

## Q2 2009 Earnings Call

### Company Participants

- Constantino Junior, Founder & CEO
- Leonardo Pereira, VP & CFO
- Rodrigo Alves, IR

### Other Participants

- Dan McGoey, Analyst
- Duane Pfennigwerth, Analyst
- Jim Parker, Analyst
- Mike Linenberg, Analyst
- Nic Sebrell, Analyst
- Stephen Trent, Analyst
- Victor Mizusaki, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, I would like to welcome everyone to the GOL 2Q '09 Results Conference Call. Today with us, we have Mr. Constantino Junior, Founder and CEO, Mr. Leonardo Pereira, Vice President and Chief Financial Officer, 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, future 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](http://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 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 results to differ materially from those expressed in such forward-looking statements.

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

## Constantino Junior

Thank you. Good afternoon, everyone and welcome to GOL's Second Quarter 2009 Results Conference Call. Let's begin the presentation by going straight to slide number five, where I would like to comment on GOL's current situation and where we are directing our efforts. We have arrived at the midpoint of 2009 on the right path, so correctly complying with our main annual targets. On the other hand, we are fully aware of the challenges that lie ahead. And this is what keeps our team on track in order to ensure that the Company becomes more and more solid as each year passes.

Just to illustrate this, the slide five shows that as of the Fourth Quarter '08 power cade, C-A-D-E has approvals to merger GOL and VRG, we were able to integrate 100% of our operations, finally being able to capitalize on VRG assets with GOL's low-cost platform. This transformation period was last year's main highlight.

And GOL emerged in a substantially stronger position in the Brazilian market, being the absolute leader in the number of landings and departures at the main domestic airports. Our value proposition, which proved highly promising in the first half, is built around high (land) frequencies, punctuality levels of around 97% according to (Imperalo) recent data, regularity, and a modern standardized fleet of 737 aircraft.

Present and comparing quality of passenger service is complemented by the benefit of the SMILES, Latin America's largest frequent flyer program with more than 6.2 million registered members and an average growth rate of 100,000 new users per month in the last eight months. In order to support the SMILES growth, we have one of the largest e-commerce platforms in Latin America. If not the largest, it's allowing passengers to acquire their tickets rapidly and efficiently.

To summarize our prudent positioning gives us subset flexibility to explore all segments of the domestic market, continuing to do what GOL has always done, encouraging demand by offering fares that compete with interstate buses and permitting payment in up to 36 installments through VOEFACIL program.

We are also offering a series of advantages for business travelers with high-quality service, such as flight rescheduling at no extra charge, the SMILES bonus, as well as a greater flight frequency between the main domestic airports. This year, we once again introduced a series of passenger services, which has been another of GOL's trademark features throughout the eight years of its existence.

We took the first steps in preparing our e-commerce platform for its strategic future by introducing car rental and insurance sales, generating subsidiary revenues at below certain expenses and better complements for passengers. As a result, our air ticket sales portal is being gradually transformed into a real travel portal.

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On slide number six, you can see some of the other highlights that we would like to share with you today. In order to make it easier to understand, we have separated them in three groups -- strategy, operations, and balance sheet. Strategy -- the SMILES program has been assuming an increasingly vital strategic role. Not only is it an important role to fit into, it also helps to (realize phone) for the Company.

The last day of June, we signed an important partnership agreement with Bradesco and Banco de Brasil for the allowance of a co-branded credit card through which the two banks will help popularize the SMILES program even more. Under the agreement, the banks have acquired SMILES in advance and have rented the right to use the SMILES database. This is a clear advance that VRG is a good value addition to shareholders. The partnership has now opened a door to leverage the more than 150 partners of the SMILES program, which including the impact with retail chains connect those that were dormant before this process.

Operating -- we have also begun the buy-on-board implementing, allowing passengers to purchase premium meals and beverage. Currently, this service is available on seven medium-haul flights (inaudible) results. But we plan to expand it to other routes in the future. In addition, this innovative service allows passengers to opt for cheaper fares while at the same time giving them the possibility of acquiring premium onboard service. It is worth remembering that GOL's normal onboard service will not suffer in operations due to the introduction of buy on board.

The second Q '09 highlights also include the code-share and managed sharing agreements we signed with AirFrance/KLM and American Airlines. These are extremely important agreements for GOL, as they will increase traffic from our network and strengthen SMILES by allowing passengers to use their miles to visit the most varied destinations around the world.

We also made important progress regarding the control of our operating capacity. We had already announced an agreement with Boeing to postpone the delivery of certain aircraft. We also subleased two 737-800s to Transavia in Europe, which helped us reduce costs and control capacity during the quarter. We have been posting successive positive operational results since Third Quarter '08. And Second Quarter '09 was no exception, even though the Second Quarter is the most seasonally unfavorable for the airline industry.

Let's talk about balance sheet. We have successfully completed our capital increase and debenture issuance of BRL400 million. Therefore, we can see that our goals are being achieved in compliance with our plan to reduce costs. This quarter, GOL once again joined the select group of airlines with the lowest cost ASK in the world.

Please move to slide number seven. I'd like to share with you our three main strategic vectors for the future. Capacity management is one of the most important challenges we will be facing from now on. GOL management's task will be to balance supply and demand proceeds while at the same time increasing our load factor so we can dilute our operating cost and manage our yields, maintaining focus on profitability.

Consequently, we are keeping a close eye on the pace of demand growth, which has been showing signs of improvement in July and August. Cost reductions -- we are still working on the recurring process of six remaining 767-300s from our fleet. We are aware that a definitive solution will not be easy. But our fleet and financial teams are continuing to focus their attention on this issue.

In addition, we need to complete our fleet renovation and standardization process. By the end of the year, replacing all of our 737-300s with 737-800s SSP, which can carry more passengers and are more fuel efficient and to reduce maintenance costs. Operations -- we show here we are proving our strategic positioning, back to the basics, and a focus on productivity, efficiency, and quality since we believe we are on the right path.

There are my initial comments and I will now pass the floor to Leonardo for his considerations. Please, Leonardo?

### **Leonardo Pereira** {BIO 1960081 <GO>}

Thank you, Junior. Good morning, everyone. I just would like to make some remarks before open for the Q&A. Let's go talk about results and you can follow that on slide nine. We had record, positive operating results for the fourth consecutive quarter, even though, as Junior mentioned, the Second Quarter is seasonally speaking the weakest quarter of the year.

If we only concentrate on the EBIT margin, it is the most important result because it's in a way which I focus on the operation and not on the current. So must -- we have generated EBIT margin of 6.5%, which is very close to the margin that we posted in the First Quarter. Our yields are BRL21.50. And our break even load factor is at 56.3%.

This break even load factor is also similar indicator of improvement because it represents a 21percentage point improvement compared to the Second Quarter of '08, when the break even load factor was close to 78%. If we remove the fuel cost effect from this calculation of the break even load factor, it would still have fallen by 11percentage points to 66%, which clearly shows a significant year-on-year improvement in our (million) cost management.

We continue to focus on productivity, as Junior mentioned. In terms of our gross stipulation, we are moving back to the range of over 12 hours a day. In summary, we are taking advantage of our lower operating cost in order to optimize need and load prices. We are doing this gradually and is in line with our positive operating cash flow objectives aimed to achieve annual profitability and our cash position objectives.

If we move to page 10, to slide 10, I just would like to highlight that our gross debt today is at -- our balance sheet gross debt is at (BRL3.8 billion). If we exclude the perpetual blanch, which have no maturities, this number comes down to BRL2.8 billion. And there is no doubt that our liquidity basis is much stronger than it was 12 months ago.

If we look at our strong just gross debt, which is gross separating EBITDA of the last 12 months, this ratio has come down from close to 12 times in December of 2008 to 6.9 times at the end of the Second Quarter 2009. Looking to the future, we are working to bring this ratio down to below 5 times by the end of 2010. In general, our ratios are showing (inaudible).

Our EBIT today is already seeing all interest expenses on a 12-month basis. And our current ratio is moving towards one to one. If you look at our surprise value, it went up to BRL9.3 billion at the end of 2008 to BRL11 billion this week. Therefore, our total adjusted net debt at price value went down from 79% to 67%.

These improvements are positive for GOL and are in line with our estimates. We are fully aware of the importance of having a healthier balance sheet that can also provide us with a solid (inaudible). One last thing -- if we look at our cash -- the net revenues, which are now close to 10% ratio, we've seen the target to raise debt to 20% by the end of next year.

And moving to slide 11, I'd just like to talk a little bit how our exercise to reach BRL800 million by year end is moving. If you look at our cash balance at the end of the First Quarter, and we can see that there's a few events that helped cash balances moving up. WE had EBITDA of BRL157 million, a capital increase of BRL104 million, debentures of BRL280 million, and co-branded agreements that generated just over BRL100 million.

So altogether, we had cash in of over BRL700 million coming to the quarter and cash out of BRL490 million going out of the quarter. As a result, we closed the quarter with cash and cash equivalents of over BRL600 million, 55% above the First Quarter of 2009 and very much growth to 10% of net revenues in the last 12 months.

If we consider that the main cash out component in the Second Quarter was BRL250 million that we had to replace letters of credit as maintenance deposits and the letters of credit are slowly but gradually coming back, you'll see that the pressure that we had on our cash flow is substantially done. And on the other hand, as we move into generate more cash on the operating cash flow, we are feeling very comfortable to say that our cash balance Q-on-Q going up as planned.

Moving to slide 12, you see that despite having a total debt of BRL3 billion, if we exclude the needs that we pay on a monthly basis and sparked operation, our debt schedule has no pressure on the cash flow over the next few years. In 2010, we have a substantial process and repayment schedule, use of a debentury payment. But this debentury payment was done on a monthly basis. So we had no pressure on the cash.

Out of that, I would like to highlight that we had a BRL50 million working capital loan that was maturing now in August and has already been renewed for another 12 months. And we have the next largest payment is only happening 2017 when the senior notes are due. So in other words, we had our repayment schedule that's totally comfortable and adequate to a company like us.

Moving to slide 13, we have just updated the fleet guidance and the operating fleet guidance for the year. And that is basically a result of a new average exchange rate and a new average WTI. That has had a positive impact on our CASK ex-fuel that we are revising down to BRL9.30. And we are also constantly reviewing the ASK for the year, down from BRL40.5 billion to BRL40 billion.

We are expecting no changes in the domestic market. And we have just reviewed down the international participants, which is consistent with what we have done in the last few weeks in terms of profit and profitability and focusing on ways that are generating cash.

So those are my remarks. And now, we are open for Q&A. Thank you.

## Questions And Answers

### Operator

(Operator Instructions)

Your first question comes from the line of Duane Pfennigwerth with Raymond James.

#### Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Hey, thanks. Good morning, Junior and Leo. Had a question for you on your capacity. It appears that your guidance implies 18% growth in the domestic market for the balance of the year. Wondering if that fits with your estimates, when we would see that capacity growth acceleration because you've been approximately flat year to date, and what impact you think that'll have on the competitive landscape? Thanks.

#### A - Leonardo Pereira {BIO 1960081 <GO>}

Can you repeat your question again?

#### Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Sure. It appears from your full-year domestic capacity growth target that it implies 18% capacity growth for the remainder of the year, August through December. One, I was wondering how does that look like over the balance of the year? And what impact do you think that will have on yields and the competitive landscape vis-a-vis a competitive response from TAM?

#### A - Leonardo Pereira {BIO 1960081 <GO>}

Just a minute, please. We are just checking the numbers, okay? Hi. We are -- according to our calculations here, the increase in the Second Quarter vis-a-vis the First Quarter in this case would be just 9%. I could not get the 19%.

#### Q - Duane Pfennigwerth {BIO 7329167 <GO>}

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Okay. What are your domestic capacity growth plans for the remainder of the year? And what do you think that will do to yields and perhaps a competitive response? Then, I think Jim has a question as well. Thank you.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Yes, the domestic capacity, what we are planning, we are seeing a recovery in July and August. But we are increasing this capacity without increasing the fleet and just basically focusing on the domestic markets, which we feel that there is a demand and would not impact our targets in terms of profitability. So what you see, we're still reaffirming that by year end we have an operating fleet of 108 planes. Okay? So that does not mean that we are increasing the number of planes. We are just reviewing our network to make sure that we fly to the right places.

**Q - Duane Pfennigwerth** {BIO 7329167 <GO>}

It appears to get to your full-year guidance of 35 billion ASKs that you'd have to grow 18% for the balance of the year in the domestic market?

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Yes, our numbers are not showing that. I'll have to check and then, we'll post that on the site because the 19% I'm not finding. According to my numbers, it's not 19%. But I will review that and I'll make sure that we'll get back to you and we'll get that on the site.

**Q - Duane Pfennigwerth** {BIO 7329167 <GO>}

Thank you. Jim?

**Q - Jim Parker** {BIO 1506864 <GO>}

Yes, just, Leo and Junior, a question regarding what Duane is saying about capacity growth, with the exception of July, your loads have been running in the low 60s and maybe even upper 50s. And so, why do you feel -- has the economy in Brazil recovered that strongly that you feel like you need to add capacity at say 15% or higher?

**A - Leonardo Pereira** {BIO 1960081 <GO>}

We are not adding capacity. We are basically reviewing our network and flying -- adding new (inaudible; technical difficulty) places where there is demand. And again, we are seeing some recovery in Brazil, yes. We feel that the economy in the second half of the year is not going to be as soft as in the first half.

**A - Constantino Junior**

And Jim, this is Junior. Just to complement what Leo's saying that we -- our growth plan in terms of ASK comes from larger aircraft. As you know, we are renewing -- we have returned the 300s and introducing 800s. With that, it's created a situation where the ASKs will grow. But we are trying to find the ways to even replace some aircraft, reduce -- if it's possible, reduce fleet, and increase our productivity where the market grows in the right path in a very healthy way.

So considering that, we are very focused on the adequate equation between supply and demand. And we have been working tight for that. But our plans in terms of aircrafts and the contracts that we have with Boeing and finance also compromises, we not allowed us to just -- doesn't receive the aircraft. But I can assure you that we have been very focused on this equation. And we are working hard to increase our productivity without any kind of big increase in demand without -- or sorry, capacity without adequate demand. And this still will come from certain routes. But most part of that will come from larger aircraft.

**Q - Jim Parker** {BIO 1506864 <GO>}

Okay. All right. Thank you.

**A - Constantino Junior**

You're welcome.

**Operator**

Your next question comes from the line of Nic Sebrell with Morgan Stanley.

**Q - Nic Sebrell**

Morning, gentlemen. Two questions -- first, can you talk a little bit more about cost cutting? We saw that your guidance is down significantly now 9.3 centavos CASK. Is there room for that to go down further if we hit an exchange rate that's a little bit more aggressive than the one that you have in your -- I guess it's an average. But let's say we were to hit a 1.9 or a 1.8 exchange rate by the end of the year.

How much improvement do you think we could see going into 2010? In other words, you're growing your ASK. You have done a lot of cost cutting. What kind of numbers -- is it possible that we would see something say with an eight-handle on it in 2010? Could we get further? Or alternatively, do you think more it's you've got a few places you can save, like get rid of the 767s? But for the most part 9.3 is a good spot. And that's where you envision results being in 2010. That's the first question.

Then, the second one -- if you could talk about your SMILES program relative to its primary competitor out there, I'm sure you've noticed that there's been a lot of discussion in the market about all kinds of things, partnerships, it floating as airplanes in Canada. What do you see as the competitive advantages of your program? And how would you compare and contrast the two? What do you think are your strengths and where you might need to do some more work? That's it.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Let's talk about CASK ex-fuel first. That was your first question, right?

**Q - Nic Sebrell**

Yes.



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**A - Leonardo Pereira** {BIO 1960081 <GO>}

Okay. Of course, we are assuming an average exchange rate of 2.09. Okay? And that's the official guidance that we are using from the central bank. Of course, if the real strengthens further, the number is going to be better, right? This is what I'm saying. But let's forget about the currency.

**Q - Nic Sebrell**

Okay.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

We're still working very hard on creating synergies inside the Company. That has not necessarily has to do with the variance because the variance integration has already happened. But a company like ours, we have always -- if we are -- since we have the DNA of being a low-cost carrier, we have always to look for alternatives to be more efficient. And that's the one that you have to do today.

We -- the main task of everyone, the main target, the main goal, internal goal here this year is to be more efficient, to be more profitable, and to be more (inaudible; technical difficulty). And that, of course, will bring the CASK ex-fuel down. Okay? That -- we still would like to have a CASK ex-fuel below line, okay, lower than ours. In the terms of the numbers and depending on what the exchange rate is going to be, we'll continue working to have a CASK ex-fuel lower than 9 next year.

**Q - Nic Sebrell**

Okay.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Okay? And you were asking 767, the other 737-300s, let me go back -- so there are things that will happen. And so, those are not thing that are not complete. But there are things that are very objective and will happen over the next few months that should help the CapEx to go down. Okay?

**Q - Nic Sebrell**

Got it.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

And the second thing about SMILES (inaudible; technical difficulty) as Junior can complement, I think that SMILES is a very important strategic asset for us. There is no -- I don't like the comparison. But let's look at what the assets of SMILES are. SMILES has 6 million people enrolled in SMILES. As a brand, they're a very strong brand. The moment that we decide to integrate SMILES, we quickly had two banks that wanted to have a partnership with us.

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As Junior mentioned, we have over 150 passengers that were until very recently dormant. And they are now also keeping a positive pressure on us to be more active. So we have a program here that is easily and very quickly becoming -- going back to what it was. And everyone knows what SMILES is. SMILES has a very strong brand.

And so if we combine SMILES with what we are doing in our e-commerce platform, we'll have a very powerful tool, operating tool, to support the Company. So we see SMILES as part of our strategic objectives or our strategic plan to support people to come back to fly GOL. And again, we want definitely to be the Company where everyone can fly. And SMILES is a major component of that.

### Q - Nic Sebrell

Okay. And in terms of partnerships with other kinds of companies, whether it's rental car -- you already have one of those. But let's say other partnerships that -- the kinds of things that Multiplus is talking about, do you envision doing that as well? Or do you see it more as something more strategic in the direction of what GOL's trying to do, not so much the all encompassing points program that Multiplus is? Is that clear?

### A - Constantino Junior

We have invested a lot in the SMILES platform and in the software and reservation system that allows us to implement a code-share program. And that's very important for us, not just for SMILES. But that means we will capture more passengers from the long-haul carriers and help us to build a stronger load factor, better load factor, too.

And also, there is an aspiration from the clients to have alternatives to fly outside of Brazil. So considering that we have been giving you other airlines that flies to Brazil from other continents. And for many confidential agreement reasons, I cannot tell you exactly who. But we have been working in another agreement at this time.

### A - Leonardo Pereira {BIO 1960081 <GO>}

And --

### Q - Nic Sebrell

Okay. Thank you.

### A - Leonardo Pereira {BIO 1960081 <GO>}

Just to complement and to finalize, we feel that our ability to get partnerships in the next 12 months will be the fundamental strategy for SMILES.

### Operator

Your next question comes from the line of Victor Mizusaki with Itau Securities.

### Q - Victor Mizusaki {BIO 4087162 <GO>}

Hi. Good morning. A quick question on (inaudible). Okay. We launched the SMILES program with a great success. And I'd like to know if it's possible or you can expect that you make the same (inaudible). And in this case, if you can raise more money with partnerships with another financial institution.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Victor, as we mentioned, we view that our ability with partnerships will be key in the next 12 months. So we have a swift theme of new business here generating this type of agreements. And it should be no surprise if we have strong partners that our revenue stream comes along naturally. So I think that this is definitely a new component of our revenue stream. Of course, these partnerships that you understand and Junior mentioned, they have to be confidential until we reach an agreement that we can disclose.

But we are working to have at least five or six large partnerships with major airlines that can complement our strong domestic network. We are working very close with all the -- with 150 partners that SMILES had. And in this portfolio, I can assure you that there are tremendous opportunities in terms of sales, in terms of (mode vehicles), in terms of insurance, in terms of financial services. So I think that unfortunately we cannot disclose those. But there is no doubt that there is a huge business opportunity. And we are very -- paying a lot of attention and very much focused on that.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Okay. Thank you.

**Operator**

-- the line of Mike Linenberg with Bank of America.

**Q - Mike Linenberg** {BIO 1504009 <GO>}

Hi. Yes, hi. Good morning, gentlemen. Two questions here I guess -- one, the 767-300s, it looks like you're entering -- you indicated that you are negotiating both a sublease and a wet-lease. In the case of the wet-lease, is that an airplane that is going to be crewed by your personnel?

**A - Constantino Junior**

Yes, yes, Michael. In this case in the wet-lease, we're talking about our crew personnel. But we are working with both alternatives, wet-lease and that sublease.

**Q - Mike Linenberg** {BIO 1504009 <GO>}

Okay. And I just -- but I just want to make sure -- do you still have 767 pilots and crews on the payroll? Or do you have people who fly those planes that you're keeping current even though you're not flying the airplanes? That's what I'm getting at.

## A - Constantino Junior

Yes, we are keeping crew enough for one aircraft to do a wet-lease, fly monthly. And so, we are keeping their license during this period.

## Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. And when you said the one crew, do you -- are you actually doing charter on the side to try to generate revenue? Or is the airplanes just on the ground?

## A - Constantino Junior

The aircraft are just on the ground. We have no sense par to do that to our supply at the moment where we have lower load factor, low aircraft utilization with the 737s, the cost per ship is not competitive with the 767s when we compare that with the 800s. And so, they are grounded.

To keep the crew licensed and to keep the aircraft available, we have to do some flights in certain periods of time. And we did that. For example, almost one month ago, there were flights between (inaudible) and Brasilia where the load factors were higher and just to get them the amount enough to keep the crew certification and license in date.

## Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. Thanks, Junior. And just one more, Junior and Leo -- the recent pull out of some of the international markets -- I know you're scaling back service to Chile. You don't fly to Peru. You may have pulled back some service into Argentina. How much of that is a response to the H1N1 influenza -- or how much of it is the company's back-to-basics transformation?

I mean, do you see yourself going back into those markets? Or are these permanent reductions from these markets, number one or part A? And part B is what are you seeing? How's the traffic looking at this point into both Chile and Argentina? I mean, are you starting to see the numbers recover from the H1N1 flu?

## A - Leonardo Pereira {BIO 1960081 <GO>}

Michael, it's Leo here. I think it's a combination of those two things. First --

## Q - Mike Linenberg {BIO 1504009 <GO>}

Okay.

## A - Leonardo Pereira {BIO 1960081 <GO>}

-- we had a softer economy which had been affecting the region.

## Q - Mike Linenberg {BIO 1504009 <GO>}

Okay.

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**A - Leonardo Pereira** {BIO 1960081 <GO>}

And I think what's happening in other Latin American countries is slightly different than what's happening in Brazil. The Second Quarter, swine flu had a major impact because if we had all other contracts, one, the health authorities in Brazil and some of those places stopped warning people not to fly to those places. This became a major issue, right?

So we decided to be as quickly proactive and retract temporarily from some of those places. We still fly to Santiago on a daily flight (inaudible). But we have to be very cautious because, as we said, our main target is not to say what the market share that we have international was. But we just want to make sure that we operate on those (vaults).

**Q - Mike Linenberg** {BIO 1504009 <GO>}

Okay. Well, you have a --

**A - Leonardo Pereira** {BIO 1960081 <GO>}

There's a positive thing here. We have managed to shift those planes to the Caribbean. And now, we are flying to Aruba. We're flying to (inaudible; technical difficulty). And we are flying to (inaudible; technical difficulty). Okay? So this is great. And I can tell you that the load factor was close -- as close to 70%. Of course, this was small -- the number of flights of course are small compared to the 800 flights a day that we have. But we have managed not to let the planes idle, right? So we're working very hard on whisking the planes from the southern part of Latin America.

**Q - Mike Linenberg** {BIO 1504009 <GO>}

Okay. Very good and nice job this quarter. It's really -- you're gaining traction.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Thank you.

**Operator**

Your next question comes from the line of Stephen Trent with Citi.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Yes. Good morning, gentlemen. Just one or two questions from me -- first off, I was wondering if you have some kind of update as to what's going on with the slots at Congonhas. We understand that the (Leonacki) took some of your -- a few of your slots away and seemed to have Pantanal's slots possibly set to be redistributed. What is your view on this as to potential competitive landscape changing there?

**A - Constantino Junior**

Okay. It is Junior speaking. What happened Congonhas slots, what will happen to that we feel in not cleaning our database. That means we had asking for some flights seven times a week. And we were flying just five times a week. We were not flying on Saturday and

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Sunday with flight production. We were in dispute from the beginning. So what I'm trying to say that (Anarcki) get back some slots if we were not really using, utilizing.

So the impact in our numbers will be zero because we were not selling these flights. And we were not -- we have no plans to fly at that certain period of time. So considering that, Leonacki did the right thing and cleaning the database -- that means, putting these slots available for this period. But again, this is not -- were not part of our strategic -- were not available for ticket sales. That means no -- there will be no impact in our projections. Okay?

**A - Leonardo Pereira** {BIO 1960081 <GO>}

And just to complement, that doesn't impact our ability to get new slots if there's slots available from a third company. So our -- in terms of performance, we are ready to get and will be getting the slots as we should get if there is slots available from a third company.

**Q - Stephen Trent** {BIO 5581382 <GO>}

So in other words, if they rearranged Continental's slots and offered those to the group of airlines that you might also try to go for some of those if they make sense for you?

**A - Constantino Junior**

Exactly. Exactly. In this case, the number was -- that Leonacki announced, we will be able to select almost four new slots on a daily basis for GOL. That's our projection if this process will follow.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Yes, so established on a freighter scale, our performance has not been impacted by what Leonacki done.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay. Great. And just looking at the yield environment, at the end of the First Quarter results call, it seemed that you'd been telegraphing that you're looking for stronger yield in 2009. And now, we're seeing perhaps some pressure. And you're kind of telegraphing that yields for the full year could be done. So given the good yield performance in the first half of the year, any color you can give us on what you're seeing in the second half so far, particularly how July has yield trended in '09 versus July of '08?

**A - Leonardo Pereira** {BIO 1960081 <GO>}

I don't think that you will see additional pressure on yields on the second half. I think as I mentioned we are trying to focus on that that there is demand. And of course, the moment that we have an efficient management system and that we are quick enough to make internal decisions of introducing or discontinuing routes, this is the way to manage the eventual pressures that there are on the yields. So I remind you I think we --

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considering how the market behaves in the first half, I think we manage the question of the yield fairly well. And I think that's what we'll continue to do in the second half.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Great. And just one or two very quick follow-ups -- if we think about fuel prices that have moved at a lag to the broad market -- you mentioned fuel prices went up in July. Assuming WTI stays around \$70, do we have more pass-through in August? Or should July kind of set a benchmark for the rest of the year?

**A - Leonardo Pereira** {BIO 1960081 <GO>}

I'm sorry. Can you say that again?

**Q - Stephen Trent** {BIO 5581382 <GO>}

Sure. With jet fuel prices moving at a lag to a broad market, jet fuel prices in Brazil, you mentioned that prices had gone up in July now more in line with oil prices, maybe around \$70 a barrel. Have we seen the full pass-through in July? Or can we see more increases through August in order to sort of get at what we should expect for jet fuel prices the rest of the year, especially with the guidance where you increased your jet fuel price expense?

**A - Constantino Junior**

Yes, regarding the fuel price, I don't think that we'll have a price increase here in Brazil, even with the price per barrel at the level of 70s. We have the benefits of the real appreciation from the end of Second Quarter until now. So probably we'll see the same level of fuel prices for us here in Brazil or even a little bit lower considering the FX variation.

**A - Leonardo Pereira** {BIO 1960081 <GO>}

Just to complement that, just to remind everyone that we have a policy and with 100% (inaudible; technical difficulty) to have hedge on a 12-month rolling basis for 20% -- at least 20% -- of our consumption, okay? So in case there is a sudden increase, the Company is protected in a way. And we have the ability to react. Okay?

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay. I was just trying to get at your fuel price increase in your 2009 guidance. But I could follow up with you off line. That's it for me. Thank you.

**Operator**

Your next question comes from the line of Dan McGoey with Deutsche Bank.

**Q - Dan McGoey** {BIO 1539496 <GO>}

Good morning. Just a quick question -- first, on financials, the other non-operating expenses, BRL84 million in the Second Quarter, and it was BRL94 million in the first, if you could just remind me what -- where those expenses are coming from?

Then secondly, just a follow up on the yield and I guess the July traffic, if you can talk a little bit about the specific I guess strategies or time that led to such a strong domestic traffic growth, 29% in the month of July, how much of that came from this pricing relation in June and also, if you can give a little bit of color on what advanced bookings, yields from advanced bookings are tracking at for the Third Quarter?

**A - Rodrigo Alves** {BIO 16461207 <GO>}

Hi, Dan. It's Rodrigo from here. How are you? Well, again, the First Quarter of '09, we had more expensive non-operating expenses, more related to the number of departures that we had. So as we had a higher number of departures, these expenses related to crew, hotels, and stays. These expenses were a little bit higher. And if you compare to the Second Quarter, these expenses were lower because we had to continue our long-haul flights. That was the main relation.

And the second portion of your question could you repeat, please?

**Q - Dan McGoey** {BIO 1539496 <GO>}

Yes, just regarding yields and the July domestic traffic result, up 29%, I mean, it's such an off-the-curve growth spurt versus what we've been seeing either from the Brazilian economy or other statistics in recent months. Wondering if you talk a little bit about the price or fare strategy that led to such a strong result in July and whether or not -- how much of any price discounting strategy we should read through to traffic in upcoming months for the Third Quarter?

**A - Constantino Junior**

Regarding that first, this demand growth in our opinion comes a lot from our integration between GOL and VRG. That means we are offering a much better network and frequencies for our clients. Also, we have to thank the SMILES program and (inaudible). All the programs we have been implementing or even energizing during this period is giving us results during the high season for specific (inaudible).

And also, with swine flu, there was a transference from the South American flights to domestic markets, as Leo explained before, also to some second destinations in the Caribbean area but especially for the domestic market and especially for the northeast of the country, where the trans destinations. So that helps us to have a stronger demand on July.

Also, we didn't see the benefits of the higher yield during -- higher yields during the high season. July -- during July you have almost the same or around the same yield that we had during June. So for sure, the lower price also stimulates demand. And that happens considering the competitive landscape and also the transference from the South America routes to the domestic markets, these other to the other well-implementation or well-done programs regarding charters. The SMILES program, VOEFACIL should help us to deal demand during this period.



**Q - Dan McGoey** {BIO 1539496 <GO>}

Thanks, Junior. And are your -- I'm sorry if you commented this. Your advanced bookings for yields, is it tracking in August, September similar to July? Or is tracking higher?

**A - Constantino Junior**

August -- traditionally, August is a tough month, especially for us. It's where the business establish starts again. We will have a first outlook with all of these benefits from the integration. So we can have a good surprise. But it's too early to predict. Normally after the high season, the advanced book starts a little bit later. That means, it already doesn't fly or even buy tickets during the second half of July. It's just a small month.

But so considering that, it's difficult to predict August and beyond. But we -- our experience for August is to grow this load factor between 60% and 65% for the Company and the domestic market. And we'll have to see how the international, how the South America routes will react during this period with the swine flu. So I'm sorry I cannot give you the right answer in terms of numbers and strategy.

**Q - Dan McGoey** {BIO 1539496 <GO>}

Thank you.

**Operator**

Your next question is a follow-up from Duane Pfennigwerth with Raymond James.

**Q - Duane Pfennigwerth** {BIO 7329167 <GO>}

-- July yield -- understand July was the same as June. In looking at the Third Quarter yields from last year, not sure what July was as a component. But it looks like it's down about 20% perhaps year-to-year. I just wanted to check that with you.

**A - Constantino Junior**

Just a minute, Duane. I'll check the number from the Third Quarter last year.

**Q - Duane Pfennigwerth** {BIO 7329167 <GO>}

Or just July to July what the year-to-year change might look like.

**A - Constantino Junior**

July to July, I don't have July left in my mind. Give me just one second, please.

**Q - Duane Pfennigwerth** {BIO 7329167 <GO>}

Thanks very much.

**A - Constantino Junior**

Duane, sorry. Considering the yields for last year during the Third Quarter were around BRL0.25, we can -- I can tell you that we'll have slightly lower yields during this Third Quarter of '09, probably more than 10% or something around 10% lower than last year yields, last year Third Quarter yields.

**Q - Duane Pfennigwerth** {BIO 7329167 <GO>}

Okay. Thank you.

**A - Constantino Junior**

Welcome.

**Operator**

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

**A - Constantino Junior**

Once again, thank you very much for being with us today. And have a very good day.

**Operator**

Thank you. This concludes today's GOL 2Q '09 Results Conference Call. You may now disconnect your lines.

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