

Q&A

Jim Parker, Raymond James:

First question is regarding the outlook for the profitability of VRG. So, you have cut that back hugely and will be ending Paris, I guess, this month. How much of the gain do you anticipate out of VRG in the 3Q and when will we be listening the completely cleaned up and be a part of GOL? Do you anticipate a profit from VRG in the 4Q?

Anna Cecília Bettencourt:

Jim, as we have mentioned, we expect to have operating results in the 3Q and improving even further during the 4Q. Regarding VRG in the 4Q, we expect also to have both companies consolidated into a single airline.

Jim Parker:

OK. Now, Junior, I think you may have said to the financial community maybe informally that your goal was in cost per ASK, it was to be 15% or more below TAM and based on the numbers that you reported and TAM has reported, that gap is well below the 15%. Do you think is still the gain plan, you think that you are going to achieve cost at 15% below those of TAM?

Constantino de Oliveira Junior:

Looking at our numbers, we can see that there is a huge expense related to aircraft returns and there will be an instantaneous reduction when we stop the 767s for example. We reduced our ASK dramatically and the cost increased at the same period because we have to pay the lessors to early terminate the contracts and also to do a C-check to return all of these aircraft, not only the 767s but also the 300s in this period during the 2Q.

Considering that, and considering the possibility to reduce our commercial costs related to the travel agency commission, which will be paid by the client as our competitors do since the beginning of this year, we will be able to reduce our costs, our CASK ex-fuel or our CASK to return to the similar conditions we had in the past.

We are working to do that and also it is very important to see this number adjusted for stage length, that means, we are reducing our stage length as we are stopping our long haul flights and we have to consider this point too, when we see these numbers. So, again, we are working hard to reduce our costs and to return them to normal conditions, to stable conditions and we expect to see that happening still during this year that means between the 3Q and 4Q.

Duane Pfennigwerth, Raymond James:

Hi Anna, just on your CASK ex-fuel guidance for the full year based on the model, it looks like you would imply a sequential increase from the 3Q to the 4Q and I was wondering, do you expect CASK ex-fuel to be higher in the 4Q? Could you provide some more color there? Thanks.

Anna Cecília Bettencourt:

Actually, what we expect for the 4Q is a slight decrease, as Junior mentioned, in our CASK ex-fuel, but it will still be higher than the historical levels we presented in the past.

Duane Pfennigwerth:

OK. Thanks. Can you just quantify in total sort of the non-recurring shut down costs, not the operating cost but the cost for shutting down the business in terms of VRG long hauls, the crews that you have there against some of the aircraft that you are returning. Is there a number that you can put to that in the current quarter?

Anna Cecília Bettencourt:

Well, during this quarter, 2Q08, this represented approximately R\$35 million of additional expenses.

Duane Pfennigwerth:

Thank you.

Stephen Trent, Citigroup:

Just quick ones for me. First of all, following up on the question from Jim Parker's colleague. The R\$35 million you mentioned, I just want to be sure that it is in US GAAP as opposed to BR GAAP.

Anna Cecília Bettencourt:

That is US GAAP. All the numbers that we are commenting here are in US GAAP.

Stephen Trent:

OK, great. Also, I am just curious. I have seen you guys mentioning competition a couple of times. So, you have gotten you pretty much shutting down international long haul. In Brazil's domestic market there is a foreign ownership limits to really who can come in there. Any color is to where this increase in competition is coming from?

Constantino de Oliveira Junior:

When you talk about competition, the scenario is changing, we expect to receive a newcomer soon and even during the 2Q, we faced some, we cannot say a newcomer, but the WebJet for example to say a name. WebJet increased their operations and also we faced a very competitive environment domestically with other regional carriers and our main competitors.

So, that is the competitive strains. We are still working on a free market, that means, in an open market where the competition is free. So, that is the case.

Stephen Trent:

OK, Junior. Thank you, I will let other speakers ask questions. Thank you.

Michael Linenberg, Merrill Lynch:

Good afternoon. Two questions here. On one of your earlier slide you talked about of some of the cost savings and revenues savings. I think it was R\$460 million of revenues savings and I think it was R\$130 million in cost and then subsequent to that there was another slide that talked about some of the synergies of integrating Varig and GOL, which I know recently you got approval for. The Varig and GOL numbers, the 180, does any of that show up in the R\$460 million or R\$130 million or is that an incremental to the detail provided on your later slides?

Anna Cecília Bettencourt:

It is more incremental, it is more related to cost savings instead of a revenue initiative. So, we believe that these synergies will start to show up in our results in the 4Q and will be presented during 2009 results mainly.

Michael Linenberg:

OK. Just my second question on the slide you also broke out the RASK for GOL and Varig and I think when you look at the Varig RASK of R\$12.9 cents and GOL's is at R\$15.6 cents. Now, recognizing that stage lengths is obviously having some impact here on the Varig numbers. But, if we were to adjust for stage length, what sort of premium are you seeing on the Varig operation vis-à-vis GOL and if you are not seeing a premium, or actions and measures under way to get that premium up given that it is a better product in the market.

Constantino de Oliveira Junior:

Where you see these numbers for Varig during the 2Q, we have to understand that the Varig new network was launched on March, 24 and there were some redundancies with the GOL network and considering that we also faced during this 2Q a kind of tight competition, as I was explaining on the previous questions, where our main competitors is much more focused on market share than results, domestically.

Considering that Varig faces a very tough competition this period, we were able to achieve good load factors, also to give to our customers the opportunity to experiment our services at Varig and when we see this number on the many routes or where the business for corporate passengers are, Varig is still very strong, but we are suffering on the new routes, that means new destinations like destinations in the Northeast and North of our country where we added new services, that means we almost doubled the capacity of VRG during this period and we faced a very tough competition at the same time.

Looking for the future, I can tell you that I am sure we will face a much better scenario for Varig in the domestic market, as we are seeing that we are restructuring our routes network and the passengers now are recognizing the value of Varig's services and Varig brand.

Michael Linenberg:

OK. All right, thanks a lot.

Rodrigo Goes, UBS:

Hi, good afternoon. Just one quick question on your general guidance. One of the lines there talks about the fuel price in Reais per liter and you have changed that from 1.89 to 2.30 now which would imply WTI of somewhere in the 170 or 180 neighborhood in back half of the year. Is that what you are working with? What is your assumption for WTI in the 2H?

Anna Cecília Bettencourt:

Hi. Considering that there, you have to take into consideration the exchange rate and other things, but looking at these numbers that we are including in this forecasts we are considering US\$135 WTI.

Rodrigo Goes:

US\$135? It does not seem to add up.

Anna Cecília Bettencourt:

US\$135 WTI.

Rodrigo Goes:

US\$135, even with your FX of 1.67 does not seem to add up.

Anna Cecília Bettencourt:

US\$135 average for the year.

Rodrigo Goes:

US\$135 average for the year. OK. Alright, I am guessing you are working, at least internally working, with a big spike from current levels, and I am getting to, I do not know, US\$160 for the back half of the year, I guess that would get you closer to that 2.30. OK. Alright, that works. Thanks a lot.

Isabela Bacchi, JPMorgan:

Hi. Good morning. My question is just regarding the CAPEX. I see that in the slide #16 you commenting about R\$2.7 billion for 2008 to 2010, but when I look at the press release on page 11 and I get all the aircraft purchase commitment from 2008 to 2010 plus the PDP, I get something around R\$4.2 billion. I just wanted to understand this difference here between those numbers.

Anna Cecília Bettencourt:

Well, in terms of the guidance, what we have here on the presentation is 2008 to 2010, R\$2.7 billion in CAPEX, which includes aircraft acquisitions, PDP payments, and other investments such as I mentioned, hangar, IT, spare parts. So this is what we will get on the presentation.

And what we have here on page 11 are pre-delivery deposits from June 2008 to 2010, so some of these deposits were already made, so the difference is six months difference and also the deposits are based on aircraft list price.

Isabela Bacchi:

OK. And there aircraft purchase commitment?

Anna Cecília Bettencourt:

I am sorry?

Isabela Bacchi:

The same thing applies to the aircraft purchase commitment?

Anna Cecília Bettencourt:

Exactly, aircraft commitments.

Isabela Bacchi:

OK. And among those you have, I understand, aircraft loans for R\$1 billion, which means that part of that commitment you are going to finance with your own cash generation, right?

Anna Cecília Bettencourt:

We have financings for the deliveries from 2008 to 2010. Actually, they are fully financed, fully committed through two types of financing, either sales leaseback or financing which we will have the guarantee from EximBank.

Isabela Bacchi:

OK. So until 2010 all the aircraft commitments are already fully financed.

Anna Cecília Bettencourt:

In place. Yes. Finances for the deliveries are fully in place.

Isabela Bacchi:

OK. Perfect. Thank you.

Keith Weissman, Calyon Securities:

Good morning. I was wondering if you can discuss your expectation for the impact of Azul entering in the market in 2009. I see you put your domestic capacity increase of 4% for the next year. I was wondering if you expect them to come out of the gates with pretty low introductory fares and if we can expect to see eventually a decline in the Brazilian market.

Constantino Oliveira Junior:

For 2009 we are expecting to see the market growing almost 2.5x GDP that means something between, our expectation is to see something between 8% and 10%, 9% or 11% growth in demand for 2009. Considering that we reviewed our growth projections, our growth plans for this year, the 2H08, and for 2009 to adapt our plans to these projections of industry growth.

With that, we are expecting to see a stable market environment or competitive environment related to the yields and prices for the next year, considering that we have seasonal periods during the year. Did I answer your question?

Keith Weissman:

Yes. Are you expecting the yields to remain flat versus this year, or to hold up general?

Constantino Oliveira Junior:

We are looking at better yields during the 2H08 when you compare to the 1H and we are considering some stability using the 2H08 as the base case.

Keith Weissman:

In terms of your cash balance, referring to that R\$300 million in the quarter and then in 2007, R\$738 million, what level, I mean, you suspended the dividends for the remaining of the year, what level of cash you are starting to get concerned about in having insufficient reserves?

Anna Cecília Bettencourt:

I am sorry. Could you repeat? You asked about cash balance and dividends but we could not understand the whole question.

Keith Weissman:

I was just wondering in terms of you recently suspended your dividends and burned through R\$300 million in cash in the quarter, is there a specific cash level where you might get concerned and has to access the capital market to some kind of financing transaction to cash balance back up?

Anna Cecília Bettencourt:

As we mentioned, the future CAPEX is fully financed. The second point, when we look, when we manage the Company, we do not look only to the cash and cash equivalents that we have on hands. We also look to the receivables specially. We have full access to these receivables that we have.

In addition, we have our unused credit lines, so considering all of that we ended the quarter with R\$1.5 billion in gross cash liquidity, which is what we are calling. And the dividends in Brazil, Brazilian law requires a Company to distribute at least 25% of its net income to its shareholders. So what we did was a preventive approach in order to maintain stability and if we are required, we will be distributing the difference to reach 25% by the end of the year. But the main important point is that CAPEX is fully financed for the next two to three years

Keith Weissman:

OK. Last question is fast one. I was wondering if you can clarify the impact of foreign currency gains in interest income. It says that it was R\$87 million of positive impact from currency in the quarter. Is that understanding?

Anna Cecília Bettencourt:

Yes. It was a R\$87.4 million revenue, in exchange and monetary variation.

Keith Weissman:

Was that the same you held exchange rate constant, your interest income would have been R\$87 million?

Anna Cecília Bettencourt:

You know that we benefited a large portion of our total debt is USD denominated. So, therefore, when we experience a decline in the exchange rate during the quarter, this benefits our income statement.

Keith Weissman:

Right. I am just trying to understand if the exchange rate, let us say, did not change from the beginning of the quarter until the end, the entire R\$87 million would decline to R\$50 million of interest income?

Anna Cecília Bettencourt:

From now until the end of the year, if we do not see any movement, we will have no impact at all in our income statement. That is it.

Keith Weissman:

OK. Thank you.

Paula Kovarsky, Itaú Securities:

Good morning, everyone. Could you please give us a little bit more color on how exactly the consolidation process between GTA and VRG is going to work? Things like will you be able to share slots between the two companies? Will you be able to share passengers between the two companies? And then, how do you plan to handle passengers buying VRG tickets and ending up in a fully booked GTA aircraft?

The last part of the question is: does this consolidation imply in any additional liability that could come from the old Varig toward GOL, to some extent or does it make no difference?

Constantino de Oliveira Junior:

Thank you, Paula. For the first part of your question, we requested the ANAC approval to integrate both companies; that means, for us, we are talking about benefits on the commercial side and also on the operational side. We expect to launch the same

reservation system or the same booking systems at Varig as we are using at GOL today; we expect to see that happening at Varig until the end of August.

So, we will integrate the commercial platforms, and also we will be able to work as just one airline, like a code-share during one period and after that, as soon as ANAC gives us the approval, we will be able to sell tickets for or we will establish just one code for all the flights, for Varig as well as for GOL. We will have just one code, which means we will sell tickets in both websites and we will be able to sell tickets for all flights in both websites.

And also on the operational side, we will operate as just one fleet and one crew; one work force. With that, we will gain a lot in terms of productivity and efficiency, and also considering all the rules and laws that are working today, we will keep all the slots on the Company.

The Company will take all the responsibilities and also all the assets from both companies, from VRG and from GTA. That means we will keep all the slots and we will be able to offer a much more balanced network or much more balanced frequencies to our customers, which means we will have flights on a more appropriate time during the day to our customers, with lower cost, as I said, gaining all the synergies to have just one fleet and just one crew.

Paula Kovarsky:

How do you plan to manage the two different brands? These are two different brands with two different market approaches to customers. So, how do you plan to manage both in the same network, if you like? This was one of the main criticism that you guys had against your competitors' strategy, serving two different types of customers with the same network.

So, how do you plan to manage that?

Constantino de Oliveira Junior:

One thing we can signalize if the flights will be operated by Varig or by GOL, when the customer decides to select one or another flight. The point here is we are making all the analyses to segregate Varig operations to the main market, where the business travelers are, and where the Varig attributes are more valued.

So, we are working with the possibilities, and on the appropriate time we will announce to the market what will be our decision. And for that, we are waiting for ANAC's approval; before that, it is too early, too premature for us to talk about that. But we have alternatives to work with this issue, if that is an issue.

And related to bankruptcy processes or related to the debts of old Varig, again, VRG is the result of a bankruptcy process where all the creditors vote in favor of the selling of VRG, and all the obligations that VRG assumed to pay or even to have some service related to the old Varig have been done; that means, all the obligations were paid and we have nothing related to the old Varig.

So, this movement does not change anything related to the old Varig with VRG or with GOL; that means we are still protected by the bankruptcy process and working to definitively finish this process as soon as possible.

Paula Kovarsky:

OK. Just in respect to the consolidation process, can you give us a little bit of color in terms of timing? When do you expect those things to be fully operational up to a point where you are actually operating a single company?

Constantino de Oliveira Junior:

It will depend when ANAC will answer our request. We expect to see that until the middle of September, and we are doing our plans and probably will need another 45 to 60 days to implement everything.

That means we will have all the results, a fully integrated network and companies that will take another 90 days from now, something like that.

Paula Kovarsky:

OK. Thank you very much.

Bernardo Carneiro, Deutsche Bank:

Actually, I will try to do very short questions; there are two questions. The first one is I would like to understand why VRG's turnaround in terms of distribution cost has been delayed? In the last year, in 2007, the Company was trying to reduce the distribution expenses, which were mostly in the GDS instead of the Internet; but today in the 2Q, VRG still sells 85% of its tickets using the GDS and only 15% in the Internet, compared to 79% Internet in the case of GOL.

So, I would like to get some visibility on when the Company plans to lower the commission expenses in terms of VRG.

The second question, is on the back of the sharp decline in the stock price; I would like to know if the controlling shareholders have come back to the plan to delist the share buying back from the free float. Thanks.

Constantino de Oliveira Junior:

The first part of your question relates to the VRG distribution cost; you are right. We are expected to change the VRG or the consolidated reservation system to the same system as GOL is using today. It is a New Skies, a new reservation system from Navitaire, the next generation of reservation systems. GOL started to work with the system last Saturday. We have a brand new website to our customers, much more friendly and with much more options, and we are expected to run the same system at VRG on August 25th – that could be delayed a little bit, one week, or even do that in advance, but around August 25th is our plan.

With that, we will be in much better conditions to sell through the Internet against GDS, with lower costs and with a much friendlier website to our customers. With that, we expect to run both companies on the same reservation systems and have almost the same level of reservations through the Internet as we have at GOL today, or something around 80%.

That is the first step to integrate the commercial operations for both companies, even before ANAC's approval. That means, we do not need ANAC's approval to do that; we are

integrating the systems despite it, and we will be able to take advantage of that on September sales.

For the second part, Anna can answer.

Anna Cecília Bettencourt:

Well, we have approved in the beginning of this year a share buy-back program; so far, we have purchased back 1.6 million shares. The outstanding free float that we have as of the end of June is approximately 26.7% of outstanding capital.

Bernardo Carneiro:

But my question is related to last year's rumors that the controlling shareholders would buy back the free float, delisting GOL from the capital market, from Bovespa. Because of the significant stock price decline, have the controlling shareholders begun to think about that?

Constantino de Oliveira Junior:

As far as we know, nobody asked us anything about that. Nobody is considering that possibility anymore.

Bernardo Carneiro:

OK. Thank you.

Daniela Bretthauer, Goldman Sachs:

Good afternoon, everyone. Actually, two questions: you mentioned in your press release that you have increased your fares since the 2Q. So, the question is what has been this fare increase to give you confidence that you can get to the R\$0.26 yield that your updated guidance for, I think, the 3Q? That is a pretty substantial increase, 33% sequentially increase in yield from the 2Q levels. So, I just wanted to understand how yields are going to get to R\$0.26.

Anna Cecília Bettencourt:

Well, as of July and these first weeks of August, we are already practicing in the domestic market higher yields and we are already at that level that you mentioned, even higher.

Daniela Bretthauer:

And in fares, how much have fares increased from the 2Q?

Anna Cecília Bettencourt:

In domestic yields, they are already a bit higher than the guidance that we provided.

Daniela Bretthauer:

And has this strategy been specifically for both Varig and GOL? Because my view is that the yield for Varig was especially weak in the 2Q. So, can you comment a little bit on some of the initiatives that you have taken especially to improve Varig's yield?

Constantino de Oliveira Junior:

It is important to say that also during the 2Q, even during June, we saw some increase in our yield; that means, we ended June at a little bit higher yield than the average of the 2Q. So, in the 3Q we are experimenting yields in line or a little bit higher than our initial guidance.

But considering all the initiatives related to the fleet network, where we are reducing our offer, especially where we have redundancy, which means where we have GOL and Varig competing on the same market, or on the same period of the same, meaning on similar hours or with similar schedules. That will help both companies to achieve better load factors and also to have better yields to cover all the costs that we have.

That is the main initiative for us today; and we saw as a seasonal period on the 1H08 that were a lot of promotional activities that probably we will have during the 2Q less promotional activities, which will help us to increase our yields.

So, combining the sequence of lower capacity and less promotional initiatives, it will allow us to have better yields for the 2H08 for both companies, for Varig and for GOL. On consolidated numbers, better yields for the companies.

Daniela Bretthauer:

OK, great. And then very quickly, last question: you also mentioned that you have also still some costs related to aircraft returns in the 3Q. Do you have a sense, or have you provisioned a number that you could give us at this point?

Anna Cecília Bettencourt:

Well, in terms of CASK ex-fuel, we do not expect to see a decline comparing to the 2Q; so we will remain in the 2Q08 levels due to the lower aircraft utilization, and also related to the return of the aircraft announced in all the long-haul operations. So, both will be the impact in the CASK ex-fuel.

Daniela Bretthauer:

But have you provisioned a number that you could share with us or not?

Anna Cecília Bettencourt:

No, not really. This is included in the ex-fuel guidance that we are giving you.

Daniela Bretthauer:

OK. Thanks.

Jorge Mauro, Legg Mason:

Hi. Just following up on Daniela's question, first, on the non-recurring expenses, we should expect the same level for the 4Q also?

Anna Cecília Bettencourt:

We did not yet provide guidance for the 4Q, but yes, it would be in the high levels that we are presenting now. It is more or less in the same level.

Jorge Mauro:

OK. And for 2009 you are not planning to actually have this kind of expenses; will they be over after 2008?

Anna Cecília Bettencourt:

For 2009, you have to take into consideration the synergies we will start to collect from the integration of both companies; synergy gains not only in revenues but there will be lots of synergies on the operating and cost sides. So, these things will help us to bring down some of this CASK ex-fuel cost. But we are not providing guidance yet.

Jorge Mauro:

OK. And then moving on to the RASK/CASK spread, if you could comment on, basically we saw GTA a negative RASK/CASK spread; is this related to your actually switching routes from GOL to Varig on the domestic market? Is that what is happening?

Anna Cecília Bettencourt:

Could you repeat, please?

Jorge Mauro:

Sure. The RASK/CASK spread basically GTA reported a negative spread this quarter, and also VRG. So, I would like to know why this negative spread is in GTA. Is this related to because you are switching some routes from GTA to VRG? Is this the case? If not, if there is any color you could give us on why the drop in the RASK/CASK in GTA.

Anna Cecília Bettencourt:

Well, the drop was mainly due to there were also some extraordinary items on the GTA results; we were returning the 737-300s. Also higher fuel costs and also some competitions which we could not – there was a lower RASK for seasonal reasons that affected the RASK during the quarter.

Constantino de Oliveira Junior:

It was related to some transfers from GOL to VRG in terms of routes.

Jorge Mauro:

OK. And on these personnel expenses, this 24% increase in headcount, where were these costs before? I mean, was this included in the P&L of GOL under third-party services in other expenses?

Anna Cecília Bettencourt:

It was under the administrative costs. A portion was on the selling expense cost because they were related to the call center.

Constantino de Oliveira Junior:

And that was working with a third party, and we internalized that in the 3Q07.

Jorge Mauro:

OK. And finally, the last one: do you have any covenants on your debt?

Anna Cecília Bettencourt:

Yes, we do have a covenant on our debt. One was renegotiated, as you will see in our financials; one was negotiated during the 2Q. So, it is in compliance. And the other one we renegotiated and now we have a letter of credit covering all the total debt of this lender.

Jorge Mauro:

So, basically, you got a waiver?

Anna Cecília Bettencourt:

We are fine with the covenant, with both covenants that we have.

Jorge Mauro:

Can we know what these covenants are? Is this related to the net debt/EBITDA?

Anna Cecília Bettencourt:

It is related to cash, EBITDA, financial expenses, typical for type of loan, nothing very significant.

Jorge Mauro:

OK. Thank you very much.

Operator:

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.

Constantino de Oliveira Junior:

Once again, thank you very much for your interest in GOL. We remain committed to making air travel simpler, a more accessible option for everyone through our innovative quality service, efficient operations, and competitive low prices.

If you have any additional questions, feel free to contact our Investor Relations department. You can also visit the Investor Relations chat section on our website, at www.voegol.com.br/ir.

Thank you very much, and have a nice day.

Anna Cecília Bettencourt:

Thank you, everyone.

Operator:

Thank you. This concludes today's GOL Airlines 2Q08 results conference call. You may now disconnect your lines at this time.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's investor relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."