

## Q1 2012 Earnings Call

### Company Participants

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

### Other Participants

- Augusto Ensiki, Analyst
- Bruno Amorim, Analyst
- Eduardo Couto, Analyst
- Nicolai Sebrell, Analyst
- Richa Talwar, Analyst
- Stephen Trent, Analyst
- Unidentified Participant, Analyst
- Victor Mizusaki, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to GOL Airline's First Quarter 2012 results conference call. Today with us we have Mr. Constantino de Oliveira Junior, CEO; Mr. Leonardo Pereira, CFO and Vice President; Mr. Adalberto Bogsan, Chief Operating Officer and Mr. Edmar Lopes, Finance Director and IR Officer.

We would like to inform you that this event is recorded and all participants will be in 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).

We would like to inform 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](mailto: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](http://www.voegol.com.br/ir) and the presentation is also 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 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 our First Quarter 2012 results conference call.

Let's begin with slide number 5 which shows the highlights of the quarter characterized by GOL's permanent pursuit of inclusive simplicity, efficiency, focus on cost control and competitiveness.

Our CASK Ex-Fuel of BRL8.63 reflected the results of the Company efforts to reduce operating costs as a result of the measures adopted in 2011. As well, as they coordinate operation of the route network between GOL and Webjet, which only got effectively under way in the First Quarter of 2012. We believe we have already generated synergies and cost optimizations of around BRL24 million from this joint coordination effort, BRL20 million of which is in the First Quarter alone.

On the next slide we will talk about the new goal for domestic supply in 2012. Reinforcing the value of customers focus, we will present GOL's and Webjet's punctuality indicators. We will also go over our fleet plan and measures for the coordination of GOL and Webjet's operation.

Moving to slide 7, you can see a new pattern of capacity additions by the industry. GOL has been the most prudent airline in terms of adding domestic capacity in line with the Company's commitment to adding capacity in domestic market in a responsible way. In this context, at the beginning of March, GOL and Webjet announced a reduction of around 100 flights a day in order to keep domestic supply in 2012 flat in relation to the previous year, compatible with the new domestic demand scenario.

However, I announce that GOL has now its target for 2012 which is to reduce domestic supply by up to 2% over 2011. This means that in 2012, we will produce a volume of 49 billion ASKs against more than 50 billion in 2011. We've discussed [ph] -- we expect improvement in load factors and in revenues per flight.

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Moving on to slide 8, as you can see, GOL and Webjet had the best punctuality indicators of the domestic industry players in the four first months of 2012. These rates reflect on a synergy that optimized the Company's route network benefiting as it lowers [ph] the ground time which reflects in higher reliability, comfort and attractive fares reinforcing the value of customer focus.

On slide 10, we note that among the measures to generate synergies between GOL and Webjet, there is the fleet negotiation. On this slide, you can see the Company's fleet plan for next years. With 2012 aircraft reduction GOL and Webjet are committed to the negotiation with lessors to withdraw the Boeing 737-300s aircraft operated by Webjet without extra charge. In the following years, it has been more clear our commitment to a responsible supply growth.

Going over to slide 12, we have been present what we believe to be the scenario over the next months. A challenging scenario for maintenance of costs, giving a scenario characterized by the lower dilution of fixed costs by the reduction of ASKs, pressure from current oil prices and unfavorable real/dollar exchange rates.

Given this environment, the Company is continuing to implement a series of measures. Among the main one is GOL's adjustment of its cost structure in order to bring it into line with the new operational capacity in the Brazilian and global market economy situation. The focus is to maintain a business model that is competitive and sustainable in the long term.

GOL and Webjet results underline the Company's confidence in the low cost model and open new opportunities for synergies and improved practice in both airlines. GOL's new target of reducing domestic supply by up to 2% over 2012 together with the industry adoption of a conservative approach to increase supply are indicative of a market governed by rationality in order to resume profitability.

As discussed earlier, the fifth optimization is one of our main priority. The Company is simpler, faster and with less layers reflecting its low cost, low fare business model. GOL remains committed to its low cost, low fare strategy and will continue to pursue the resumption of positive margins with confidence and determination.

Before handing over to Leonardo, I would like to thank our clients, our employees, the Team of Eagles and our partners and suppliers for their efforts and commitment with the Company.

Leonardo, please.

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

Thank you, Junior. Good morning, everyone. I will start my remarks on page 14 where we show the results and the main indicators.

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I would like to highlight on page 14 again the CASK Ex-Fuel of BRL8.63 and even if you consider the FX movements you will see that our CASK Ex-Fuel reacted much better than any FX movement.

And that should not be a total surprise because as we said last year, when we announced our cost plan program, we said that starting in January, we would start seeing the benefits of this cost cutting program. Of course, we cannot stop where we are because we have a new level of oil price and we have a new FX scenario. But the Company is still determined to go back to profitability on the operating level. And as a consequence you will have the net income in a more attractive level. And this is -- we will continue working on the cost reduction. And cost reduction means rationalization as Junior mentioned.

Cost discipline, faster decisions in the Company. But results [ph], paying attention to the passenger. We continue, as Junior mentioned, putting efforts in our processes in everything that is related to the passenger.

We have been the most punctual Company in the domestic market. If you look today, our Buy on Board program is reaching over 250 daily flights and we have close to 40% of all flights where we have our entertainment onboard system that as I would like to remind everyone didn't demand any cost from us where we have built an intranet taking advantage of the existing systems that we have onboard.

So, we are determined to go back to profitability without jeopardizing but on the contrary giving more attention to our passenger.

On page 15, of the financial highlights, which I will leave for the Q&A. But again focusing on the positive EBIT margin. It is far from where we want it to be but it shows a trend and it shows that we are determined to go back to positive EBIT margins and to higher EBITDA margins. I will comment about the debt later on the presentation.

On page 16, you can look at our consolidated CASK Ex-Fuel which has decreased 3.9% over the First Quarter of '11. And close to 9% vis-a-vis the First Quarter of '11. If you look at the different lines, you will see that all the lines where we have control are better. The landing fees is something that we don't control directly and there has been an increase. But most of the other lines we are tackling and tackling aggressively and we will continue doing this.

On page 17, I would like to highlight the positive trend in EBITDAR and I would like to say here that we are at the worst point in terms of ratios. Because from next quarter on, we will start with -- when we look at the last 12 months EBITDA, we will start replacing a very poor Second Quarter of 2011 with most likely a better Second Quarter of 2012.

So, our debt ratios this quarter are being strongly penalized because that is where we have all the bad quarters reflecting on those ratios.

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On page 18, I would like to highlight again our cash position and our determination to show strong liquidity. And one thing that is important to highlight is that if you look at the Company today, in the First Quarter of 2012 vis-a-vis in the First Quarter 2009 when we also had the scenario of a lot of volatility not only in the world but also in terms of FX and also in terms of fuel prices.

The Company today has almost 9 times more cash than it had in 2009, has no short term debt. And close to 30% of the debt now is in local currency vis-a-vis close to 100% in foreign currency in 2009.

On page 19, I just would like to say that --- show that despite the fact that when we calculate the total gross adjusted debt, we calculate the operating lease by 7% [ph] following the standard calculations of the rating agencies. If you look at the actual numbers for operating leases, the gross debt is slightly lower because of different tenure of those leases and the ratios then show an improvement.

So, the real number in terms of total adjusted debts -- gross adjusted debt to EBITDA of the last 12 months, instead of being over 10% [ph] is less than 9% [ph].

On page 20, we show the evolution of our CASK Ex-Fuel in US dollar compared to other important players in the industry and show how strong and committed we are in terms of keeping this compared to our vendors.

Moving to page 22, just to emphasize again the profile of the debt, we will continue working on our liability management; so it is natural that we once in a while tap the markets so we can prevent the fact that we have any refinancing risk within the next three years.

On page 23, also just emphasizing again the cash levels which are 27.6% of the last 12 months net revenue. And on page 24, just to summarize, I would like to say this, we are very confident that we have been doing the right things.

We have a very strong balance sheet today much stronger than I would say in any point in the last three years. The leverage ratio is a temporary bad news. The alliance with Delta is part of our international strategy of diversification, without taking unnecessary risks, without diverting from our strategy of doing what we know how to do right.

And the SMILES continues growing and generating recurring cash and has very attractive margins. GOL and Webjet are in progress in terms of generating synergies as Junior mentioned. Our goal of having BRL100 million of synergies by yearend is right on target.

The cost ex-fuel is being attacked with a very solid plan as we have demonstrated since we announced the BRL600 million cost plan last year. And the capacity decision is unique in the Brazilian history. And I think everyone is targeting at profitability and at the same time this is going to be good for the passengers because if we have a viable and

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sustainable domestic airline industry it is going to be good for the economy and good for the country. Thank you.

## Questions And Answers

### Operator

Thank you, the floor is now open for questions. (Operator Instructions).

And the first question comes from Michael Linenberg of Deutsche Bank.

#### Q - Richa Talwar {BIO 17123496 <GO>}

Hi everyone, this is actually Richa Talwar filling in for Mike. Just hoping we could get some color on yield trends as we get into the June quarter. I believe, Junior, you indicated on your last call that April would be the month where we would finally start to see an improvement in pricing trends, reflecting all this work you have been doing on cutting capacity and such.

Just wanted to see if that was still accurate and if you are beginning to see the benefits of all the efforts you have done.

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

I think that there is some results from this efforts, especially when we see the CASK Ex-Fuel where we have this improvement. But I can tell you that the large portion of this movement or the large portion of the result of this movement will come from Third Quarter because we are really rationalizing our network and rightsizing the Company during the Second Quarter, that means we are doing the large portion of this movement of adjusting the network for the new reality in terms of cost -- of variable cost in terms of fuel and landing fees and others.

So, I think that we capture a small portion of this movement but the large portion will come from the Third Quarter ahead. But again we have been doing the big effort during March, April and May in terms of reducing the number of flights per day and rightsizing the Company to this new reality.

#### Q - Richa Talwar {BIO 17123496 <GO>}

Okay. Great. And then just a second question. On your cost reduction efforts, it says that you are working on additional cost optimization projects. And I was hoping you could be more specific as to where you see maybe some more low hanging fruit to further reduce costs and if you could give an update on your BRL650 million cost reduction program, where that stands and how much more there is to go on that?

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

Look on that plan as we announced last year, it would be done by December and was done. And that is one of the reasons why the CASK Ex-Fuel is down. Having said that, we

will continue tackling opportunities. We will continue reviewing the process internally. We have a linear organization. We will have the 737-700s with three crew members and these are just examples of things that we will continue doing.

**Q - Richa Talwar** {BIO 17123496 <GO>}

All right. And then one final one if I may just on a clarification point. Just curious, in your press release and the way it was phrased on the call, it indicates that you will be reducing domestic supply by up to 2%. But on your last earnings call, I think you indicated a similar range; I just wanted to clarify if there was any change? Are you going to move now more closer to down 2% than you thought on your last earnings call when you filed your December quarter release or is it pretty much --?

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

No, that is very much what you are saying.

**Q - Richa Talwar** {BIO 17123496 <GO>}

Okay.

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

We are just reaffirming that we are going to the lower end of the range. In other words we said between 0% and minus 2%, we are now saying that most likely we are going to be very close to minus 2% if not on the minus 2% itself.

**Q - Richa Talwar** {BIO 17123496 <GO>}

Okay. Great. Thank you, guys, great quarter.

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

Thank you.

**Operator**

The next question comes from Eduardo Couto of Goldman Sachs.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Hi, Good morning, Leo. Good morning, Constantino. I have two questions guys. The first one is regarding or getting back to the CASK Ex-Fuel that in my view was a positive surprise in the quarter at BRL8.6.

Does it make sense to expect Leo, an increase in the CASK Ex-Fuel in the coming quarters due to the lower fixed cost dilution as you get capacity, the continuous depreciation of the BRL, the laid off charge that probably we are going to have in the -- that you have in April or may still have in the coming months.

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So in other words, do you think this BRL8.6 is sustainable or we should see something higher, closer to BRL9 or even higher than that? What is your view on the CASK Ex-Fuel for the coming quarters, that is the first question?

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

Good one. The CASK Ex-Fuel of BRL8.6 it shows our determination to have it below BRL9, as we said last year. Okay, there will be hiccups, they may be temporary. As you said, there will be extraordinary non-recurring costs. We are reducing capacity but on the other hand we have demonstrated very clear that we understand that if we reduce capacity, we have to reduce fixed costs; otherwise it does not make any sense.

So, I think what is important is that the Company is totally aware that in order to have a long term sustainable business and successful business for shareholders, for passengers and for employees, we need to continue addressing that issue.

So I'd, rather than say, oh, we are going to have BRL8.7 or a BRL9.2 in the Second Quarter, I would like to stress our determination and give the mark [ph], the comfort that this is top priority inside the Company. Because if we want to have a Company that is passenger oriented, you have to have a Company that is sustainable and in order to be sustainable, you have to have a low CASK Ex-Fuel.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay, now it is very clear, Leo.

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

Just to remind everyone when we said last year that we would do, some people doubt. So I am glad that you are saying that is a positive surprise. But I remember well in July when we announced the BRL600 million a plan not everyone said that we would do. And what this BRL8.6 demonstrates is that we are really determined to do it.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay, very clear, Leo. And just a second question regarding capacity. You closed the First Quarter with around 150 aircraft. But you expect to end this year with 138 if I am not wrong. And next year, below that.

So looking this significant capacity reduction that you expect, I just would like to know what is the timing for the return of the 737-300s to the lessors. And even to sell the 737-300 that are owned by Webjet today, if you could give us some color and timing for that.

And the other point is if it makes sense looking your fleet plan to assume that your capacity should also go down next year versus this year. Those are the two points on capacity. Thank you.

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



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Okay. Let us go to the first points. Let -- remember that one of the positive things of Webjet is that Webjet has a lot of flexibility in terms of fleet. Their contracts were already contemplating that all the 18 737s would be returned within the next 24 months period. What we are working very hard with Webjet is that they can go to the lessors and show the benefits of having these returns even earlier.

So when we are giving the number for 138, we are assuming an internal goal that Webjet has set to itself to return more planes this year. And I am sure they will be right on track. And that also applies to the planes that they own. Webjet understands that their success means that they have a fleet that is more concise and more in line with the energy fleet that we have.

So I rather than give a number of how it is going to be done, we -- the Webjet team agrees with us that -- with the 138 number by year end. And this is a result of the return of the 737-300s of a higher number.

The second thing about 2013 although is a bit early, we have to assume that the world economy would still be under a lot of volatility and we will still -- will have be working on keeping profitability at the higher -- moving to a even higher level. So -- and as we know capacity and having a disciplined capacity is the secret behind this potential result.

So, we are saying that we will continue --- we will be flying more hours, we can be more productive but we have no ambitions in terms of having a bigger fleet. What we want to say is that we are back to profitability and not that we are going to be buying more planes.

I think all the successful airlines in the world today, if you look at them the long term winners are the ones that have the courage of not saying that they are buying a lot of planes in the short run but that they were working on sliding deliveries, on stretching out their purchase orders and -- but focusing on profitability.

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

Just to complete that, we built a fleet plan for the future to face very challenging environment in terms of economy growth and cost related to fuel. And FX. Again, if we reach a reasonable load factor, a high growth rate, if the trends in terms of economy growth and others become much better than what we expected to grow. Capacity is something much less painful or there is no painful in growth but we prepare our fleet plan for a very, very challenging environment.

#### **Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay, no, no it is clear.

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

As we always said, it is easy to get planes in but very difficult get planes out.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

And Leo, does it make sense so to think about may be a flat or even some reduction next year or not?

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

No, as we are giving this plan, that is the plan at this stage.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay, thank you.

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

And again, when we move the 300s or the 800s they produce much more, they fly more with 25% more seats than the 300s. So in terms of capacity, (inaudible) this plan, I can say disciplined [ph] but we still have room for if that is the case. A slightly reduction or even a slightly increase in capacity with the same fleet.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay, very clear, guys. Thanks for the answers and congratulations especially on the cost side.

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

Thank you.

**Operator**

The next question comes from Nicolai Sebrell of Morgan Stanley.

**Q - Nicolai Sebrell** {BIO 7321622 <GO>}

Good morning, Junior and Leo. If I could ask another question on the CASK side, related to airlines, other airlines in other regions, I think your employees per aircraft are a little bit higher which is consistent with history in Brazil. If I am right you have got about 149 employees per aircraft and in other regions it is well below a 100 even for full service airlines. And I was wondering what might the reason be for that difference in, do you see a possibility of reducing that delta over time to further improve your CASK to performance? That's the first part of question. And just the last 767 you have that's grounded, when does the lease end on that? And then I have a follow-up question on the balance sheet.

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

Yes, Nick, you are totally right. There is the issue of -- that we have higher percentage of process in-house vis-a-vis other airlines and this has taken into account. Having said that we agree that we may have a slightly higher number and that's why we have been working so hard in adopting the process and making sure that as we have process that

can be streamline, we reduce that number. But we will never go back down to numbers as low as the ones as you are saying because as we said we have a couple of decisions that we have made so far, we still have a lot of process that are done in-house.

**Q - Nicolai Sebrell** {BIO 7321622 <GO>}

Okay, that makes sense. And on the 767, when does that lease end?

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

The existing lease, the one --?

**Q - Nicolai Sebrell** {BIO 7321622 <GO>}

Yes, the last one.

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

2014.

**Q - Nicolai Sebrell** {BIO 7321622 <GO>}

Okay. On the balance sheet and the recent credit downgrade I was just wondering if you'd talk about in a scenario where the FX remains weak and traffic continues to be a little bit weaker than we had originally expected in the face of rising yields et cetera, how do you expect your net debt position to change over the year. And does the credit downgrade have any real effect on the loans and bonds that you have right now?

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

No, it does not. And as I said we respect the downgrade in the view of the rating agents. But I ask everyone to think about what was our current grade three years ago and what was the Company's profile of that three years ago. Today, is much better. We have close to 10 times more cash than we had three years ago.

We have no short-term debt coming up and we are continuing to manage our liability profile, in other words we want to continue not having refinancing risk within the next three years. So I don't suppose that you will see a growth in our net debt, a substantial growth in our net -- adjusted debt for the remaining of the year and we will continue working on stretching out liabilities.

**Q - Nicolai Sebrell** {BIO 7321622 <GO>}

Excellent. Do you have an update on the Caracas to Miami route? Have you gotten permission to do that and when might you start?

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

We are waiting for the government approvals of Venezuela and the final approval from the US. It may take a while but we are working on it.

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**Q - Nicolai Sebrell** {BIO 7321622 <GO>}

Excellent. Thank you, very much.

## Operator

And the next question comes from Bruno Amorim of Santander.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Yes. Good morning. I have two questions if possible. The first one on the cost front and maintenance and other cost per ASK went down by 33% and 30% year-on-year respectively. How much of these improvement can be considered recurring? And the second question, could you please tell us if and when you expect to go ahead with the IPO of the SMILES program? Thank you.

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

Okay, on the maintenance score, I would encourage you also to look it in combination to depreciation line because as you did -- you have to combine because most -- some of the maintenance is capitalized but if you combine them, the two lines, you see that we still have an improvement in those two lines combined. And that's -- there are couple reasons.

First, as we said last year, this year we have full impact of the Delta TechOps agreements. And second, we continue upgrading the processes in the maintenance area, okay. So if you combine those two lines you can assume that we will continue seeing a good performance.

On the SMILES, there is nothing new. We continue to working on having the SMILES as a separate business unit by the end of the year. And then we will have the ability to make an assessment of whether we should do an IPO or not do an IPO by the mid of next year.

Again I do not see the important thing is the IPO but the decision that we have made in terms of treating the loyalty program as a separate business. The requirements are different, the skills are different so that -- and although you have the frequent flyer as being the most important customer of GOL and vice-versa, we all understand that this is a global trend. And if you look at the Qantas model it is very much what we are trying to do at this stage.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Okay. Thank you, very much and what about the other cost line, is this level recurring or --?

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

The other cost line is where -- is a direct implication of the number of hours that we fly, okay. And of course as we continue working on having optimization internally such as, for example, the three people --- three crew members in the 737-700s and a better control of our IT processes and how we accommodate passengers when we have problems of weather, this line is going to be more predictable.

I suppose that as this line is of a reflection of all the efforts that we are doing throughout the Company across the board. So I don't suspect this line to bring much surprise going forwards.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Thank you, very much.

**Operator**

Xavi Sift [ph] of Raymond James.

**Q - Unidentified Participant**

Hi. Good morning. There was some news about potentially the government said it is stepping in and cutting payroll taxes and then possibly another kind of fuel tax release. I was wondering if you had any thoughts on that or any update on what the likely probability would be of any such release?

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

Yes, the association of the companies (inaudible) is in contact with the government to show the numbers of the industry looking for including the airline industry as part of the Brazil Myop [ph] program. And we have been working in this initiatives.

It is too early to predict something but I think that we have a reasonable view in terms of going forward with this. That means, reducing the ENHCS [ph] or social security from 20% of the labor cost to something like 1% from the revenue which will help the industry also to reflect the seasonality in terms of revenue and on the costs too. But also incentivizing the industry to even keep the competitiveness and improving the number of people, or increasing the number of people flying in Brazil.

So when we look for the fuel taxes that is something that could take more time because we are talking about a deal with the state governments because all the tax are state related so is something that we will have to coordinate and it will take much more time to deal with.

**Q - Unidentified Participant**

All right, great. And just a follow up question; could you give us some color on how the navigation fee, the increases, the landing fee increases will trend through the year and maybe is there any development in the connecting passenger fee and if that will have an impact?

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

No nothing changed from the last quarter. There is no landing fees increases but planning -- planned for this year. But there is some landing fees increases possibility for the beginning of 2013. And related to the connection fees there is no substantial movement or improvement at this time.

## Q - Unidentified Participant

All right, thank you.

## Operator

(Operator Instructions). Stephen Trent of Citi.

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

Hi. Good morning, gentlemen, and thanks for the time. Just a few questions from me. The first, I appreciate if your --- I can appreciate it if you are not allowed to tell us. But as you think about the synergies you mentioned coming from Webjet, can you tell us what might be your underlying assumptions as to whether the CADE [ph] forces the combined company to give up some slots or no slots? And what is the timing --- or any update on the timing as to when you'd expect the (inaudible) to rule on that? Those are my first two questions.

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

Okay, regarding the CADE we are following the process. Is difficult for us to predict exactly when we will have --- we will finalize this process but probably that are going to happen between second and Third Quarter of this year. Regarding you asking about the synergies between the two companies? I did not understand where -- sorry, Steve could you repeat please?

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

No problem. Just looking through your release, I believe you mentioned eventually a BRL100 million in recurring (inaudible) --.

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

Yes, Steve, just to complement we have BRL100 million target and as we are -- we have achieved 25% of that number. We are very comfortable that we will be able to continue doing -- and let me just give you some insight here. The agreement with the CADE which is what we call the APRO, which is the reversibility agreement, a potential reversibility agreement, entitled us to do a lot of thing even before the CADE gives the final approval.

So as Junior said we are very much coordinated with the CADE and we are not expecting surprises. And a lot of things that we already are doing in terms of integrating the network, coordinating the fleet activity in terms of -- redelivers and so forth, we have been getting approval from the CADE, okay. So the CADE has been very positive and supportive of all things that we have been doing so far.

This is very important, okay. And I know how skeptical people may eventually be about the issue about the slots but we -- as I was reading your report this morning. But I want to emphasize that this process is not something isolated, that there is just the end [ph] moment of a few months from now. Is a continuous dialog with the CADE that has been occurring.

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

Okay, Leo, I appreciate that. And just one other small point; I believe Bruno may have mentioned it earlier. When we look at your SMILES program can you give us a broad view to what extent SMILES membership has grown in the past few years in relation to your passenger traffic growth has it been about in line or may be lower or may be at a higher rate than underlined traffic, just curious.

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

Let me give you a number. When the SMILES program was at the end of 2009, if I recall well, the SMILES had approximately 5.5 million people -- members. And now it has over 8.4 million subscribers. So if you can make the calculation in around three years this number went from 5.5 million to 8.4 million, okay. And then you can see and make the comparison vis-a-vis the number of passengers that have been traveling.

I can assure you that the SMILES, the moment that we have the SMILES program ongoing as we have now for two years the recurring business of the SMILES, the ongoing business is to sell miles in advance. So SMILES generates cash strongly, because it is natural that it has to sell miles in advance to the partners like the credit cards, like the hotel chains and so forth. So these people can give miles to their customers.

So SMILES is doing much better than I would expect two years ago. And we have concrete numbers when we show in 2009 that the deal with Banco Brasil and Bradesco. This type of deal is now recurring and this is part of the business. We are not announcing every time that we sell miles in advance but this is something that goes on.

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

Great, thanks, Leo. And just finally. And I will let someone else ask me a question, the -- and those SMILES program sales I'm guessing are booked as ancillary revenue as they occur.

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

Part of that is ancillary revenues and part -- when the passenger actually flies is that goes to the passenger revenue line.

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

Okay. Great.

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

You are right. Is an important component of the ancillary block.

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

Okay, well I appreciate it, Leo. I will let somebody ask a question. But thanks for the time.

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

Thank you.

**Operator**

Victor Mizusaki of UBS.

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

Hi. Good morning. Just a quick question on Webjet. In the Fourth Quarter last year, the Company reports an EBIT margin of 6.2%. And now in the First Quarter the Company is saying that the Company reported double digit margins. I would like to know if you can disclose a little bit about the number because it was a very big growth? And second, if you can talk a little bit more, I mean, about maybe 2013, 2014 how much Webjet can represent for the entire Group?

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

Look, the reason why we have not disclosed in the press release is because Webjet is part of GOL. But we can give you a number. It was over 13% and why -- what is important for you? The important thing is that the more that we put the coordination between Webjet and GOL.

Webjet is maximizing its results because of GOL, of the coordination of GOL. So we are not taking the merit away from Webjet; on the contrary, they are doing a tremendous job because you could have GOL together and not being generating these good results.

But they have a good cost structure and the moment that you coordinate with GOL's network, it allow the Webjet to maximize its results, okay. So that -- I think that is why we are not emphasizing a very good results from Webjet because Webjet is part of GOL. So if Webjet is performing well is because there is a strong coordination with GOL and because both sides have the benefits and both sides have the merits.

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

Okay, thank you. And with regards to the size that maybe Webjet can represent in like two years?

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

I'm sorry.

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

In terms of -- ?

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



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This again Victor, I think the important thing is that Webjet has a model that it shows that things can be done, they have a very simple operation. And we have been even using Webjet to our best practice to replicate them in GOL. Webjet, more and more we want to have GOL and Webjet very similar in terms of results and in terms of performance.

So I rather than answering direct to your question I would like to emphasize the importance of having GOL and Webjet working in coordination as we have done in the past and in the last quarter. And what you are going to see from now on is more and more the two companies working together and reaping out the synergies and respecting the agreement that we have with the antitrust regulation.

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

Okay. And Leo, just -- next question about the synergies of BRL24 million. I remember that when the Company announced the merger or I mean the acquisition -- the guidance was around BRL100 million. And around 6% would come from revenues. And when we break it down this BRL24 million, can we say that this is more related to revenues at this moment or more related to costs?

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

Well, it's related to both. I would still keep that 60-40. There is a good chunk of revenues because of the coordination, the integration. Webjet has also done a very good job in terms of lowering their interest expenses. They have also a few agreements that goes into -- falls into the umbrella of the GLAI, the GOL Linhas Aereas Inteligentes holding. So I think what we had said in the past it remains valid.

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

Okay, thank you and congratulations.

**Operator**

Augusto Ensiki of Morgan Stanley.

**Q - Augusto Ensiki** {BIO 15988025 <GO>}

Hi. Good morning. Just two really quick questions. First if you could give a little more detail, you mentioned the one-time expense in the other line for the covenant waiver negotiations. How much was that one time?

And secondly, we were looking at some of your other releases and the value for ASKs in the First Quarter of 2011 we have three different numbers, one from the release last year, one from the March 2012 traffic report and then now, in the 1Q 2012 release. What is changing in between them and which one should we be looking at? Thank you.

**A - Edmar Lopes**

Okay, Augusto, this is Edmar here. First, I would address the covenant question. We paid 1.35% for both debentures. And altogether it meant roughly BRL16 million. A part of that

came in the First Quarter. A second part will come in the Second Quarter. Okay.

**Q - Augusto Ensiki** {BIO 15988025 <GO>}

I am sorry, how much was the total you said, BRL16 million?

**A - Edmar Lopes**

Roughly BRL16 million; 1.35% of the total outstanding debentures with the accrued interest.

**Q - Augusto Ensiki** {BIO 15988025 <GO>}

Okay. And so BRL16 million in the First Quarter and then another part in the Second Quarter.

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

Half of that in the First Quarter and half of --.

**Q - Augusto Ensiki** {BIO 15988025 <GO>}

Okay, thank you.

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

On your question about having different numbers let me think (inaudible)--.

**A - Edmar Lopes**

What is happening was that Anakhi [ph] is going over all its database, some months we see some change, minor changes in the numbers published before. So taking to account the numbers that we are publishing now, okay.

**A - Unidentified Speaker**

Yes, because those are the final numbers published by Anakhi.

**Q - Augusto Ensiki** {BIO 15988025 <GO>}

Okay. So for 1Q '11, that 12.2 [ph]?

**A - Edmar Lopes**

Yes, just to remind they changed their methodology back in 2010 and then they are recalculating all the months from then on, okay.

**Q - Augusto Ensiki** {BIO 15988025 <GO>}

Right, okay thank you.

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## Operator

(Operator Instructions).

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

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

Once again, I would like to thank you for your kind attention during this conference call. And I hope to see you on the next quarter conference call results. Once again, thank you very much and have a nice day.

## Operator

Thank you. This concludes today's call GOL Linhas Aereas Inteligentes First Quarter 2012 results conference call. You may disconnect your lines at this time.

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