

Q4 2011 Earnings Call

Company Participants

- Constantino de Oliveira Junior, President and CEO
- Edmar Lopes, Finance and IR Officer
- Leonardo Pereira, VP and CFO

Other Participants

- Augusto Ensiki, Analyst
- Bruno Amorim, Analyst
- Eric Berg, Analyst
- Hillary Brown, Analyst
- Jim Parker, Analyst
- Jose Vertiz, Analyst
- Michael Linenberg, Analyst
- Pedro Alco, Analyst
- Ryan Santos, Analyst
- Thais Cohera, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to GOL Airline's Fourth Quarter 2011 results conference call. Today with us we have Mr. Constantino de Oliveira Junior, CEO; Mr. Leonardo Pereira, CFO; and Mr. Edmar Lopes, Finance and IR Officer.

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.

(Operator Instructions) We would like to inform you that questions can only be asked by telephone, so if you are connected through the webcast you should email your questions directly to the IR team at ri@golnaweb.com.br. Today's live webcast, including both audio and slide show, may be accessed through GOL's website at www.voegol.com.br/ir and the presentation is available for download at the website.

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's 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 the results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to the CEO and founder, Mr. Constantino Oliveira, who will begin the presentation. Mr. Oliveira, you may begin your conference.

Constantino de Oliveira Junior {BIO 16843720 <GO>}

Thank you. Hello everyone. And thank you for joining us for our Fourth Quarter 2011 results conference call.

Let's begin with slide number 5. In 2011, GOL (extended) its position in preparation for the coming year. The first actions that I highlight were concentrated on our clients. In 2011, GOL implemented a series of initiatives designed to improve our existing service to add more value and convenience to our passengers.

I will give you some examples. Following a pioneering profile and as a result of our focus in the year of '11 we saw that 30% -- sorry, 35% of our passengers or around 12.5 million passengers avoid lines in Brazil airports by checking in remotely. This indicator was just 15% at the beginning of 2010. In Webjet it's about 80% of passengers avoiding lines and utilizing the self check-in through this (self-service).

We expanded our Buy on Board food service throughout the year, giving passengers even more options. The Company is already offering this service on a regular basis on more than 150 daily flights. And this figure will reach 400 daily flights as of next June. Punctuality is one of GOL's and Webjet's strong points. In 2011, Webjet was outstanding in this aspect, recording the best performance in Brazil aviation industry with a flight punctuality ratio of 91%, we have no doubt about it is a national record.

We also implemented a number of important initiatives to improve our profitability. Throughout 2011, we took measures to mitigate pressure from the increase in fuel prices and the airport fees. One example was the return of five Boeings 767s, two of which at the end of the year as part of the agreement with Delta reinforcing our DNA as a Company with a standardized fleet and optimized aircraft utilization rate.

I would now like to highlight some of the most important aspects of the initiatives to strengthening our strategic positioning for the coming year. Believing the potential of Brazil's consumer market GOL acquired Webjet in 2011, further strengthening its position in the country's leading airports and allowing it to offer its clients a more extensive route network with even more competitive costs.

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In effect, the Company has associated with an airline that has the same dynamic, low-cost DNA and innovative vocation and which possesses a fleet that fit with GOL's fleet. Operations currently remain separated. But the two companies have already adopted concrete coordination measures that have had a positive impact on the results for both companies.

Finalization of the transactions are waiting approval by CADE, which is the Brazil's antitrust authority. The Company has already affirmed it's commitment to the responsible addition of supply on the domestic market and recently announced 0% supply growth on its joint domestic route network with Webjet.

Moving now to slide number 7. Here you can see that the Fourth Quarter of 2011 was the quarter with the least added capacity even though it is traditionally the second strongest of the year. The scenario shows the change in the industry -- industry's behavior after first half when the -- first half of the year when demand was artificially stimulated by very low fares.

Moving to slide number 8. You can see that fares recovered in the second half following a fiercely competitive climate which jeopardized airline profitability. In 2012, and this is part of our strategy, we believe fares will continue to recover along with profitability.

Slide number 9 shows that GOL had the most -- was the most conservative company in terms of capacity addition in 2011. GOL and Webjet combined with recorded supply and demand growth of 6.8% and 9.2% respectively on the domestic market, giving an annual load factor of 70%, 1.3percentage points up from 2010.

Moving to slide number 10. I would like to talk about an extremely important aspect of our strategy for 2012, supply. We have a picture of supply in the first two months of 2012 compared with the same period in 2011, when we were still experiencing some growth. The numbers show that although yield did recover the load factor was still lower than necessary. We are therefore announcing a capacity cut as of March. By the end of April we will have eliminated between 80 and 100 flights a day at GOL and Webjet, daily flights out of the combined total around 110 -- sorry, 1,100 flights a day.

At this moment GOL and Webjet have a joint zero growth target in 2012 and may even record a decline in ASKs. The current market economic scenario together with the reduction in number of flights will take us to adjust our cost structure to this new reality. We believe that this new direction will allow us to achieve our planned results.

And before handing over to Leonardo, I would just like to thank our clients, our employees that we call the Team of Eagles -- our partners in supply -- suppliers for their efforts and commitment.

Now, Leonardo will comment our financial numbers. Please, Leonardo?

Leonardo Pereira {BIO 1960081 <GO>}

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Thank you, Junior. Good morning, everyone. On page 12, I just would like to highlight the capacity number. In the Fourth Quarter of 2011, we still saw a growth, mainly because we are adding the Webjet numbers. And if you look on a full year basis we had 50.1 billion ASKs and as Constantino mentioned, these numbers will be the number which is the low end of the guidance for 2012.

Our CASK was at 15.89 in the Fourth Quarter, still (a varying) impact by some non-recurring items which we had said that would happen in the -- during the Fourth Quarter because we had a BRL600 million cost-cutting program that is already implemented. The CASK-Ex Fuel is at 9.47. It's still high and the yield we can see the start of a yield recovery.

On to page 13, I would like to -- also to focus on the EBIT line for the full year, which was BRL187 million. Out of this BRL187 million, we have an impact of approximately BRL500 million that was the difference between the fuel that we budget and the actual fuel number price. And also we have some impact because of the exchange rate.

This explains but does not justify the Company needs to work on the CASK-Ex Fuel because if the fuel price is a (new reality) at this level, then we have to adapt the Company, both in terms of its variable costs and its fixed costs.

On page 14, we demonstrated -- despite the fact that we had some positive impacts because of the Webjet gains on the purchase of BRL88 million and the reversion of the provision of two Boeing 767-300s. These positive results were impacted by the negative one-off results. So in other words, our -- the 9.47 CASK-Ex Fuel is the real number that we have in the Fourth Quarter which, as I said, is still much higher than what we would like.

On page 15, you see a trend of recovery, our net revenues going up. But which, as I said, we still need to worry very much on the CASK-Ex Fuel.

On page 16, we note that we still have a competitive advantage in terms of CASK-Ex Fuel, but we -- unless we continue working on this, we may not have that in the future. So it's imperative for the Company to address this issue in the next few quarters. And as Constantino mentioned, we are very determined to do that.

Talking about liquidity, there is a good news. We have managed to roll, to stretch out the debt of Webjet. So we have no refinancing risk for the next three years. And that is the policy and we continue to work on this. And if you look at our biggest maturity that we have is now in 2015.

This slide (already) takes into account the waiver that we said, that we just disclosed that we got from the financial institutions which we are very comfortable that we would get because those institutions they are close to us, they very much understand our business plan.

On page 19, you see that our total cash represents 5.1 times our short-term debt. And this -- also we have -- we ended the year with BRL2.3 billion in cash which is even higher than

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the 25% number that we would have as a target.

In terms of next steps, on page 21, we are now waiting for the final approval of the CADE on the Webjet acquisition. We believe, as Constantino mentioned, that this acquisition was very timely and it shows our belief in the Brazilian air transportation markets.

And on the Delta side, despite the fact that we have concluded the negotiations with Delta and the equity injection has already happened, we still had to end the distribution of the shares, auctioning the remaining shares, outstanding.

Looking forward, on page 23, as we have said, we have announced we are extending our flights from Caracas to Miami. This is not a change in our strategy. We are still sticking to the strategy of having the Boeing 737 NGs. We are just maximizing an opportunity that we have to extend those flights. We have the right to transport passengers beyond Caracas and we have been very successfully extending our network beyond Caracas to places like Punta Cana and Aruba.

So Miami is just one more destination, which is part of this action plan. If approved, these flights will take place on Sundays, Mondays, Wednesdays, Thursdays and Fridays and passengers will board in Sao Paulo. They will not have to change planes. They will only have to go through checking and baggage handling procedures one time. We will just have a technical stop in Caracas to refuel.

And the final item on page 25, just to reemphasize what Junior has said, we are adequating our routes network. We are reducing capacity aggressively, discontinuing flights that are not profitable. We are not -- we are being -- a zero tolerance -- if a flight does not give any returns, focusing specifically on flights -- on late flights at nights. We are expanding actions that will bring ancillary revenues such as the Buy on Board program, which we already have over 150 daily flights.

We are renegotiating the return conditions of the Webjet aircrafts. And we are reviewing our operational processes, not only on the fuel side as we have disclosed some of the programs in our press release, but we are also adequating our workforce to reflect this new network and this new reality of the market.

We need to have a sustainable business. We understand the role that GOL has in the Brazilian market, the importance of air travel in Brazil, but it's important to have a Company that is sustainable and gives returns to shareholders. And that's what we have to be committed here.

And now we would like to open for q-and-a. Thank you.

Questions And Answers

Operator

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(Operator Instructions) Jim Parker, Raymond James.

Q - Jim Parker {BIO 1506864 <GO>}

Just -- would you clarify the capacity growth plans for 2012. And you were saying 0% to 2%, and you might even be less than 0% but not be negative. So does that include Webjet this year and only for one quarter of 2011?

A - Leonardo Pereira {BIO 1960081 <GO>}

Jim, you are right. The initial range was between 0% and 2%. We are now starting at 0%. It can be negative. It may be negative, but -- and that would be if you would compare the full year of Webjet and the full year of GOL, okay?

Q - Jim Parker {BIO 1506864 <GO>}

Yes.

A - Leonardo Pereira {BIO 1960081 <GO>}

So that's -- so you are doing -- that's the right calculation that you are doing. That's how we would compare.

Q - Jim Parker {BIO 1506864 <GO>}

Okay. A second question is I believe you announced that you were negotiating with your pilots to furlough a certain percentage of your pilots. I'm curious what's to keep those pilots from leaving and going to work with other airlines if they're furloughed, which means as your business grows in the future you would have to hire and retrain pilots?

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

Yes, Jim, it's Junior speaking. Actually, we have some of these pilots that are still doing that their (inaudible), they're not checked yet. What we are doing as we rationalize our fleet network we would have to reduce our fixed costs, otherwise we will have -- we'll keep -- this balance, no balance situation.

Other things that once we repay a part of their salaries is due to a number of flights, the number of hours flying. That means it's a variable cost. If we keep this situation of higher number of pilots than we need probably we will create a problem for all the pilots that means their average salaries will be reduced and it will create a problem with 100% of them. So we understand that. We will avoid as maximum as we can any kind of firing people. But we must have to do our homework in terms of reducing our fixed costs at the same time.

Q - Jim Parker {BIO 1506864 <GO>}

So Junior, are you suggesting these pilots that you would furlough that it's not a temporary furlough, it's something that would endure for the -- for several -- for quarters into the future.

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

Sorry, Jim, I didn't understand your question.

Q - Jim Parker {BIO 1506864 <GO>}

It's not these pilots that you furlough. You're not putting them on the sidelines for just like a year. This is a reduction because of number -- your realignment of your schedules that you really don't need these pilots and you will only need them again as you grow, is that correct?

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

Yes, first we open for non-remunerated license. And some of them engaged with this project. So we keep -- we are keeping a maximum of them. They are out of the line. We are not paying them -- we'll not pay their wages for the next 12 months. And so we are doing all the efforts to follow this type of initiatives. But if at the end we will have to open the door for some of them to exit we must have to do that.

Q - Jim Parker {BIO 1506864 <GO>}

All right, all right. Thank you.

A - Leonardo Pereira {BIO 1960081 <GO>}

Jim, it's Leo again. I had not understood correctly your question. The number that you have to compare, Jim, is the 50.1 billion ASKs which compares -- which is equivalent to a 0% growth in ASKs. And that contemplates the full year of GOL and only the Fourth Quarter of Webjet, okay.

Q - Jim Parker {BIO 1506864 <GO>}

Yes. All right, Leo, that's good. That clarifies it better. Thank you.

Operator

Thais Cohera, Goldman Sachs.

Q - Thais Cohera

Just following up on the supply issues. From your previous explanation we are supposed to see ASK decreases from April on, right. So if load factor continues to be under pressure given yield increases, do you envisage further capacity cuts going on through the year?

And just linking that with the new routes that you opened today, US. The aircrafts that are going to fly these routes are going to be diverted from domestic routes. And maybe if you're planning to further expand your international destinations as part of this movement will this also draw aircraft from the Brazilian market? Thank you.

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A - Edmar Lopes

Thais, this is Edmar here. So good morning, thanks for your question.

First you are right as for the last issue that you raised. Yes. Indeed we will use some of the spare aircraft that we will have in the domestic routes to use in international routes, especially the new route we are opening to the US, okay.

And again, you are right. In order to meet the guidance of 0% growth in the next coming quarters, very likely, you will see decrease in number of ASKs year-over-year in the Second Quarter.

Q - Thais Cohera

Okay. And just following up on the international routes. Are you supposed to fly to any other destinations besides US in the America?

A - Edmar Lopes

No, no. As Junior said, it is an opportunity. We think we do operate in Caracas nowadays. There is an opportunity in the Brazilian traffic; there is also this opportunity in the Venezuela traffic. And so, no, we're not expanding our international operations rather than the US routes that we announced.

Q - Thais Cohera

Okay. Thank you.

Operator

Bruno Amorim, Santander.

Q - Bruno Amorim {BIO 17243832 <GO>}

GOL's demand in the domestic markets fell by 2% year-on-year during the first two months of the year. Is that in line with your expectations? And if not, do you intend to take any measure to improve demand performance going forward? Thank you.

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

Sorry, can you repeat your question. I could not hear.

Q - Bruno Amorim {BIO 17243832 <GO>}

Yes. What I said is that your demand in the domestic market fell by around 2% year-on-year during the first two months of the year. Is that in line with your expectations? And if not do you intend to take any measure to improve demand performance going forward?

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

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It's not in line with our expectations. We -- but we are seeing a slowdown in the economy. So -- and we are adapting ourselves to have a lower supply of seats. So we have to see how this is going to be -- to evolve over the next few quarters and react accordingly.

But answering your question, we are seeing a quicker slowdown than what we expect viz-a-viz the levels of yields that we are seeing.

Q - Bruno Amorim {BIO 17243832 <GO>}

Okay. Thank you very much.

Operator

(Operator Instructions) Michael Linenberg, Deutsche Bank.

Q - Michael Linenberg {BIO 1504009 <GO>}

A couple questions here. We talked about the capacity reductions starting to take place beginning in the month of March. We're now 95% of the way through the month of March. We saw your RASK up 2% in -- or up 1.5%, 2% in February. What can you say about RASK trends as we head through March, what's the latest you can give us on that?

A - Leonardo Pereira {BIO 1960081 <GO>}

Look Michael, I'm going to give you the answer. I don't -- it's hard to say what's going to happen with RASK. But we have to work strongly on the RASK minus CASK spreads. If the RASK doesn't -- is not coming for one reason or another we have to have a much lower CASK. If the fuel is high then -- and it's not going to come down, we are implementing -- I've got two things.

First is a list of programs in order to minimize fuel -- to maximize fuel consumption. And secondly, we'll have to really be more aggressive on how we manage the CASK Ex-Fuel. If you haven't -- in your CASK Ex-Fuel you have two components; the fixed costs and the variable costs. If you have -- if the factory is not going to be producing at its capacity -- at the plant capacity you have not only to take variable costs but you have to take fixed costs. You have to adjust the size of your (factory) to the production to the demand that you have.

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

And Michael, just to complete, this is Junior -- complete Leo's answer to that. March probably will not reflect all the actions that we took during the March period. We are seeing that there's something -- some improvement on April and beyond.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay. Okay, that's helpful. My second question has to do with the waiver that you got on the debt that had been reclassified from long to short term. It does look like that the initial period of the waiver takes care of the next three quarters which includes the Fourth Quarter -- I'm just reading that in the press release.

So it looks like we are fine through June. What happens after that? Is there some financial test, some ratio or covenant test that has to be met or does it involve you (improving) the balance sheet by way of an equity infusion, how should we think about that?

A - Leonardo Pereira {BIO 1960081 <GO>}

Look, there are different -- various alternatives here, Mike. The way how it's working, the banks aid for three quarters, I can state that these banks, they are very committed to us. They are two of the largest Brazilian banks. They know about the plans of the Company. We have the commitment of not to have short-term maturity.

So the way -- we have -- I can assure you that we certainly have a couple of alternatives here.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay. That's very helpful. Then just my last question, with the new service from Sao Paulo to Caracas and then onto Miami, when we think about the mix of traffic between -- what you are currently flying between Caracas and the Caribbean, if we think about those services, is it more Brazilian traffic with the technical stop in Caracas or because you have the Fifth Freedom rights to carry Venezuelan passengers back and forth between Venezuela and the Caribbean? Is it more of a mix? Is it more of an even mix, maybe 50 --?

A - Leonardo Pereira {BIO 1960081 <GO>}

It's an even mix, Michael. If you consider there are also passengers that we are carrying from the Southern Cone via Sao Paulo to the Caribbean. And so, if you combine that with the Brazilian is you will probably have approximately 60%, given and taken. Then the remaining are locals that are traveling on from Caracas to the Caribbean.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay. Then the new service to Miami, you envision a similar mix?

A - Leonardo Pereira {BIO 1960081 <GO>}

Exactly.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay. Very good. Okay. Thank you.

Operator

Ryan Santos, Citigroup.

Q - Ryan Santos {BIO 21171508 <GO>}

This is Ryan speaking on behalf of Steve Trent. Can you -- just a follow-up on Thais Cohera's questions. Can you tell us whether Delta Airlines encourage GOL to launch

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flights to Miami? And also are you concerned that Delta has poor connectivity to Miami?

Second question, what was the composition of the BRL1.1 billion outflow in 2011 cash flow from operations? It's tagged under short-term investments used to trade.

A - Leonardo Pereira {BIO 1960081 <GO>}

Okay, let me see if I understood your first question. You are asking about whether Delta encouraged us to go to Miami. No. The Miami extension had been (assessing) being here internally. And we suggest you should put into this perspective of extending the flights beyond Caracas, okay, and having the Fifth Freedom rights out of Caracas.

So of course, as we have a good agreement with Delta, we will be using the same terminal as Delta uses in Miami. So that will certainly help the distribution of our passengers in Miami, okay?

A - Edmar Lopes

Okay. Ryan, this is Edmar here.

Q - Ryan Santos {BIO 21171508 <GO>}

Yes.

A - Edmar Lopes

As for your second question about BRL1.1 billion as for investments. What happened is that they were classified as long-term investment during the Third Quarter. Then on the Fourth Quarter they were classified as cash equivalent. So that explains the variation in this specific line, okay?

Q - Ryan Santos {BIO 21171508 <GO>}

Sounds good, sound good.

A - Edmar Lopes

So it was moving from long term to short term in terms of our cash equivalent.

Q - Ryan Santos {BIO 21171508 <GO>}

No problem, thank you. Thank you for your help.

Operator

Hillary Brown, LV Asset Management.

Q - Hillary Brown {BIO 17336815 <GO>}

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I have two related to accounting. The first one is on whether it would make sense to include the fuel hedges gains or losses in either EBITDA or EBITDAR, and why it's not included.

And also the second one is related to your covenants. With the extension violating the covenants with your fifth and fourth debentures relating to Bradesco and Banco do Brazil, if those -- if you are not in compliance with the covenants at the end of the extension or at the end of the waiver period and you are not able to get an extension does that -- will that trigger other covenants if you have to move this debt to short term for any period of time?

A - Leonardo Pereira {BIO 1960081 <GO>}

No. If we are -- if we anticipate that we are now -- going to miss the covenants, then we will request a new waiver. Over --

Q - Hillary Brown {BIO 17336815 <GO>}

Then if you don't get the new waiver, do you -- does this (result in) violation of (other covenants)?

A - Leonardo Pereira {BIO 1960081 <GO>}

Look -- you would not be in violation of other covenants. Those are approximately the only covenants that we have regarding the debt, okay?

Q - Hillary Brown {BIO 17336815 <GO>}

Okay.

A - Leonardo Pereira {BIO 1960081 <GO>}

On the hedge, why we don't count that is the EBITDAR. That was your question?

Q - Hillary Brown {BIO 17336815 <GO>}

Correct.

A - Edmar Lopes

This is Edmar here. We do have hedging accounts for year. So part of our results goes into the operational line and part of that goes into the financial line. It depends whether it is effective or non-effective on a contract by contract basis. That's how it works here and at the -- in our balance sheet and release further down the road that is at the very end of it, you have the full section of our hedging contract and the results which went to the operational lines and which to the financial lines. It's --

Q - Hillary Brown {BIO 17336815 <GO>}

Okay. And I guess -- excuse me for my ignorance, but can you please tell me what it means for a hedge to be non-effective or effective?

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A - Edmar Lopes

Yes. Absolutely. Our policy says that if it is between 80% and 125% the strike rate that we have negotiated, then we account it as effective. If it's beyond this range, then we account it as (inaudible) un-effective, then it goes to the financial line.

Q - Hillary Brown {BIO 17336815 <GO>}

Okay. Thank you.

A - Leonardo Pereira {BIO 1960081 <GO>}

And those are the accounting rules. And that applies to all companies that hedge and use the hedging accounting, okay.

Q - Hillary Brown {BIO 17336815 <GO>}

Okay.

Operator

Ricardo Alves, Morgan Stanley.

Q - Augusto Ensiki {BIO 15988025 <GO>}

It is actually Augusto here, just a question regarding the 737s at -- of Webjet. You guys are already provisioning for an early return. Is there a timeframe, is that going to happen within the next quarter or within this year or is that something more long dated to maybe next year?

A - Leonardo Pereira {BIO 1960081 <GO>}

Okay. If you look at the 18 737-300s of Webjet's that are leased and if you look at their delivery schedule, the reasonable delivery schedules. They would leave anyway in the next 24 months, okay?

So what we are doing here, we are being conservative and giving a flexibility to return them earlier if possible, okay? So as I said, this year we have a target to return approximately 10 737-300s. But if we have the opportunity of returning more, we are -- are setting up this provision so we don't have to incur in the costs in the future, okay?

Q - Augusto Ensiki {BIO 15988025 <GO>}

Understood. And one second question. You highlight three points in your release of your cost mitigation, the fuel, the air crew work model and then improved ground operations. Are these already considered in your guidance, the current guidance that you have?

A - Leonardo Pereira {BIO 1960081 <GO>}

Yes.

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Q - Augusto Ensiki {BIO 15988025 <GO>}

Perfect. Thank you very much.

Operator

Jose Vertiz, Fitch.

Q - Jose Vertiz {BIO 16396153 <GO>}

I have two questions. The first one is related to the US flights. You say that you are not going to change your business model, it's going to be a primary focus on the Brazilian domestic market. But could you, please, provide some color regarding the percentage in terms of revenue that you expect this US flight to represent in 2012 for the Company?

My second question is related to the CapEx level? Will it be correct to think that the CapEx level for 2012 will be similar to the level that we see in 2011 or do you expect to have a significant change?

A - Leonardo Pereira {BIO 1960081 <GO>}

Okay, the second question, the answer is yes, you should see similar levels of CapEx, okay?

On the first question, we -- I envision that over the next two years, three years would still see the percentage of international passenger revenues to be between 5% and 10%. So it's not going to be necessary. These flights that we will change that. What we are seeing is that as we see opportunities, like we had seen in the Caribbean, we are taking advantage of that.

As Junior mentioned previously, today our Caribbean routes are very attractive in terms of return, okay. So Miami should see -- be seen as an additional destination in this context.

Q - Jose Vertiz {BIO 16396153 <GO>}

Excellent. Thank you.

Operator

(Pedro Alco), Santander.

Q - Pedro Alco

Yes. Two quick questions, if I may. My first question is about the flights you are canceling. When you talk about reducing the number of flights with a load -- a low load factor, do you have a specific threshold and can you share it with us what that threshold is?

And my second question is regarding the waiver. If by hypothesis, you fail the covenant again in 2012, should we expect a penalty in line with that of 2011, i.e., 135 basis points?

Thank you.

A - Leonardo Pereira {BIO 1960081 <GO>}

Look, yes, the first -- the second question on the covenants, yes, you may assume that because that's what the markets usually charge, okay? Then, on your first question which was about, I'm sorry.

Q - Pedro Alco

My first question was about the flights you are canceling. If you have --

A - Leonardo Pereira {BIO 1960081 <GO>}

Okay, the flights we are canceling, okay. No. We are not giving the threshold, but what we are being very firm about is that the flights should be giving returns to us.

Q - Pedro Alco

Okay. Thank you.

Operator

(Eric Berg, Standard Bank).

Q - Eric Berg {BIO 1505222 <GO>}

Could you comment, please, on your next step with Delta and how that new relation is working out? Thank you.

A - Leonardo Pereira {BIO 1960081 <GO>}

Okay. Then the deal with Delta is a deal that is a five-year deal where we will be together exploring the opportunities that will be -- arise in the Brazil-US corridor. We believe very much that the traffic between Brazil and the US will continue to grow quickly over the next five years.

If you look at the number of visas that are being issued on a daily basis by the US consulate in Brazil, they are over 4,000 visas a day. So we believe that if you look at the global trends of travel, the Brazil-US corridor is going to be very important over the next 5 and 10 years because we are speaking to our strategy of not doing long haul and not buying a different fleet.

We understand that having a partnership with Delta, which has devised Brazil as an important component of their strategy, it's going to be important. So we will come -- Delta committed to Brazil and we committed to give our clients our best offering in terms of destinations, not only Brazil but also in the US and beyond the US.

Q - Eric Berg {BIO 1505222 <GO>}

Thank you very much.

Operator

This concludes the question-and-answer section. At this time, I would like the floor back to Mr. Constantino de Oliveira Junior for any closing remarks.

A - Constantino de Oliveira Junior {BIO 16843720 <GO>}

Yes. Thank you. Once again, I would like to thank everybody to be part of this conference call. I hope we will be together on the next quarter when we announce the First Quarter of 2012 results conference call. Once again, thank you very much. See you next time.

Operator

Thank you, this concludes today's call, Linhas Aereas Inteligentes' Fourth Quarter 2011 results conference call. You may disconnect your lines at this time.

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