indicates that carrying values may not be recoverable. No impairment has been recorded until as of the balance sheet date.

Software: The costs related to the acquisition or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period on a straight-line basis in accordance with the software agreement.

k) Income taxes

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

Current income taxes: the provision for income tax and social contribution is based on the taxable income. The provisions for income and social contribution taxes are calculated for each company on a stand alone basis using statutory rates in effect at the end of the year.

Deferred income taxes: deferred income taxes are recognized on temporary differences and net operating losses carryforward at the end of the reporting date between the balances of assets and liabilities recorded in the financial statements and their tax basis used in calculation of taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is not probable that sufficient taxable income will be incurred to allow all or part of the deferred tax asset to be realized.

Deferred tax related to items recognized directly in equity is also recognized in equity. Deferred tax items are recognized in accordance with the transaction that gave rise to the deferred tax, in other comprehensive income (loss) or directly in equity. Deferred tax assets are recognized only if they are expected to be realized.

Net operating losses carryforward are recorded based on the expected future taxable income for each company, in accordance with legal limitations.

The calculation of the expected future taxable income is based on the business plan, and are annually reviewed and approved by the Company's Board of Directors.

l) Provisions

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

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Provision for aircraft return: for aircraft operating leases, the Company is contractually required to return the equipment in a predefined level of operational capability. In these cases, the Company accrues the cost of returning, since these are present obligations arising from past events that will generate future disbursements, whose measurement is made with reasonable assurance. These costs are primarily related to expenses of aircraft reconfiguration (interior and exterior), obtaining licenses and certifications techniques, painting, etc. according to return agreement clauses. The estimated cost is initially recorded at present value and the consideration of the provision for aircraft return is made under "Aircraft reconfigurations/overhauling" of property, plant and equipment (see Note 14). After initial recognition, the asset is depreciated on a straight-line basis and liabilities updated according to the discount rate estimated by the Company with the result shown in financial result. Any changes in the estimated costs to be incurred are recorded prospectively.

Provision for engine return: the provision is estimated based on the minimum contractual conditions that the equipment must have when returned to the lessor, considering the historical costs incurred and the conditions of the equipment at the time of evaluation. These provisions are recorded in profit or loss from the time that the minimum contract requirements are reached and the next maintenance is scheduled for a date later than the date set for the return of the engine. The Company estimated the provision for engine return in accordance with the expenditure that is intended be incurred, and, when the effect of the money value over time is considerate relevant, the provision amount will be the present value of the expenses that are expected to settle the obligation. The agreement maturity will be based on the date that the return of aircraft leased is expected, i.e., or the lease term.

Provision for legal proceedings: Provisions are recorded for all the lawsuits that represent probable loss according to its individual assessment, considering the estimated financial outflow. If the Company expects that some or all of the provision to be reimbursed, the reimbursement is recorded as a separate asset. The expense related to any provision is presented in the statement of operations, net of any reimbursement.

m) Revenue recognition

The passenger revenue is recognized when air transportation services are actually provided to the passenger. Tickets sold but not yet used are recognized as advance ticket sales and correspond to deferred revenue from tickets sold to be transported in a future date, net of tickets that will expire in accordance with the Company's expectations (breakage). Breakage consists of the statistical calculation, on a historical basis, of unused, expired tickets, i.e., passengers to be transported that have a high probability of not flying. The Company periodically records adjusted deferred revenues based on tickets which have actually expired.

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

n) Deferred revenue

The "Smiles Loyalty Program" is designed to retain its customers through the grant of mile credits to its participants. The obligation created by the issuance of miles is measured based on the price that the miles were sold to its airline and non-airline partners, classified by the Company as the fair value of the transaction. The revenue recognition occurs when the miles are redeemed by the Smiles Program participants to exchange the rewards with its partners.

In the consolidated financial statements, the revenue due to exchange of miles from the program and the flight tickets sales is only recognized when the flight transportation is provided.

o) Share-based payments

Stock options: the fair value of stock options granted to executives is estimated at the grant date using the Black-Scholes pricing model and the expense is recognized in profit or loss during the period that the right is acquired (vesting period), based on estimates which granted shares will be acquired, with a corresponding entry in equity.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Restricted shares: the transfer of restricted shares to its beneficiaries is made at the end of three years from the grant date, provided that the recipient has maintained its employment during that period. This transfer takes place through treasury shares, whose value per share is determined by the market price on the date of transfer to the beneficiary. Gains related to differences in the fair value of the share at the grant date and the value on the date of transfer of restricted shares are recorded in equity in capital reserves under "Goodwill on transfer of shares".

The impact of the review of the amounts of the restricted shares or shares to be acquired in comparison with the original estimates, if any, is recognized in profit or loss, such as the cumulative expense reflects the revised estimate, with a corresponding adjustment in equity.

p) Segment information

The Company has two reportable segments, as described below:

Flight transportation: the operations are derived from GLA and consist of air transportation services and the major assets that contribute to the generation of revenues are its aircraft. Other revenues primarily arise from cargo, excess baggage charges and cancellation fares, all directly attributable to flight transportation services.

Smiles loyalty program: the operations in this segment are represented by miles sales transactions to airline and non-airline partners. Under this context, the program management, marketing and rights of redemption of prizes and creating and managing the database of individuals and corporations.

q) Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time that the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are subsequently calculated based on the conversion using the exchange rate at the balance sheet date and differences resulting from the currency calculated based on conversion are recognized in profit or loss in financial results under "Exchange rate variation, net".

r) Main accounting estimates and assumptions adopted

The process of preparing these financial statements often requires that Management adopts assumptions, judgments and estimates that may affect the application of the policies and amounts of assets and liabilities, revenues and expenses. The actual results may differ from the adopted estimates, since such use historical experience and some assumptions that are believed to be appropriate under the circumstances. The reviews of accounting estimates are recognized in the same period in which the assumptions are reviewed and the effects are recognized on a prospective basis.

The estimates and assumptions that have a significant risk of material adjustments on the amounts of assets and liabilities are discussed below:

Impairment of financial assets: the Company estimates any impairment losses at every balance sheet date, or when there are evidences that the carrying amounts may not be recoverable. Problems in repatriation or usage of financial assets in other countries are indicative for impairment tests.

Impairment of non-financial assets: the Company assesses if there are indications of impairment for all non-financial assets at the balance sheet date, or when there is evidence that the carrying amount may not be recoverable. The recoverable values of the cash-generating unit were determined using its value-in-use. The value-in-use is determined based on the assumption of discounted cash flows.

Income taxes: The Company believes that the tax positions taken are reasonable. However, it recognizes that the authorities may question the positions taken which may result in additional liabilities for taxes and interest. The Company recognizes provisions that involve considerable judgment of the management. The provisions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax authorities, additional exposures based on identification of new issues or

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

court decisions affecting a particular tax issue. Actual results can differ from estimates.

Breakage: As part of the process of revenue recognition, flight tickets issued that will not be used and miles issued that will not be redeemed are estimated and recognized as revenue at the moment of the sale and issuance, respectively. These estimates, referred to as breakage, are reviewed annually and are based on historical data of expired flight tickets and expired miles.

Allowance for doubtful accounts: the allowance for doubtful accounts is recorded in the amount considered sufficient by the management in order to cover possible losses on trade receivables arising from receivables, considering the risks involved. The Company periodically evaluates its receivables and, based on historical data, combined with risk analysis per customer, registers the allowance for losses.

Provision for legal proceedings: provisions are recorded for all lawsuits that represent probable losses, according to the loss probability, which includes the assessment of available evidence, including the legal consultants' opinion, internal and external, the proceedings nature and past experiences. Additionally, the provisions are periodically reviewed and the management believes that the provisions recorded are sufficient, based on the probability of loss. However, significant changes in judicial decisions can have significant impacts on the Company's financial statements.

Provision for aircraft return: the Company estimates the provision for aircraft returns considering the costs in accordance with returns conditions agreements as set out in the return conditions in the lease agreements.

Provision for engine return: the Company records the provision for engine return based on an estimate of the agreement obligation of each engine return and recorded in the statement of operations only in the period between the last maintenance and the date of return of the components.

Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are based on observable markets, when possible; however, when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

2.3. New standards, amendments and interpretations

a) Standards issued but not yet effective:

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – “Financial Instruments”, that replaces IAS 39 – “Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing fully comparative information is not compulsory. The adoption of IFRS 9 will not affect the classification and measurement of the Company’s financial assets. One of the main impacts is the measurement of the allowance for doubtful accounts, which will be calculated based on expected credit losses instead of estimated losses. The Company expects a reduction of approximately 30% in estimated losses. Related to the effects on derivatives, the Company expects that the main changes from adoption of IFRS 9 will be related to the documentation of hedging strategy policies.

F - 20

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

IFRS 15 – Revenue from Contracts with Customers

IFRS15 - Revenue from Contracts with Customers was issued in May 2014 and amended in April 2016, and is effective for fiscal years beginning on or after January 1, 2018. IFRS15 presents revenue recognition principles based on a five-step model to be applied to all contracts with customers, in accordance with the entity's performance requirements. The Company will adopt the new standard on the date it becomes effective, as of January 1, 2018, using the full retrospective method. In 2017, the Company carried out an assessment of IFRS 15, which is subject to changes due to more detailed analyses that are still in progress. Among the main challenges for the adoption of IFRS 15, the Company believes that the recognition of the following revenues may change compared with the current accounting:

F - 21

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

a) Passenger revenue arising from codeshare agreements: corresponds to agreements where two or more airlines get into an agreement to provide air transportation services. In transactions when the Company will act as principal, revenue will be recognized based on the gross value of the transaction (price of the ticket to the final customer), and in transactions when the Company will act as agent, revenue will be recognized based on the net value of the transaction (sale price less the amount payable to the other airline). The Company did not identify any impact of the change to this standard on revenue arising from codeshare agreements.

b) Ancillary revenue: comprises all revenue related to air transportation services, such as excess baggage, cancelation fees and refunds, as cancellations, no-show, among others. These revenues were assessed and will be classified as “related to the main service”, and will be recognized only when the air transportation service is incurred. In this regard, the Company concluded its assessment and estimated impacts of approximately R\$14 million as a result of changes to the timing of recognition of revenues and approximately R\$500 million from the reclassification of revenues from “Other revenue” to “Passenger revenue”.

c) Breakage revenue: comprises the expectation of mileage and tickets that are not likely to be used by the customer. To recognize these revenues, the Company uses analysis tools and statistical data that allow the estimate to be calculated with a reasonable level of certainty. Given the standard’s specific requirements regarding this, the Company concluded that its methodologies are in compliance with IFRS 15.

d) Mileage program: Presentation as agent: the main impact refers to the presentation of gross revenue with redemption of premiums net of their respective costs. Mileage valuation: there are no impacts resulting from the mileage valuation, since they are priced based on the sales value, considering that the Smiles Mileage Program operates independently. As a consequence, there is no change in the valuation of the tickets that are originated from the redemption of the mileage program.

IFRS 16 – Leases

IFRS 16 was issued in January 2016, and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Lease-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets the principles for recognition, measurement, presentation and disclosure of leases and require lessors to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. IFRS 16 requires that, for the majority of leases, the lessor records an asset related to the right of use of the leased item, and a liability related to the lease. The Company has 88 aircraft leased as operational leases of the total of 119 aircraft, and the adoption of this standard will have a material impact on the Company, with the potential increase in the assets corresponding to the right of use of the leased item and liabilities related to the leases, which will be recorded in the statements of financial position as from the adoption date.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, and intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration received or paid in a foreign currency. The Company does not expect this interpretation to have significant impacts, as transactions with these characteristics already comply with this interpretation.

IFRIC 23 – Uncertainty over Income Tax Treatment

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that

F - 22

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, and the Company does not expect significant impacts from the adoption of this interpretation.

IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 – Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of an share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and the other criteria are met. The amendments are effective for annual periods beginning on January 1, 2018, and early application is permitted. The Company does not expect significant impacts from the adoption of these amendments on its consolidated financial statements.

b) Annual improvements – Applicable to annual periods beginning on or after January 1, 2017:

Amendments to IFRS 12 – Disclosure of Interests in other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Company's consolidated financial statements.

Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify on the recognition requirements of deferred tax assets for unrealized losses and the method to assess the existence of probable future taxable income against which the deductible temporary differences can be utilized. These amendments did not affect the Company's consolidated financial statements.

Amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for both the current and the comparative periods in Note 28.

There are no other standards and interpretations issued but not yet adopted that, in Management's opinion, have a significant impact on the Company's results or equity.

F - 23

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

3. Cash and cash equivalents

| | | |
|------------------------|------------------|----------------|
| Cash and bank deposits | 427,608 | 246,528 |
| Cash equivalents | 599,254 | 315,679 |
| Total | 1,026,862 | 562,207 |

The breakdown of cash equivalents is as follows:

| | | |
|------------------|----------------|----------------|
| Private bonds | 164,959 | 45,882 |
| Government bonds | 14,039 | - |
| Investment funds | 420,256 | 269,797 |
| Total | 599,254 | 315,679 |

As of December 31, 2017, the private bonds were comprised by buy-back transactions and Bank Deposit Certificates - "CDBs", remunerated at a weighted average rate equivalent to 77.6% (52.2% as of December 31, 2016) of the Interbank Deposit Certificate rate ("CDI").

Government bonds were primarily represented by LFT, remunerated at a weighted average rate of 116.3% of the CDI rate.

The investment funds classified as cash equivalents have high liquidity and, according to the Company's assessment, are readily convertible to a known amount of cash with insignificant risk of change in value. As of December 31, 2017, investment funds were remunerated at a weighted average rate equivalent to 99.8% (91.3% as of December 31, 2016) of the CDI rate.

4. Short-term investments

| | | |
|------------------|----------------|----------------|
| Private bonds | 731,061 | 77,080 |
| Government bonds | 32,701 | 41,104 |
| Investment funds | 191,827 | 313,049 |
| Total | 955,589 | 431,233 |

As of December 31, 2017, private bonds were represented by time deposits and debentures, with first-tier financial institutions, remunerated at a weighted average rate equivalent to 98% of the CDI rate (38% as of December 31, 2016, mainly represented by time deposits and short-term investments with first-tier financial institutions).

Government bonds were primarily represented by LFT and LTN, remunerated at a weighted average rate of 107.7% (102.3% as of December 31, 2016) of the CDI rate.

Investment funds include private funds and bonds remunerated at a weighted average rate of 98.9% (101.0% as of December 31, 2016) of the CDI rate, the value may be subject to significant changes before redemption or maturity.

5. Restricted cash

| | | |
|---|----------------|----------------|
| Deposits in guarantee of letter of credit | 60,423 | 15,721 |
| Escrow deposits (a) | 71,110 | 67,345 |
| Escrow deposits - Leases (b) | 116,131 | 78,015 |
| Other deposits (c) | 20,383 | 7,688 |
| Total | 268,047 | 168,769 |

(a) Includes R\$32,120 related to a contractual guarantee for the Supreme Court of Justice - STJ related to PIS and COFINS on interest attributable to shareholders' equity paid to GLAI as described in Note 21. The other amounts relate to guarantees of GLA letters of credit.

(b) Related to deposits made to obtain letters of credit for aircraft operating leases from GLA.

(c) Related mainly to bank guarantees.

F - 24

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

6. Trade receivables

Local currency

| | | |
|-----------------------------|----------------|----------------|
| Credit card administrators | 454,975 | 345,798 |
| Travel agencies | 307,149 | 228,089 |
| Cargo agencies | 39,225 | 41,926 |
| Airline partner companies | 3,780 | 4,153 |
| Other | 43,871 | 66,774 |
| Total local currency | 849,000 | 686,740 |

Foreign currency

| | | |
|-------------------------------|----------------|----------------|
| Credit card administrators | 67,479 | 49,104 |
| Travel agencies | 9,829 | 16,323 |
| Cargo agencies | 823 | 2,215 |
| Airline partner companies | 47,662 | 31,200 |
| Other | 366 | 8,837 |
| Total foreign currency | 126,159 | 107,679 |

| | | |
|--------------|----------------|----------------|
| Total | 975,159 | 794,419 |
|--------------|----------------|----------------|

| | | |
|---------------------------------|----------|----------|
| Allowance for doubtful accounts | (38,681) | (34,182) |
|---------------------------------|----------|----------|

| | | |
|--------------------------------|----------------|----------------|
| Total trade receivables | 936,478 | 760,237 |
|--------------------------------|----------------|----------------|

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The aging list of trade receivables, net of allowance for doubtful accounts, is as follows:

Not yet due

| | | |
|--------------------------|----------------|----------------|
| Until 30 days | 594,968 | 348,168 |
| 31 to 60 days | 133,438 | 151,186 |
| 61 to 90 days | 44,642 | 66,925 |
| 91 to 180 days | 71,116 | 86,652 |
| 181 to 360 days | 26,541 | 11,147 |
| Above 360 days | 241 | 239 |
| Total not yet due | 870,946 | 664,317 |

Overdue

| | | |
|----------------------|---------------|---------------|
| Until 30 days | 21,686 | 19,117 |
| 31 to 60 days | 8,338 | 5,623 |
| 61 to 90 days | 3,559 | 10,915 |
| 91 to 180 days | 15,620 | 22,648 |
| 181 to 360 days | 8,059 | 20,609 |
| Above 360 days | 8,270 | 17,008 |
| Total overdue | 65,532 | 95,920 |

| | | |
|--------------|----------------|----------------|
| Total | 936,478 | 760,237 |
|--------------|----------------|----------------|

The changes in allowance for doubtful accounts are as follows:

| | | |
|---|-----------------|-----------------|
| Balance at the beginning of the year | (34,182) | (50,389) |
| Additions | (24,913) | (9,806) |
| Unrecoverable amounts | 17,649 | 16,250 |
| Recoveries | 2,765 | 9,763 |
| Balance at the end of the year | (38,681) | (34,182) |

7. Inventories

| | | |
|---------------------------------|----------------|----------------|
| Consumables | 28,006 | 27,281 |
| Parts and maintenance materials | 162,409 | 160,884 |
| Other | 585 | 6,867 |
| Provision for obsolescence | (12,509) | (12,444) |
| Total | 178,491 | 182,588 |

The changes in provision for obsolescence are as follows:

| | | |
|--|-----------------|-----------------|
| Balances at the beginning of the year | (12,444) | (12,444) |
| Additions | (3,059) | - |
| Write-off | 2,994 | - |
| Balances at the end of the year | (12,509) | (12,444) |

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

8. Deferred and recoverable taxes

8.1. Recoverable taxes

| | | |
|--|---------------|---------------|
| Prepaid and recoverable income taxes | 66,786 | 51,215 |
| Withholding income tax (IRRF) (a) | 7,308 | 9,601 |
| PIS and COFINS (b) | 408 | 16,908 |
| Withholding tax of public institutions | 6,127 | 8,130 |
| Value added tax – IVA (c) | 5,431 | 12,044 |
| Other | 4,195 | 1,449 |
| Total | 90,255 | 99,347 |
| Current assets | 83,210 | 27,287 |
| Noncurrent assets | 7,045 | 72,060 |

(a) IRRF: withholding income tax levied on financial income from financial investments.

(b) Contributions to Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS).

(c) IVA: Value added tax on sales of goods and services abroad.

8.2. Deferred tax assets (liabilities) – Noncurrent

| | | |
|--|---------|-------|
| Net operating losses carryforward | | |
| Income tax losses | 129,316 | 9,149 |
| Negative basis of social contribution | 46,555 | 3,294 |

Temporary differences:

| | | |
|--|---------------|------------------|
| Mileage program | - | 9 |
| Allowance for doubtful accounts and other credits | 63,585 | 13,823 |
| Provision for losses on GLA's acquisition | 143,350 | 143,350 |
| Provision for legal proceedings and tax liabilities | 83,263 | 17,487 |
| Aircraft return | 68,438 | 32,515 |
| Derivative transactions | 9,603 | 1,635 |
| Tax benefit due to goodwill incorporation (*) | 14,588 | 29,177 |
| Flight rights | (353,226) | (353,226) |
| Depreciation of engines and parts for aircraft maintenance | (167,913) | (148,581) |
| Reversal of goodwill amortization on GLA's acquisition | (127,659) | (127,659) |
| Aircraft leases | 34,660 | 30,589 |
| Other | 143,949 | 117,577 |
| Total deferred taxes, net | 88,509 | (230,861) |
| Deferred tax assets – noncurrent | 276,514 | 107,159 |
| Deferred tax liabilities – noncurrent | (188,005) | (338,020) |

(*) Related to the tax benefit from the reverse merger of G.A. Smiles Participações S.A. by Smiles S.A. Under the terms of the current tax legislation, the goodwill amortization for tax purposes will be a deductible expense on the taxable income calculation.

The Company, GLA and Smiles have net operating losses carryforward, comprised of accumulated income tax losses and negative basis of social contribution. The net operating losses carryforward do not expire; however, their compensation is limited to 30% of the annual taxable income. Net operating losses carryforward are as follows:

| | | | | | | |
|---------------------------------------|---------|---------|-----------|-----------|---------|---------|
| Income tax losses | 172,547 | 190,125 | 4,134,099 | 3,971,845 | 758,289 | 867,403 |
| Negative basis of social contribution | 172,547 | 190,125 | 4,134,099 | 3,971,845 | 758,289 | 867,403 |

As of December 31, 2017, the tax credits from tax losses carryforward were recorded based on the reasonably expected generation of future taxable income of GLAI and its subsidiaries, subject to legal limitations. The determination of the expected future taxable income were prepared based on the

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

business plan approved by the Board of Directors on January 11, 2018.

The Company's Management considers that the deferred assets recognized as of December 31, 2017 arising from temporary differences will be realized in connection with the realization of the deferred tax liabilities and the expectation of future results.

The analysis of the realization of deferred tax assets was prepared on a company basis, as follows:

GLAI: the Company has tax credits of R\$62,548, of which R\$58,666 is related to net operating losses carryforward and R\$3,882 is related to temporary differences, with realization supported by the Company's long-term plan. However, for the year ended December 31, 2017, the Company reassessed its projections and did not recognize deferred tax assets for the amount of R\$34,845 related to net operating losses carryforward.

GLA: GLA has tax credits on net operating losses carryforward of R\$1,405,594. In view of recent events on the political scenario in Brazil, instability of the economic environment, fluctuations in the U.S. dollar exchange rate and other variables that can affect the projections of future results, as well as the history of losses in recent years, GLA has not recorded the recognition of total tax credits on net operating losses carryforward. On March 10 and September 19, 2017, the Company entered into the Brazilian Tax Regularization Program ("PRT") and the Special Tax Regularization Program ("PERT"), respectively, which allowed the partial settlement of tax contingencies with tax loss carryforwards, see Note 18. As a result, the Company used tax losses carryforward of R\$225,005, which was recorded in the statement of operations for the year. Additionally, the Company analyzed the realization of deferred tax assets on temporary differences and limited the recognition based on the expected realization of deferred tax liabilities on temporary differences. As a result, the Company did not recognize the net amount of R\$163,416 of deferred tax assets on temporary differences.

Smiles Fidelidade: As of July 1, 2017, Smiles S.A. was incorporated by Smiles Fidelidade S.A. and, based on the projections of future taxable income, recognized a deferred tax asset on tax losses carryforward of R\$193,020. The amount was recorded based on the expected generation of future taxable income of Smiles Fidelidade.

The reconciliation of the income taxes in profit or loss for the years ended December 31, 2017, 2016 and 2015 is as follows:

F - 28

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | | | |
|--|-----------------|------------------|------------------|
| Income (loss) before income taxes | 70,996 | 1,361,422 | (3,447,100) |
| Income tax and social contribution tax rate | 34% | 34% | 34% |
| Income at the statutory combined tax rate | (24,139) | (462,883) | 1,172,014 |

Adjustments to calculate the effective tax rate:

| | | | |
|---|----------------|------------------|------------------|
| Equity results | 185 | (435) | (1,340) |
| Tax income (losses) from wholly-owned subsidiaries | (106,533) | 56,239 | (83,702) |
| Income tax on permanent differences and other | (14,012) | 3,803 | 1,920 |
| Nontaxable revenues (nondeductible expenses), net | (51,572) | (41,913) | (111,828) |
| Exchange variation on foreign investments | (20,225) | 242,190 | (502,938) |
| Interest attributable to shareholders' equity | 4,817 | 3,543 | 4,673 |
| Benefit on tax losses and temporary differences constituted (not constituted) | 291,002 | (59,602) | (1,322,939) |
| Use of tax losses in tax installment payment programs(*) | 227,690 | - | - |
| Total income taxes | 307,213 | (259,058) | (844,140) |

Income taxes

| | | | |
|---------------------------|----------------|------------------|------------------|
| Current | (239,846) | (257,944) | (196,140) |
| Deferred | 547,059 | (1,114) | (648,800) |
| Total income taxes | 307,213 | (259,058) | (844,140) |

(*) Amount used to reduce by 76% of tax obligation from the PRT/PERT. For further information, see Note 18.

9. Deposits

| | | |
|--|------------------|------------------|
| Judicial deposits (a) | 508,515 | 432,182 |
| Maintenance deposits (b) | 484,565 | 584,149 |
| Deposits in guarantee for lease agreements (c) | 170,679 | 172,661 |
| Total | 1,163,759 | 1,188,992 |

(a) Judicial deposits

Judicial deposits and escrow accounts represent guarantees of lawsuits related to tax, civil and labor claims deposited in escrow until the resolution of the related claims. Part of the amount in escrow accounts is related to civil and labor claims arising from the succession orders on claims against Varig S.A. and proceedings filed by employees that are not related to the Company or any related party (third-party claims). As the Company is not correctly classified as the defendant of these lawsuits, whenever such blockages occur, the exclusion of such is requested in order to release the resources. As of December 31, 2017, the blocked amounts regarding Varig S.A.'s succession lawsuits and third-party lawsuits were R\$108,860 and R\$74,300, respectively (R\$101,352 and R\$77,695 as of December 31, 2016, respectively).

(b) Maintenance deposits

The Company made deposits in U.S. dollars for maintenance of aircraft and engines that will be used in future events as set forth in some lease contracts.

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

The Company has two categories of maintenance deposits:

i. Maintenance guarantee: related to individual deposits refundable at the end of the agreement, which may also be used in maintenance events, depending on negotiations with lessors. The balance as of December 31, 2017 was R\$218,361 (R\$336,318 as of December 31, 2016).

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

ii. Maintenance reserve: related to amounts paid monthly based on the utilization of aircraft components, which may be used in maintenance events, according to the lease agreement. As of December 31, 2017, the balance of this reserve was R\$266,204 (R\$247,831 as of December 31, 2016).

(c) Deposits in guarantee for lease agreements

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

10. Transactions with related parties

10.1. Transportation and consulting services with entities controlled by the controlling shareholder

All agreements related to transportation and consulting services are held by GLA. The related parties for these services are listed below, together with the object of the agreements and their main contractual conditions:

Viação Piracicabana Ltda.: provides airport shuttle services for passengers, luggage and employees. As of July 1, 2017, an Assignment Agreement was entered into between Breda Transportes e Serviços S.A. (“assignor”) and Viação Piracicabana Ltda. (“assignee”), through which the assignee will be responsible for the rights and obligations as of the execution of the Assignment Agreement. The agreement expires on November 6, 2018.

Expresso União: provides transportation to employees, and the agreement expires on April 2, 2018.

Pax Participações S.A.: provides consulting and advisory services, and the agreement has no expiration date.

Aller Participações: provides consulting and advisory services, and the agreement has no expiration date.

Limmat Participações S.A.: provides consulting and advisory services, and the agreement has no expiration date.

For the year ended December 31, 2017, GLA recognized total expenses related to these services of R\$8,583 (R\$13,013 and R\$16,106 for the years ended December 31, 2016 and 2015, respectively). As of December 31, 2017, the balance payable to the related parties was R\$769 (R\$800 as of December 31, 2016), and was mainly related to services provided by Breda Transportes e Serviços S.A. and Viação Piracicabana Ltda.

10.2. Contracts account opening UATP (“Universal Air Transportation Plan”) to grant credit limit

In September 2011, GLA entered into agreements with the related parties Empresa de Ônibus Pássaro Marron S.A., Viação Piracicabana Ltda., Thurgau Participações S.A., Comporte Participações S.A., Quality Bus Comércio De Veículos Ltda., Empresa Princesa Do Norte S.A., Expresso União Ltda., Breda Transporte e Serviços S.A., Oeste Sul Empreendimentos Imobiliários S.A. Spe., Empresa Cruz De Transportes Ltda., Expresso Maringá do Vale S.A., Glarus Serviços Tecnologia e Participações S.A., Expresso Itamarati S.A., Transporte Coletivo Cidade Canção Ltda., Limmat Participações S.A., Turb Transporte Urbano S.A., Vaud Participações S.A., Aller Participações S.A. and BR Mobilidade Baixada Santista S.A. SPE, all with no expiration date, whose purpose is to issue credits to purchase airline tickets issued by the Company. The UATP account (virtual card) is accepted as a payment method on the purchase of airline tickets and related services, seeking to simplify billing and facilitate payment between the participating companies.

10.3. Agreement to use VIP lounge

On April 9, 2012, the Company entered into an agreement with Delta Air Lines Inc. (“Delta Air Lines”) for the mutual use of VIP lounge, with expected payments of US\$20 per passenger. On August 30, 2016, the companies signed an amendment of the agreement establishing a prepayment for the use of VIP lounge in the amount of US\$3 million. As of December 31, 2017, the

F - 30

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

outstanding balance was R\$6,779.

10.4. Maintenance and financing contract for parts and engine maintenance

In 2010, GLA entered into an engine maintenance service agreement with Delta Air Lines. The maintenance agreement was renewed on December 22, 2016 and will expire on December 31, 2020.

On January 31, 2017, GLA entered into a loan agreement with Delta Air Lines in the amount of US\$50 million, with a maturity date on December 31, 2020, with a refund obligation to be performed by the Company, GLA and Gol Finance, pursuant to the refund agreement entered into on August 19, 2015, with a guarantee granted by the Company to GAC. Under the terms of this agreement, the Company holds flexible payment maturities regarding engine maintenance services, through a credit limit available.

During the year ended December 31, 2017, the maintenance expenses performed by Delta Air Lines was R\$403,195 (R\$210,220 and R\$307,658 for the years ended December 31, 2016 and 2015, respectively). As of December 31, 2017, the balance payable for engine maintenance recorded in "Suppliers" was R\$372,511 (R\$201,170 as of December 31, 2016).

F - 31

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

10.5. Term loan guarantee

On August 31, 2015, Delta guaranteed a US\$300 million Term Loan borrowed by Gol Finance through Morgan Stanley, with a term of 5 years. The Term Loan bears an effective interest rate of 6.70% per annum, payable semi-annually. For additional information, see Note 16.

10.6. Strategic business partnership agreement

On February 19, 2014, the Company signed a long term strategic partnership for commercial cooperation agreement with Air France-KLM with the purpose of sales activities improvements and codeshare expansion and mileage programs benefits between the companies for the customers in the Brazilian and European markets.

The agreement provides for the incentive investment in the Company in the amount of R\$112,152, fully received by the Company. The agreement will mature within 5 years and the installments will be amortized on a monthly basis. As of December 31, 2017, the Company has deferred revenue in the amount of R\$20,557 and R\$3,426 recorded in "Other liabilities" in the current and noncurrent liabilities, respectively (R\$22,430 and R\$26,169 as of December 31, 2016, in the current and noncurrent liabilities, respectively).

On January 1, 2017, the Company entered into an agreement with Air France – KLM to expand our strategic partnership by means of a credit line granted to us for the financing of maintenance payments. As of December 31, 2017, the Company had a balance of R\$157,264 recorded under "Suppliers".

10.7. Agreements with Smiles

Operating agreement: The operating agreement determines commercial and operational relations between the Company, GLA and Smiles, as well as exclusiveness characteristics related to the Smiles Program. The 20-year operating agreement will be automatically renewed for successive five-year periods if neither party objects at least two years prior to its expiration. If a party is given notice of non-renewal, it may terminate the agreement early by providing written notification to the other party six months prior to the termination date

Back office services agreement: On December 28, 2012, GLA entered into a back office services agreement with Smiles, that contains the terms, conditions and levels of certain services in connection with back office activities including controllership, accounting, internal controls and auditing, finance, information technology, call center, inventory and legal matters. The three-year Back Office Services Agreement is automatically renewed for successive three-year periods if neither party objects 12 months prior to its expiration. Smiles may terminate portions of the Back Office Services Agreement at any time by providing prior written notice to GLA.

Main miles and tickets purchase agreement: this agreement sets the prices and the terms and conditions for the purchase of miles and sales of tickets.

Advance airline ticket purchase agreement: on February 26, 2016, GLA entered into a miles and tickets purchase agreement with Smiles, totaling up to R\$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. In 2016 and 2017, Smiles disbursed the total amount of the agreement, of which R\$760 million in 2016 and R\$ 240 million in 2017. On April 5, 2017, the Company entered into the first amendment to the advance ticket purchase agreement for the acquisition of new credits in the amount of R\$480 million, which will be paid in installments to be agreed upon by the parties. In 2017, the Company paid R\$280 million related to this first amendment

All the balances and transactions between the Company, GLA and Smiles were eliminated in the consolidated financial statements.

10.8. Remuneration of key management personnel

| | | | |
|---------------------------|---------------|---------------|---------------|
| Salaries and benefits (*) | 57,838 | 38,134 | 28,700 |
| Related taxes and charges | 6,019 | 4,690 | 5,352 |
| Share-based payments | 11,219 | 11,226 | 10,469 |
| Total | 75,076 | 54,050 | 44,521 |

(*) Includes the Board of Directors' and Audit Committee's compensation.

As of and for the years ended December 31, 2017, 2016 and 2015, the Company did not offer post-employment benefits, and there were no severance benefits or other long-term benefits for the management and other employees. Specific benefits can be provided to the Company's key management personnel, limited to a short-term period.

11. Share-based payments

The Company has two share-based payment plans offered to its management personnel: the Stock Option Plan and the Restricted Share Plan. Both plans stimulate and promote the alignment of the Company's goals with management and employees, mitigate risks for the Company resulting from the loss of executives and strengthen the productivity and commitment of these executives to long-term results.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

11.1. Stock options plan - GLAI

The beneficiaries of the Company's stock option plan are allowed to purchase shares at the price agreed on the grant date after three years from the grant date, provided that they maintain their employment relationship up to the end of this period.

The stock options vest 20% as from the first year, an additional 30% as from the second year, and the remaining 50% as from the third year. All stock options may also be exercised within 10 years after the grant date. For stock options granted, the expected volatility of the options is based on the historical volatility of 252 working days of the Company's shares traded on the B3.

| | | | | | | | | |
|--------------|----------------|-------------------|------------------|-------------|--------------|--------|-------|--------|
| 2009 (a) | 02/04/2009 | 1,142,473 | 149,000 | 10.52 | 8.53 | 76.91% | - | 12.66% |
| 2010 (b) | 02/02/2010 | 2,774,640 | 796,872 | 20.65 | 16.81 | 77.95% | 2.73% | 8.65% |
| | 201112/20/2010 | 2,722,444 | 538,915 | 27.83 | 16.07 (c) | 44.55% | 0.47% | 10.25% |
| | 201210/19/2012 | 778,912 | 392,895 | 12.81 | 15.32 (d) | 52.25% | 2.26% | 9.00% |
| | 201305/13/2013 | 802,296 | 437,315 | 12.76 | 6.54 (e) | 46.91% | 2.00% | 7.50% |
| | 201408/12/2014 | 653,130 | 392,042 | 11.31 | 7.98 (f) | 52.66% | 3.27% | 11.00% |
| | 201508/11/2015 | 1,930,844 | 1,323,567 | 9.35 | 3.37 (g) | 55.57% | 5.06% | 13.25% |
| | 201609/30/2016 | 5,742,732 | 4,237,873 | 2.62 | 1.24 (h) | 98.20% | 6.59% | 14.25% |
| | 201708/08/2017 | 947,767 | 771,814 | 8.44 | 7.91 (i) | 80.62% | 1.17% | 11.25% |
| Total | | 17,495,238 | 9,040,293 | 8.63 | | | | |

- (a) In April 2010, an additional grant of 216,673 shares referring to the 2009 plan was approved.
- (b) In April 2010, an additional grant of 101,894 shares referring to the 2010 plan was approved.
- (c) The fair value is calculated by the average value from R\$16.92, R\$16.11 and R\$15.17 for the respective vesting periods (2011, 2012 and 2013).
- (d) The fair value is calculated by the average value from R\$6.04, R\$5.35 and R\$4.56 for the respective vesting periods (2012, 2013 and 2014).
- (e) The fair value is calculated by the average value from R\$7.34, R\$6.58 and R\$5.71 for the respective vesting periods (2013, 2014 and 2015).
- (f) The fair value is calculated by the average value from R\$8.20, R\$7.89 and R\$7.85 for the respective vesting periods (2014, 2015 and 2016).
- (g) The fair value is calculated by the average value from R\$3.61, R\$3.30 and R\$3.19 for the respective vesting periods (2015, 2016 and 2017).
- (h) On July 27, 2016, an additional grant of 900,000 shares related to the 2016 plan was approved. The fair value was calculated by the average value from R\$1.29, R\$1.21 and R\$1.22 for the respective vesting periods (2017, 2018 and 2019).
- (i) The fair value is calculated by the average value from R\$8.12, R\$7.88 and R\$7.72 for the respective periods of vesting (2017, 2018 and 2019).

The movement in the stock options outstanding for the year ended December 31, 2017 is as follows:

| | | |
|--|------------------|-------------|
| Options outstanding as of December 31, 2016 | 8,992,055 | 9.14 |
| Options granted | 947,767 | 8.44 |
| Options cancelled and adjustments in estimated prescribed rights | (422,763) | 22.37 |
| Options exercised | (476,766) | 5.65 |
| Options outstanding as of December 31, 2017 | 9,040,293 | 8.63 |
| Number of options exercisable as of: | | |
| December 31, 2016 | 6,214,124 | 13.66 |
| December 31, 2017 | 7,307,151 | 9.59 |

11.2. Restricted share plan - GLAI

The Company's restricted share plan was approved at the Extraordinary Shareholders' Meeting of October 19, 2012, and the first grant was approved at the Board of Directors' Meeting of November 13, 2012.

| | | | | |
|--------------|------------|------------------|------------------|-------|
| 2014 | 08/13/2014 | 804,073 | - | 11.31 |
| 2015 | 04/30/2015 | 1,207,037 | 875,923 | 9.35 |
| 2016 | 09/30/2016 | 4,007,081 | 3,137,373 | 2.62 |
| 2017 | 08/08/2017 | 1,538,213 | 1,283,895 | 8.44 |
| Total | | 7,556,404 | 5,297,191 | |

F - 33

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The movement in the restricted shares for the year ended December 31, 2017 is as follows:

| | |
|---|------------------|
| Restricted shares outstanding as of December 31, 2016 | 4,609,256 |
| Restricted shares granted | 1,538,213 |
| Restricted shares cancelled and adjustments in estimated expired rights | (235,097) |
| Restricted shares transferred (*) | (615,181) |
| Restricted shares outstanding as of December 31, 2017 | 5,297,191 |

(*) The restricted shares transferred totaled R\$6,566.

11.3. Stock option plan – Smiles Fidelidade

The beneficiaries of the Smiles Fidelidade's stock option plan are allowed to purchase shares at the price agreed on the grant date after three years from the grant date, provided that they maintain their employment relationship up to the end of this period.

The stock options vest 20% as from the first year, an additional 30% as from the second year, and the remaining 50% as from the third year. All stock options may also be exercised within 10 years after the grant date. For stock options granted, the expected volatility of the options is based on the historical volatility of 252 working days of the Smiles' shares traded on the B3.

| | | | | | | | |
|----------------|------------------|----------------|-------|----------|--------|--------|-------|
| 201308/08/2013 | 1,058,043 | 54,003 | 21.70 | 4.25 (a) | 36.35% | 6.96% | 7.40% |
| 201402/04/2014 | 1,150,000 | 199,050 | 31.28 | 4.90 (b) | 33.25% | 10.67% | 9.90% |
| Total | 2,208,043 | 253,053 | | | | | |

(a) The fair value is calculated by average value from R\$4.84 and R\$4.20 for the vesting periods in 2013 and 2014, and R\$3.73 for the vesting periods in 2015 and 2016.

(b) The fair value is calculated by average value from R\$4.35, R\$4.63, R\$4.90, R\$5.15 and R\$5.37 for the respective vesting periods from 2014 to 2018.

The movement of the stock options outstanding for the year ended December 31, 2017 is as follows:

| | | |
|--|----------------|--------------|
| Options outstanding as of December 31, 2016 | 483,053 | 30.21 |
| Options exercised | (230,000) | 16.45 |
| Options outstanding as of December 31, 2017 | 253,053 | 29.24 |

For the years ended December 31, 2017, 2016 and 2015, the Company recorded in equity a result from share-based payments of R\$11,956, R\$12,658 and R\$13,516, respectively, attributable to equity holders of the parent, and R\$192, R\$413 and R\$836, respectively, related to non-controlling interests, for the plans presented above, with a corresponding entry in profit or loss in Salaries.

12. Investments

The amount of the investments is related to: i) 25.4% of the capital of Netpoints Fidelidade S.A., held by Smiles Fidelidade, and ii) SCP Trip, held by GLA. Both investments are accounted for under the equity method.

The financial information of the Company's investees and the changes in the investments balance for the years ended December 31, 2017 and 2016 are as follows:

**Relevant information of the
Company's investees:**

| | | | | |
|---|--------|-------|-------------|-------------|
| Total number of shares | - | - | 130,492,408 | 130,492,408 |
| Capital stock | 1,318 | 2,083 | 75,351 | 75,351 |
| Interest | 60.00% | 60.0% | 25.4% | 25.4% |
| Total equity (deficit) | 2,225 | 3,395 | (22,997) | (14,991) |
| Goodwill on investment acquisition | - | - | - | 15,184 |
| Adjusted equity (a) | 1,333 | 2,038 | - | - |
| Net income (loss) for the year | 907 | 2,081 | (9,344) | (29,050) |
| Adjusted net income (loss) for the year attributable to the Company's interest (a) | 544 | 1,250 | - | (2,530) |

F - 34

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | | | |
|---|--------------|---------------|---------------|
| Balances as of December 31, 2015 | 2,781 | 15,643 | 18,424 |
| Equity results | 1,250 | (2,530) | (1,280) |
| Capital increase | - | 3,439 | 3,439 |
| Loss on capital increase (b) | - | (1,368) | (1,368) |
| Dividends | (1,993) | - | (1,993) |
| Balances as of December 31, 2016 | 2,038 | 15,184 | 17,222 |
| Equity results | 544 | - | 544 |
| Write-off of Netpoints goodwill | - | (15,184) | (15,184) |
| Dividends | (1,249) | - | (1,249) |
| Balance as of December 31, 2017 | 1,333 | - | 1,333 |

(a) Reflects the Company's interest on the total equity and net income (loss) of the respective investee.

(b) In September 2016, the Board of Directors of Smiles approved the subscription of the capital increase of its associated Netpoints through the issuance of 20,230,201 new shares. Accordingly, the interest in Netpoints from Smiles increased from 21.3% to 25.4%.

Partial disposal of equity interest – Smiles S.A.

On June 26, 2017, the Company sold 1,250,000 shares of Smiles S.A. through a stock auction totaling R\$76,313. With this sale, the Company reduced its interest in Smiles from 53.8% to 52.7%, while maintaining its position as controlling shareholder. The gain from this partial sale of investment was recorded under equity as "Sale of interest in subsidiary". The amounts related to this transaction are as follows:

| | |
|---|---------------|
| Shares sold | 1,250,000 |
| Value per share | 61.05 |
| Sale value | 76,313 |
| Investment value | (4,863) |
| Income taxes on gain on capital decrease (*) | (8,150) |
| Gain from capital decrease in investment in subsidiary | 63,300 |

(*) Refers to the income and social contribution taxes on the transaction.

F - 35

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

13. Earnings (loss) per share

Although there are differences between common and preferred shares in terms of voting rights and priority in case of liquidation, the Company's preferred shares are not entitled to receive any fixed dividends. The Company's preferred shares carry economic rights, including dividend rights, 35 times those of common shares. Accordingly, net income (loss) for the year attributable to equity holders of the parent is allocated in proportion to equity holders' interest in common shares and preferred shares.

Consequently, earnings (loss) per share is calculated by dividing the net income or loss by the weighted average number of all classes of shares outstanding during the period.

Diluted earnings or loss per share are computed including stock options granted to key management and employees using the treasury shares method when the effect is dilutive. The Company has only the stock option plan in the category of potentially dilutive shares, as Note 11. For the years ended December 31, 2017, 2016 and 2015, only the stock option plan granted in 2016 had exercise prices higher than the accumulated market average price (in the money) and, therefore, has a dilutive effect. The other plans presented exercise prices lower than the average of the accumulated market prices (out of money), and have antidilutive effect, so were not considered for the diluted earnings per share.

The antidilutive effect of all potential shares is disregarded in calculating diluted earnings or loss per share.

The following table sets forth net income (loss) for the year attributable to equity holders of the parent for the periods indicated:

Numerator

Net income
(loss) for
the year
attributable
to equity
holders of
the parent

| | | | | | | | | |
|--------------|---------------|---------------|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| 7,869 | 11,315 | 19,184 | 353,129 | 496,490 | 849,619 | (2,123,945) | (2,336,938) | (4,411,111) |
| 7,869 | 11,315 | 19,184 | 353,129 | 496,490 | 849,619 | (2,123,945) | (2,336,938) | (4,411,111) |

Denominator

Weighted
average
number of
outstanding
shares (in
thousands) (*)
Effects of
dilution from
stock options
Adjusted
weighted
average
number of
outstanding
shares and
diluted
presumed
conversions

| | | | | | | | | |
|------------------|----------------|--|------------------|----------------|--|------------------|--|----------------|
| 3 | | | | | | | | |
| 4,981,350 | 204,664 | | 5,035,037 | 202,261 | | 5,035,037 | | 158,285 |
| - | 2,614 | | - | 347 | | - | | - |
| 4,981,350 | 207,278 | | 5,035,037 | 202,608 | | 5,035,037 | | 158,285 |

(in thousands)
(*)

Basic earnings
(loss) per share
Diluted
earnings (loss)
per share

| | | | | | | | |
|-------|-------|--|-------|-------|--|---------|----------|
| 0.002 | 0.055 | | 0.070 | 2.455 | | (0.422) | (14.764) |
| 0.002 | 0.055 | | 0.070 | 2.450 | | (0.422) | (14.764) |

(*) Weighted average considers the split of common shares approved at the Company's extraordinary shareholders' meeting on March 23, 2015, in accordance with IAS 33. Earnings per share presented herein reflects the economic rights attributable to each class of shares.

Diluted loss per share is calculated by the weighted average number of outstanding shares, in order to assume the conversion of all potential dilutive shares. Diluted result per share is calculated based on considering the instruments that may have a potential dilutive effect in the future, such as share-based payment instruments, described in Note 11. However, due to

the losses reported for the year ended December 31, 2015, these instruments issued have antidilutive effect and, therefore, were not considered in the weighted average number of outstanding shares for the computation of diluted loss per share.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

14. Property, plant and equipment

Flight equipment

| | | | | | |
|---|-------|------------------|--------------------|------------------|------------------|
| Aircraft held under finance leases | 5.9% | 2,000,866 | (649,430) | 1,351,436 | 1,411,932 |
| Sets of replacement parts and spare engines | 7.2% | 1,345,161 | (494,684) | 850,477 | 804,974 |
| Aircraft reconfigurations/overhauling | 26.8% | 1,807,133 | (941,372) | 865,761 | 615,812 |
| Aircraft and safety equipment | 20.0% | 843 | (438) | 405 | 467 |
| Tools | 10.0% | 36,199 | (18,124) | 18,075 | 14,617 |
| | | 5,190,202 | (2,104,048) | 3,086,154 | 2,847,802 |
| Impairment losses (*) | - | (26,076) | - | (26,076) | (30,726) |
| Total flight equipment | | 5,164,126 | (2,104,048) | 3,060,078 | 2,817,076 |

Property, plant and equipment in use

| | | | | | |
|---|-------|---------|----------|--------|----------------|
| Vehicles | 20.0% | 10,548 | (9,100) | 1,448 | 1,660 |
| Machinery and equipment | 10.0% | 57,834 | (37,792) | 20,042 | 22,343 |
| Furniture and fixtures | 10.0% | 28,148 | (16,639) | 11,509 | 10,061 |
| Computers and peripherals | 20.0% | 39,458 | (30,464) | 8,994 | 7,401 |
| Communication equipment | 10.0% | 2,617 | (1,914) | 703 | 823 |
| Facilities | 10.0% | 1,534 | (1,222) | 312 | 332 |
| Maintenance center - Confins | 10.0% | 107,127 | (80,209) | 26,918 | 38,096 |
| Leasehold improvements | 18.5% | 33,111 | (19,571) | 13,540 | 8,248 |
| Construction in progress | - | 33,503 | - | 33,503 | 31,571 |
| Total property, plant and equipment in use | | | | | 120,535 |

| | | | | | |
|--|---|------------------|--------------------|------------------|------------------|
| | | 313,880 | (196,911) | 116,969 | |
| | | 5,478,006 | (2,300,959) | 3,177,047 | 2,937,611 |
| Advances for property, plant and equipment acquisition | - | 18,720 | - | 18,720 | 87,399 |
| Total property, plant and equipment | | 5,496,726 | (2,300,959) | 3,195,767 | 3,025,010 |

(*) Refers to provisions for impairment losses for rotatable items, classified under "Sets of replacement parts and spare engines", recorded by the Company in order to present its assets according to the actual capacity for the generation of economic benefits.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

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

| | | | | | |
|---|------------------|------------------|----------------|----------------|------------------|
| Balances as of December 31, 2015 | 2,081,973 | 1,419,596 | 623,843 | 131,202 | 4,256,614 |
| Additions | - | 425,218 | 71,503 | 27,400 | 524,121 |
| Disposals | (597,136) | (122,487) | (607,947) | (9,911) | (1,337,481) |
| Depreciation | (72,905) | (317,183) | - | (28,156) | (418,244) |
| Balances as of December 31, 2016 | 1,411,932 | 1,405,144 | 87,399 | 120,535 | 3,025,010 |
| Additions | - | 827,658 | 263,328 | 30,511 | 1,121,497 |
| Disposals | (5,639) | (135,381) | (332,007) | (10,506) | (483,533) |
| Depreciation | (54,857) | (388,779) | - | (23,571) | (467,207) |
| Balances as of December 31, 2017 | 1,351,436 | 1,708,642 | 18,720 | 116,969 | 3,195,767 |

During the year ended December 31, 2017, the Company reviewed the useful life of its assets and concluded that the estimates used are in line with its business plan.

15. Intangible assets

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Balances as of December 31, 2015 | 542,302 | 1,038,900 | 133,403 | 1,714,605 |
| Additions | - | - | 55,316 | 55,316 |
| Disposals | - | - | (781) | (781) |
| Amortization | - | - | (29,424) | (29,424) |
| Balances as of December 31, 2016 | 542,302 | 1,038,900 | 158,514 | 1,739,716 |
| Additions | - | - | 55,449 | 55,449 |

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Disposals | - | - | (9,662) | (9,662) |
| Amortization | - | - | (38,218) | (38,218) |
| Balances as of December 31, 2017 | 542,302 | 1,038,900 | 166,083 | 1,747,285 |

Goodwill and other intangible assets were subject to impairment tests as of December 31, 2017 and 2016 using the discounted cash flows for each cash generating unit to calculate the value in use.

In order to assess the recoverable value, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units – “CGUs”). In order to determine the carrying amount of each cash-generating unit, the Company considers the intangible assets recorded and all necessary tangible assets, given that it will only generate economic benefits by using the combination of both.

The Company allocates goodwill to two cash-generating units: GLA and Smiles, and the airport operating rights are fully allocated to GLA, as shown below:

F - 38

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

December 31, 2017

| | | | |
|------------------------|------------|-----------|-----------|
| Book value | 325,381 | 216,921 | 1,038,900 |
| Book value - CGU | 1,061,177 | 395,105 | 1,038,900 |
| Value in use | 15,206,092 | 5,464,287 | 5,069,156 |
| Pre tax discount rate | 15.46% | 19.26% | 14.50% |
| Perpetuity growth rate | 3.50% | 3.50% | 3.50% |

December 31, 2016

| | | | |
|------------------------|-----------|-----------|-----------|
| Book value | 325,381 | 216,921 | 1,038,900 |
| Book value - CGU | 2,433,861 | 56,880 | 1,038,900 |
| Value in use | 3,636,201 | 9,476,173 | 4,816,306 |
| Pre tax discount rate | 23.92% | 14.51% | 27.34% |
| Perpetuity growth rate | 3.50% | 3.50% | 8.50% |

The amount of value in use was compared to the carrying amount of each cash generating unit and, as a result, the Company did not recognized impairment losses.

The assumptions used in the impairment tests of intangible assets are consistent with internal projections, for a five-year period and after five-year period it was considered a perpetuity growth rate, and operating plans, both reviewed and approved by the Company's Management. The discounted cash flows that determined the value in use of the cash generating units was prepared in accordance with the Company's business plan approved on January 11, 2018.

The main assumptions taken into consideration by the Company to determine the value in use of the cash-generating units are:

Capacity and fleet: consider the use, the aircraft capacity used in each route and the projected size of the fleet in operation.

Demand: market efficiency is the key input for the projection of the Company's growth in demand. Management believes that market efficiency is the ratio of market share and its participation in the load factor. This indicator reflects how efficiently the Company uses its share of the market's total supply based on how much demand for air transportation it absorbs.

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

Operating costs related to the business: based on the historical cost and updated by indicators, such as inflation, supply, demand and variation of the U.S. dollar.

The Company also considered market variables, including the GDP (source: Brazilian Central Bank), the U.S. dollar (source: Brazilian Central Bank), kerosene prices (per barrel) (source: Brazilian National Agency of Petroleum - ANP) and interest rates (source: Bloomberg).

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

16. Short and long-term debt

Short-term debt

Local currency

| | | | | |
|-------------------|-----------|------------|---------|--------|
| Safra (a) | May 2018 | 128% of DI | - | 9,690 |
| Debentures VI (g) | Sep. 2019 | 132% of DI | 395,093 | - |
| Interest accrued | - | - | 23,921 | 45,026 |

Foreign currency (US\$)

| | | | | |
|-----------------------------|-----------|---------------|----------------|----------------|
| J.P. Morgan (b) | Aug. 2019 | 1.32% p.a. | 43,909 | 42,275 |
| Finimp (c) | Dec. 2018 | 5.75% p.a. | 240,973 | 174,428 |
| | | Libor | | |
| Engine Facility (Cacib) (d) | Jun. 2021 | 3m+2.25% p.a. | 17,145 | 16,889 |
| | | Libor | | |
| ExIm (Cacib) (e) | Apr. 2019 | 3m+0.75% p.a. | 47,507 | - |
| | | p.a. | | |
| Senior Notes I (f) | Apr. 2017 | 7.60% p.a. | - | 182,418 |
| Senior Notes V (k) | Dec. 2018 | 9.71% p.a. | 23,258 | - |
| PK Finance (q) | Aug. 2026 | 5.70% p.a. | 7,883 | - |
| Interest accrued | - | - | 74,989 | 97,670 |
| | | | 874,678 | 568,396 |

| | | | | |
|----------------|-----------|------------|---------|---------|
| Finance leases | Jun. 2025 | 4.04% p.a. | 288,194 | 266,894 |
|----------------|-----------|------------|---------|---------|

Total short-term debt **1,162,872** **835,290**

Long-term debt

Local currency

| | | | | |
|-------------------|-----------|------------|---------|-----------|
| Safra (a) | May. 2018 | 128% of DI | - | 4,871 |
| Debentures VI (g) | Sep. 2019 | 132% of DI | 617,333 | 1,005,242 |

Foreign currency (US\$)

| | | | | |
|-----------------------------|-----------|---------------|---------|---------|
| | | Libor | | |
| J.P. Morgan (b) | Aug. 2019 | 3m+0.75% p.a. | 12,451 | 11,142 |
| | | p.a. | | |
| Engine Facility (Cacib) (d) | Jun. 2021 | Libor | 142,137 | 156,917 |
| | | 3m+2.25% | | |

| | | | | |
|-----------------------------|-----------|------------------------|------------------|------------------|
| ExIm (Cacib) (e) | Apr. 2019 | 3m+0.75% p.a. Libor | 35,634 | - |
| PK Finance (p) | Aug. 2026 | 5.70% p.a. | 78,239 | - |
| Senior Notes II (h) | Jul. 2020 | 9.64% p.a. | 314,589 | 368,000 |
| Senior Notes III (i) | Feb. 2023 | 11.30% p.a. | 69,074 | 68,053 |
| Senior Notes IV (j) | Jan. 2022 | 9.24% p.a. | 299,524 | 889,595 |
| Senior Notes V (k) | Dec. 2018 | 9.71% p.a. | - | 43,010 |
| Senior Notes VI (l) | Jul. 2021 | 9.87% p.a. | 127,181 | 120,631 |
| Senior Notes VII (m) | Dec. 2028 | 9.84% p.a. | 54,752 | 52,721 |
| Senior Notes VIII (n) | Jan. 2025 | 7.19% p.a. | 1,597,713 | - |
| Perpetual Notes (o) | - | 8.75% p.a. | 438,201 | 428,436 |
| Term Loan (p) | Aug. 2020 | 6.70% p.a. | 968,010 | 944,194 |
| | | | 4,754,838 | 4,092,812 |
| Finance leases | Jun. 2025 | 4.04% p.a. | 1,187,957 | 1,451,118 |
| Total long-term debt | | | 5,942,795 | 5,543,930 |
| Total | | | 7,105,667 | 6,379,220 |

(a) Credit line obtained by Webjet fully repaid in 2017, see Note 16.3.

(b) Issuance of 3 series of Guaranteed Notes to finance engine maintenance, as described in Note 10.4.

(c) Credit line with Banco do Brasil and Safra of import financing for purchase of spare parts and aircraft equipment.

(d) Credit line raised on September 30, 2014 with Credit Agricole.

(e) Credit line raised on August 11, 2017 with Credit Agricole.

(f) Issuance of Senior Notes I by Gol Finance Inc. on March 22, 2007, which was used for prepayments of financing for purchase of aircraft. The total amount was settled on its maturity in April 2017.

(g) Issuance of 105,000 debentures by GLA on September 30, 2015 for early settlement of the Debentures IV and V.

(h) Issuance of Senior Notes II by Gol Finance Inc. on July 13, 2010 in order to repay debts held by the Company.

(i) Issuance of Senior Notes III by GLA on February 7, 2013 in order to finance the prepayment of debts due within the next 3 years. The total amount of notes was transferred to Gol Finance along with the financial investments acquired on the date of issuance, and a portion of the loan was repaid.

- (j) Issuance of Senior Notes IV by Gol Finance on September 24, 2014 in order to finance partial repurchase of Senior Notes I, II and III.
- (k) Issuance of Senior Notes series V by Gol Finance on July 7, 2016, as a result of the Exchange Offer of Senior Notes I, II, III, IV and Perpetual Notes.
- (l) Issuance of Senior Notes series VI by Gol Finance on July 7, 2016, as a result of the Exchange Offer of Senior Notes I, II, III, IV and Perpetual Notes.
- (m) Issuance of Senior Notes series VII by Gol Finance on July 7, 2016, as a result of the Exchange Offer of Senior Notes I, II, III, IV and Perpetual Notes.
- (n) Issuance of Senior Notes series VIII by Gol Finance on December 11, 2017 to repurchase Senior Notes and for other general purposes.
- (o) Issuance of Perpetual Notes by Gol Finance on April 5, 2006 to finance aircraft purchase and repayment of loans.
- (p) Term Loan issued by Gol Finance on August 31, 2016 for aircraft purchases and bank repayment of loans, with backstop guarantee from Delta. For additional information, see Note 10.5.
- (q) Loan obtained with PK Finance, with a guarantee of four engines, as described Note 16.2.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Total debt includes issuance costs of R\$101,795 (R\$97,433 as of December 31, 2016) which will be amortized over the term of the related debt.

As of December 31, 2017, the maturities of long-term debt, excluding finance leases, are as follows:

| | | | | | | | |
|--|----------------|------------------|----------------|----------------|------------------|----------------|------------------|
| <u>Local currency</u> | | | | | | | |
| Debentures VI | 617,333 | - | - | - | - | - | 617,333 |
| <u>Foreign currency</u> <u>(US\$)</u> | | | | | | | |
| J.P. Morgan | 12,451 | - | - | - | - | - | 12,451 |
| Engine Facility (Cacib) | 17,177 | 17,177 | 107,783 | - | - | - | 142,137 |
| ExIm (Cacib) | 35,634 | - | - | - | - | - | 35,634 |
| PK Finance | 8,352 | 8,838 | 9,375 | 9,933 | 41,741 | - | 78,239 |
| Senior Notes II | - | 314,589 | - | - | - | - | 314,589 |
| Senior Notes III | - | - | - | - | 69,074 | - | 69,074 |
| Senior Notes IV | - | - | - | 299,524 | - | - | 299,524 |
| Senior Notes VI | - | - | 127,181 | - | - | - | 127,181 |
| Senior Notes VII | - | - | - | - | 54,752 | - | 54,752 |
| Senior Notes VIII | - | - | - | - | 1,597,713 | - | 1,597,713 |
| Perpetual Notes | - | - | - | - | - | 438,201 | 438,201 |
| Term Loan | - | 968,010 | - | - | - | - | 968,010 |
| Total | 690,947 | 1,308,614 | 244,339 | 309,457 | 1,763,280 | 438,201 | 4,754,838 |

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The fair value of debt as of December 31, 2017 is as follows:

| | | |
|--------------------------------------|------------------|------------------|
| Senior Notes and Perpetual Notes (a) | 2,974,501 | 2,955,391 |
| Debentures (b) | 1,036,348 | 1,072,232 |
| Term Loan (b) | 989,572 | 1,013,929 |
| Other | 629,095 | 724,788 |
| Total | 5,629,516 | 5,766,340 |

(a) Fair value obtained through current market quotations.

(b) Fair value obtained through internal valuation.

(c) The book value presented is net of interest and issuance costs.

16.1. Covenants

As of December 31, 2017, long-term debt (excluding perpetual notes and finance leases) that amounted to R\$4,316,637 (R\$3,664,376 as of December 31, 2016) is subject to restrictive covenants, including but not limited to those that require the Company to maintain liquidity requirements and the coverage of expense with interest.

The Company has restrictive covenants on the Term Loan and Debentures VI with the following financial institutions: Bradesco and Banco do Brasil. In the Term Loan, the Company must make deposits for reaching contractual limits of the debt pegged to the U.S. dollar. As of December 31, 2017, the Company did not have collateral deposits linked to the contractual limits of the Term Loan. As of December 31, 2017, Debentures VI were subject to the following covenants: (i) net debt/EBITDAR below 5.50 and (ii) debt coverage ratio (ICSD) of at least 1.33. According to the most recent measurements on December 31, 2017, the ratios obtained were: (i) net debt/EBITDAR of 4.70; and (ii) debt coverage ratio (ICSD) of 1.43. As a result, the Company met the minimum required levels for the covenants and, consequently, it was in compliance with the covenants. The next measurement will be for the end of the first

half of 2018.

16.2. Restructuring of loans and financing in the year ended December 31, 2017

Import financing (Finimp): the Company, through its subsidiary GLA, obtained new funding in the year and renegotiated the maturities of the agreements, with the issue of promissory notes as collateral for these transactions, which are part of a credit line maintained by the Company for import financing in order to purchase spare parts and aircraft equipment. The funding operations during the year were as follows:

F - 42

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | | | | | |
|------------|-----------------|--------|--------|-------|------------|
| 01/13/2017 | Banco do Brasil | 5,245 | 16,803 | 6.13% | 01/05/2018 |
| 02/01/2017 | Banco do Brasil | 8,595 | 27,057 | 6.15% | 01/28/2018 |
| 02/10/2017 | Banco do Brasil | 4,815 | 15,001 | 6.14% | 02/05/2018 |
| 04/20/2017 | Banco do Brasil | 4,274 | 13,442 | 6.20% | 04/16/2018 |
| 05/31/2017 | Banco Safra | 5,407 | 17,540 | 4.85% | 05/29/2018 |
| 06/26/2017 | Banco do Brasil | 9,638 | 31,929 | 5.95% | 06/21/2018 |
| 06/26/2017 | Banco Safra | 4,571 | 15,142 | 5.17% | 06/21/2018 |
| 06/30/2017 | Banco do Brasil | 10,436 | 34,526 | 5.85% | 06/28/2018 |
| 06/30/2017 | Banco do Brasil | 7,823 | 25,879 | 5.85% | 06/28/2018 |
| 10/30/2017 | Banco do Brasil | 2,693 | 8,768 | 5.53% | 01/12/2018 |
| 12/04/2017 | Banco Safra | 9,347 | 30,383 | 5.11% | 11/29/2018 |

Engine maintenance financing (J.P. Morgan): On January 11, 2017, GLA obtained a credit line drawn by issuing Guaranteed Notes for engine maintenance services with Delta Air Lines. The amount of the credit line was R\$33,620 (US\$10,456 on the transaction date), with issuance costs amounting to R\$1,802 (US\$560 on the transaction date). On August 1, 2017, GLA obtained a new credit line of the same contract, in the amount of R\$32,451 (US\$10,414 on the transaction date), with issuance costs totaling R\$1,628 (US\$514 on the transaction date). Both credit lines have quarterly amortization and interest payments, and a financial guarantee from Ex-Im Bank.

Financing of Wi-Fi Kits (Cacib): On August 11, 2017, GLA obtained a credit line for the installation of Wi-Fi technology with GOGO INC., by issuing Guaranteed Notes, in the amount of R\$19,365 (US\$6,109 on the transaction date), with quarterly amortization and interest payments, issuance costs of R\$1,166 (US\$367 on the transaction date) and a financial guarantee from Ex-Im Bank.

PK Finance: On August 31, 2017, the Company obtained funding with a guarantee of four engines in the amount of R\$84,342 (US\$26,800 on the transaction date), with issuance costs amounting to R\$512 (US\$161 on the transaction date). This type of financing has monthly interest amortization and payment.

Engine maintenance financing (Cacib): On November 29, 2017, GLA obtained a credit line drawn by issuing Guaranteed Notes for engine maintenance services with Delta Air Lines. The amount of the credit line was R\$32,136 (US\$10,000 on the transaction date), with issuance costs amounting to R\$1,866 (US\$580 on the transaction date). On December 28, 2017, GLA obtained a credit line of the same contract, in the amount of R\$33,080 (US\$10,000 on the transaction date), with issuance costs totaling R\$1,909 (US\$578 on the transaction date). Both credit lines have quarterly amortization and interest payments, and a financial guarantee from Ex-Im Bank.

Senior Notes VIII: On December 11, 2017, the Company, through its subsidiary Gol Finance, issued senior notes due in 2025, in the amount of R\$1,642,000 (US\$500,000 on the transaction date), with issuance costs totaling R\$45,172 (US\$17,283 on the transaction date). The Senior Notes are guaranteed by the Company's sureties, with half-yearly interest payments of 7.00% p.a. The proceeds will be used to repurchase other Notes and for corporate purposes in general.

The other existing loans and financing of the Company have not been affected by contractual alterations during the year ended December 31, 2017.

16.3. Early repayment of debt during the year ended December 31, 2017

Safra: In the year ended December 31, 2017, Smiles Fidelidade fully paid its debt with Banco Safra, and the portion of the debt recorded as noncurrent was early repaid. As a result, the outstanding issuance costs of R\$438 and the fine for the early repayment of the loan in the amount of R\$137 were fully recorded in the financial result.

Senior Notes Tender Offer: As part of the debt restructuring process (as per Note 1), the Company used the proceeds from the issue of Senior Notes on December 11, 2017 to repurchase debt securities, as shown below:

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | | | | | | | |
|---------------------------------|--------------|------------|------------------|------------------|------------------|------------------|-----------------|
| Senior Notes II | Tender offer | 12/29/2017 | 116,968 | (21,191) | - | 95,777 | (422) |
| Senior Notes IV | Tender offer | 12/11/2017 | 276,730 | (185,197) | - | 91,533 | (12,071) |
| Senior Notes V | Prepayment | 12/19/2017 | 14,685 | (7,379) | - | 7,306 | - |
| Senior Notes VIII | Issuance | 12/11/2017 | - | - | 482,717 | 482,717 | - |
| Total in U.S. dollars | | | 408,383 | (213,767) | 482,717 | 677,333 | (12,493) |
| Total in Brazilian Reais | | | 1,331,982 | (707,141) | 1,596,828 | 2,221,669 | (41,327) |

(*) Amounts recorded under "Exchange offer costs" in the financial results.

16.4. Finance leases

The future payments of finance agreements indexed to U.S. dollars are detailed as follows:

| | | |
|-------------------------------------|------------------|------------------|
| 2017 | - | 350,883 |
| 2018 | 333,795 | 328,931 |
| 2019 | 319,511 | 307,027 |
| 2020 | 267,477 | 267,885 |
| 2021 | 224,591 | 227,204 |
| 2022 | 119,200 | 115,367 |
| Thereafter | 326,823 | 292,362 |
| Total minimum lease payments | 1,591,397 | 1,889,659 |
| Less total interest | (115,246) | (171,647) |

| | | |
|--|------------------|------------------|
| Present value of minimum lease payments | 1,476,151 | 1,718,012 |
| Less current portion | (288,194) | (266,894) |
| Noncurrent portion | 1,187,957 | 1,451,118 |

The discount rate used to calculate present value of the minimum lease payments was 4.04% as of December 31, 2017 (4.52% as of December 31, 2016). 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 by payment in full at the end of the lease agreement. As of December 31, 2017, amounts of withdrawals for the repayment at maturity date of the lease agreements totaled R\$255,644 (R\$217,065 as of December 31, 2016) and are recorded in non-current debt.

17. Suppliers - Forfeiting

The Company has operations with Banco Safra that allow suppliers to receive their receivables in advance. This type of operation does not change the existing commercial conditions between the Company and its suppliers. Obligations to suppliers have a longer payment term and a discount rate of 1.03% p.m. As of December 31, 2017, the amount recorded under current liabilities totaled R\$78,416.

18. Taxes payable

| | | |
|---|----------------|----------------|
| PIS and COFINS | 40,036 | 89,332 |
| ICMS installments | - | 4,852 |
| Tax regularization program in installment payments - PRT and PERT | 68,596 | - |
| Withholding income tax on salaries | 32,070 | 29,519 |
| ICMS | 45,492 | 43,226 |
| Tax on import | 3,454 | 3,454 |
| IRPJ and CSLL payable | 5,299 | 12,489 |
| Other | 6,200 | 6,105 |
| Total | 201,147 | 188,977 |
| Current | 134,951 | 146,174 |
| Noncurrent | 66,196 | 42,803 |

F - 44

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Brazilian tax regularization programs

In the year ended December 31, 2017, the Company and its subsidiary GLA entered into tax regularization programs:

(i) Tax Regularization Program (“PRT”) on March 10, 2017, pursuant to Provisional Presidential Decree No. 766 of January 4, 2017, including tax debts that matured on November 30, 2017. Under this program, GLA chose to pay 76% of its debt by using tax losses carryforward and the remaining 24% in 24 monthly installments adjusted based on the SELIC interest rate as of the month it adhered to the program.

(ii) Special Tax Regularization Program (“PERT”) in September 2017, pursuant to Provisional Presidential Decree No. 783 of May 31, 2017, including tax debts owed to the Brazilian Federal Tax Authorities and to the Office of the General Counsel for the Federal Treasury, which matured on April 30, 2017. Under this program, GLA chose, in September 2017, to pay 5% of total debt in five monthly installments and the remaining amount with tax losses carryforward after reducing interest by 90% and fines by 70%. For most of its debits, GLAI chose, in October 2017, to pay 20% of total debt in three installments and the remainder in 36 monthly installments, reducing interest by 50%, fines by 80% and legal charges by 100%.

The breakdown of the obligation included in the above-mentioned installment payment programs is as follows:

| | |
|--|----------------|
| IPI on customs import | 92,153 |
| PIS and COFINS | 98,491 |
| PIS and COFINS on financial income (b) | 131,844 |
| Income and social contribution taxes | 23,372 |
| Other | 4,655 |
| Total debt | 350,515 |
| Reductions in interest and fines (c) | (21,249) |
| Use of tax losses carryforward (a) | (227,689) |
| Amount payable in installments | 101,577 |

- (a) Registered in "Other, net". See Note 8.2.
- (b) Included in May 2017, after the PRT and PERT adoption.
- (c) Reduction of 90% in interest and 50% in fines for PERT.

19. Advance ticket sales

As of December 31, 2017, the balance of Advance ticket sales classified in current liabilities was R\$1,456,939 (R\$1,185,945 as of December 31, 2016) and is represented by 4,964,925 tickets sold and not yet used (4,447,824 as of December 31, 2016) with an average use of 48 days (46 days as of December 31, 2016).

20. Mileage program

As of December 31, 2017, the balance of Smiles loyalty program deferred revenue was R\$765,114 (R\$781,707 as of December 31, 2016) and R\$188,204 (R\$219,325 as of December 31, 2016) classified in current and noncurrent liabilities, respectively.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

21. Provisions

| | | | | |
|---|------------|----------------|----------------|----------------|
| Balances as of December 31, 2015 | 742 | 725,176 | 144,355 | 870,273 |
| Additional provisions recognized | 4,237 | 97,423 | 189,244 | 290,904 |
| Utilized provisions | (4,237) | (121,855) | (127,551) | (253,643) |
| Foreign exchange rate variation, net | - | (116,803) | (516) | (117,319) |
| Balances as of December 31, 2016 | 742 | 583,941 | 205,532 | 790,215 |
| Additional provisions recognized (a) | (1) | 38,819 | 158,263 | 197,081 |
| Utilized provisions (b) | - | (220,082) | (155,999) | (376,081) |
| Foreign exchange rate variation, net | - | (1,827) | (199) | (2,026) |
| Balances as of December 31, 2017 | 741 | 400,851 | 207,597 | 609,189 |
| As of December 31, 2016 | | | | |
| Current | 742 | 65,760 | - | 66,502 |
| Noncurrent | - | 518,181 | 205,532 | 723,713 |
| Total | 742 | 583,941 | 205,532 | 790,215 |
| As of December 31, 2017 | | | | |
| Current | 741 | 45,820 | - | 46,561 |
| Noncurrent | - | 355,031 | 207,597 | 562,628 |
| Total | 741 | 400,851 | 207,597 | 609,189 |

(a) The additions of provisions for aircraft and engine return also include present value adjustment effects.

(b) include write-offs due to the revision of estimates and processes settled.

(a) Provision for aircraft and engine return

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

(b) Provision for legal proceedings

As of December 31, 2017, the Company and its subsidiaries are parties to lawsuits and administrative proceedings. The lawsuits and administrative proceedings are classified into Operational (those arising from the Company's normal course of operations), and Succession (those arising from the succession of former Varig S.A. obligations).

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, risk premium and wage differences.

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

F - 46

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | | |
|--------------|----------------|----------------|
| Civil | 67,528 | 73,356 |
| Labor | 137,071 | 132,163 |
| Taxes | 2,998 | 13 |
| Total | 207,597 | 205,532 |

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

There are other civil and labor lawsuits assessed by management and its legal counsel as possible risk of loss, in the estimated amount of R\$30,945 for civil claims and R\$124,062 for labor claims as of December 31, 2017 (R\$31,598 and R\$79,532 as of December 31, 2016, respectively), for which no provisions are recognized.

The tax lawsuits below were evaluated by the Company's management and its legal counsels as being relevant and with possible risk of loss as of December 31, 2017 and 2016:

- GLA is discussing the non-incidence of the additional 1% COFINS rate on the imports of aircraft and parts, amounting R\$48,596 (R\$39,428 as of December 31, 2016). The Company's legal counsel believes that the classification of possible risk was due to the fact that there was no express revocation of the tax relief (zero rate) granted to regular flight transportation companies.
- Tax on Services (ISS) in the amount of R\$21,222 (R\$19,443 as of December 31, 2016) arising from assessment notices issued by the Municipality of São Paulo against the Company, in the period from January 2007 to December 2010 regarding a possible ISS taxation on partnerships. The classification of possible risk of loss is a result from the matters under discussion being 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\$57,823 (R\$45,689 as of December 31, 2016) 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\$104,213 (R\$47,572 as of December 31, 2016) related to an infraction notice 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 opinion from the Superior Courts.
- GLA's goodwill in the amount of R\$80,198 (R\$72,687 as of December 31, 2016) resulted from assessment notice related to the deductibility of the goodwill classified as future profitability. The classification of possible risk is a result of the absence of a final opinion from the Superior Courts.
- GLAI had been discussing the non-occurrence of taxation of PIS and COFINS on revenues generated by interest attributable to shareholders' equity related to the years from 2006 to 2008, paid by its subsidiary GTA Transportes Aéreos S.A., succeeded by GLA on September 25, 2008, with amount assessed as possible loss was R\$57,793 as of December 31, 2016. However, due to a recent unfavorable decision in a similar case, the Company reclassified the likelihood of loss in this case from possible to probable. As a result, the Company adhered to the Installment Payment Program (PERT) after the Federal Government signed Provisional Presidential Decree 783/17 into Law, including the amount of R\$34,794 in tax installment payments. Additionally, the Company maintains escrow deposits with Bic Banco with a partial guarantee on the lawsuit of R\$32,120 as disclosed in Note 5, which will be redeemed after the installment payment is fully settled.
- Tax on Industrialized Products ("IPI"): supposedly levied on the importation of aircraft in the amount of R\$115,136 as of December 31, 2016. On March 10, 2017, even though the lawsuit was not yet resolved in the administrative level, the Company included this tax in the PRT program, see Note 18, given that decisions in similar proceedings have not been favorable.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

There are other lawsuits that the Company's Management and its legal counsels assess as possible risk of loss, in the estimated amount of R\$58,750 (R\$39,113 as of December 31, 2016) which added to the lawsuits mentioned above, totaled R\$382,814 as of December 31, 2017 (R\$436,861 as of December 31, 2016).

22. Equity

22.1. Capital stock

As of December 31, 2017, the Company's capital stock was R\$3,082,802 and represented by 3,129,582,142 shares, comprised by 2,863,682,710 common shares and 265,899,432 preferred shares. The Fundo de Investimento em Participações Volluto ("Fundo Volluto") is the Company's controlling shareholder, which is equally controlled by Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

The Company's shares are held as follows:

| | | | | | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Fundo Volluto | 100.00% | 49.25% | 61.19% | 100.00% | 33.88% | 61.28% |
| Delta Air Lines, Inc. | - | 12.38% | 9.47% | - | 16.19% | 9.48% |
| Airfrance - KLM | - | 1.60% | 1.22% | - | 2.09% | 1.22% |
| Treasury shares | - | 0.10% | 0.08% | - | 0.44% | 0.26% |
| Other | - | 0.93% | 0.71% | - | 1.11% | 0.65% |
| Free float | - | 35.74% | 27.33% | - | 46.29% | 27.11% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

The authorized capital stock as of December 31, 2017 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 by-laws, by issuing shares, without necessarily maintaining the proportion between the different types of shares. Under the law terms, in

case of capital increase within the authorized limit, the Board of Directors will define the issuance conditions, including pricing and payment terms.

On December 22, 2017, Fundo Volluto, the Company's controlling shareholder, converted 2,171,354,430 common shares into preferred shares of the Company and now holds 130,953,776 preferred shares (accounting for 49.22% of the Company's total preferred shares as of December 31, 2017). This conversion of common shares into preferred shares does not change the interest held by Fundo Volluto and other shareholders in the Company's capital stock.

During the year ended December 31, 2017, the Company approved capital increases from the subscription of preferred shares as a result of the exercise of stock options, in the amounts of: (i) R\$1,177 as of August 8, 2017, related to the exercise of 244,185 stock options; (ii) R\$1,492 as of October 17, 2017, related to the exercise of 230,581 stock options; and (iii) R\$23 as of December 13, 2017, related to the exercise of 2,000 stock options.

22.2. Dividends

The Company's By-laws provide for a mandatory minimum dividend to be paid to common and preferred shareholders, at least 25% of annual adjusted net income after compensation of accumulated losses and allocation to reserves in accordance with the Brazilian Corporate Law.

22.3. Treasury shares

During the year ended December 31, 2017, the Company transferred 615,181 restricted shares to its beneficiaries (632,976 restricted shares in the year ended December 31, 2016).

As of December 31, 2017, the Company had 278,612 treasury shares, totaling R\$4,168, with a market value of R\$4,068 (893,793 treasury shares, totaling R\$13,371, with a market value of R\$4,129 as of December 31, 2016).

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

23. Revenue

| | | | |
|--------------------------|-------------------|-------------------|-------------------|
| Passenger transportation | 9,479,242 | 8,948,170 | 8,954,034 |
| Cargo | 354,561 | 324,492 | 318,573 |
| Mileage revenue | 800,976 | 622,567 | 421,348 |
| Other revenue (*) | 657,609 | 652,602 | 690,044 |
| Gross revenue | 11,292,388 | 10,547,831 | 10,383,999 |
| Related tax | (716,366) | (680,496) | (605,992) |
| Net revenue | 10,576,022 | 9,867,335 | 9,778,007 |

(*) Includes revenues from unused passenger tickets, reissued tickets and cancellation of flight tickets of R\$433,639, R\$430,898, R\$449,263, for the years ended December 31, 2017, 2016 and 2015, respectively

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

Revenue by geographical location is as follows:

| | | | | | | |
|--------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
| Domestic | 9,044,990 | 85.5 | 8,395,364 | 85.1 | 8,670,023 | 88.7 |
| International | 1,531,032 | 14.5 | 1,471,971 | 14.9 | 1,107,984 | 11.3 |
| Net revenue | 10,576,022 | 100.0 | 9,867,335 | 100.0 | 9,778,007 | 100.0 |

24. Financial results

Financial income

| | | | |
|------------------------------------|----------------|----------------|----------------|
| Income from derivatives | 35,053 | 120,403 | 174,693 |
| Income from short-term investments | 119,863 | 152,656 | 178,147 |
| Monetary variation | 14,208 | 12,411 | 14,531 |
| (-) Taxes on financial income (a) | (24,393) | (23,041) | (47,588) |
| Gain from the exchange offer | - | 286,799 | - |
| Interest income | 18,245 | 4,651 | 8,539 |
| Other | 50,470 | 14,625 | 4,245 |
| Total financial income | 213,446 | 568,504 | 332,567 |

Financial expenses

| | | | |
|--------------------------------------|--------------------|--------------------|--------------------|
| Losses from derivatives | (40,770) | (277,183) | (124,536) |
| Interest on short and long-term debt | (727,285) | (787,661) | (885,947) |
| Bank charges and expenses | (61,711) | (96,515) | (60,760) |
| Monetary variation | (2,993) | (3,867) | (3,921) |
| Tender offer costs (b) | (53,041) | - | - |
| Other (c) | (164,661) | (106,338) | (253,727) |
| Total financial expenses | (1,050,461) | (1,271,564) | (1,328,891) |

Exchange rate variation, net (81,744) 1,367,937 (2,266,999)

Total (918,759) 664,877 (3,263,323)

(a) Relative to taxes on financial income (PIS and COFINS), according to Decree 8,426 of April 1, 2015.

(b) Refers to the tender offer of Senior Notes. Includes the write-off of issuance costs of the tendered debt of R\$11,714.

(c) Includes the partial amount regarding the accrued interest in the amount of R\$23,345 related to provisions for PIS and COFINS on interest attributable to shareholders' equity, through the adherence to PERT, see Note 18.

25. Segments

Operating segments are defined based on business activities from which it may earn revenues and incur expenses, which operating results are regularly reviewed by the Company's relevant decision makers to evaluate performance and allocate resources to the respective segments. The Company holds two operating segments: flight transportation and the Smiles loyalty program.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements. Beginning in the year ended December 31, 2017, the Company is presenting the segment information of operating costs and expenses by nature. Additionally, the Company has distinct natures between its two operating segments, so there are no common costs and revenues between operating segments.

The Company is the controlling shareholder of Smiles Fidelidade, and the non-controlling interests of Smiles Fidelidade was 47.3%, 46.2% and 45.9% as of December 31, 2017, 2016 and 2015, respectively.

The information below presents the summarized financial position of the reportable operating segments as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015:

25.1. Assets and liabilities of the operating segments

Assets

| | | | | | |
|---------------------|------------------|------------------|-------------------|--------------------|-------------------|
| Current | 2,389,146 | 1,901,672 | 4,290,818 | (945,820) | 3,344,998 |
| Noncurrent | 6,769,399 | 269,239 | 7,038,638 | (378,888) | 6,659,750 |
| Total assets | 9,158,545 | 2,170,911 | 11,329,456 | (1,324,708) | 10,004,748 |

Liabilities

| | | | | | |
|------------------------|------------------|------------------|-------------------|--------------------|-------------------|
| Current | 5,508,427 | 1,096,357 | 6,604,784 | (854,739) | 5,750,045 |
| Noncurrent | 7,131,078 | 202,835 | 7,333,913 | (10,264) | 7,323,649 |
| Total equity (deficit) | (3,480,960) | 871,719 | (2,609,241) | (459,705) | (3,068,946) |
| | 9,158,545 | 2,170,911 | 11,329,456 | (1,324,708) | 10,004,748 |

Total liabilities and equity (deficit)**Assets**

| | | | | | |
|---------------------|------------------|------------------|------------------|--------------------|------------------|
| Current | 1,426,750 | 1,413,422 | 2,840,172 | (759,458) | 2,080,714 |
| Noncurrent | 6,474,404 | 513,456 | 6,987,860 | (664,219) | 6,323,641 |
| Total assets | 7,901,154 | 1,926,878 | 9,828,032 | (1,423,677) | 8,404,355 |

Liabilities

| | | | | | |
|---|------------------|------------------|------------------|--------------------|------------------|
| Current | 4,767,322 | 1,061,806 | 5,829,128 | (980,386) | 4,848,742 |
| Noncurrent | 6,782,835 | 229,725 | 7,012,560 | (100,196) | 6,912,364 |
| Total equity (deficit) | (3,649,003) | 635,347 | (3,013,656) | (343,095) | (3,356,751) |
| Total liabilities and equity (deficit) | 7,901,154 | 1,926,878 | 9,828,032 | (1,423,677) | 8,404,355 |

F - 50

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

25.2. Results of the operating segments

Net revenue

| | | | | | |
|--------------------------|------------------|------------------|-------------------|------------------|-------------------|
| Passenger (*) | 8,785,938 | - | 8,785,938 | 399,867 | 9,185,805 |
| Cargo and other (*) | 768,566 | - | 768,566 | (104,350) | 664,216 |
| Mileage revenue (*) | - | 1,804,129 | 1,804,129 | (1,078,128) | 726,001 |
| Total net revenue | 9,554,504 | 1,804,129 | 11,358,633 | (782,611) | 10,576,022 |

Operating costs and expenses

| | | | | | |
|---|--------------------|--------------------|---------------------|----------------|--------------------|
| Salaries | (1,654,388) | (53,723) | (1,708,111) | - | (1,708,111) |
| Aircraft fuel | (2,887,737) | - | (2,887,737) | - | (2,887,737) |
| Aircraft rent | (939,744) | - | (939,744) | - | (939,744) |
| Sales and marketing | (518,025) | (69,917) | (587,942) | (2,872) | (590,814) |
| Landing fees | (664,170) | - | (664,170) | - | (664,170) |
| Aircraft, traffic and mileage servicing | (649,126) | (990,685) | (1,639,811) | 765,075 | (874,736) |
| Maintenance, materials and repairs | (368,719) | - | (368,719) | - | (368,719) |
| Depreciation and amortization | (491,806) | (13,619) | (505,425) | - | (505,425) |
| Passenger service expenses | (437,045) | - | (437,045) | - | (437,045) |
| Other operating expenses | (591,087) | (26,385) | (617,472) | 7,162 | (610,310) |
| Total operating costs and expenses | (9,201,847) | (1,154,329) | (10,356,176) | 769,365 | (9,586,811) |

| | | | | | |
|---|--------------------|----------------|------------------|------------------|------------------|
| Equity results | 395,245 | - | 395,245 | (394,701) | 544 |
| Operating result before financial result, net and income taxes | 747,902 | 649,800 | 1,397,702 | (407,947) | 989,755 |
| Financial results | | | | | |
| Financial income | 184,448 | 205,431 | 389,879 | (176,433) | 213,446 |
| Financial expenses | (1,225,315) | (2,201) | (1,227,516) | 177,055 | (1,050,461) |
| Exchange rate variation, net | (78,462) | (3,284) | (81,746) | 2 | (81,744) |
| Total financial results | (1,119,329) | 199,946 | (919,383) | 624 | (918,759) |
| Income (loss) before income taxes | (371,427) | 849,746 | 478,319 | (407,323) | 70,996 |
| Income taxes | 390,611 | (89,131) | 301,480 | 5,733 | 307,213 |
| Net income for the year | 19,184 | 760,615 | 779,799 | (401,590) | 378,209 |
| Attributable to equity holders of the parent | 19,184 | 401,590 | 420,774 | (401,590) | 19,184 |
| Attributable to non-controlling interests of Smiles | - | 359,025 | 359,025 | - | 359,025 |

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Net revenue

| | | | | | |
|--------------------------|------------------|------------------|-------------------|------------------|------------------|
| Passenger (*) | 8,340,545 | - | 8,340,545 | 330,897 | 8,671,442 |
| Cargo and other (*) | 729,096 | - | 729,096 | 426 | 729,522 |
| Mileage revenue (*) | - | 1,548,109 | 1,548,109 | (1,081,738) | 466,371 |
| Total net revenue | 9,069,641 | 1,548,109 | 10,617,750 | (750,415) | 9,867,335 |

Operating costs and expenses

| | | | | | |
|---|--------------------|------------------|--------------------|----------------|--------------------|
| Salaries | (1,615,740) | (41,045) | (1,656,785) | - | (1,656,785) |
| Aircraft fuel | (2,695,390) | - | (2,695,390) | - | (2,695,390) |
| Aircraft rent | (996,945) | - | (996,945) | - | (996,945) |
| Sales and marketing | (494,076) | (61,908) | (555,984) | - | (555,984) |
| Landing fees | (687,366) | - | (687,366) | - | (687,366) |
| Aircraft, traffic and mileage servicing | (660,009) | (828,887) | (1,488,896) | 735,399 | (753,497) |
| Maintenance, materials and repairs | (593,090) | - | (593,090) | - | (593,090) |
| Depreciation and amortization | (439,173) | (8,495) | (447,668) | - | (447,668) |
| Passenger service expenses | (461,837) | - | (461,837) | - | (461,837) |
| Other operating expenses | (316,766) | (4,197) | (320,963) | 15 | (320,948) |
| Total operating costs and expenses | (8,960,392) | (944,532) | (9,904,924) | 735,414 | (9,169,510) |

| | | | | | |
|---|----------------|----------------|----------------|------------------|----------------|
| Equity results | 287,134 | (2,530) | 284,604 | (285,884) | (1,280) |
| Operating result before financial result, net and income taxes | 396,383 | 601,047 | 997,430 | (300,885) | 696,545 |

Financial results

| | | | | | |
|--------------------------------|----------------|----------------|----------------|------------|----------------|
| Financial income | 395,901 | 212,758 | 608,659 | (40,155) | 568,504 |
| Financial expenses | (1,311,940) | (168) | (1,312,108) | 40,544 | (1,271,564) |
| Exchange rate variation, net | 1,362,145 | 5,792 | 1,367,937 | - | 1,367,937 |
| Total financial results | 446,106 | 218,382 | 664,488 | 389 | 664,877 |

| | | | | | |
|---|----------------|----------------|------------------|------------------|------------------|
| Income before income taxes | 842,489 | 819,429 | 1,661,918 | (300,496) | 1,361,422 |
| Income taxes | 7,130 | (271,156) | (264,026) | 4,968 | (259,058) |
| Net income for the year | 849,619 | 548,273 | 1,397,892 | (295,528) | 1,102,364 |
| Attributable to equity holders of the parent | 849,619 | 295,528 | 1,145,147 | (295,528) | 849,619 |
| Attributable to non-controlling interests of Smiles | - | 252,745 | 252,745 | - | 252,745 |

F - 52

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Net revenue

| | | | | | |
|--------------------------|------------------|------------------|-------------------|------------------|------------------|
| Passenger (*) | 8,294,463 | - | 8,294,463 | 288,925 | 8,583,388 |
| Cargo and other (*) | 941,928 | 47,199 | 989,127 | (19,198) | 969,929 |
| Miles revenue (*) | - | 1,172,322 | 1,172,322 | (947,632) | 224,690 |
| Total net revenue | 9,236,391 | 1,219,521 | 10,455,912 | (677,905) | 9,778,007 |

Operating costs and expenses

| | | | | | |
|---|--------------------|------------------|---------------------|----------------|--------------------|
| Salaries | (1,544,157) | (36,374) | (1,580,531) | - | (1,580,531) |
| Aircraft fuel | (3,301,368) | - | (3,301,368) | - | (3,301,368) |
| Aircraft rent | (1,100,086) | - | (1,100,086) | - | (1,100,086) |
| Sales and marketing | (566,329) | (51,074) | (617,403) | - | (617,403) |
| Landing fees | (681,378) | - | (681,378) | - | (681,378) |
| Aircraft, traffic and mileage servicing | (615,792) | (700,200) | (1,315,992) | 637,917 | (678,075) |
| Maintenance, materials and repairs | (603,925) | - | (603,925) | - | (603,925) |
| Depreciation and amortization | (416,856) | (2,835) | (419,691) | - | (419,691) |
| Passenger service expenses | (481,765) | - | (481,765) | - | (481,765) |
| Other operating expenses | (485,738) | (13,183) | (498,921) | 5,300 | (493,621) |
| Total operating costs and expenses | (9,797,394) | (803,666) | (10,601,060) | 643,217 | (9,957,843) |

| | | | | | |
|---|------------------|----------------|---------------|------------------|------------------|
| Equity results | 179,377 | (5,932) | 173,445 | (177,386) | (3,941) |
| Operating result before financial result, net and income taxes | (381,626) | 409,923 | 28,297 | (212,074) | (183,777) |

Financial results

| | | | | | |
|------------------|---------|---------|---------|-----------|---------|
| Financial income | 287,058 | 156,042 | 443,100 | (110,533) | 332,567 |
|------------------|---------|---------|---------|-----------|---------|

| | | | | | |
|---|--------------------|----------------|--------------------|------------------|--------------------|
| Financial expenses | (1,424,321) | (15,104) | (1,439,425) | 110,534 | (1,328,891) |
| Exchange rate variation, net | (2,264,750) | (2,248) | (2,266,998) | (1) | (2,266,999) |
| Total financial results | (3,402,013) | 138,690 | (3,263,323) | - | (3,263,323) |
| Income (loss) before income taxes | (3,783,639) | 548,613 | (3,235,026) | (212,074) | (3,447,100) |
| Income taxes | (677,244) | (178,691) | (855,935) | 11,795 | (844,140) |
| Net income (loss) for the year | (4,460,883) | 369,922 | (4,090,961) | (200,279) | (4,291,240) |
| Attributable to equity holders of the parent | (4,460,883) | 200,279 | (4,260,604) | (200,279) | (4,460,883) |
| Attributable to non-controlling interests of Smiles | - | 169,643 | 169,643 | - | 169,643 |

(*) Eliminations are related to transactions between GLA and Smiles Fidelidade.

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

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

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

26. Commitments

As of December 31, 2017, the Company had 120 firm orders for aircraft acquisition with Boeing. These aircraft acquisition commitments include estimates for contractual price increases during the construction phase. As of December 31, 2017, the approximate amount of firm orders, not including contractual discounts, was R\$45,090,382 (US\$13,630,708), and are segregated according to the following years:

| | | |
|--------------|-------------------|-------------------|
| 2018 | - | 1,787,388 |
| 2019 | 1,117,604 | 2,917,833 |
| 2020 | 4,538,258 | 4,471,172 |
| 2021 | 6,198,259 | 6,106,634 |
| 2022 | 6,353,457 | 6,229,538 |
| Thereafter | 26,882,804 | 26,519,864 |
| Total | 45,090,382 | 48,032,429 |

As of December 31, 2017, from the total order commitments mentioned above, the Company had the amount of R\$6,463,564 (US\$1,953,919) related to advances for aircraft acquisition to be disbursed, in accordance with the following schedule:

| | | |
|--------------|------------------|------------------|
| 2017 | - | 286,829 |
| 2018 | 316,215 | 483,518 |
| 2019 | 773,268 | 658,930 |
| 2020 | 848,003 | 835,468 |
| 2021 | 852,458 | 839,856 |
| 2022 | 866,119 | 853,316 |
| Thereafter | 2,807,501 | 2,766,624 |
| Total | 6,463,564 | 6,724,541 |

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 lines of credit and supplier financing.

The Company leases its entire aircraft fleet through a combination of operating and finance leases. As of December 31, 2017, the total fleet leased was comprised of 119 aircraft, of which 88 were under operating leases and 31 were recorded as finance leases. During the year ended December 31, 2017, the Company returned 11 aircraft under operating lease contracts. In addition, the Company changed the classification of three finance lease agreements, which are now classified as operating leases due to the new characteristics arising from the renewal of these contracts.

As of December 31, 2017, the Company recorded operating lease installments in the amount of R\$139,110, of which R\$28,387 under current liabilities and R\$110,723 under noncurrent liabilities (R\$7,233 was recorded under current liabilities as of December 31, 2016). Such amounts refer to negotiations with lessors that resulted in postponement of the original payment flows of the leases.

On February 14, 2017 and November 27, 2017, the Company entered in sale-leaseback transactions for 10 aircraft with AWAS and GECAS. The aircraft should be delivered between June 2018 and August 2019 and, pursuant to the agreement, the leases will have a 12-year term as of the arrival date of each aircraft. Under these agreements, AWAS and GECAS undertake to carry out all necessary disbursements to pay for advances based on the disbursement schedule of the aircraft acquisition agreement. Under the same agreement, the Company shall act as a guarantor for the transaction if AWAS and GECAS fail to comply with the commitments established in such agreements.

26.1. Operating leases

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

F - 54

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | | |
|-------------------------------------|------------------|------------------|
| 2017 | - | 857,747 |
| 2018 | 858,508 | 839,343 |
| 2019 | 928,226 | 889,940 |
| 2020 | 888,944 | 873,692 |
| 2021 | 746,595 | 745,719 |
| 2022 | 630,477 | 646,388 |
| Thereafter | 1,251,964 | 1,393,896 |
| Total minimum lease payments | 5,304,714 | 6,246,725 |

26.2. Sale-leaseback transactions

In the year ended December 31, 2017, the Company did not enter in sale-leaseback transactions (net gain of R\$233,483 related to 7 aircraft in the year ended December 31, 2016).

Additionally, the Company also has balances of deferred losses from transactions carried out between 2006 and 2009, in the amount of R\$2,887 (R\$9,959 as of December 31, 2016).

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

27. Financial instruments and risk management

The Company and its subsidiaries have financial asset and financial liability transactions, which consist in part of derivative financial instruments. The financial derivative instruments are used to hedge against the inherent risks related to the Company's operations. The Company and its subsidiaries consider as most relevant risks: fuel price, foreign currency and interest rate. These risks can be mitigated by using exchange swap derivatives, futures and options contracts based on oil, U.S. dollar and interest markets. The contracts may be held by exclusive investment funds, as described in the Company's Risk Management Policy.

Financial instruments are managed by the Risk Committee in line with the Risk Management Policy approved by the Risk Policy Committee and submitted to the Board of Directors. The Risk Policy Committee sets guidelines and limits, monitors controls, including mathematical models used to continuously monitor exposures and possible financial effects, and also prevents the execution of speculative financial instruments transactions.

The Company does not hedge its total risk exposure, and is, therefore, subject to market fluctuations for a significant portion of its exposed assets and liabilities. Decisions on the portion to be protected consider the financial risks and the costs for such protection and are determined and reviewed at least quarterly in line with Risk Policy Committee strategies. The results from operations and the application of risk management controls are part of the monitoring process by the Risk Policy Committee and have been satisfactory to the proposed objectives.

The description of the consolidated account balances and the categories of financial instruments included in the statements of financial position as of December 31, 2017 and 2016 is as follows:

Assets

| | | | | |
|-------------------------------|---------|---------|---------|---------|
| Cash and cash equivalents (a) | 434,295 | 269,797 | 592,567 | 292,410 |
| Short-term investments (a) | 955,589 | 431,233 | - | - |
| Restricted cash | 268,047 | 168,769 | - | - |
| Derivatives assets | 40,647 | 3,817 | - | - |
| Trade receivables | - | - | 936,478 | 760,237 |
| Deposits (b) | - | - | 655,244 | 756,810 |
| Other assets | - | - | 123,721 | 118,058 |

Liabilities

| | | | | |
|-------------------------|--------|--------|-----------|-----------|
| Debt | - | - | 7,105,667 | 6,379,220 |
| Suppliers | - | - | 1,471,150 | 1,111,514 |
| Derivatives liabilities | 34,457 | 89,211 | - | - |
| Operating leases | - | - | 139,110 | 7,233 |

(a) The Company manages its financial investments to pay its short-term operational expenses.

(b) Excludes judicial deposits, as described in Note 9.

(c) Items classified as amortized cost refer to credits, debt with private institutions which, in any early settlement, there are no substantial alterations in relation to the values recorded, except the amounts related to Perpetual Notes and Senior Notes, as disclosed in Note 16. The fair values approximate the book values, according to the short-term maturity period of these assets and liabilities. During the year ended December 31, 2017, there was no change on the classification between categories of the financial instruments.

As of December 31, 2017 and 2016, the Company did not have financial assets classified as available for sale.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

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

| | | | | | |
|--|---------------|--------------|------------------|---------------|------------------|
| Derivative assets (liabilities) as of December 31, 2015 (*) | - | 1,766 | (141,443) | - | (139,677) |
| Fair value variations: | | | | | |
| Net gains (losses) recognized in profit or loss (a) | 309 | (40,931) | (1) | - | (40,623) |
| Losses recognized in other comprehensive income (loss) | - | - | (4,842) | - | (4,842) |
| Settlements during the year | 3,508 | 39,165 | 57,075 | - | 99,748 |
| Derivative assets (liabilities) as of December 31, 2016 (*) | 3,817 | - | (89,211) | - | (85,394) |
| Fair value variations: | | | | | |
| Net gains recognized in profit or loss (a) | 13,768 | - | - | 11,094 | 24,862 |
| Losses recognized in other comprehensive income (loss) | 35,505 | - | (1,093) | - | 34,412 |
| Settlements (payments received) during the year | (12,443) | - | 55,847 | (11,094) | 32,310 |
| Derivative assets (liabilities) as of December 31, 2017 (*) | 40,647 | - | (34,457) | - | 6,190 |
| Changes in other comprehensive income (loss) | | | | | |
| Balances as of December 31, 2015 | - | - | (178,942) | - | (178,942) |
| Fair value adjustments during the year | - | - | (4,842) | - | (4,842) |
| Net reversal to profit or loss (b) | - | - | 128,731 | - | 128,731 |
| Tax effects | - | - | (92,179) | - | (92,179) |
| Balances as of December 31, 2016 | - | - | (147,229) | - | (147,229) |
| Fair value adjustments during the year | 35,505 | - | (1,093) | - | 34,412 |
| Net reversal to profit or loss (b) | - | - | 33,501 | - | 33,501 |
| Balances as of December 31, 2017 | 35,505 | - | (114,821) | - | (79,316) |
| Effects on profit or loss (a-b) | 13,768 | - | (33,501) | 11,094 | (8,639) |

December 31, 2017

| | | | | | |
|---|-----------------|-----------------|------------------|---------------|------------------|
| Recognized in operating costs and expenses | 8,626 | - | (11,548) | - | (2,922) |
| Recognized in financial results | 5,142 | - | (21,953) | 11,094 | (5,717) |
| December 31, 2016 | | | | | |
| Recognized in operating costs and expenses | - | - | (12,574) | - | (12,574) |
| Recognized in financial results | 309 | (40,931) | (116,158) | - | (156,780) |
| December 31, 2015 | | | | | |
| Recognized in operating costs and expenses | - | - | (13,150) | - | (13,150) |
| Recognized in financial results | (29,964) | 102,696 | (22,575) | - | 50,157 |

(*) Classified as "Derivatives assets" if the amount results in an asset or "Derivatives liabilities" if the amount results in a liability.

(**) In 2017, the Company carried out transactions with shares of third-party companies traded on B3 in the amount of R\$106,976, and contracted a term derivative attached to the transaction, in order to minimize the risk of volatility of the shares borrowed in the market. This operation was fully settled with the respective derivative in December 2017.

The Company may adopt hedge accounting for derivatives contracted to hedge interest rate risk classified as "cash flow hedge" and that qualify for this classification as per IAS 39. As of December 31, 2017, the Company adopts cash flow hedge for the interest rate (mainly Libor interest rates) and jet fuel.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The cash flow hedge is programmed to be recycled to profit or loss in the periods stated below:

| | | | | | | |
|--------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest rate | (14,028) | (15,099) | (14,062) | (12,328) | (11,013) | (48,291) |
| Fuel | 35,505 | - | - | - | - | - |
| Recycle expectation (*) | 21,477 | (15,099) | (14,062) | (12,328) | (11,013) | (48,291) |

(*) The positive amounts represent receivables and the negative amounts represent payables.

27.1. Market risks

a) Fuel price risk

The aircraft fuel prices fluctuate due to the volatility of the price of crude oil by product price fluctuations. To mitigate the risk of fuel price, the Company held the purchase option attached to WTI, as of December 31, 2017. In the year ended December 31, 2017, the Company recognized total gains of R\$13,768 (gain of R\$309 in the year ended December 31, 2016 and loss of R\$29,964 in the year ended December 31, 2015) with fuel hedge transactions.

In the year ended December 31, 2017, the Company held derivatives operations designated as "hedge accounting" (as of December 31, 2016 and 2015, the Company did not hold derivatives operations designated as "hedge accounting").

b) Foreign currency risk

Foreign currency risk derives from the possibility of unfavorable fluctuation of foreign currencies to which the Company's liabilities or cash flows are exposed. As of December 31, 2017, the Company had no outstanding derivative financial instruments. The Company recognized a loss on foreign currency derivatives in the amount of R\$40,931 for the year ended December 31, 2016 and gain of R\$102,969 in the year ended December 31, 2015). The Company does not have foreign currency derivatives designated as "hedge accounting".

The Company's foreign currency exposure is summarized below:

F - 58

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Assets

| | | |
|---|------------------|------------------|
| Cash and cash equivalents, short-term investments and restricted cash | 1,215,716 | 548,792 |
| Trade receivables | 126,140 | 104,800 |
| Deposits | 655,244 | 756,810 |
| Derivatives | 40,647 | 3,817 |
| Other assets | - | 10,184 |
| Total assets | 2,037,747 | 1,424,403 |

Liabilities

| | | |
|--------------------------|------------------|------------------|
| Short and long-term debt | 4,593,169 | 3,596,379 |
| Finance leases | 1,476,151 | 1,718,012 |
| Foreign suppliers | 644,775 | 344,654 |
| Derivatives | 34,457 | 89,211 |
| Operating leases | 139,110 | 7,233 |
| Total liabilities | 6,887,662 | 5,755,489 |

| | | |
|--------------------------|------------------|------------------|
| Exchange exposure | 4,849,915 | 4,331,086 |
|--------------------------|------------------|------------------|

Commitments not recorded in the statements of financial position

| | | |
|--|-------------------|-------------------|
| Future commitments resulting from operating leases | 5,304,714 | 6,246,725 |
| Future commitments resulting from firm aircraft orders | 45,090,382 | 48,032,429 |
| Total | 50,395,096 | 54,279,154 |

| | | |
|--|-------------------|-------------------|
| Total foreign currency exposure - R\$ | 55,245,011 | 58,610,240 |
|--|-------------------|-------------------|

| | | |
|--|------------|------------|
| Total foreign currency exposure - US\$ | 16,700,426 | 17,983,566 |
| Exchange rate (R\$/US\$) | 3.3080 | 3.2591 |

The Company's foreign currency exposure mainly comprises U.S. Dollar rate.

c) Interest rate risk

The Company is mainly exposed to lease transactions indexed to variations in the Libor rate until the aircraft is received. To mitigate such risks, the Company has derivative financial instruments of interest rate (Libor) swaps. During the year ended December 31, 2017, the Company recognized a total loss with interest hedging transactions in the amount of

R\$33,501 (loss of R\$128,732 and R\$35,725 in the years ended December 31, 2016 and 2015, respectively).

As of December 31, 2017, 2016 and 2015, the Company and its subsidiaries had interest rate swap derivatives recorded as hedge accounting.

27.2. Credit risk

The credit risk is inherent in the Company's operating and financing activities, mainly represented by cash and cash equivalents, short-term investments and trade receivables. Financial assets classified as cash, cash equivalents and short-term investments are deposited with counterparties rated investment grade or higher by S&P or Moody's (between AAA and AA-), pursuant to risk management policies. The financial institutions in which the Company concentrates more than 10% of its total financial assets are Itaú and Banco do Brasil. Other assets are diluted among other financial institutions, pursuant to the Company's risk policy. Trade receivables consists of amounts falling due from credit card operators, travel agencies, installment sales and government entities, which leaves the Company exposed to a small portion of the credit risk of individuals and other entities. Credit limits are set for all customers based on internal credit rating criteria and carrying amounts represent the maximum credit risk exposure. Customer creditworthiness is assessed based on an internal system of extensive credit rating. Outstanding trade receivables are frequently monitored by the Company.

F - 59

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Derivative financial instruments are contracted in the over-the-counter market (OTC) with counterparties rated investment grade or higher, or in a commodities and futures exchange (B3 or NYMEX), thus substantially mitigating credit risk. The Company's obligation is to evaluate counterparty risk involved in financial instruments and periodically diversify its exposure.

27.3. Liquidity risk

The Company is exposed to two distinct forms of liquidity risk: (i) market prices, which vary in accordance with the types of assets and markets where they are traded, and (ii) cash flow liquidity risk related to difficulties in meeting the contracted operating obligations at the maturity dates. In order to manage liquidity risk, the Company invests its funds in liquid assets (government bonds, CDBs and investment funds with daily liquidity) and its Cash Management Policy requires the weighted average maturity of its debt to be longer than the weighted average term of its investment portfolio term.

The schedules of financial liability hold by the Company as of December 31, 2017 and 2016 is as follows:

| | | | | | |
|--------------------------------|------------------|----------------|------------------|------------------|------------------|
| Short and long-term debt | 369,496 | 793,376 | 2,651,018 | 3,291,777 | 7,105,667 |
| Suppliers | 1,245,352 | 3,772 | 222,026 | - | 1,471,150 |
| Suppliers - Forfaiting | 78,416 | - | - | - | 78,416 |
| Derivatives liabilities | 34,457 | - | - | - | 34,457 |
| Operating leases | 28,387 | - | 110,723 | - | 139,110 |
| As of December 31, 2017 | 1,756,108 | 797,148 | 2,983,767 | 3,291,777 | 8,828,800 |
| Short and long-term debt | 499,542 | 335,748 | 2,654,007 | 2,889,923 | 6,379,220 |
| Suppliers | 1,097,997 | - | 13,517 | - | 1,111,514 |
| Derivatives liabilities | 89,211 | - | - | - | 89,211 |
| Operating leases | 3,215 | 4,018 | - | - | 7,233 |

As of December 31, 2016 **1,689,965** **339,766** **2,667,524** **2,889,923** **7,587,178**

27.4. Capital management

The Company seeks alternatives to capital in order to meet its operational needs, aiming a capital structure that takes into account suitable parameters for the financial costs, the maturities of funding and its guarantees. The Company monitors its financial leverage ratio, which corresponds to net debt, including short and long-term debt. The table below shows the Company's capital management as of December 31, 2017 and 2016:

| | | |
|---|------------------|------------------|
| Short and long-term debt | 7,105,667 | 6,379,220 |
| (-) Cash and cash equivalents | (1,026,862) | (562,207) |
| (-) Short-term investments | (955,589) | (431,233) |
| (-) Restricted cash | (268,047) | (168,769) |
| A - Net debt | 4,855,169 | 5,217,011 |
| B – Total deficit | (3,068,946) | (3,356,751) |
| C = (B + A) - Total capital and net debt | 1,786,223 | 1,860,260 |

27.5. Sensitivity analysis of financial instruments

The Company also analyzes the impact of the financial instrument fluctuation on the profit or loss and total equity considering:

- Increase and decrease by 25% and -50% in fuel prices, by keeping all the other variables constant;
- Increase and decrease by 25% and -50% in the U.S. dollar exchange rate, by keeping all the other variables constant;
- Increase and decrease by 25% and -50% in the Libor interest rate, by keeping all the other variables constant.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

The estimates presented do not necessarily reflect the amounts to be reported in future financial statements. The use of different methodologies and/or assumptions may have a material effect on the estimates presented.

The tables below show the sensitivity analysis of foreign currency exposure, derivatives positions and interest rates on December 31, 2017 to market risks considered relevant by Management. In the tables, positive values are displayed as asset exposures (assets higher than liabilities) and negative values are exposed liabilities (liabilities greater than assets).

a) Fuel risk

The Company and its subsidiaries contract crude oil derivatives (WTI, Brent) and its byproducts (Heating Oil) to hedge fluctuations in jet fuel prices. Historically, oil prices are highly correlated with aircraft fuel prices.

| | | | | | |
|--|----------------|---------------|---------------|---------------|----------------|
| Percentage of fuel exposure hedged | 27% | 10% | 6% | 5% | 12% |
| Amount in barrels (thousand barrels) | 855 | 360 | 220 | 163 | 1,598 |
| Future rate agreed per barrel (US\$) | 51.89 | 51.33 | 51.46 | 51.58 | 51.67 |
| Total in thousands of Brazilian Reais | 146,760 | 61,124 | 37,453 | 27,813 | 273,120 |

b) Foreign currency risk

As of December 31, 2017, the Company adopted the closing exchange rate of R\$3.3080/US\$1.00 as likely scenario. The table below shows the sensitivity analysis and the effect on profit or loss of exchange rate fluctuations in the exposure amount of the period as of December 31, 2017:

| | | |
|----------------------------|--------|-------------|
| Dollar depreciation (-50%) | 1.6540 | 2,424,957 |
| Dollar depreciation (-25%) | 2.4810 | 1,212,479 |
| Dollar appreciation (+25%) | 4.1350 | (1,212,479) |
| Dollar appreciation (+50%) | 4.9620 | (2,424,957) |

c) Interest rate risk

As of December 31, 2017, the Company holds financial investments and financial liabilities indexed to several rates, and position in Libor derivatives. In the sensitivity analysis of non-derivative financial instruments, it was considered the impacts on yearly interest of the exposed values as of December 31, 2017 (see Note 16) arising from fluctuations in interest rates, according to the scenarios presented below. The amounts show the impacts on profit or loss according to the scenarios presented below:

| | | | |
|---|-----------|-----------|----------|
| Referential rates | 6.89% | 1.69% | 1.69% |
| Exposure amount (probable scenario) (b) | 1,129,300 | (287,608) | (34,457) |
| Possible adverse scenario (+25%) | 90,595 | (6,091) | (730) |
| Remote adverse scenario (+50%) | 108,714 | (7,309) | (876) |

(a) Total invested and raised in the financial market at the CDI rate. A negative amount means more debt than investment.

(b) Balances recorded on December 31, 2017.

(c) Derivatives contracted to hedge the Libor rate variation embedded in the agreements for future delivery of aircraft.

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

Measurement of the fair value of financial instruments

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

- Level 1: Fair value measurements are calculated based on quoted prices (without adjustment) in active market or identical liabilities;
- Level 2: Fair value measurements are calculated based on other variables besides quoted prices included in Level 1, that are observable for the asset or liability directly (such as prices) or indirectly (derived from prices); and
- Level 3: Fair value measurements are calculated based on valuation methods that include the asset or liability but that are not based on observable market variables (unobservable inputs).

The following table shows a summary of the Company's and its subsidiaries' financial instruments measured at fair value, including their related classifications of the valuation method, as of December 31, 2017 and 2016:

| | | | | | |
|---------------------------|---------|----------|----------|----------|----------|
| Cash and cash equivalents | Level 2 | 434,295 | 434,295 | 269,797 | 269,797 |
| Short-term investments | Level 1 | 32,701 | 32,701 | 41,104 | 41,104 |
| Short-term investments | Level 2 | 922,888 | 922,888 | 390,129 | 390,129 |
| Restricted cash | Level 2 | 268,047 | 268,047 | 168,769 | 168,769 |
| Derivatives assets | Level 2 | 40,647 | 40,647 | 3,817 | 3,817 |
| Derivatives liabilities | Level 2 | (34,457) | (34,457) | (89,211) | (89,211) |

28. Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities in the years ended December 31, 2017, 2016 and 2015 are as follows:

| | Opening balance | Cash flows | Net income for the year | Interest paid on loans | Import financing | Non-cash changes | | | Closing balance |
|---------------------------------------|-----------------|------------|-------------------------|------------------------|------------------|------------------------------|-------------------|----------|-----------------|
| | | | | | | Exchange variations on loans | Interest on loans | Other | |
| Short and long-term debt | 6,379,220 | 612,396 | | (505,105) | 63,066 | 68,895 | 502,529 | (15,334) | 7,105 |
| Non-controlling interests from Smiles | 293,247 | (254,892) | 359,025 | - | - | - | - | 14,633 | 412 |
| Capital stock | 3,080,110 | 2,692 | - | - | - | - | - | - | (3,082) |
| Share issuance costs | (155,618) | (523) | - | - | - | - | - | 523 | (155,618) |

| | Opening balance | Cash flows | Net income for the year | Repurchase of debt securities | Interest paid on loans | Non-cash changes | | | Closing balance |
|---------------------------------------|-----------------|------------|-------------------------|-------------------------------|------------------------|------------------------------|-------------------|-----------|-----------------|
| | | | | | | Exchange variations on loans | Interest on loans | Other | |
| Short and long-term debt | 9,304,926 | (890,559) | | (286,799) | (606,405) | (1,220,608) | 627,672 | (549,007) | 6,300 |
| Non-controlling interests from Smiles | 224,022 | (171,829) | 252,745 | - | - | - | - | (11,691) | 2 |
| Capital stock | 3,080,110 | - | - | - | - | - | - | - | (3,082) |
| Share issuance costs | (155,223) | (395) | - | - | - | - | - | - | (155,223) |

Gol Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2017, 2016 and 2015

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

| | Opening balance | Cash flows | Net income for the year | Non-cash changes | | | | | Closing balance |
|---------------------------------------|-----------------|------------|-------------------------|-------------------------------|------------------------|------------------------------|-------------------|---------|-----------------|
| | | | | Repurchase of debt securities | Interest paid on loans | Exchange variations on loans | Interest on loans | Other | |
| Short and long-term debt | 6,235,239 | 426,973 | - | - | -(548,773) | (2,337,999) | 600,410 | 253,078 | 9,300 |
| Non-controlling interests from Smiles | 185,413 | (136,822) | 169,643 | - | - | - | - | 5,788 | 22 |
| Capital stock | 2,618,799 | 465,048 | - | - | - | - | - | (3,737) | 3,08 |
| Share issuance costs | (150,214) | (5,009) | - | - | - | - | - | - | (15) |

29. Insurance

As of December 31, 2017, insurance coverage by nature, considering the aircraft fleet and related to the maximum reimbursable amounts indicated in U.S. dollars, along with Smiles' insurance coverage, is as follows:

GLA

| | | |
|--|------------|-----------|
| Guarantee - hull/war | 12,504,240 | 3,780,000 |
| Civil liability per event/aircraft (*) | 2,481,000 | 750,000 |
| Inventories (local) (*) | 992,400 | 300,000 |

Smiles

| | | |
|--|--------|---|
| Rent insurance (Rio Negro – Alphaville complex) | 1,470 | - |
| D&O liability insurance | 50,000 | - |
| Fire insurance (Property insurance Rio Negro – Alphaville complex) | 9,025 | - |

(*) Values per incident and annual aggregate.

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

30. Subsequent events

On January 16, 2018, the subsidiary Gol Finance approved a tender offer of up to US\$50 million of the Senior Notes due in 2020.

On January 30, 2018, the offering of Senior Notes by Gol Finance was approved, in the amount of US\$150 million, due in 2025, which priced on February 2, 2018. The new Notes will be consolidated with, and form a single series with, the US\$500 million aggregate principal amount of notes that were originally issued on December 11, 2017, raising the outstanding total on the tranche to US\$650 million. Gol Finance will use part of the proceeds from the Senior Notes due in 2025 to fully redeem the Senior Notes due in 2020 that were offered after the Tender Offer and pay related costs and expenses.

Pursuant to a share repurchase program announced on April 10, 2018, to comply with the Company's restricted shares plan, the Company repurchased, through transactions on the B3, 740,000 preferred shares, representing 0.2776% of the total preferred shares issued and 0.2124% of the Company's capital stock, calculated considering the ratio of 35:1 of dividend rights of holders of common shares to those of holders of preferred shares. As a result of these repurchases, the Company holds 1,018,612 preferred shares in treasury, representing 0.3821% of the total preferred shares issued and 0.2924% of our capital stock. The Company terminated the share repurchase program on April 19, 2018.

F - 63

SIGNATURES

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: */s/ Paulo Sergio Kakinoff*
Name: Paulo Sergio Kakinoff
Title: Chief Executive Officer

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: */s/ Richard F. Lark, Jr.*
Name: Richard F. Lark, Jr.
Title: Chief Financial Officer

Dated: May 30, 2018