Gol Intelligent Airlines Inc.
Form 20-F
April 28, 2016

As filed with the Securities and Exchange Commission on April 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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)

Edmar Prado Lopes Neto
+55 11 5098-7872
Fax: +55 11 5098-2341
E-mail: ri@golnaweb.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:	**Name of each exchange on which registered:**
Preferred Shares, without par value	**New York Stock Exchange***
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share of Preferred Stock	**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:
7.50% Senior Notes Due 2017

The number of outstanding shares of each class of stock of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2015:

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

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

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 x

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 x No ¨

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

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

Large accelerated Filer ¨	Accelerated Filer x	Non-accelerated Filer ¨

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

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board x	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 x

Table of Contents

Presentation of Financial and Other Data

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

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31, 2015 was R$3.9048 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect on December 31, 2015, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at the above rate. See "Exchange Rates" for more detailed information regarding the Brazilian foreign exchange system and historical data on the exchange rate of the *real* against the U.S. dollar.

In this annual report, we use the terms "the Registrant" to refer to Gol Linhas Aéreas Inteligentes S.A., and "Gol", "Company", "we," "us" and "our" to refer to the Registrant and its consolidated subsidiaries together, except where the context requires otherwise. The term VRG refers to VRG Linhas Aéreas S.A., a wholly owned subsidiary of the Registrant. References to "preferred shares" and "ADSs" refer to non-voting preferred shares of the Registrant and American depositary shares representing those preferred shares, respectively, except where the context requires otherwise.

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

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

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

- "Aircraft utilization" represents the average number of block-hours operated per day per aircraft for the total aircraft fleet.

- "Available seat kilometers" or "ASK" represents the aircraft seating capacity multiplied by the number of kilometers flown.

- "Average stage length" represents the average number of kilometers flown per flight.

- "Block-hours" refers to the elapsed time between an aircraft's leaving an airport gate and arriving at an airport gate.

- “Breakeven load factor” is the passenger load factor that will result in passenger revenues being equal to operating expenses.

- “Load factor” represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).

- “Operating expense per available seat kilometer” or “CASK” represents operating expenses divided by available seat kilometers.

1

- "Operating expense excluding fuel expense per available seat kilometer" or "CASK - ex fuel" represents operating expenses less fuel expense divided by available seat kilometers.

- "Operating revenue per available seat kilometer" or "RASK" represents operating revenue divided by available seat kilometers.

- "Passenger revenue per available seat kilometer" or "PRASK" represents passenger revenue divided by available seat kilometers.

- "Revenue passengers" represents the total number of paying passengers flown on all flight segments.

- "Revenue passenger kilometers" or "RPK" represents the numbers of kilometers flown by revenue passengers.

- "Yield per passenger kilometer" or "yield" represents the average amount one passenger pays to fly one kilometer.

Cautionary Statements about Forward-Looking Statements

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

- general economic, political and business conditions in Brazil and in other South American and Caribbean markets we serve;

- the effects of global financial markets and economic crises;

- management's expectations and estimates concerning our future financial performance and financing plans and programs;

- our level of fixed obligations;

- our capital expenditure plans;

- our ability to obtain financing on acceptable terms;

- inflation and fluctuations in the exchange rate of the *real*;

- existing and future governmental regulations, including air traffic capacity controls;

- increases in fuel costs, maintenance costs and insurance premiums;

- changes in market prices, customer demand and preferences, and competitive conditions;

- cyclical and seasonal fluctuations in our operating results;

- defects or mechanical problems with our aircraft;

- our ability to successfully implement our strategy;
- developments in the Brazilian civil aviation infrastructure, including air traffic control, airspace and airport infrastructure, and
- the risk factors discussed under "Risk Factors."

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

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

A. Selected Financial Data

We present in this section the following summary financial data:

- Summary financial information derived from our audited consolidated financial statements included herein as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013; and

- Summary financial information derived from our audited consolidated financial statements not included herein as of and for the years ended December 31, 2012 and 2011.

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2015 have been translated into U.S. dollars at the commercial market rate in effect on December 31, 2015 as reported by the Central Bank of R$3.9048 to US$1.00.

Summary Financial Information

	Year Ended December 31,					
	2011	**2012**	**2013**	**2014**	**2015**	**2015**
Statements of Operations	(in thousands of R$, except per share/ADS information)					(in thousands of US$)
Operating revenue:						
Passenger	6,713,029	7,159,987	8,122,161	9,045,831	8,583,388	2,198,163
Cargo and other	826,279	943,572	834,051	1,020,383	1,194,619	305,936
Total operating revenue	**7,539,308**	**8,103,559**	**8,956,212**	**10,066,214**	**9,778,007**	**2,504,099**
Operating expenses:						
Salaries	(1,560,436)	(1,569,670)	(1,333,462)	(1,374,096)	(1,580,531)	(404,766)
Aircraft fuel	(3,060,665)	(3,742,219)	(3,610,822)	(3,842,276)	(3,301,368)	(845,464)
Aircraft rent	(505,058)	(644,031)	(699,193)	(844,571)	(1,100,086)	(281,726)
Sales and marketing	(402,568)	(426,582)	(516,059)	(667,372)	(617,403)	(158,114)
Landing fees	(395,249)	(559,421)	(566,541)	(613,153)	(681,378)	(174,498)
Aircraft, traffic and mileage servicing	(484,642)	(528,737)	(599,479)	(747,447)	(1,019,833)	(261,174)
Maintenance, materials and repairs	(434,181)	(417,990)	(460,805)	(511,045)	(603,925)	(154,662)
Depreciation and amortization	(395,807)	(519,631)	(560,966)	(463,296)	(419,691)	(107,481)

Other operating expenses	(633,634)	(600,891)	(342,896)	(495,526)	(633,628)	(162,269)
Gain on bargain purchase	88,428	-	-	-	-	-
Total operating expenses	**(7,783,812)**	**(9,009,172)**	**(8,690,223)**	**(9,558,782)**	**(9,957,843)**	**(2,550,154)**

	Year Ended December 31,					
	2011	2012	2013	2014	2015	2015
Statements of Operations	(in thousands of R$, except per share/ADS information)					(in thousands of US$)
Equity results	-	-	-	(2,490)	(3,941)	(1,009)
Income (loss) before financial expense, net and income taxes	(244,504)	(905,613)	265,989	504,942	(183,777)	(47,064)
Financial expense, net	(755,914)	(679,209)	(919,216)	(1,457,622)	(3,263,323)	(835,721)
Loss before income taxes	(1,000,418)	(1,584,822)	(653,227)	(952,680)	(3,447,100)	(882,785)
Income taxes	248,880	71,907	(71,363)	(164,601)	(844,140)	(216,180)
Net loss	**(751,538)**	**(1,512,915)**	**(724,590)**	**(1,117,281)**	**(4,291,240)**	**(1,098,965)**
Attributable to non-controlling interests	-	-	71,957	128,888	169,643	43,445
Attributable to equity holders of the parent	(751,538)	(1,512,915)	(796,547)	(1,246,169)	(4,460,883)	(1,142,410)
Basic loss per preferred share [1]	(2.78)	(5.52)	(2.88)	(4.48)	(14.76)	(3.78)
Basic loss per common share [1]	(0.08)	(0.16)	(0.08)	(0.13)	(0.42)	(0.11)
Basic loss per ADS [1][2]	(27.80)	(55.20)	(28.80)	(44.80)	(147.60)	(37.80)
Diluted loss per preferred share [1]	(2.78)	(5.52)	(2.88)	(4.48)	(14.76)	(3.78)
Diluted loss per common share [1]	(0.08)	(0.16)	(0.08)	(0.13)	(0.42)	(0.11)
Diluted loss per ADS[1][2]	(27.80)	(55.20)	(28.80)	(44.80)	(147.60)	(37.80)
Weighted average number of outstanding shares in relation to basic earnings (loss) per preferred share (in thousands)[1]	133,342	134,298	132,780	134,151	158,285	158,285
Weighted average number of outstanding shares in relation to basic loss per common share (in thousands)[1]	4,796,146	4,900,915	5,035,037	5,035,037	5,035,037	5,035,037
Weighted average number of outstanding shares in relation to diluted loss per preferred share (in thousands)[1]	133,342	134,298	132,780	134,151	158,285	158,285
Weighted average number of outstanding shares in relation to diluted loss per common share (in thousands)[1]	4,796,146	4,900,915	5,035,037	5,035,037	5,035,037	5,035,037
Dividends declared per preferred share (net of withheld income taxes)	-	-	-	-	-	-

	As of December 31,					
	2011	2012	2013	2014	2015	2015
Balance Sheet Data:		(in thousands of R$)				(in thousands of US$)
Cash and cash equivalents	1,230,287	775,551	1,635,647	1,898,773	1,072,332	274,619
Short-term investments	1,009,068	585,028	1,155,617	296,824	491,720	125,927
Trade receivables	354,134	325,665	324,821	352,284	462,620	118,475
Deposits	630,599	657,196	847,708	793,508	1,020,074	261,236
Total assets	10,655,141	9,027,098	10,638,448	9,976,647	10,368,397	2,655,295
Short-term debt	1,552,440	1,719,625	440,834	1,110,734	1,396,623	357,668
Long-term debt	3,439,008	3,471,550	5,148,551	5,124,505	7,908,303	2,025,277
Total equity	2,205,911	732,828	1,218,500	(332,974)	(4,322,440)	(1,106,955)
Capital stock	2,316,500	2,499,689	2,501,574	2,618,748	3,080,110	788,801

	Year Ended December 31,					
	2011	2012	2013	2014	2015	2015
Other Financial Data:		(in thousands of R$ except percentages)				(in thousands of US$)
Operating margin[3]	(3.2)%	(11.2)%	3.0%	5.0%	(1.9)%	(1.9)%
Net cash provided by (used in) operating activities	(602,520)	133,293	403,881	1,129,192	(599,467)	(153,521)
Net cash provided by (used in) investing activities	(469,168)	(590,443)	(318,936)	(431,610)	(1,259,157)	(322,464)
Net cash provided by (used in) financing activities	354,547	(4,381)	807,162	(309,584)	750,190	192,120

Summary Operational Data

	Year Ended December 31				
	2011[4]	2012	2013	2014	2015
Operating Data:					
Revenue passengers (in thousands)	36,220	39,164	36,306	39,749	38,868
Revenue passenger kilometers (in millions)[5]	34,461	36,410	34,684	38,085	38,410
Available seat kilometers (in millions) [5]	50,373	51,867	49,633	49,503	49,744
Load-factor	68.4%	70.2%	69.9%	76.9%	77.2%
Break-even load-factor	70.6%	78.0%	67.8%	73.1%	78.1%
Aircraft utilization (block hours per day)	13.0	12.1	11.2	11.5	11.1
Average fare (R$)	185	183	224	228	243
Yield per passenger kilometer (R$ cents)	19.5	19.7	23.4	23.8	23.3
Passenger revenue per available seat kilometer (R$ cents)	13.4	13.8	16.4	18.3	17.3
Operating revenue per available seat kilometer (R$ cents)	15.0	15.6	18.0	20.3	19.7
Operating expense per available seat kilometer (R$ cents)	15.5	17.4	17.5	19.3	20.0

Operating expense less fuel expense per available seat kilometer (R$ cents)	9.4	10.2	10.2	11.6	13.4
Departures	314,190	348,578	316,466	317,594	315,902
Departures per day	861	955	867	870	866
Destinations served	63	65	65	71	68
Average stage length (kilometers)	908	877	897	912	933
Full-time equivalent employees at period end	20,525	17,726	16,319	16,875	16.472
Fuel liters consumed (in thousands)	1,591,917	1,655,421	1,511,869	1,538,202	1,551,137
Percentage of sales through website during period(6)	88.4%	88.8%	87.6%	83.1%	80.7%
Percentage of sales through website and call center during period	94.5%	94.5%	92.5%	87.3%	84.5%

---

(1) Adjusted to reflect that the one to 35 stock split of our common shares on March 23, 2015 and that since that date our preferred shares are entitled to receive dividends per share in an amount 35 times the amount of dividends per share paid to holders of our common shares in order to account for the split of our common shares. Our preferred shares are not entitled to any fixed dividend preferences. See “Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices” for further details.

(2) Adjusted to reflect the change of the ratio of our ADSs to preferred shares in February 2016 from one ADS to one preferred share to one ADS to ten preferred shares. See "Item 12. Description of Securities other than Equity Securities–A. American Depositary Shares–ADR Ratio Change."

(3) Operating margin represents operating income (loss) before financial results and income taxes divided by operating revenue.

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

(5) Source: National Civil Aviation Agency (*Agência Nacional de Aviação Civil*), or ANAC.

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

Exchange Rates

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

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. The exchange rate of the *real* was R$1.566 per US$1.00 in August 2008. Primarily as a result of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R$2.337 per US$1.00 at year end 2008. In 2009 and 2010, the *real* appreciated against the U.S. dollar and reached R$1.666 per US$1.00 at year end 2010. During 2011 the *real* depreciated and, on December 31, 2011, the exchange rate was R$1.876 per US$1.00. From 2012 through 2015, the *real* continued to depreciate and on December 31, 2012, 2013, 2014, and 2015, the exchange rate was R$2.044, R$2.343, R$2.656 and R$3.905 per US$1.00.

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

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

	Period-End	**Average for Period (1)**	**Low**	**High**
	(R$ per US$)			
Year				
2011	1.876	1.675	1.535	1.902
2012	2.044	1.955	1.702	2.112
2013	2.343	2.161	1.953	2.446
2014	2.656	2.353	2.197	2.740
2015	3.905	3.339	2.575	4.195
2016 (through April 26, 2016)	3.530	3.579	3.513	4.156

	Month-End	**Average for Month (2)**	**Low**	**High**

	(R$ per US$)			
Month				
October 2015	3.859	3.880	3.739	4.001
November 2015	3.851	3.777	3.701	3.851
December 2015	3.905	3.871	3.748	3.983
January 2016	4.043	4.052	3.986	4.156
February 2016	3.980	3.974	3.865	4.049
March 2016	3.559	3.704	3.559	3.991
April 2016 (through April 26)	3.530	3.832	3.513	3.692

Source: Central Bank

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

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Relating to Brazil

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

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

- interest rates;
- currency fluctuations;
- monetary policies;
- inflation;
- liquidity of capital and lending markets;
- tax policies;
- labor regulations;
- energy and water shortages and rationing;

- exchange rates and exchange controls and restrictions on remittances abroad, such as those that were briefly imposed in 1989 and early 1990; and

- other political, social and economic developments in or affecting Brazil.

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

In addition and as a consequence to the above mentioned, since 2011, Brazil has been experiencing an economic slowdown. The Gross Domestic Product, or GDP, growth (contraction) rates were (3.8)% in 2015, 0.1% in 2014, 2.7% in 2013, 1.8% in 2012 and 3.9% in 2011, compared to a GDP growth of 7.5% in 2010. In 2016, analysts project that the Brazilian GDP will contract 3.7%, according to the Focus Report published by the Brazilian Central Bank on April 1, 2016.

Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of the Brazilian GDP. We cannot assure you that the GDP will increase or remain stable. Developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the use of our products and services.

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

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect investor confidence and of the general public, which resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

Currently, Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* investigation, being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as senior officers of large state-owned companies have faced allegations of corruption. These senior officials allegedly accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties of the current federal government coalition that were unaccounted for or not publicly disclosed, as well as served to personal enrichment of the recipients of the bribery scheme.

As a result, a number of senior politicians, including congressman and officers of the major state-owned companies in Brazil resigned or have been arrested. Currently, senior elected officials and other public officials in Brazil are being investigated for allegations of unethical and illegal conduct identified during the *Lava Jato* investigation.

The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. In addition, we cannot predict the outcome of any such allegations nor their effect on the Brazilian economy.

The development of such unethical conduct cases could adversely affect the Brazilian economy and, consequently, our business, financial condition and results of operations.

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

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

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

Historically, Brazil has experienced high inflation rates. Inflation and certain actions taken by the Central Bank to curb it have had significant negative effects on the Brazilian economy. After the implementation of the *Plano Real* in 1994, the annual rate of inflation in Brazil decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA. Inflation measured by the IPCA index was 5.9%, 6.4%, and 10.7% in 2013, 2014 and 2015, respectively and the tendency is increasing inflation for 2016. The inflation rate for the General Market Prices Index (*Índice Geral de Preços de Mercado*), or IGP-M, was 5.5%, 3.7% and 10.5% in 2013, 2014 and 2015, respectively.

Between 2004 and 2010, the Central Bank's Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*) rate, or SELIC rate, which is the base interest rate for the Brazilian banking system, varied between 19.8% and 8.6%. On December 31, 2013, 2014 and 2015, the SELIC rate was 10.0%, 11.75% and 14.25%, respectively.

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

Risks Relating to Us and the Brazilian Airline Industry

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

The Brazilian currency has, during the last decades, experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the *real* was valued at R$1.67 per US$1.00 in August 2008. Following the onset of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R$2.34 per US$1.00 at the end of 2008. In 2010, the *real* appreciated against the U.S. dollar, reaching R$1.661 per US$1.00 at the end of 2010. Since 2011, the *real* depreciated against the U.S. dollar, reaching R$3.905 per US$1.00 at the end of 2015 with a 47.0% devaluation in 2015. As of April 26, 2016, the *real* reached R$3.530 per US$1.00. There can be no assurance that the *real* would not depreciate further against the U.S. dollar.

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

Nearly 88.5% of our passenger revenue and other revenue are denominated in *reais* and a significant part of our operating expenses, such as fuel, aircraft and engine maintenance services, aircraft rent payments and aircraft insurance, are denominated in, or linked to, U.S. dollars. For the year ended December 31, 2015, 50.3% of our operating expenses were either denominated in or linked to the U.S. dollar. For the year ended December 31, 2015 our aircraft rent increased in *reais* 30.3%, to R$1,100.1 million in 2015 from R$844.6 million in 2014, principally driven by the 41.6% average depreciation of the *real* as compared to the U.S. dollar in 2015. In addition, the purchase price of the Boeing 737 aircraft is denominated in U.S. dollars. At December 31, 2015, R$8,028.0 million (or 86.3% of our indebtedness) was denominated in U.S. dollars, an increase of 71.9% in *reais* as compared to R$4,670.0 million at December 31, 2014, principally driven by the 47.0% depreciation of the *real* against the U.S. dollar. At the same date, we had a total of R$7,749.0 million in U.S. dollar-denominated future operating lease payment obligations, an increase of 61.6% in *reais* as compared to R$4,794.8 million at December 31, 2014, due to the same reason. In 2015, exchange rate variation in our financial expenses had a net increase of 419.7%, to R$2,267.0 million, when compared with 2014.

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

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

We may not be able to maintain adequate liquidity and our cash flows from operations and financings may not be sufficient to meet our current obligations unless we are able to successfully restructure certain of our contractual obligations and commitments.

While our cash flows from operations and financings have been sufficient to meet our current operating expenses, lease obligations and debt service requirements to date, our liquidity, cash flows from operations and financings may be negatively impacted by the exchange rate environment and the effects of continued negative economic conditions in Brazil on demand for air travel. These factors have materially and adversely impacted our liquidity and we expect this trend to continue. Recent cost cutting measures, such as capacity reduction, may not be sufficient to offset these effects or improve our liquidity.

We have recently announced our intention to restructure (i) our existing indebtedness from the issuance of notes and bank loans and (ii) certain of our aircraft lease obligations and key suppliers. If we are unable to successfully restructure these contractual obligations and commitments, we may not be able to maintain adequate liquidity and our cash flows from operations and financings may not be sufficient to meet these obligations.

There can be no assurance that we will be successful in effecting all or any of the measures outlined above. Unfavorable events arising with respect to negotiations with creditors, key lessors and vendors could give rise to covenant and payment defaults, including the failure to maintain specified financial ratios, under the terms of our material operating and finance leases and indebtedness. In the absence of obtaining additional capital through asset sales, consensual restructuring of debt and lease terms and/or similar measures, we may be unable to remedy such defaults and may experience additional defaults in the future, including as a result of cross-defaults. Our operating and finance leases are subject to termination in the event of default, and our indebtedness may be accelerated in the event of continuing default. Certain lenders could foreclose on our assets securing their indebtedness, including certain of our aircraft and shares in Smiles.

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

Significant losses since 2011 have materially weakened our financial condition. We had net losses of R$751.5 million in 2011, R$1,513 million in 2012, R$724.6 million in 2013, R$1,117.3 million in 2014 and R$4,291.2 million in 2015. These losses were mainly a factor of items that we do not control, such as the depreciation of the *real* against the U.S. dollar, which affects a significant part of our operating expenses and our debt that is significantly denominated in U.S. dollars, and losses in fuel hedge due to volatility in international fuel prices. As a result of these losses, as of December 31, 2015, we had a negative equity of R$4,322.4 million, compared to R$333.0 million as of December 31, 2014.

The significant losses since 2011 and our substantial indebtedness have further increased our leverage, which resulted in decreases in our credit ratings. Since the end of 2012, Fitch Ratings, Moody’s and S&P have decreased our credit ratings from B, B3 and B, respectively, to CCC-, Caa1 and CCC-, respectively, as of the date of this annual report. Credit ratings affect the cost and other terms upon which we are able to obtain funding. Credit rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength. We cannot assure you that credit rating agencies will not downgrade our credit ratings any further, even absent new losses.

In light of our current credit ratings, negative shareholders' equity and leverage ratio, our ability to obtain debt and equity financing has been materially weakened, which makes us more vulnerable to unexpected events or to the deterioration of the operating environment (such as a significant increase in operating expenses).

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

Our operations and the airline industry in general are particularly sensitive to changes in economic conditions. Unfavorable economic conditions in Brazil, as demonstrated by a low or negative GDP growth since 2012, a constrained credit market and increased business operating costs have reduced spending on both leisure and business travel as well as cargo transportation. The slowdown in Brazilian economy and political instability has adversely affected industries with significant spending in travel, including government, oil and gas, mining and construction. In addition to decreases in load factors, reduced spending on business travel also affects the quality of demand, as we are able to sell less higher yield tickets, which negatively affected our results of operation in 2015, a trend that has continued in the first months of 2016. Unfavorable economic conditions can also affect our ability to raise fares to counteract increased fuel, labor and other costs. Any of these factors may negatively affect us.

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

Substantial fluctuations in fuel costs or the unavailability of fuel would harm us.

Historically, international and local fuel prices have been subject to wide price fluctuations based on geopolitical issues and supply and demand. The price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, which at times in 2007 and 2008 were at historically high levels, affects our fuel costs, which constitute a significant portion of our total operating expenses, accounting for 40.2% and 33.2% of our operating expenses for the years ended December 31, 2014 and 2015, respectively. Fuel availability is also subject to periods of market surplus and shortage and is affected by demand for both home heating oil and gasoline. In the event of an international or local fuel supply shortage, our fuel prices would likely increase. Although we enter into hedging arrangements to reduce our exposure to fuel price fluctuations and have historically passed on the majority of fuel price increases by adjusting our fare structure, the price and availability of fuel cannot be predicted with any degree of certainty. Our hedging activities and fares adjustments may not be sufficient to protect us fully from fuel price increases.

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

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

Brazilian aviation authorities monitor and influence the developments in Brazil’s airline market. For example, in airports regulated by the Brazilian Airport Infrastructure Company (*Empresa Brasileira de Infraestrutura Aeroportuária*), or INFRAERO, INFRAERO addressed overcapacity by establishing strict criteria that must be met before new routes or additional flight frequencies are awarded. INFRAERO’s policies as well as those of other aviation supervisory authorities have in the past, and may continue to, negatively affect our operations.

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

The minimum on-time performance and regularity targets for each series of slots in a season are 80% and 90%, respectively, at Congonhas airport (São Paulo) and 75% and 80%, respectively, for all other main airports. Airlines will forfeit any series of slots that operate below the minimum criteria in a season. Forfeited slots are redistributed 50% to new entrants, which includes airlines that operate fewer than 5 slots in the relevant airport in the given weekday, and 50% to all airlines operating in the relevant airport based on their share of slots. For the first allocation period at Congonhas, from November 2014 to March 2015, new entrants includes all airlines with less than 12% of the slots.

In October 2014, ANAC distributed new slots at Congonhas airport, in light of increased runway capacity, exclusively to airlines with less than 12% of the slots. Azul and Avianca were awarded 26 and 17 slots, respectively.

With the new allocation of slots at Congonhas airport as a result of the October 2014 distribution and the 2015 on-time performance redistributions, we and LATAM each have 43% and 44%, respectively, of the slots in terms of takeoffs and landings at Congonhas airport, after having held 47% and 48%, respectively, before October 2014, while Avianca's slots increased from 5% to 8% and Azul's increased from 0% to 5%.

Another example, in January 2015 Brazil approved a law allowing the government to grant subsidies for flights departing from or arriving at regional airports. Regional airports include any airports with fewer than 600,000 passengers per year, increased to 800,000 passengers per year in the Amazon region. The subsidy is still subject to further regulation before it may be implemented and is limited to certain airport fees and transportation costs for the lesser of 60 passengers per flight or 50% of the seats in a given flight, except in the Amazon region where the only limit is up to 60 passengers.

These and other changes to the Brazilian civil aviation regulatory framework could increase our costs and change the competitive dynamics of our industry and may adversely affect our operations, see "–We operate in a highly competitive industry.

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

We are dependent on improvements in the coordination and development of Brazilian airspace control and airport infrastructure, which, mainly due to the large growth in civil aviation in Brazil in recent years, require substantial improvements and government investments. This dependence was underlined by the need for additional infrastructure investments for the World Cup in 2014 and for the upcoming Summer Olympics in 2016 in Brazil.

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

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

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

We have significant costs, relating primarily to leases for our aircraft and engines. As of December 31, 2015, we had commitments of R$58,886.5 million to purchase additional Boeing 737-800 Next Generation aircraft, based on aircraft list prices, although the actual price payable by us for the aircraft should be lower due to supplier discounts. We expect that we will incur additional fixed obligations and debt as we take delivery of the new aircraft and other equipment to implement our strategy.

Having significant fixed payment obligations could:

- limit our ability to obtain additional financing to support expansion plans and for working capital and other purposes;

- divert substantial cash flow from our operations to service our fixed obligations under aircraft operating leases and aircraft purchase commitments;

- if interest rates increase, require us to incur significantly more lease or interest expense than we currently do; and

- limit our ability to react to changes in our business, the airline industry and general economic conditions.

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

We operate in a highly competitive industry.

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

In addition to competition among scheduled airlines and charter operators, the Brazilian airline industry faces competition from ground transportation alternatives, such as interstate buses. We may also face competition from international airlines as they introduce and expand flights between Brazil, other South American and Caribbean destinations. In addition, the Brazilian government and regulators could give preference to new entrants when granting new and current slots in Brazilian airports, for example, as recently occurred with respect to the new slots in the Congonhas airport.

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

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

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

If we do not act as a consolidator, our competitors may increase their scale, diversity and financial strength, which would negatively affect us. Consolidation in the airline industry and changes in international alliances will continue to affect the competitive landscape in the industry and may result in the formation of airlines and alliances with increased financial resources, more extensive global networks and reduced cost structures.

We rely on one supplier for our aircraft and engines.

One of the key elements of our current business strategy is to save costs by operating a standardized aircraft fleet. After extensive research and analysis, we chose the Boeing 737-700/800 Next Generation aircraft and CFM 56-7B engines from CFM International. We expect to continue to rely on Boeing and CFM International into the foreseeable future and have made a purchase order for 60 Boeing 737 Max-7/8 aircraft (the newest generation of our current aircraft and still under development), to be delivered starting 2018. If either Boeing or CFM International were unable to perform its contractual obligations, we would have to find another supplier for a similar type of aircraft or engines.

If we had to lease or purchase aircraft from another supplier, we could lose the benefits we derive from our current fleet composition. We cannot assure you that any replacement aircraft would have the same operating advantages as the Boeing 737-700/800 Next Generation aircraft or that we could lease or purchase engines that would be as reliable and efficient as the CFM engines. This may be the case for instance with the Boeing 737 Max-7/8 aircraft. We will also incur substantial transition costs, including costs associated with retraining our employees, replacing our manuals and adapting our facilities. Our operations could also be disrupted by the failure or inability of Boeing or CFM International to provide sufficient parts or related support services on a timely basis.

We would also be significantly harmed if a design defect or mechanical problem with the Boeing 737-700/800 Next Generation aircraft or the CFM engines used on our aircraft was discovered, causing our aircraft to be grounded while any such defect or problem is being corrected, assuming it could be corrected at all. The use of our aircraft could be suspended or restricted by ANAC in the event of any actual or perceived mechanical, design or other problems while ANAC conducts an investigation. Our business would also be significantly harmed if the public avoids flying on our aircraft due to an adverse perception of the Boeing 737-700/800 Next Generation aircraft or the CFM engines because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving Boeing 737-700/800 Next Generation aircraft or the CFM engines.

We have made purchase orders for new aircraft that is still being developed, any project delays or operational difficulties would adversely affect our operational costs and results of operations.

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

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

We rely heavily on automated systems to operate our business, and any failure of these systems could harm us.

We depend on automated systems to operate our business, including our computerized airline ticket sales system, our telecommunication systems, our scheduling system and our website. Our website and ticket sales system must accommodate a high volume of traffic and deliver important flight information. Substantial or repeated website, ticket sales, scheduling or telecommunication systems failures could reduce the attractiveness of our services and could cause our customers to purchase tickets from another airline. Any disruption in these systems or their underlying infrastructure could result in the loss of important data, increase our expenses and generally harm us.

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

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

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

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

We may also be affected by other events that affect travel behavior, such as the potential of epidemics or acts of terrorism. These events are out of our control and may affect us even if occurring in markets where we do not operate and/or in connection with other airlines. For example, in the second quarter of 2009 an outbreak of the H1N1 virus had an adverse impact on global air travel and on our operations to and from Argentina. Any outbreak of a disease that affects travel behavior, such as the recent outbreak of the zika virus in Brazil and other Latin American countries, could have a material adverse impact on us and the worldwide airline industry. Outbreaks of disease could also result in quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations.

Natural disasters may affect and disrupt our operations. For example, in 2011, a volcanic eruption in Chile had a prolonged adverse effect on air travel, halting flights in Argentina, Chile, Uruguay and the southern part of Brazil for several days. As a result, our operations to and from these regions were temporarily disrupted. Any natural disaster that affects air travel in the regions in which we operate could have a material adverse impact on us.

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

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, dispositions, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under Law No. 6,404 of December 15, 1976, as amended, or the Brazilian corporation law. Although you are entitled to tag-along rights in connection with a change of control of our company and you will have specific protections in connection with transactions between our controlling shareholder and related parties, our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of the ADSs or our preferred shares. After the amendments to our by-laws on March 23, 2015, our controlling shareholder may continue to direct our business and affairs even after significantly reducing its ownership interest, which is currently equivalent to 61.3% of the economic interests in us. A difference in economic exposure may intensify conflicts of interests between our controlling shareholder and you. See “Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices.”

Risks Relating to the ADSs and Our Preferred Shares

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

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 51.5% of the aggregate market capitalization of the BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias & Futuros (“BM&FBOVESPA”) as of December 31, 2015.

Furthermore, in recent years our market capitalization has decreased and as a result it has increased volatility in the trading price of our preferred shares and ADSs. Any further decreases in our market capitalization may further increase volatility. As a result of the decrease in the trading price of our ADSs and in order to comply with the continued listing standards of the NYSE, since February 26