

Q4 2015 Earnings Call

Company Participants

- Edmar Prado Lopes Neto
- Paulo Sergio Kakinoff

Other Participants

- Bruno Amorim
- Duane Pfennigwerth
- Renato Salomone
- Sara Delfim
- Stephen Trent
- Victor Mizusaki

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon and thanks for waiting. Welcome to the Conference Call of GOL Linhas Aéreas Inteligentes Regarding the Earnings of the Fourth Quarter 2015. Today, with us are Paulo Kakinoff, CEO; Edmar Lopes, VP of Finance and Investor Relations; and Eduardo Masson, CFO and IRO.

We would like to inform you that this event is being recorded, that all participants are in listen-only mode during the presentation of GOL. Later on, we are going to start the Q&A session when further instructions will be provided.

This event is also being simultaneously webcast on the company's website, www.voegol.com.br/ri. In there, you'll also find the respective presentation. The slide selections will be controlled by the participants. The replay of this event will be available soon after its closing. We would like to remind you that webcast participants can ask questions to GOL Linhas Aéreas on the website. They will be answered after the end of the conference by the IR department.

Before going on, we would like to let you know that certain statements made during this conference call relative to GOL's business outlook, projections, operating and financial goals are based on beliefs and assumptions of the company management and rely on information currently available.

Forward-looking statements are not a guarantee of performance since they involve risks, uncertainties and assumptions and refer to events that are in the future and therefore

depend on circumstances that may or may not occur. Investors and analysts should understand that general conditions, industry conditions and other operating factors may affect the future results of GOL and lead to results that will materially differ from those in such forward-looking statements.

We'll now turn the call over to Mr. Kakinoff that will start the presentation. Please, Mr. Kakinoff.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Hello. Good morning, everyone. Thanks for joining us in this conference call for the earnings of the fourth quarter 2015. Exceptionally in this conference call, we are going to have our event with simultaneous translation so as we can in a single forum and also equally to all participants release our results for 2015 as well as the information of previous releases, including projections for 2016 and the hiring of the consulting companies we already released. We believe that due to the sensitivity of the information, it would be timely to have a single forum with a single message for the participants. So we're going to start our presentation on slide number three.

The year of 2015 was marked by a drop in the Brazilian GDP of 3.8%, the most significant in the last 25 years. Indeed, it will be the first time that we'll have two years in a row with negative results in GDP, two consecutive years of recession since the beginning of the 1990s. In the period, we also saw the inflation peaking, recording 10.7% and the devaluation of the Brazilian real compared to the dollar by 42%, which impacts more than 50% of our costs and expenses and approximately 85% of company debt.

About the dollar, it's important to highlight that the currency last year varied from BRL 2.66 to the peak of BRL 4.24, which accounts for a variation of approximately 60% within a single year. This volatility poses additional challenges and still remains. These macroeconomic factors interrupted the pathway followed by GOL since 2012, which in 2015 expected the third consecutive year of the company's recovery and consequent generation of cash and return to shareholders.

In the following item, we show the reduction of corporate passengers transporting in the company in the comparison year-against-year. Since mid-2015, however, we are observing that month-after-month, the volume is going up. Still shy but still impacted the average rate practice. In the fourth quarter this year, the capacity of air companies in Brazil had a drop of 4% compared to the fourth quarter 2014. This is the first quarter with systemic reduction in the supply of the industry since mid-1990s.

This movement led by us will remain in 2016 as we announced. We are going to adjust our supply in the interval from 15% to 18% in the year in the volume of takeoff and consequently in the volume of seats available. And we believe the industry will keep this pace of adjustments which is imperative to response to the scenario of strong economic retraction we are in. We are going to talk more about this topic further on.

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Fuel prices in the year was BRL 2.13 a liter which accounts for a drop of 14.8% compared to 2014. This reduction was significantly lower than what we saw in the international oil market in which dropped - had a 50% reduction year-against-year. This exception happened in Brazil because of the price of diesel in our country which is indexed in dollar.

Since the third quarter 2015, we also saw a deterioration of economic metrics with consequent restriction of capital markets to Brazilian companies and Brazil's investment downgrading by the three main rating agencies in the world.

On the same slide, number three, on the right, we highlight GOL's operating performance in the quarter with maintenance of our strategy executed at focus and discipline. On the first item, we show an increase of more than 17% in ancillary revenue, which already accounts 12.2% in total sales with a record level in our country. The highlight here is the commercialization of the GOL+ comfort seats, sales on board and the performance with cargo.

Another important item in the period, maintenance of our leadership in the transportation of passengers in the domestic market. We have a greater advantage compared to our main competitor with a difference of 3.6 million passengers transported extra according to ANAC data. This shows the preference of the passengers because of our punctuality and operating efficiency and comfort.

Going to the next item, we got the first place in sales also for corporate clients with almost 32% of the passenger market, of those passengers that are flying on business according to data from the Brazilian Association of Corporate Travelling (sic) [Brazilian Association of Corporate Travel Agencies], ABRACORP. We also, for the third year in a row, got as leaders of punctuality in domestic flights, which is a very important factor for the choice of an air company.

On slide four, in 2015, as mentioned, GOL and Brazilian air sector faced one of the most adverse periods in the last decade resulting from the combination of the country's economic moment and the significant retraction in corporate demand and currency devaluation. Despite the adverse scenario, GOL revenues kept to the same levels of last year. In the quarter, we had a drop of 2.8% compared to the same period last year. In the annual comparison, the reduction was 2.9% reaching total revenues of BRL 9.8 billion.

Having the high exchange volatility as the main cause, we had operational loss EBIT in the period of BRL 95.3 million with negative margin of 3.6%, a drop of BRL 266 million compared to the fourth quarter 2014. In the year, the operational loss was BRL 183 million with negative margin of 1.9%, reduction of BRL 688 million compared to 2014 or 7 percentage points of drop in our EBITDA margin.

When we think that our revenue level was stable, the total of the corrosion of the operating results happened because of an increase of costs, especially those expenses that are in dollar. EBITDAR in turn recorded BRL 398 million with margin of 15% in the quarter. Year-to-date, the indicator accounted for BRL 1.3 billion and margin of 13.7%, a drop of 4.3 percentage points compared to 2014.

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On the next slide, slide number five, we graphically show the results of Brazilian real devaluation without cash effect, and of the Venezuelan bolívar against the dollar, which also has a direct impact on GOL's net results. The exchange effect and adjustment on the income tax line together accounted for 70% of our net revenues in the fourth quarter 2015 and 72% in the whole of the year, leading to an annual loss of BRL 4.4 billion. And remember that the cash effect is about BRL 1.3 billion there.

On slide number six is a reflex of the flight plan in practice since 2012, which shows the evolution in GOL's productivity and efficiency. Next to human resources, GOL also has continuous evolutions and really drove demand measured by RPK compared to the number of employees by 13% since 2012.

Fuels, the rate of consumption of fuel per RPK had an evolution of 11% in the last four years. And in this item, I highlight talking about fuel in liters without no impact of the drop of price of fuels. So, I'm talking about a gain of efficiency here.

Talking about consumed amount fuel per RPK. Operational-wise, as you can see on slide seven, in the year of 2015, we're stable in the volume of domestic supply in the year compared to the growth of 1% in the industry. Demand grew by 1% and occupancy rates was basically stable compared to 2014 at the level of 78%.

Showing even in a more clear way our protagonism in capacity, that's so important in moments of economic pressure. We show you in slide number eight along the last four years and annualized for the months of January and February 2016, GOL reduced approximately 14% of its supply in the domestic markets and was followed by the main competitor. Together, we are responsible for approximately 14 billion ASKs lost in the system, a phenomena that has been bringing more rationality for the industry. However, it's not the same effect produced by other competitors in our industry as you can see to the right of the slide.

On the next slide, slide number nine, we show that GOL kept its leadership in the number of passengers carried in the Brazilian markets with even a little increase according to data of ANAC. We reach more than 35 million clients a year. Our difference compared to the main competitors went from 3.5 million to 3.6 million passengers in the period, almost an additional month of sales. The difference for the third place is 15 million passengers, almost 85% more in the number of passengers.

As mentioned on slide 10, we show that GOL kept leadership in its share in corporate sales against 2014 and maintenance of this leadership is a proof of our continuity in enhancing the experience of the client. It's important to notice the retraction of 6.4% in the amount of total tickets in the segment between the years of 2015 and 2014, a reflex of the economic retraction and reduction of production activity in Brazil as well as commercial activities.

Going to slide 11, we show a clear result of the effort of all our Eagles teams to consolidate as the most punctual air company in Brazil. We enhanced our leadership in punctuality in 2015. According to official data available, we reached 94.4% of our flights

with takeoffs on time, a level compared to the best practices in the world market. This number is also an expansion of our previous performance and places us in an even more consolidated manner in the protection of passengers in Brazil as the most punctual air company in the country.

On slide 12, just to complement the presentation of the company's positioning in terms of products and services, I would like to highlight that our passengers on international flights can have exclusive advantage that will make all the moment they have during the trip different. Thus from check-in to disembark, we're talking about more pleasant experience with comfort throughout the process, benefits for the (14:55) priority in check-ins, hot meals, desserts and other items.

I would like to remind you, as announced in 2015, we are going to have access to Wi-Fi and complete entertainment during the flight period. All these measures together aim at keeping our performance and having linear growth in our flight and also on the basic average tickets that are charged as we are more and more attracting corporate clients as well as leisure clients and want to have a differentiated experience that can be offered without really changing our cost structure because we are using the same aircraft configuration that we have in the domestic market.

Now going to the most relevant part of our presentation, of our earnings, talking about our financial and economic performance, I would like to turn the call to Edmar that is going to make the first comments on the topic. And later on, we are going to come back to close the presentation. Edmar, please.

Edmar Prado Lopes Neto {BIO 15245559 <GO>}

Well, thank you very much for joining us in this call today. Good afternoon. Almost lunch time already. Well, before starting, I would like to mention something. In the presentation of this quarter and end of the year, we brought some different information. I'm going to place emphasis on them so as to contextualize what is happening in the company in this scenario where the exchange rate is changing so relevantly, and also talking a bit about the consultants that were hired recently and that were part of the releases of the company and this is something that we are going to comment on on the next slides.

So we are going to start on slide number 14 where we talk about our operating highlights. What is important here is that even with oil prices down in the international market, because of the exchange variation, the decrease was not reflected internally in Brazil. We continued to be pressured in terms of costs.

Additionally, as our CEO already mentioned, in Brazil, we are having the worst recession over the last 30 years which led the company to have pressure, not only in terms of revenues, but also expenses. And I'm going to talk about that further on.

On page 15, we talk about the financial highlights; and this is very clear. When we talk about our net results of the year, we see a deterioration of BRL 700 million compared to

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2014; BRL 300 million in revenues and BRL 400 million on our costs because of the reasons I mentioned before.

Highlighted here in the bottom part of the slide, we show that out of the BRL 4.3 billion of losses a year, BRL 2.3 billion are related to the exchange variation. And here, including also the currency in Venezuela and BRL 900 million in terms of taxes. We had already written off a part of it in September and we had an additional write-off in the end of the year; and this is related to the short-term CCC (18:53) and extension of credit. In our belief, this is a possibility that is ruled out. So we have the write-off leading to the loss of BRL 4.3 billion.

With that, I'd like to go to page 16 and say that despite fuel prices being a bit lower, we see that expenses in dollar are still above 50%. And, here, you could take a look at the aircraft lease. We went from 8% in 2014 to 14% this year, which fully justifies the hiring of SkyWorks Company to address this line and bring leasers to be part together with all stakeholders of this process of restructuring that we are promoting in the company; and that started in the second half of last year.

In terms of CASK, I would like you to please turn to page 17, where we show the evolution of our ex-fuel. I've already talked about fuel line by line. The highlight here is the following. We have been really engaging efforts to renegotiate contracts along the last months at all levels, all services provided to the company. But indeed what happened is that we do have mandatory increases or increases related to the macro external environment that, really, we have very little movement to make.

So the highlights to the left show you that almost 80% of the increase of CASK that we had was led to three sectors that are outside our control; again, exchange rate, salaries and the increase of the fees that was promoted by the government last year. So with all our efforts, 80% of ex-fuel costs are related to mandatory movement outside our control. On page 18, we bring you our traditional position CASK ex-fuel compared to our competitors.

And here, I would like to highlight, page 19, talking about leverage and rating. Recently, S&P, following the other two rating agencies, transformed GOL's rating to CCC. Following the past years, as of 2013, we saw a deterioration of company credit, as you can see, basically driven by leverage.

Here, the exchange rate also has a relevant role; and this is what the chart shows. Today, we have a gross debt of BRL 9.3 billion approximately of approximate \$2 billion, almost BRL 8 billion. And this is the major issue that we have to address right now, because the debt in Brazilian real is stable along the period. As our CEO mentioned, the issue of the increase of interest rates in Brazil to 7%, 8% to 14%, 15% does have an impact on revenues, but the main point here is the exchange variation along the last months.

And if we go to page 20, we bring you additional information that we had before. We also included financial leasing here. So we are talking about obligations of BRL 1.5 billion for 2016. The first quarter is almost over, so we are 100% on time with our obligations. But

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with this level of exchange rates, this is an even more challenging scenario for the company, because, as you can see to the left, we have a cash position above BRL 2 billion, but the geography of the cash changes in the period because of the credit restriction in Brazil and throughout the world; and this is what has been shown to you. So if we look at all that, we see a pressure in terms of leasing expenses, but we also see a pressure in terms of financial expenses associated to the nominal increase of our debt in Brazilian reals.

With that, looking at the company, we decided to hire advisory services, SkyWorks, to address those issues that are important to us. We are just starting our work. As you can see on slide 21, the months of April and a bit further on, we are going to conduct studies, assessments. We will start to contact third parties. And as soon as we have news, we'll come back to the market to give you information.

Before getting back to Kakinoff, I would like to go to slide 22 just to give you a summary of what happened in terms of the deterioration that we talked about, Brazil, demands and macroeconomic - economy and how this affected GOL. So it is very clear that we do have a liquidity pressure that we did not have before. Free cash is a strong indicator of ours, and it is deteriorated. There was deterioration along the fourth quarter 2015.

When we look into 2015, because the exchange rate impacted the generation of cash, there was a relevant impact, because our CapEx and expenses are influenced by the exchange rate. So we had negative results that were greater than any other year in our recent history. Ratings already reflected deterioration of credit in the company, added to the comment that Kakinoff made, a restriction of credit in the capital market for a company like GOL. This is closed now. And this leads the company to have some kind of need to change its capital structure. And this is what we are starting now based on this hiring of services that we had.

With that, I'm going to turn the call back to Kakinoff to talk about projections and on our final message.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

So, going to slide 24, we show our projections for 2015. All the metrics were between the areas presented except for QAV. That was about 1% or BRL 0.02 difference, so very small.

On slide 25, we talk about our schedule for 2016, and we are confirming our guidance, as we've said yesterday in the material fact, the new projection of capacity of GOL includes a variation in our total ASKs in the year of 2016 between minus 5% and minus 8% compared to the previous year. This is necessary due to the new network that is going to be in operation as of the 1st of May of 2016, with the reduction in the domestic market and international routes.

When we take a look at our projection in numbers of takeoffs, this is between minus 15% and minus 18%, which consequently means a decrease of seats at the same level. The

difference in the reduction of number of seats and ASK is because of the increase of the average routes that the new network will bring us.

Going to slide 16 (sic) [slide 26], in line with what we announced in the past, I would like to highlight our response, in a nutshell, to all the challenges that are being a really - a real storm for the industry in Brazil. As I already talked about seats and network, I'm going to talk about other items. First, we have the anticipated sales of tickets to Smile in the amount of BRL 1 billion. This transaction will be in tranches and will subject to terms and conditions, but the first has already been disbursed in the first quarter of 2016, the amount of BRL 376 million. This is part of our restructuring plan, including the reduction of our capacity, number of aircrafts operated, as we already released when we announced this transaction with Smiles.

As Edmar mentioned, we hired the financial advice of PJT and an advice for the review of our contract with SkyWorks. These companies are part of a project to help us in optimize our capital structure and review the obligation of aircrafts today. So, basically, we are restructuring the financial structure of the company. This project, together with others that are ongoing since 2015 and that involve all GOL stakeholders, will promote a plan to reverse current results and resume a positive free cash flow. The discipline in conducting this plan with all stakeholders is something that can, indeed, make the company reach its objectives in the future.

On slide 27, we show, in a nutshell, again in a summary, in a way, I believe, is quite emblematic on the deterioration of the company's financial structure and capital that occurred in recent years compared to its operating performance. Operational-wise, the company has been able to keep its level of revenues, even in a scenario that is adverse with retraction and a pressure on yields. But in terms of costs related to dollar and financial expenses, the max exchange devaluation puts the company in a very adverse scenario that is completely different from the trajectory of recovery the company was performing since 2012.

It's important to mention that in two years, the EBIT result went from minus 11% to 5% positive in 2014. The company also had free cash flow that was even at the point, thus recovery projects that for the year 2015 projected a relatively large operational profit, so that we would have positive profits, was completely hurt by the exchange devaluation and the Brazilian economic-politics scenario. Again, if we think of the exchange variation of 47%, this led year against year to an increase of 57% in the level of bank debts, 35% in increase of financial leasing. And compared to 2012 this was an increase of BRL 1 billion.

The financial debt went from BRL 6 billion to BRL 9.3 billion, growth of 50% in a single year. And finance expenses, also year-on-year, went from BRL 508 million to BRL 1.046 billion. Double - or 58% more than 2014. Double than what we had in the year 2013. It is clear that the combination of these two factors - difficult to recover our results in a diverse market, in a restricted, if not closed, market of credit and access to capital.

In addition to all the financial obligations that the company has, really, require an extensive restructuring of our company, with the participation of all our stakeholders. The level of

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liquidity that the company has today, even still within our strategic parameters of at least 25% over the net revenues of the last 12 months, is not enough to guarantee, in the long term, the sustainability of our current business model. The extreme volatility of the market at the moment enables different projections. If we think of the exchange rate in the last three months, we had a fluctuation that varies from BRL 3.70 to BRL 4.15.

So, different scenarios give us different projections in terms of how long our cash would last if we didn't have any restructuring actions. And those actions haven't started now. This plan is now in its third phase. The first phase was the investment of the majority shareholder and the main minority shareholder deal, with \$160 million of injection of capital.

From the second to third quarter last year, a complete redesign of our operational metric, reduction of company costs by means of reviewing all our supply contracts, all that make the company to reach the lowest level of CapEx historically when we compare it in dollar and some currency. So, operationally speaking, the company will hardly have (35:38) that is enough to neutralize our cash burn unless we restructure our financial structure significantly.

Well, with that, we go to the final slide of our presentation, slide 28, that summarizes the six main fronts of our plan. First, capacity in network, a decrease of our supply by 15% to 18%, the participation of our stakeholders in the restructuring plan, the adequacy of our fleet, and the restructuring of our capital structure to keep our liquidity. So these are the main work fronts of our multi-party comprehensive plan.

Well, I would like to thank you very much for joining us in this first part of the presentation. And now we are going to open for the Q&A.

Questions in Portuguese are going to be simultaneously translated into English as we are doing with the whole of the conference, and questions in English are going to be translated by us and then we are going to provide the answer in Portuguese as well.

Q&A

Operator

Well, thank you. We'll now start the Q&A session. Victor Mizusaki from Bradesco BBI would like to ask a question.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Hello. Good afternoon. I have two questions. The first is that, in the end of the year, GOL announced an intention to sell or return five aircraft. I would like to know what the status of this operation is and if you received any cash from those aircrafts in the first quarter 2016. And looking into your guidance, thinking of the reduction of the number of seats and takeoffs, how many aircrafts do you expect to return along the year of 2016? And if

possible, thinking about 2017, if you see GOL working with the block hour around 13% compared to the level of 11% in the fourth quarter.

A - Operator

Well, Victor, good afternoon. I did not get the end of your question. You said 11%, what's that?

Q - Victor Mizusaki {BIO 4087162 <GO>}

Well, given the reduction of your fleet, the size of fleet because of optimization, if we could expect an increase of block hours in 2017.

A - Operator

Okay. So, today, with the new fleet, we have exceeding 20 aircrafts in our numbers. We are working with the market, and this is part of the discussion to be advised by SkyWorks. We are working with managers to find the solution of the succeeding 20 aircrafts. As it was released, we already sold five aircrafts of our own aircraft and we have 20 others to be addressed along the year. And this is part of the negotiation that we are conducting with the company management. Because of the increase of what we call metal, (40:05) that is the number of hours used by the aircraft; and this increase may vary from 40 minutes to one hour additional hour of use of this aircraft.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay. And the sale of the five aircrafts in the first quarter, did you have any cash coming in?

A - Edmar Prado Lopes Neto {BIO 15245559 <GO>}

This is Edmar. Yes, we did. And this is going to be reflected in the numbers of the first quarter. Because of sensitive market information, we are not going to disclose the number now, but they will appear in our financial statement for the first quarter of 2016.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay. And I have a question about the advisors that you hired. PJT is focusing on external bonds or is it also going to address your debts with Delta?

A - Operator

Well, this is a very good question. We talked in the Material Fact specifically about the debts overseas without any kind of collateral and this is what they are going to address. They are not going to address any other debt that has some kind of collateral. So Delta is one case. We also have aircraft that's with the Ex-Im Bank in the United States. So we are going to handle debts differently according to the nature of the debt. And I would like to reinforce even using your question, this issue about Brazilian banks that hold the debentures, Bradesco and Banco do Brasil, have always supported us in previous movements, so at some point, we are going to sit down with them and see whatever is

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possible to do. But right now, we are just starting to come back the work. And if there is any news, we are going to be releasing them to the market.

But basically, as Kakinoff mentioned, we are going to work with all stakeholders of the company on this effort to really restructure our company.

We have a question in English from Evercore.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}
(42:43-42:51).

Operator

Please, Duane, you may go on.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}
(43:00-43:07).

A - Operator

Are you listening to us, Duane? Hello, Duane, can you hear us? Okay. Let's move on to another question and then we'll come back to Duane. Okay? Okay. For those that are online to ask questions in English, if by any chance we cannot contact you, please send your questions online to us in written. Sara Delfim from Bank of America would like to ask a question.

Q - Sara Delfim {BIO 1759641 <GO>}

Well, thanks for taking. Hello, Kaki, Edmar. I have two questions. In line with the first question talking about your fleet with less 20 aircrafts possibly, which is almost 15% of your total fleet, could you quantify or give us any color in terms of what this can mean for savings in 2016 and 2017? And the second question is, you have been working quite hard and you did have a list to talk about the redesign of your company this year with Smiles, the hiring of advisors. So what is next? So what is the next focus of the company and what type of negotiations are you discussing to continue the restructuring project?

A - Operator

Hi, Sara. These 20 aircrafts are for the year of 2016. Of course, we are still not making projections for 2017 or 2018 with regards to our fleet. What preventively we did was the extension of new aircrafts. We are not going to receive any aircraft until mid-2018. The savings of these reductions cannot be quantified yet because they will be a result of the negotiations that we are going to start with the managers of these aircrafts.

We have return conditions and - or maybe even redirect these aircrafts to other markets. And these negotiations are going to tell what kind of savings we are going to have.

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Unfortunately, right now, we cannot give you any color about savings to be obtained in the future. Of course, they tend to be relevant for the company.

Q - Sara Delfim {BIO 1759641 <GO>}

You're talking about material gains?

A - Operator

Oh, yes. As for our future focus, the total of the management is to focus on the six fronts I mentioned to continue to improve in our operational indicators. They are very relevant. They enable us to increase our revenues, attract more passengers and even have higher value clients. This is very important. We have this comprehensive restructuring plan. We are reviewing our financial structure. We are negotiating with suppliers. So I would say that these are the most important fronts. The execution of the whole of the plan will indeed place the company in a much better position in the mid and long-term; and this is our full dedication right now.

Q - Sara Delfim {BIO 1759641 <GO>}

Okay. Thank you very much.

A - Operator

Thank you.

We have a question in English. Frank from CBC would like to ask a question. Ladies and gentlemen that are taking part in the English conference, for some reason we are not being able to get your question. So I would suggest the following. Could you please send us an e-mail with your questions to our IR team. And then we are going to read your questions and answer them during this conference call.

So if you cannot ask your questions in the call, just write them down on an e-mail. We are going to read them and answer them. I don't know why we are not being able to contact you to take your questions from the English line. So we are going to go back to the Portuguese questions and try and wait for your questions in written. Thank you.

We have a question in English. (49:33) from Deutsche Bank would like to ask a question.

Hi. Can you hear me?

Yes. Go on.

Okay. Good afternoon. So my first question is can you explain the sizable gap between the 5% to 8% ASK reduction and the 15% to 18% reduction departures in seats? Does that reflect the decision to meaningfully downsize some of your short haul in smaller markets? And I have another question after that.

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So the first question, you're talking about the difference between the 5% and 8% and the 15% and 18%?

Yes.

This is basically because we have a longer average route of about 100 kilometers and that is a result of the elimination of shorter flights from our network of flights. You did have a second question, right?

Renato Salomone from Itaú BBA would like to ask a question.

Q - Renato Salomone {BIO 17292431 <GO>}

Good afternoon. In the call of your third quarter you talked about the operational leasing dollar had reached a new level, and average expense with leasing in the fourth quarter had an increase of 12% year-on-year and 30% quarter-on-quarter. I understand that there is room to improve this line. This is the scope of SkyWorks. But why did you have such a high increase in the fourth quarter?

A - Edmar Prado Lopes Neto {BIO 15245559 <GO>}

This is Edmar speaking. This line has, as a regular factor, the monthly leasing. Eventually, what happened in the fourth quarter was the following. You have an overload due to the return of aircrafts that are not flying or even the collection of fines and penalties because of delays in the return. So if you pay attention to this line, you know that it was quite pressured by the dollar and there were some peaks because of the nature of operation I mentioned. That's happened along the first quarter. Indeed, we see a higher level in this line, went from 7%, 8% of the total cost of the company to 13%, 14% in 2016. We are going to work together with SkyWorks to analyze what is going to happen with us. It's still very early to say, but we are going to address it.

Q - Renato Salomone {BIO 17292431 <GO>}

Okay. Thank you very much. Another item that had a strong difference is suppliers. We know that in the first quarter of the year this is something that tends to go up. Is this going to happen this year or do you think that somehow you anticipate or you advance to the fourth quarter?

A - Operator

Yes. You're right. Basically, we advanced some of it in the fourth quarter. When you look further on, you see a lower level of activity in large aflight (53:55) to another important issue that is starting to show as of May, which is a smaller network of – a smaller fleet.

Q - Renato Salomone {BIO 17292431 <GO>}

Okay. Thank you very much.

A - Operator

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I'm going to read three questions that I received in English that were forwarded, directed to me and I'm going to answer the questions. The first is how much in dollars and how much in Brazilian real the company has in assets that are not working as collaterals. The second is, in addition to aircrafts, what other type of fixed costs the company is trying to reduce. And the third question is whether the company is asking for some kind of negotiation of contracts because labor issues.

Well, the first question, basically, what we have in terms of assets are aircrafts that are working as collaterals in our debt. Today, we have an excess guarantee of about \$250 million. The second, with regard to costs that are being reduced or that are being focused that should be reduced, I had talked about that along the 2015 year, we want to reduce as many services as possible.

We are talking about catering services, engine services, rent services, any kind of service you can think of, and leasing. Now, we are working with SkyWorks. It's just part of the work that we already started back in 2015 and that will continue in 2016. In terms of labor issues, it is very important to say that labor laws in Brazil are different from labor laws in the U.S.

We have an annual review of contracts. Those already happened in the turn of 2015 to 2016 and we have the collective agreement that generated an impact on salaries of up to 11% nominal increase and slightly lower economic impacts because we have a scaling differently from the U.S. We don't have major flexibility, quite the contrary. We have to practice market salaries and we have been increasing productivity which is related to our restructuring plan. But that's about it.

Before we get new questions in Portuguese, we are going to tell our English audience that we are going to answer all the questions in Portuguese first and then we are going to go back to English because then I think it's going to be a bit more structured. So, let's take all the questions in Portuguese first and then we go to the English ones, okay?

Leandro Fontanelli from Bradesco BBI would like to ask a question.

Hello. Good afternoon. Well, my first question is about your debt of \$300 million with Delta. Could you convert that into equity? And the second question is, what do you want to do after you have the restructuring of your fleet, if you could, I don't know, rebuy bonds or something like that?

Well, hello and good afternoon. First, about equity, I'm going to talk in even more encompassing manner, Delta and other shareholders. We do not want to have any transactions involving equity right now, much less conversions. And second, the possibilities related to an increasing liquidity are much more connected to a defensive movement, a maintenance of the minimum levels necessary for the company to be able to move on rather than using these amounts for repurchase or buyback programs. Anyway, we are working together with our advisers to see what the most efficient model would be in terms of our capital structure. And whenever we have something defined, we are going to get back to you.

FINAL

Can I ask you one other question quite quickly about the decreasing capacity that you mentioned? You said that you have a structure of cost almost more than 50% in dollars. We had a bit of devaluation of the dollar now compared to the real. Do you think you could have an uptake now?

Well, even if you think of this level of \$360 million, \$370 million, the cost structure and our indebtedness is significantly high compared to previous years. Of course, it is better (01:00:13), but it's still far from being (01:00:20) eliminate the need for a capital restructuring.

Okay. Thank you very much.

And just to add to the answer, Leandro, reducing our fleet has much more to do with an estimated drop in demand than reducing costs. We already have our estimates. And if we think of what the company can do for the future, we know there is a reduction of demand. And because of the demand that is reduced, we are thinking of reducing our fleet.

Okay. I understood. Thank you very much.

Bruno Amorim from Santander would like to ask a question.

Q - Bruno Amorim {BIO 17243832 <GO>}

Good afternoon. I have a question talking about a decrease in capacity. It is a substantial decrease. I think that you are cutting routes where the RASK is not as good. But also your dilution of costs can be a bit affected as well, so your CASK can be a bit higher. So the net effect in your margin, should it be positive or negative, at least for now? And the second question, I know that you're not supposed to give guidance for 2016 or to talk about the first quarter, but because of a deterioration in the macro scenario quarter after quarter, are you seeing a better ratio between demand and price for this year?

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Well, a change in our fleet - and decrease of our fleet, of course, aims at having better margin. We have to have actions that are able to neutralize the adverse scenario in Brazil. So we are focusing on reducing company costs in all fronts and basically, as I mentioned, we are reviewing all company concepts.

For us, it is much more difficult now to have any kind of projection about the effects of the new fleet size because the most unclear aspect now is revenues. The economic scenario and the projection of reduced demands does not enable us to be assertive about our RASK. Generally, we are going to disclose our guidance projections for economic results not in this call when we're talking about the previous year, but in the call of the first quarter of the year that is probably going take place within 40 days, 45 days.

And we hope that until then, we'll be able to be a bit more assertive in terms of a projection of results that the new fleet size will offer us. But for now, conceptually, the

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CASK aims at improving our margin, that what we're seeing in terms of future demand does not really encourage or enable us to tell you that indeed we are going to significantly improve our results. Okay?

Q - Bruno Amorim {BIO 17243832 <GO>}

Okay. Thank you very much.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Thank you.

Operator

(01:04:27) would like to ask a question.

Hello. Good afternoon. You mentioned in the beginning of this call that in the financial restructuring, all stakeholders should be part of, are you including shareholders?

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Well, thanks for your question. Shareholders are the first to take part in it. When we designed the restructuring, the first that contributed were the shareholders, more specifically the majority shareholder, Constantino and Delta, together with an injection of \$115 million in the company. All the other shareholders were called, and some also contributed at relevant levels. So they were the first to contribute to our restructuring.

Q - Operator

So, I see that Bloomberg has a headline that you're saying that you have no plans to convert any debt in equity. I would like to understand if that's what you meant, if you're talking specifically about your debt with Barings. But the expectation is that in this restructuring, shareholders are not going to be impacted. Is that what you're saying?

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

They were the first to be impacted in the first plan and what you're saying that now there is no projection of conversion into equity or a new capitalization from the current shareholders of the company.

A - Edmar Prado Lopes Neto {BIO 15245559 <GO>}

And this is Edmar speaking. I will add something. For us, it's very clear that we have different packages to be addressed in different ways. So we have the PJT working on non-securitized debt in the United States. We have debts with collaterals also in the U.S. that are going to be addressed in a different way, the debt that we have with Delta as the guarantor. And we have the domestic debts that the company generally addresses itself because of a good relationship with creditor. So, if we isolate each one of the debts, we see that there is a clear strategy in the strategy in terms of equities, ones we mentioned.

Q - Operator

Okay. I understood. And just one more question. When you look into the size of your debt and you imagine those restructuring, what level of debt would you be comfortable with after the restructuring process?

A - Edmar Prado Lopes Neto {BIO 15245559 <GO>}

It's too early to tell because of we are just starting our work. So this is a question that we'll have to ask everyday from today on, but as Kakinoff mentioned, we have an additional challenge which is the exchange volatility that will clearly influence those indicators. So, I will ask some patience from you so that we can really advance a bit with our plans and further on we'll be able to announce you a more precise number.

Q - Operator

So, okay. Thank you very much.

Alexandre Falcao from HSBC would like to ask a question

(01:08:15-01:08:24).

Mr. Falcao, you may go on.

(01:08:27-01:08:35).

Yes. Go ahead.

(01:08:36-01:09:16).

A - Edmar Prado Lopes Neto {BIO 15245559 <GO>}

Okay. The first question, Kakinoff is going to answer about consolidation in the industry and the second question in regarding to Boeing. Well, what happened is that Boeing, as a supplier of GOL, has been a partner since we started. And it has been already taking part in the plan by means of making the schedule of deliveries a bit more flexible. As we said, we had 15 aircrafts to be delivered between 2016 and 2017. They are going to be delivered later on.

And all other commitments and contract arrangements, we are discussing with them the possibility in terms of deliveries. And right now we do not have anything to announce. But in the past, Boeing has always been present in any relevant moment of the company. And clearly, Boeing is an important part of this restructuring. It is an important stakeholder. And I am sure they are going to contribute significantly to it.

As for consolidation, I'm going to go back to our previous positioning. We believe that the region will have consolidation movements. But right now, we are not conducting any discussions to this end, okay?

Operator

One more question in English. Stephen Trent from Citi would like to ask a question.

Q - Stephen Trent {BIO 5581382 <GO>}

Hi. Good afternoon, everybody. Can you hear me?

A - Operator

Yes. Loud and clear.

Q - Stephen Trent {BIO 5581382 <GO>}

Great. Well, thank you very much, gentlemen. I appreciate the time. Just two from me. As you look at the fleet reduction and the potential increase in block hour utilization, any color as to whether you'll have to increase the number of A checks and B checks that you do per aircraft? That's the first question.

A - Operator

Hi, Stephen. Following the dynamic grid, my question was the following. If we have any change in our checks, A checks and B checks projections and C checks as well. Which are the regular checks of our aircrafts? And net loss share, the company together with Boeing decided to change its maintenance program to a blocker program. We are in the final phase of implementation of this model which brings us new dynamics to the market and also a different schedule in our regular checks.

Of course, those dynamics aims at keeping the same high level of security and safety in our operation, however, with the reduction of operating costs which can only be calculated at the end of our transition program which should be by June this year totaling approximately 15 months of work to change from one model to the other.

Another question in English. Schwartz from Lehman Bank (01:13:49) would like to ask a question. Please you may go on with your question. (01:14:07-01:14:41). We have a question in English. Carlos Schwartz from Lehman Bank (01:15:05) would like to ask a question. You may go on.

A - Edmar Prado Lopes Neto {BIO 15245559 <GO>}

Good afternoon, everyone. I got a question from Matthew Roberts from Raymond James. So the question number one is the following. What is the cash burn every month and how much can be reduced after the advisors' initiatives? The second, already answered by Kakinoff, which is what is the potential consolidation in the region in terms of consolidation of the industry. And the third question is about any needs of additional legal movements on our side?

Well, I'm going to start talking about the cash burn. Well, it depends, about \$2 million to \$4 million every day. It depends on whether it's high season, low season, if it's months of better or worse performance. And in terms of expectations to reduce the cash burn,

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again it's too early to tell. Because as we mentioned earlier on, we are still starting the whole assessment of the process. So we have to wait for the work to be developed, wait for the contact with our stakeholders to get back to the market and to tell you about projections. It's too early to tell right now.

As for consolidations, we already talked about that. And the third question talks about eventual legal recoveries, Chapter 11, what kind of movements we could have there. Basically, the restructuring plan aims at avoiding any need for a Chapter 11 or legal recovery. This is the plan. We really are confident that this is going to work. If we didn't follow the restructuring plan, I am sure this would be the next step for the company. But we don't believe this is going to happen because we are really confident that all stakeholders are going to be involved and we are going to succeed.

Before closing, we have a last question from Dwayne. And the question is right and (01:18:49) two questions really. One, saying that if the increase we had in the fourth quarter was structural or if there was any one-off event? And second, what the company means with we are looking into alternatives for non-securitized foreign debts.

I'm going to start with the second one. The answer is, we are looking into alternatives for non-securitized foreign debts. Being very specific, we have bonds issued in the United States without collaterals. This is why we hired the advisors PJT, they started working with us a few days ago. And further on if there is any development we are going to come to the market and announce them. As for costs, what happened in the fourth quarter, we already mentioned. Basically, there was a very strong impact of exchange rate also because of the movement of aircrafts in the high season. And also a reflection of an increase in inflation in Brazil, as I mentioned, an increase in tariffs in the last quarter; air tariffs in Brazil, which will have reflect along 2016.

But basically, when we talk about the cost structure of the company, I'm going to repeat myself. We are working very hard in different fronts, but this is an extremely challenging scenario. The Brazilian inflation is double-digit. The exchange rate is really pressure our results and the real to devalue more than 40%, if you compare year-on-year.

So with that, I think that somehow we were able to answer all the questions that came up in English.

Operator

We are now closing the Q&A session. We are going to turn the call back for Mr. Paulo Kakinoff for his final considerations.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

I would like to thank you very much for your attention. Wish you an excellent afternoon. And again, remember that if you have any further questions, please do contact our IR team that we are here for you. Thank you very much.

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Operator

GOL's conference call is now closed. We thank you very much for joining us and wish you a good afternoon.

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