Q3 2009 Earnings Call

Company Participants

- Constantino Junior, President and CEO
- Leonardo Pereira, VP and CFO

Other Participants

- Caio Dias, Analyst
- Frank Chavez, Analyst
- Jim Parker, Analyst
- Mike Linenberg, Merrill Lynch
- Nicolai Sebrell, Analyst
- Thias Halleluiah, Analyst
- Victor Mizusaki, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to GOL's Third Quarter 2009 results conference call. Today with us, we have Mr. Constantino Junior, President and CEO, Mr. Leonardo Pereira, Executive Vice President. And Mr. Rodrigo Alves, Head of IR. We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the Company's presentation. After GOL's remarks, there will be a question-and-answer session for analysts. At that time, further instructions will be given. (Operator Instructions) Today's live webcast, including both audio and slide show may be accessed through GOL's website at www.voegol.com.br/ir. Before proceeding, let me mention that forward-looking statements will be made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of GOL management and on information currently available to the Company. They involve risks, uncertainties. And assumptions because they relate to future events. And therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions. And other operating factors could also affect the future results of GOL and could cause results to differ materially from those expressed in such forward-looking statements. Now, I'll turn the conference over to the President and CEO, Mr. Constantino Junior, who will begin the presentation. Mr. Constantino, you may begin your conference.

Constantino Junior

Thank you. Good morning, everyone. Welcome to GOL's Third Quarter 2009 results conference call. Let's begin by going straight to slide number three, where I would like to comment on GOL's current situation and how we are continuing to manage our revenue, while at the same time creating value for our clients and shareholders. Following our successful share offering, we achieved our objective of having a cash position equivalent to more than 20% of our net revenue in the last 12 months. As a result, GOL is now one of the most capitalized airlines in the world and has exceptionally well positioned to benefit from the growth of air transport in Brazil and Latin America, thanks to greater operational flexibility and the ability to respond rapidly to any change in the markets. The combination of our strengthened balance sheet and continuous operating cash flow generation will enable us to benefit even more from our main competitive advantages which are; our strong position in Brazil, a country with enormous air transport growth potential where we maintain a dominant position in the main airports. SMILES, the largest mileage program in Latin America and our e-commerce platform, which together are capable of attracting passengers and business partners which generate our other competitive advantage like, our multiple opportunities for generating additional revenues through Gollog with cargo transportation and VoeFacil, which is beginning to develop as one of the leading tools for attracting the middle class to air transport. GOL's low cost DNA. And its standardized fleet of Boeing 737s, with phased maintenance checks, one of the main focus behind our aircraft utilization rates. And last. But not least, our exemplary corporate governance practice, which ensure professional management focused on results for minority and controlling shareholders. With this strategic positioning, we are focusing on activities designed to increase our operating margins, consolidating new products and service aiming at improving our cost reduction position even more. Through the continuous renewal of our fleet, which will consist entirely of next generation aircraft as of 2010 and reducing the gap between our total and operating fleet by returning all the 737-300s and continuing to work to return all the 767-300s from our fleet. In the second half of 2009 we have already managed to increase our aircraft utilization rates, improving productivity on the operational front and in our e-commerce platform. So we can offer new products and service with low operating costs. And our clients will benefit most from this process. Being able to take advantage of an excellent cost-benefit ratio, high quality products, punctual and regular flights and attractive fares for each segment all optimized by our dynamic yield management system, which benefit those passengers that acquire their tickets in advance. Moving to slide number four, where you can see our revenue generating units. Here, once again, our clients are the chief beneficiaries, with a new range of increasingly integrated products and services. GOL has exceptionally strong brand initiatives which lead us closer to become a solid proactive company, fully prepared to become even more competitive. With SMILES, the mileage program, with more 6.4 million registered members, is an important passengers (inaudible), that combined with our high frequency flight network, is allowing us to attract more business travelers and commercial partners. The partnerships are also helping us to add value to GOL through code-share agreements, which I will deal with in more details on the next slide. And to SMILES through their forward sales of miles to banks and corporations. The additional services, we are implementing new services and increasing our presence in certain markets such as aircraft chartering, a segment where we have proven to be highly efficient. This summer we are entering into important charter agreements to Brazil's northeast and the Caribbean regions, which have been welcomed by travel agents, thanks to growing demand for this region. Buy on Board is a pioneering initiative in Brazil from GOL, which was introduced to the market in June and expanded in October. GOL began offering a wide range of meals and beverage without detriment of the standard on-board service offered by GOL since its foundation. As a result passengers can take advantage of a more comprehensive service, without having the cost built into the ticket price. GOL incur and generate ancillary revenues from the higher quality products without increasing its costs ex-fuel. The Internet is our leading sales channel and passengers can also use our website to rent cars, make hotel reservations, acquire travel insurance among others. As a result, clients can save a good deal of time and effort by acquiring such service together with their tickets. In addition to ticket sales, this product and service also generates ancillary revenues through commercial partnerships with their providers. The VoeFacil program, which allows GOL's clients to acquire their tickets in up to 36 installments. VoeFacil is a great stimulator for people who have never flown before, it is still a major portion of -- what is still a major portion of the population in Brazil. At the end of July, we began accepting VoeFacil payments through travel agencies which should leverage its share of total ticket sales. Gollog is our cargo division, largest unexpressed cargo service at the beginning of the year, to meet growing demand for this type of service, making more efficient use of the aircraft's capacity and increasing our operating profitability. Now let's go to slide number 5, where we show what we call the GOL Alliance, which generates high traffic with low operating cost. This alliance includes the leaders of the main routes connecting Brazil, making them major international partners that contribute to GOL's route network benefiting from international traffic through code-share agreement. Here, American Airlines, one of the world's biggest airlines. It carries more passengers between United States and Latin America than any other airline and has a 36.1% share of flights originating in Brazil according to ANAC's 2008 annual statistical survey. The other companies, Air France-KLM, the French leader and the largest airline in the world in terms of revenue. It is also the leader on flights between Brazil and France and Brazil and Netherlands, with 61.2% and 100% of passengers, respectively. The other company is AeroMexico, which offers direct flights between Sao Paulo and Mexico City, once considered the best airline in Mexico in 2008 and have an 85% share of passengers on Brazilian route in the same year. Iberia is Spain's largest transport group. We have a 69.4% passenger share on routes between Brazil and Spain. Thanks to these partners, plus our own destinations, means the highest flight frequency between the leading domestic airports in Brazil. GOL is (easily) competitive player that is highly attractive to the passengers. In addition, with the World Cup and the Olympic Games to come, Brazil will become an increasingly attractive magnet for new commercial agreements with foreign airlines, booking passengers attract even more. Moving to slide number six, which shows GOL's new organizational structure. At the beginning of November we instituted an organizational restructuring in response to the Company's rapid growth in its eight years of operations and the new challenges it is now facing, which I mentioned at the beginning of this presentation. In general, the new structure units are group of interlinked responsibilities under each area had, consolidating the (commission) of each the current objective in an integrated manner. The market VP will comprise all those areas involved directly with sales such as the commercial, cargo, yield and marketing areas. This will speed up our commercial decisions taking processes and unite our communication and marketing strategies so that we can act together with even greater speed and flexibility. The Finance VP will be responsible for financial and operational planning, as well as accounting, managerial, financial and market controls. These activities, together with the new business development, are structurally linked with our IT team which provides all the support in terms of database, infrastructure and systems. The customers, employees and management VP will be responsible for all points of contact between GOL and its clients. This will streamline our structure by creating a team that is entirely dedicated to all the people who are involved with the Company from customer service to employees. The

Technical VP is the only one that will not suffer any change in these activities, meaning that it is already conceptually and structurally aligned. This area is in charge of operations, maintenance, fleet and supply and is already 100% focused on operational productivity, punctuality, regularity and the quality with no detriment of our low cost DNA. The restructuring was a result of considerable thought and analysis, a process in which the Board of Directors played an extremely active part. Due to the extinction or change in profile of the VPs, Tarcisio Gargioni and Wilson Ramos, both GOL VPs since the first year and played an important role in GOL history, left the Company. Before Leonardo presentation, I would like to take this opportunity to thank Tarcisio and Wilson. Both highly competent professionals, who deserve all of our respect for the success they have helped us to achieve. Thank you. Now, I'll turn the floor over to Leonardo to comment the financial statements.

Leonardo Pereira {BIO 1960081 <GO>}

Thank you, Constantino. Good afternoon, everyone. On slide seven, I would like to highlight that our -- how our supply -- how we managed supply and demand in the first nine months of 2009. And during this last quarter. As you can see on the ASK side, despite -- in the first nine months of 2009, despite the fact that the industry ASK had grown by 13%, GOL's ASK has grown only by 4%. And on the last three months although the overall industry ASK grew by over 18%, GOL has grown by only 12.6%. That has demonstrated that we have been very, very cautious on how we manage our capacity. On the RPK side, in the first nine months, the industry has grown by 10.5% and GOL has grown by 6.1%. And in these last three months and this last quarter the industry has grown by 25.7% and GOL's RPK has grown by 31.3%. So we can see that we have been very consistent in what we have been saying on how we are going -- we have been managing capacity independently of what's happening. So we have managed to grow faster as the market is stronger. But we have also be very cautious on how we manage the ASKs. Moving to slide eight, as anticipated at the beginning of October, our operating (profit) has been in line with the first half of 2006, which is a margin of 6.6% in the quarter. It is important to highlight that last year macroeconomic conditions were totally different than today's and this explains such high decrease in yields, RASK and CASK. During the Third Quarter of 2008, we had the following scenario, WTI average price was at $118 per barrel and the real was at 1.67. Demand was growing strong in many segments and during the Second Quarter the industry faced a fierce competition scenario, which was retrieved during the Third Quarter. GOL had not yet merged with VARIG. So our cost structure was still not close to any level of the optimization. So this is what has happened in the Third Quarter of 2008. Now, if we go to the 2009 Third Quarter, we have a completely different scenario. We have a much more stable macroeconomic scenario, however, capacity levels are much higher compared to last year. And lastly a much more competitive pricing scenario that's peaked in September and October. The result was the (CASK-fueled) scenario. But on the other hand it stimulated demand. Our breakeven load factor rose to 61%, compared to 56% in the Second Quarter, heavy yields is a big factor for such increase. As our CASK has slightly increased compared to the last quarter. Particular on the Third Quarter I have few comments. CASK rose 1.1%, while CASK ex-fuel decreased by 5.4%. The higher fuel prices in the Third Quarter compared to the Second Quarter of '09 explains the higher CASK. On the other hand the 10% appreciation of the real, higher utilization rate of (inaudible) and lower maintenance expenses helped CASK ex-fuel to drop to levels below BRL0.09 for the first time since 2007, which is (inaudible), which demonstrates our continuous obsession for lower costs. Operating performance remained positive, although we have a competitive scenario, with an EBITDAR margin reaching 20%. Financial income was positive at BRL58.5 million and this was lower compared to the Second Quarter of '09, because we had lower FX gains basically due to the sequential drop in FX rates that (will create growth for currency debt) while our default line was kept on the same levels due to higher number of aircrafts which contract demanding maintenance and leasing deposits. Also GOL's denominated debt moved to 84% of the total debt. But that's the main reason why despite the fact that we had an EBIT margin even slightly higher than in the Second Quarter, our net income was lower although a very consistent net income of BRL77.9 million. Moving to slide nine, just like to highlight that we concluded our asset offerings which has added BRL627.1 million for the Company and this of course is still not showing in our financials and will be here in the Fourth Quarter. However, with the pro forma calculation we will see that our cash levels throughout a 12 months, our revenues is (already) at levels over 20%. Another important thing is a consequence of our equity offering is that today our free flows in the markets is over 35%. Moving to slide 10, we can see that our financial ratios are back to very healthy levels. As I mentioned, cash and cash equivalents for the last 12 months net revenues, our goal at the 11.1% in the Third Quarters if we added on a pro forma basis the recent equity offering this ratio was up to 21.2%. Our gross adjusted debt to last 12 months EBITDAR continues coming down, from 6.9 times in the Second Quarter and 6.6 times in the Third Quarter. And our EBITDA over last 12 months financial expense has continued to improve and went up 1.7 times to 1.6 times, just to remind, a year ago this coverage was 0.15. So we have been very consistently delivering what we have been indicating for the past (inaudible) of a much stronger balance sheet. Lastly on page 11, I would like to highlight that we are revealing some of our guidance for the rest of the year. Because of the change in the domestic economy, we are indicating that our domestic market growth in terms of RPKs is instead of growing between 2% to 4% is growing at 10% to 14%. Another consequence of that is that the RPK will be -- instead of being at 24.5 billion is going to be -- we are reviewing up to 25.3 billion. Number of departures will be coming down from 290 to 280. And CASK ex-fuel on a yearly basis we are expecting to continue bringing it down and we are indicating that we'll go down to BRL0.092. We are also reviewing the WTI average for the year down from $63 to $60. And the average exchange rate from BRL2.09 to the dollar to BRL2 to the dollar. So those were my remarks. Now we would like to open for the Q&A. Thank you.

Questions And Answers

Operator

Thank you. The floor is now open for questions. (Operator Instructions) Our first question comes from Mike Linenberg of Bank of America-Merrill Lynch.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yes. Good morning, everyone. Couple of questions here. I think you did indicate -- you talked about the code-share, the code-sharing and the frequent flier, how ultimately that would translate into a better corporate travel mix and I know in the press release you did mention that your share sales through this business travel operators' association is up a certain percentage points, I think it's six percentage points versus a year ago. But is there anything that you can give us when you look at the fare classes and percentages of passengers booking the higher fare buckets today versus a year ago, has there -- is there any additional color that you may have that provides us the fact that -- that gives us evidence that you are seeing a nice pick up in business travelers?

A - Constantino Junior

Mike, I think on the code-share, I think it is still premature to give us any indications. I think what's very important is that we have been very conscious in building the portfolio of alliances of players that we have indicated. I'm sure that in the next quarter as we already have some of the code-share implemented it would be easier to give up their %. In terms of business travelers, we have clearly seen an increase in our share of business travelers growing from 60% to 65%. And Mike, this is a positive thing. And there is a mix of different things that we have done. I think the mix of the SMILES, it's a mix of having the alliances in place, it is a mix of having a company that is paying much more attention to customer service at the airport and this is important for the business passengers. So we -- as you know, we have been implementing a very dynamic yield management system. So I think it is a mix of all things. We are confident, I have to say, that we will continue be able to provide different solutions to the different segments of travelers in Brazil, while at the same time that there will be catering for the business travelers. And at the same time we will continue our commitment to take the people who are traveling on buses and allowing them to break this cultural barrier that exists and bring them to fly on GOL.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. Thanks and then just my second question, when I read through the press release the BRL50 million that you received this is related to the partnership with the Banco do Brasil. You know as you indicated it's not related to the forward sale of miles but it looks like it is some sort of what was characterized as a rental from the banks access and use of the SMILES database. Now, when we think about rental, is that -- is this more of a one-off payment or is this recurring or is there some piece of this BRL50 million that is recurring? We are trying to figure this out for modeling purposes.

A - Constantino Junior

This is a good point. And it's exactly what you mentioned, it is not related to forward sales of miles. It's more of a one-off.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay.

A - Constantino Junior

I think as we do different deals with different partners we will have -- we may have different one-offs, probably they will not be as big as this one. But that's what we have been saying all along. As we build a loyalty business out of SMILES and as we develop partnerships with the SMILES partners, we may have different revenues strengthening the ancillary line of SMILES.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. That's actually -- that's very helpful. All right. Thanks.

Operator

Our next question comes from Nicolai Sebrell of Morgan Stanley.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Hi, Junior, Leonardo and Rodrigo. Two questions, the first has to do with the -- maybe a little bit of a follow-on. You mentioned 60% to 65% business travelers, was that the growth number or a share number. And I was curious to find out if you have an estimate of the percentage of your clients by RPK or however you look at it that are C and D clients? That's the first question. And the second one, I was wondering if you could explore a little bit more your long-term opportunity in cargo and how to think about that? Could we look at it as a increase in the percentage of growth in cargo revenue line or are you -- you have a target where you think it is going to be 20% or some number total ratio of total revenue and if you could expand on that a bit that'd be helpful?

A - Constantino Junior

First point, you are right, it's a share number, the 60% to 65%. The second number, which is the percentage of C-Class that are flying -- on us -- approximately with us -- and I don't have the numbers, C-Class approximately 40%, if I am not mistaken. Yes, Rodrigo is confirming that for me. And your third point is, I am sorry, can you say that again?

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Well let me follow up. So you say 60% to 65% of your travelers are business travelers, correct?

A - Constantino Junior

Yes. You went from 60% to 65%, yes.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Okay. Then if we look at your passengers, 40% of them are C-Class.

A - Constantino Junior

Yes, yes.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Okay. So there is some overlap between the business travelers and C-Class, which I guess makes sense.

A - Constantino Junior

Yes, because you have the small business, right? The small business -- I mean the neo-middle class. You have small people who are representing small business consultants and so forth.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Absolutely. Then the next question has to do with cargo. If you could talk about long-term --?

A - Constantino Junior

Okay. The cargo -- I don't think we are giving a number right now. But what we can say is the following, the cargo business is a function of the economy. So, as the economy picks up, it's natural that our cargo business will grow. We cannot forget that our cargo capacity is somewhat restricted, because we have planes that are narrow-body. But on the other hand we have been very creative, I have to say. And very focused on developing new products that cater the segments of cargos where we can be -- have a major position.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Okay. And so, your outlook is more growing with the market or is it -- do you think you have market share to take from other players?

A - Constantino Junior

No. We have market share to take from other players. But at this stage we are not -- today we have approximate 3% of revenue, it could be realistic and again, just giving a rough indication, not saying when it would happen, to get this number from 3% to 5%.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Interesting. Very helpful, thank you.

Operator

Our next question comes from Jim Parker of Raymond James.

Q - Jim Parker {BIO 1506864 <GO>}

Morning to all. Obviously there was very aggressive price competition in Brazil during September, October and part of November. And it appears that the fares were raised Monday of this week and of course I speak to you all to TAM, to Azul, no one wants to suggest that they were the aggressor. But nevertheless, there was very aggressive fares, your loads were up sharply, some questions in that regard. Number one, was it revenue positive, this fare program with the loads being up but the fares down. Then secondly, what is the carryover impact going forward? Are these passengers conditioned to wait for a sale because the fares went up very sharply on walk-up passengers?

A - Constantino Junior

I'm sorry, Jim, can you repeat your question, because there was a lapse here and we could not hear it 100%. Sorry.

Q - Jim Parker {BIO 1506864 <GO>}

Okay. There was. And you've mentioned in your press release, very aggressive fare competition in Brazil in the domestic market during September, October and almost the first half of November and the airlines with whom I speak which are GOL, TAM and Azul, no one wants to admit or would suggest that they were the aggressor who put these fares down in the beginning and the others matched. But my question is, was the revenue impact of this, since your loads were up sharply, is it a positive revenue impact or negative? Then I want to also know what is the impact going forward because have your passengers, some of them, become conditioned to wait for a sale, because you have raised. And all of the airlines, it appears in Brazil, have this week raised fares sharply on walk-up traffic?

A - Constantino Junior

Okay, the first part of your question is, there has been a positive impact in the revenues. And this is clear for us, although we have -- we understand that there are different ways of raising revenues. And the second thing, which were -- going forward and if I understood well, you are saying what would be the impact, right?

Q - Jim Parker {BIO 1506864 <GO>}

Yes. That's correct.

A - Constantino Junior

Okay. We believe that we have done the right thing now to put the restrictions back. Most likely you may see a situation where the demand is not going to grow as high as it grew in last September and October. But we are still working with a scenario where there will be a consistent growth in the revenue line.

Q - Jim Parker {BIO 1506864 <GO>}

Okay. A second question. You included in ancillaries cargo and charters. I'm curious, though, about onboard sales and renting cars and hotels and so forth, what is that revenue, can you break that out. So that we can determine how much the ancillary per passenger is ex-cargo and ex-charter?

A - Constantino Junior

Okay, sure that's a good question and a good point that you brought up. At this stage this number is not material. As it becomes material, in other words, as it reached 1%, we will start breaking them out. So we will have as we continue increasing this number in our ancillary block, we'll break up as we are breaking up the cargo business as we are so we are making it very clear to (commune) how this number will be composed by?

Q - Jim Parker {BIO 1506864 <GO>}

Okay, that's great. Thank you.

Operator

Our next question comes from Victor Mizusaki of Itau Securities.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Hi. Good morning. In 2010 you are planning to have volumes 7% of 700 and 7% of 800. I would like to know if -- do you see any further (inaudible) final reductions in the maintenance cost line? And my second question, in regards to the new guidance for 2009, we made some calculation here and correct me if I am wrong. But there is no guidance indicated that you are forecasting or you are expecting to raise yields in the First Quarter. But at the same time you are not -- the growth rate that we report in October of 47% is not sustainable. Is that correct?

A - Constantino Junior

Yes. Let me start with the second point and this is -- relates to what we just talked to Jim Parker. You are right; we are expecting that this October growth will not be consistent going forward. So we are still seeing some areas where there will be growth, a growth that is going to be related -- (GDP) growth. But it would be more adequate -- at more realistic levels than the October levels. Okay. So this is one thing. Now, let's go back to your first question, which was our maintenance, right? Again, we'd just like to emphasize again that our maintenance level is better to see on an annual basis, because if you shift one engine from one month to another, sometimes it creates an imbalance between what you are spending in one quarter vis-a-vis the other quarter. So of course, there are always opportunities for us and we are pursuing those opportunities on the maintenance line, because as you mentioned, we are using only one class of planes, they will be only using engine from January on. So there will be opportunities. But then I just would like to be -- to recommend that you will see more (similar) quarters -- ideally the Fourth Quarters together. So -- because that will be better in terms of giving an idea of how the maintenance line works, because if you move one engine from one quarter to another it may give us a big difference.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay. Thank you.

Operator

Our next question comes from Caio Dias, Santander.

Q - Caio Dias {BIO 21849043 <GO>}

Good morning, gentlemen. My question is related to the 767s, I would like to know what is the status of the return of these aircraft? And another question regarding the Caribbean -- the new Caribbean destinations you are currently operating. Which aircraft exactly are you using in these routes? Would it be possible to use some of these 767s that are out of operations?

A - Constantino Junior

Okay. The 767s, we still have six, just to remind everyone. We had 14 and at the beginning of the year we had seven, now we are down to six, or we have one agreement that is very advanced in terms of reserving one of them. We may have a solution before yearend. So that's the stuff. The second point that you have on the Caribbean, you are raising a good point. Today we are using the 737-800. There has been a very strong demand on the charter business to the Caribbean for the high season. And we may be -- we may have a situation that we may want to use one of the 767s in those routes. Again, it's a question of being -- of ensuring that the return that we will have on the 767s flying to those locations is better than having them on the ground. I don't anticipate using the 767s on a consistent --- the five 767s. But if the demand continues on the -- for the charter planes to the Caribbean in the high season there is a likelihood that we may use one.

Q - Caio Dias {BIO 21849043 <GO>}

Okay. Thank you.

Operator

Our next question comes from (Frank Chavez) of Artha Capital.

Q - Frank Chavez

Yes. Hi. Thank you, all for taking the question. Just a point of clarification, when you are providing your guidance for 2009, you are providing a WTI of $60 and an FX of two. Is that -- I mean, obviously, we are well ahead of those ranges when we look at the current spot. So just curious if you already have visibility in terms of, you've already hedged the oil at that price and therefore that's the price we should expect or are you expecting some change in the pricing that -- from WTI and the currency? And second, if you could. And maybe a bit early. But if we could start thinking about what sort of parameters you can think about 2010 that would be incredibly helpful?

A - Constantino Junior

Okay. Frank, this number here is a result of the entire year, okay? So that's why we have this number of $60 for the WTI. I don't -- just to remind you in the First Quarter our WTI was approximately -- less than $43, then in the Second Quarter it was $59, then in the Third Quarter was $68. So that's why it's a combination, okay? On the other -- and that also applies to the exchange rate, because in the -- as you can remember, in the First Quarter our exchange rate was 2.32, in the Second Quarter it was 2.08, in the Third Quarter it's 1.87. And we are assuming a stable FX in this last quarter of around 1.7, okay? That's where we are.

Q - Frank Chavez

And I guess I would also assume that the WTI -- I am just looking at it here, that you are assuming a stable -- you are not assuming appreciation or -- an increase or decrease?

A - Constantino Junior

Yes. We are assuming that in these last few weeks you may have an increase. But then we will have a certain stability. Okay?

Q - Frank Chavez

Okay. And as far as 2010, any parameters there you can give us in terms of how to think about the year?

A - Constantino Junior

We still have not given guidance on that. We will be giving guidance either when we start the Fourth Quarter or when we release the January draft figures. Okay?

Q - Frank Chavez

Thank you very much.

Operator

(Operator Instructions) We have a question from (Thias Halleluiah) of Credit Suisse.

Q - Thias Halleluiah

Hello. Good morning. Thanks for the call. Could you go over the proceeds from the partner -- the sales of miles to Bradesco and Banco do Brasil and you've received part of that amount in June and when are you going to receive the remainder of it or have you yet?

A - Constantino Junior

Yes. You are right, we received part of the amount, BRL100 million in June, BRL50 million in July, if I'm not mistaken. And then we still have BRL50 million that we will be receiving in the next few weeks.

Q - Thias Halleluiah

Thank you.

Operator

We have a follow up question from Caio Dias of Santander.

Q - Caio Dias {BIO 21849043 <GO>}

Hi, gentlemen. a couple more questions. So you mentioned you received BRL100 million in June, BRL50 million in July. However, this BRL50 million has no relation with the BRL50 million you booked related to the co-branded cards, right?

A - Constantino Junior

Yes.

Q - Caio Dias {BIO 21849043 <GO>}

And one additional question. Prior to the offering you had a target of gross cash position of around BRL800 million by the end of the year. Because of the offering we should assume that you should surpass this level, right?

A - Constantino Junior

Yes, I know you are right, because of the offering we should -- our target is to have close to BRL1.4 billion by the end of the year.

Q - Caio Dias {BIO 21849043 <GO>}

And for the end of 2010 your target has also changed. It used to be 1.2, right?

A - Constantino Junior

Yes. So we should still -- we have the 1.2 plus whatever we have raised in the offering.

Q - Caio Dias {BIO 21849043 <GO>}

Okay. And my last question -- sorry for asking so many questions. Going back to the yields, in the October traffic press release you mentioned yields remained at BRL0.17, maybe because of the forward-looking effect of the aggressive promotions we saw in the market in the prior months. Can you give some guidance on where December you should be?

A - Constantino Junior

No, unfortunately not. We are not giving guidance, what we are saying is that we expect a gradual recovery and that also we would like just to remind everyone that there is no moments we lower our restrictions for the high season that starts on December 15. So this is an -- I think is an important component as you start -- you make your projections.

Q - Caio Dias {BIO 21849043 <GO>}

Okay. Thank you very much.

Operator

(Operator Instructions) This concludes the question-and-answer session. At this time, I would like to turn the floor back over to Mr. Constantino for any closing remarks.

A - Constantino Junior

Thank you very much for attending our conference call. Hope to see you in our next event. Thank you very much.

Operator

Thank you. This concludes today's GOL Third Quarter 2009 results conference call. You may disconnect your lines at this time.