Call Transcript – 1Q08 Results

Operator: Good morning, ladies and gentlemen. At this time we would like to welcome everyone to GOL Linhas Aéreas Inteligentes' 1Q08 results conference call. Joining us today are Mr. Constantino de Oliveira Junior, President and CEO, and Mr. Richard Lark, Executive Vice-President and CFO.

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 industry analysts. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Today's live webcast, including both audio and slide show, may be accessed through GOL's website at www.voegol.com.br/ir.

Before proceeding, let me mention that forward-looking statements will be made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of GOL management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events, and, therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of GOL, and could cause results to differ materially from those expressed in such forward looking statements.

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

Junior: Good morning and welcome to GOL's first quarter 2008 results conference call.

During the quarter we made important operational changes and demonstrated flexibility in dealing with competitive challenges. We continue to invest in ways of reducing our costs and improving our competitive position to be able to better stimulate the growth of air transportation in Brazil.

At the end of the quarter, we launched new domestic flight networks, as previous restrictions on connecting flights to Congonhas Airport in São Paulo were lifted. VRG created a new distribution hub in the city of Brasília. The new network will provide our customers with additional flight options and more convenient travel schedules.

In April, we announced a restructuring of VRG's international routes, focusing on better adapting to market conditions, increasing VRG's presence in South American markets and concentrating efforts on routes where VRG maintains a competitive advantage. The repositioning of VRG's international route network was based on the steps required to maintain the Company's continued success and sustainability. Over the next few months, we will return all Boeing 767-300 wide-body aircraft and we will operate a standardized fleet of 737 Next Generation aircraft by the end of 2008.

We remain committed to our strategy of profitable expansion based on a low-cost structure, quality customer service and development of our flight networks.

On **Slide #1,** you see that Brazilian domestic passenger demand, as measured by RPKs, grew 10.2% year-over-year, demonstrating solid underlying demand for air travel, supported by a strong Brazilian economy. As the air passenger transportation market in Brazil remains largely under-penetrated, our continued investment in increasing our installed capacity of available seats at low fares remains important for the continued development of the sector and the economy. Since beginning operations in 2001, we have invested over US$3 billion dollars in our air transportation services, including aircraft, maintenance, flight safety and technology, which allows us to increase our offer of quality service at low fares on a sustainable basis. Over the next five years, our business plan includes the investment of over four billion dollars in the increase and improvement of our Brazilian air transport capacity, improving both flight options and service quality for passengers.

Consolidated net loss of R$3.5 million in the first quarter was driven by low yields and load factors at VRG, a higher consolidated CASK resulting from lower aircraft utilization and record high fuel prices. Excluding VRG's results, the Company had R$200 million of net income in 1Q08, with operating and net income margins of 15.0 and 15.1 percent, respectively.

Load factors averaged 67% and 50% at GTA and VRG, respectively, during 1Q08. Combined load factors were at 62%, an 8 percentage point decrease over 1Q07. The decrease in load factors was due to new ANAC regulations that kept high season networks operating until March 24, 45 days after the end of summer holiday season, also reducing daily aircraft utilization in the quarter. Consolidated average passenger yields increased 10% when compared to the first quarter of last year. 1Q08 consolidated passenger volumes grew 40% year-over-year and 4% compared to 4Q07. Average fares were R$241 (or US$139).

Operating costs per ASK reached 14.7 cents of Real in the first quarter, increasing 13% when compared to the same period last year. GTA's CASK increased 10.3% to R$14.4 cents, due to higher fuel prices and lower aircraft utilization. The Company maintains a large competitive cost advantage and will further reduce costs in 2008 with the renewal of our fleet.

Please move to **slide #2,** which highlights changes to our domestic networks, which went into service at the end of the quarter, benefiting from the return of connecting flights to Congonhas Airport, in São Paulo, one of the most important in Brazil.

The most significant change in the VRG network, in addition to the return of connections to Congonhas, VRG's primary hub, was the creation of a new distribution hub in Brasília. With the new hub in Brasília and the return of connections to Congonhas, VRG now offers more flight options to its destinations and is continuing to grow and gain a wider national route network. The results of the new domestic network have been positive for VRG, which registered a load factor of 68% during April, an increase of 25 percentage points over March.

Based on the difficult operating environment for intercontinental flights in 2008, VRG will now focus on increasing its presence in the domestic and South American markets. During the first half of 2008, VRG will cease operations from Brazil to Europe and Mexico.

GTA's improved network includes 12 new flights to nine destinations with connections through the Congonhas airport. GTA now operates 640 daily flights to 50 domestic destinations and eight international destinations in South America.

The new networks will allow the Company to increase aircraft utilization, productivity, efficiency, load factors in an intelligent way and it will broaden our passenger services.

GTA and VRG now offer over 720 daily flights to 60 different destinations in Brazil and South America, the most of any airline group. In 1Q08, GTA added 21 new daily flight frequencies and served 58 destinations. VRG added 53 new daily flight frequencies, serving 19 destinations. The Company's unique low operating cost structure permits flights to medium-sized cities with low traffic volumes, allowing GOL to serve a number of destinations outside of Brazil's main economic centers.

On **Slide #3** we highlight the current industry structure for Brazilian airlines. Factors driving the suspension of VRG's intercontinental flights were also related to an unfavorable competitive environment combined with high fuel prices.

With the VRG acquisition, we have expanded our market coverage and route network, and we are now one of the largest carriers in South America. We form a Brazilian airline group that has the largest network of destinations served in Brazil and a leading share of the installed operating capacity in the most popular airports throughout the country. Our consolidated domestic seat share in 1Q08 was 45%. In the international market, where Brazilian airlines are currently responsible for approximately 40% of the international seat capacity offered, GOL and VRG currently offer around 16% of the total.

Recognizing that aircraft with low operating costs are essential in the current environment, VRG remains committed to its fleet renewal plan. By the end of 2008, its fleet will be comprised of 26 Boeing 737 Next Generation aircraft. These aircraft have lower operational costs, are more fuel efficient, and offer higher productivity rates. These new aircraft will allow VRG to increase competitiveness, offering benefits for both the Company and passengers.

Slide #4 highlights our main cost initiatives. As I mentioned, by year-end, we will operate a standardized fleet of Boeing 737 NGs, which will also minimize spare parts inventories and allow us to effectively operate our phased maintenance program, reducing ground time. In 2007, we began retiring older 737-300s and, starting in 2Q08, we will begin returning all 767-300 wide-body aircraft. We will continue to reduce the age of the fleet through the delivery of new, larger, and more fuel-efficient 737-800 NG SFPs. In 2008, we will incorporate 8 more 737-800 NG SFPs into the combined fleet.

In line with the Company's fleet renewal plan, during the quarter the company received one 737-800 NG and one 737-700NG and removed seven 737-300s from the operating fleet, resulting in a net reduction of five aircraft in the narrow body operating fleet. The Company plans to end 2008 with a consolidated fleet of 108 aircraft, comprised of 737-800 and 737-700 aircraft. On April 24, we received delivery of PR-GGD, the 29th aircraft from our Boeing 737NG order for 167 aircraft.

We will also continue to lower distribution costs by increasing sales through the Internet and have plans to double the capacity of GOL's aircraft maintenance center in Confins, where we fully internalized aircraft maintenance for the 737 fleet in 2007.

On the revenue side, on **Slide #5,** we are expanding our route network in Brazil and South America, increasing our presence in high traffic business travel markets by improving connectivity and distribution to various domestic destinations. Through the new VRG route network, we are improving customer segmentation and better servicing business travelers with increased comfort, onboard service tailored to the length of each flight, VIP lounges in major airports and the SMILES rewards program (the largest mileage program in Latin

America). VRG offers a differentiated product in the Brazilian commercial aviation industry. Improved brand segmentation will also allow GOL to continue to stimulate demand with additional lower-fare connecting flights.

GOL will continue to use the Voe Facil program to increase sales to lower income customers and will also continue to encourage corporate sales to small- and medium-sized companies through the GOL corporate card. We also expect our cargo business will continue to grow in 2008.

I will now turn the call over to our CFO, Richard Lark, who will discuss financial and operating performance for the quarter in more detail. Please, Richard.

Richard: Thanks, Junior. Good morning, everyone. Please move to **slide #6** in the presentation, which shows our capacity and network expansion in more detail. During the quarter, the consolidated company operated an average of 110 aircraft, an increase of 67% over 1Q07, and 8% over 4Q07.

GTA added 21 new daily flight frequencies in the first quarter and now serves 58 destinations, while VRG added 53 new daily flight frequencies, bringing its total destinations served to 21. Combined, we serve over 60 destinations, the most of any Brazilian airline group.

When compared to the same quarter last year, our capacity expanded 58% in terms of ASK volume to eleven billion, while RPKs increased 40% to 6.8 billion: 5.9 billion at GTA and 0.9 billion at VRG. This capacity expansion permitted the consolidated company to reach 726 flights per day at the end of March 2008. When compared to 4Q07, ASKs increased 13.9%, while RPKs increased 4.1%.

Moving to **slide #7**, we can see that our consolidated net revenues in 1Q08 grew by 54% to approximately R$1.6 billion when compared to the same period last year. GTA's net revenues increased 28.1% to R$1.3 billion and VRG's revenue totaled R$272 million. Higher capacity and higher yields were partially offset by lower load factors and lower aircraft productivity. Although there was a reduction in aircraft utilization compared with the same period last year, we achieved high consolidated aircraft utilization of 13.4 block hours per day during the quarter. GTA's RASK increased 13.4% when compared to 1Q07 and reached R$16.9 cents. Consolidated RASK decreased 2%, mainly due to the incorporation of VRG's results and a reduction in load factors and aircraft utilization rates. Breakeven load factor increased 1.2 percentage points year-over-year. Ancillary revenues also contributed to results, growing to R$108 million.

Slide #8 shows the year-over-year comparison of our operating results, including the incorporation of VRG's figures. Flight network adjustments reduced aircraft utilization and load factors. EBITDAR decreased 26%, totaling R$184.8 million in the quarter. EBITDAR is an indicator of operating results before accounting for aircraft ownership expenses, such as aircraft rent.

Total CASK, at 14.7 cents of real, including VRG's results and fuel costs, increased 1.67 cents of real per ASK, or 13% year-over-year, due to increased fuel expenses, salaries, wages and benefits, depreciation, and aircraft rent per ASK, and was partially offset by reduced maintenance expenses per ASK. CASK excluding VRG was R$14.4 cents.

Jet fuel expenses per ASK increased 17% over the same quarter last year due to a 17.6% increase in average fuel price per liter but was partially offset by a 16.7% appreciation of the Brazilian Real against the U.S. Dollar and our hedging program.

Our consolidated non-fuel CASK, including VRG's results, increased 10% to 8.7 cents of real. Excluding VRG, non-fuel CASK was R$8.2 cents.

The next slide, **Slide #9**, shows our net financial results. Financial income in the quarter decreased R$21 million to R$68 million and we have invested approximately R$1.0 billion of cash, earning on average 10.6% per annum in Reais. Our total financial expenses increased R$33 million due to increased long-term debt financing during the year. We have approximately R$2.4 billion of long-term financing with an average maturity of 5.6 years at an average rate of 6.1% per annum in U.S. Dollars. Our net financial results for the quarter were R$16.7 million.

Slide #10 shows a comparison of the effects on net income compared to 1Q07. Running through the main differences, net revenues increased R$566 million. Jet fuel costs increased by R$303 million, or 17% per ASK, due to an increase of 136 million more liters consumed and an increase of 17.6% in fuel cost per liter due to a 69% increase in WTI and a 61% increase in Gulf Coast Jet Fuel. These fuel costs were partially offset by the results of our fuel hedging program and the 17% appreciation of the Brazilian Real.

Commercial expenses increased by R$64 million overall and 16% per ASK, due to lower aircraft utilization. Ticket sales on GOL's website accounted for almost 78% of total sales during the quarter. VRG sold 12% of total tickets over the internet and 88% in its GDS and call-center.

Labor expenses increased R$109 million overall and 16% per ASK, due to a 5% cost of living increase on salaries; an increase of 74% in the number of full-time equivalent employees related to 2Q08 expansion plans and the incorporation of 3,745 VRG employees.

Other operating expenses increased by a total of R$237 million, principally due to a 28% increase in aircraft and traffic servicing per ASK due to higher handling costs, related to a 32% increase in landings, partially offset by the appreciation of the Brazilian Real. Net financial results decreased R$12 million in the quarter, year-over-year.

In 1Q08, reported consolidated losses were 0.02 cents of real per share, or US$0.01 per ADS, and reported net loss was R$3.5million. Excluding VRG's results, earnings were R$0.99 cents of real per share, or US$0.57 per ADS, representing a net income margin of 15.0%.

A quarterly dividend payment of R$36.4 million (R$0.18 per share and US$0.10 net per ADS) was approved at the April 25, 2008, Board Meeting to be paid on June 20, 2008, to shareholders of record as of April 30, 2007.

These were the main impacts on net income. A more comprehensive breakdown and explanation of our expenses can be found in our earnings release, available on our website at www.voegol.com.br/ir.

On **slide #11** we show our cash flow for 1Q08. Cash balances at the end of the quarter were R$1.0 billion, a R$390.8 million decrease versus the previous quarter.

Net cash provided by operating activities was R$387.3mm, mainly due to a decrease in accounts receivables of R$542.0mm, partially offset by a decrease of R$180.4mm in air traffic liability and a decrease of R$74.4 in accounts payable. During the quarter, we changed the form of receivables financing from working capital credit lines to receivables factoring, paying down R$468.7mm in working capital debt and factoring R$394.2mm of accounts receivable. GOL has approximately R$600mm deposited with leasing companies, primarily for future aircraft and engine maintenance.

Net cash used in investing activities was R$313.1mm, consisting primarily of a R$155.9mm increase in aircraft pre-delivery deposits, an increase of R$120.0mm in acquisition of property and equipment and R$20.9mm in repurchase of stock. GOL has approximately R$700mm deposited with Boeing as advances for future aircraft acquisitions.

Net cash used in financing activities during 1Q08 was R$465.0mm, mainly due to a decrease of R$468.7mm in short-term debt, and R$75.1mm in dividends paid. Gol maintains approximately R$600mm in short-tem working capital lines.

Please move to **slide #12**. In January, the Board of Directors authorized the Company to implement a share repurchase program of up to 5 million preferred shares at market price, representing 9.1% of the total preferred shares outstanding in the market as of March 31, 2008. During the quarter, we repurchased 749,500 shares. The Board of Directors also approved a fixed dividend of R$0.18 per common and preferred share of the company during 2008, with a guaranteed minimum of 25% of the corporate year's net profit. The net total payout approved for 1Q08 was R$36.4mm to be paid in dividends on June 20, 2008, to shareholders of record on April 30, 2008, equivalent to approximately R$0.18 per share and US$0.10 per ADS.

During 1Q08 our ADS' have underperformed the American Stock Exchange Airline Index by 23% and underperformed the Tier 1 LCCs by 20%. Our PN shares have underperformed the Bovespa Index by 37.5% over the same period. Our average daily trading volume in the first quarter of 2008 was approximately R$45 million.

On **slide # 13** we show some details on the evolution of our shareholder base. We currently have over 18,000 shareholders in Brazil and abroad. The combination of three primary stock issuances completed and stock repurchases results in a free float today at around 54 million shares, representing 27% of the total shares outstanding. Prior to the acquisition of VRG we had around 55 million shares in the free float; we issued approximately 6 million shares as payment for the acquisition of VRG; and since the VRG acquisition, controlling shareholders re-purchased almost 6 million shares in the market, providing around R$250 mm of liquidity to minority shareholders. We estimate that currently 70% of our free float is owned by international investors on the Bovespa and the NYSE, with the remainder held by Brazilian investors.

On **slide # 14** we show the combined fleet plan required to meet our projected growth over the next five years. In the execution of our business plan for the next five years, we plan to invest over R$8 billion. The revised fleet plan reflects our plans to return our 737-300 aircraft, replacing them with 737-700 NGs. The 737-700 NGs will be primarily employed at VRG and configured with a 32 to 34 inch pitch, offering the most legroom available in a single class service in the Brazilian market. 737-700 NGs provide us with the flexibility to operate in airports with operating restrictions and to offer more direct flights to medium-sized markets. The total fleet is projected to be at 108 aircraft by the end of 2008, 113 by 2009, 123 by 2010, 131 by 2011 and 139 by 2012, representing a 7% compounded average growth rate in seats from 2008 to 2012.

Incorporating new 737-800s into the fleet is projected to produce substantial cost savings, as the new aircraft are equipped with fuel economizing winglets that reduce fuel consumption by approximately 3-4% per year, enable better flight performance and increase stage lengths on non-stop flights. We estimate that the 737-800 will reduce direct operating costs per ASK by over 20% compared to the older 737-300s.

At the end of 1Q08, we had 100 remaining firm orders for Boeing 737-800 NGs to be delivered between 2008 and 2014 and an additional 40 options, for a total order of 167 737-800 NGs (as 27 had already been delivered at the end of 1Q08). This is one of the largest contracts in the world for Boeing 737-800 aircraft and guarantees GOL's expansion and position as one of the largest LCCs in the world. Our Boeing order provides us the flexibility to convert 800 positions into 700 positions, allowing us to quickly adapt to market conditions.

On **Slide #15** we detail our 2008 guidance for investors and analysts. Changes versus our previous guidance relate to the reduction of fleet, revenues and costs related to intercontinental flights and revised assumptions for exchange rates and fuel costs. In 2008, we expect to transport 29 million passengers, with system-wide ASK growth and RPK growth of 25 and 24%, to 43 billion and 28 billion, respectively. International ASKs are expected to represent 19% of total system ASKs in 2008. Cargo and ancillary revenues are projected to grow to R$600 million, and we will continue to increase revenue derived from the Smiles and Voe Fácil programs, as well as other ancillary revenue-generating initiatives.

We project our average fuel cost per liter at R$1.89 for 2008, reflecting the increase in fuel prices experienced in 1Q08. CASK ex-fuel is expected to decrease to R$8.7 cents, down from R$8.9 cents in 2007, largely due to fleet modernization and retiring the 737-300s in the combined fleet. Capital expenditures are projected at R$1.1 billion in 2008.

We expect cash balances of R$1.6 billion in 2008. Total net adjusted debt to total capitalization should be approximately 57% and we are projecting total net adjusted debt to EBITDAR at 3.8x.

For the second quarter of 2008, considering seasonality, we expect consolidated load factors in the range of 61 to 63%, flat over 1Q08, with consolidated passenger yields in the range of R$20 cents, a 9% reduction versus 1Q08. We expect consolidated non-fuel CASK to be in the range of R$8.5 cents with the incorporation of larger more fuel efficient aircraft, which will help offset increasing fuel prices. We expect a stable foreign exchange rate driven by good economic fundamentals in the Brazilian economy.

I will now turn the call back over to our CEO to conclude our presentation. Please, Junior.

Junior: Thanks, Richard.

I will finish with **slide #16**. We are taking important steps to compete in the new environment. We are renewing our fleet and responsibly investing in installed capacity to serve the market. Our continued cost discipline, combined with our improved, redefined flight networks is producing positive results. We believe in our capacity to innovate and rejuvenate to grow in increasingly competitive environments.

We would like once more to reiterate our competitive strengths, which are essential to our successful business model. Our virtuous cycle allows our airlines to benefit from synergies, operate with the lowest costs possible, effectively segment the market and ultimately drive profitability. We rely on our highly productive workforce and experienced management team to quickly adapt to changing market conditions, deliver safe and high-quality customer service, offer the lowest fares in the market, and maintain the lowest costs in the industry to ensure strong brands and high profitability.

Thank you for your attention. Having now concluded this brief presentation, I would like to turn the floor over for Q&A, during which we will be happy to respond to any questions you may have.

Operator: Thank you. The floor is now open for questions. If you have a question, please press *1 on your touchtone phone at this or any time. If, at any point, your question is answered, you may remove yourself from the queue by pressing the # key. Questions will be taken in the order they are received. We do ask that when you pose your question that you pick up your handset to provide optimum sound quality. Please hold while we pole for questions.

Steve Trent, Citigroup:

Good morning, gentlemen. Just two quick things for me, to start off: looking at your profitability for the quarter, excluding Varig, you are saying that - if I am not mistaken - a net margin of 15.1% and an operating margin of 15%, implying, of course, that you had a large net interest income and/or a huge tax credit. Was there anything non-recurring embedded there?

My second question relates to what I thought you said about 2Q08 guidance looking for consolidated load between 61% and 63%, and I think the April numbers you gave were in the high 60%s. I just wanted to see if my understanding was correct. Thank you.

Richard Lark:

Sure, Steve. Financial income was down in the 1Q08 and the effective tax rate we are using is 25%, there is nothing special on financial and taxes in the 1Q08. GTA and VRG are separate legal entities, file separate taxes; there is no sharing of revenues or costs there. The visibility we are giving you in terms of GTA and VRG on the operating line is placed in the table in the release.

In terms of 2Q08, we said we have seen a big increase in load factors in the month of April, based on the new networks that were rolled out at the end of March. The biggest increase we saw was at VRG, which is getting close to 70% load factors for the month of April.

But our overall expectations for the quarter, given seasonality and given the performance of the international flights, the long-haul flights to Europe and Mexico, which are being phased out during the 2Q08, is such that we expect consolidated load factors for the entire 2Q to be in the 61% to 63% range.

But domestically we should see load factors higher than that, and internationally we should see that load factors continuing to be in the low 50%s, based on the drag of the long-haul international flights that are being phased out.

Steve Trent:

OK, that is very clear. Thanks.

Duane Pfennigwerth, Raymond James:

Good afternoon. On the R$200 million that you lost on the VRG side of the business, I was wondering if you could parse that out between the long-haul routes that you are cutting and provide any commentary on VRG domestic.

Richard Lark:

Most of the drain is from the long-haul flights. VRG domestically, in 1Q08, was operating at around 50% load factor, which is below its breakeven by a small margin. The big drain was and continues to be the international flights, and we will continue to see that drain right through the end of the 2Q08, as those flights get phased out.

Having said that, from the 2Q08, VRG domestically should be doing load factors in the mid-to-low 60%s, which is slightly above its breakeven. From VRG domestic perspective, we expect it to be a positive contributor to overall consolidated results by 3Q08. We are phasing the long-haul international flights – to Europe and Mexico -, mostly by the end of June, we will maintain Paris flights until the end of August based on demand there. There will be a little bit of a drain in the July period; but July tends to be a high period, so, it will be less of a drain.

Duane Pfennigwerth:

That is great. And in terms of the shutdown of those routes, in terms of your 2Q08 guidance, what cost extra those routes are factored into the guidance? And could there be extra costs that go beyond the 2Q08?

Richard Lark:

We will be running Paris flights based on tickets sold through the end of the Brazilian winter high season and the European summer high season.

Most of the costs related to the shutdown of those routes have already been provisioned; additional cost to be had is related to expenses related to accommodating passengers - there will be some passenger accommodation expenses in the 2Q08 - and there will be a little bit of expenses related to the return of 767s during the next couple of months, but nothing major versus what we have already seen; but there will be a slight negative impact as relates to the winding down of those routes in those two categories.

Duane Pfennigwerth:

But you would not expect that in 3Q08?

Richard Lark:

No, we think not, no.

Duane Pfennigwerth:

OK. Thank you.

Mike Linenberg, Merrill Lynch:

I guess back to the Varig situation: when you go back six or nine months, or maybe even a year ago, as sort of post or as you were merging the entity, or at least talking about the acquisition of Varig, there was a lot of talk about the various cost initiatives and a low-cost culture at GOL and how you were going to be able to extract value from Varig. And when you see the negative 81% operating margin, that is a big number. I am just trying to get a better sense of what went wrong here; maybe it was fuel. I know, Richard, you pointed out to me the fact that you did not have antitrust immunity and so maybe you were never really totally able to combine the entities here. What really went wrong here that resulted in a pretty meaningful misexecution of the plan?

Richard Lark:

We still do not have antitrust approval, which we do expect to get during the 2Q08; that is taking a lot longer than we expected. The two companies are running as entirely separate entities, with zero revenue synergies.

On the domestic business, the main thing that hurt the execution of the plan was the changes that were put into Congonhas Airport in the wake of the accident that happened at the end of July. Those changes took a couple of months to put in place, they really hampered efficiency of operations at the Congonhas Airport for everybody. VRG's domestic network was pretty much entirely based at Congonhas, so VRG domestically suffered substantially.

We spent a couple months at the end of last year replanning the networks of both companies, VRG and GTA; and the ANAC took a couple of months to approve that. In the 1Q08 we were stuck operating the high season summertime network for an additional 45 days awaiting for approval of the new network and putting that into operation.

That also substantially hurt results, especially at VRG. As you saw, what we did with VRG domestically, we bifurcated operations into two hubs, one in Congonhas and one in Brasília, to help increase aircraft utilization and load factors for VRG's domestic operation.

On the international side, we started rolling out the long-haul international flights at the end of the 3Q07 and into the beginning of the 4Q07, and in December we saw a very large increase in direct and indirect capacity from competitors in the routes that we were operating in, in the long-haul routes we are operating in, combined with greater-than-expected fuel price increases, particularly in December and a little bit in January. And those were rolled into the calculations that led us to conclude that we had better to suspend operations to those long-haul routes given our ability to compete in those routes with the products we were offering.

We also had some minor issues related to delays at delivery of aircraft and problems with aircraft as they were delivered. But the largest effect, when you step back, has been the effect of fuel prices. If you want to focus on one variable versus the original plan, it has been fuel prices. And the second effect was both VRG domestic as well as VRG international, the inability to reach revenue forecasts based on what happened in Congonhas, which was the VRG base in Brazil and what happened with the supply dynamic on the routes that VRG was launching its service into in the 4Q08 right through the end of January.

So, those were the main elements, the main deviations which resulted in breakeven load factors much higher than expected, yields much lower than expected than in the original plan. As you know, we have spent around R$500 million in the acquisition of the company, we spent about another R$500 million in the legal and operational cleanup and reorganization of VRG. I am sorry: R$500 million in the acquisition, legal and operational cleanup and reorganization of VRG and about another R$500 million in losses related to its restart over the last 12 months.

So, we had about R$1 billion invested in the entire operation. We now believe that we have VRG on track to be a positive contributor on a corporate basis, on a legal basis by the end of July. Key elements for that are the new domestic network on the one side and the refocusing that we did on VRG's international business from Europe and North America to focus exclusively on South America.

Mike Linenberg:

OK. And then just back to hoping to get antitrust immunity by the 2Q08, or maybe, you said, July: what sort of confidence do you have in that number? And number two: knowing that if you were not able to get antitrust immunity and ultimately the benefit of the synergies, that as a company you would be somewhat impaired, I am surprised that the Government… Well, maybe I am not surprised, but the fact that you have not gotten the approval, and yet, look at the outcome, the fact that Varig is pulling all that long-haul service to Europe will have obviously pretty meaningful implications to the Brazilian economy, and yet we have been what? Waiting a year for antitrust immunity? So, what sort of confidence? And are these going to be continued to be run as two separate companies for maybe a bit longer than anticipated?

Constantino de Oliveira Júnior:

First, it is difficult to anticipate what the possible decision from the antitrust authority is. We have confidence that we will not face any big restrictions and we will be able to gain synergies.

But it is difficult for us to talk about possibilities because we would like to wait for their definition to make things clearer for us. To be more precise, we expect to see this decision during May or June. We will probably not see that in July, we will see something before. And I am sure that at least we will be able to gain more synergy if any restrictions will come, but we are confident that that does not mean a big concentration or that we will face any kind of problem with the antitrust authority. I prefer to wait for the decision before we comment something.

Mike Linenberg:

OK. I understand; and just one last one: I think in the last quarter, you have given us a lot of guidance, which is nice. You did provide pretax margin guidance for the year, I believe it was 8% to 10%. This time around I do not think there is any margin guidance, so, is the 8% to 10% still the right number? Because I know you had guided sort of down to the flat and you came right sort of within that in the March quarter, is 8% to 10% still the right number or is there still too much uncertainty with the revenue environment?

Richard Lark:

The reason is really that we eliminated that from our guidance metrics after primarily requests of the analyst community. So, when we are no longer providing those metrics, so, we cannot comment on that.

Mike Linenberg:

OK. Well, I definitely was not one of those analysts. Thank you.

Richard Lark:

We preferred to give, but we had a lot of requests to change the way we were providing that, which hampers our ability to talk about numbers, talk about proper numbers, but we are focusing more on a lot of the key drivers. Basically, the metrics that we use now, you can still get to profitability… In terms of your question of visibility, and it is not just the question of VRG, if you look at it over the next couple of quarters, and just focusing on the domestic market, which is the key driver of profitability, the relative growth of capacity in the domestic market is reducing, which is an issue that the investor community has been focusing on a lot, over the past two to three years, as the end of the restructuring in the Brazilian airline industry is happening.

In our particular case, GTA and VRG combined domestically are looking at sequential quarterly ASK growth of about 8% in the 2Q08, of about 3% in the 3Q08 and of about 2% in the 4Q08, on a sequential basis domestically, repeating, 8% increase in the 2Q08, 3% increase in the 3Q08 and 2% increase in the 4Q08.

You can estimate how that will impact profitability. And the increases, at the same time we are reducing the number of aircraft in the fleet, we are generating ASK increases as a result of the fleet renewal from basically returning the 300s and switching them for 700s or also receiving some 800s, which helps us reduce cost per seat-kilometer.

So, those are going to be the key drivers of revenue and cost behavior for us in our businesses this year, the combination of capacity growth with the lower cost. We have a pretty good visibility on this, this is the plan. Where exactly yields are going to end up will depend on competitive factors, we do continue to see a very competitive environment from a pricing perspective domestically, very competitive.

And then, on the international, side we have very good visibility on the elimination of the operating losses from VRG. We have a pretty good grasp on that.

You mentioned antitrust approval for the VRG acquisition. The decisions that we have taken are designed to take the company VRG to a positive contribution by July regardless of that. There are a lot of tough decisions that we have to make to do that. The announced objective when we bought the company was to have it to be accretive by the 3Q08, and we do expect to achieve that.

Mike Linenberg:

OK, good. Sequentially; you said sequentially, not year over year.

Richard Lark:

Yes. Sequentially, versus the previous quarter of the same year.

Mike Linenberg:

Perfect. Thanks.

Ray Neidl, Calyon Securities:

I am with Mike Linenberg for giving us pretax guidance. I think there is a bill pending in the Brazilian Congress about upping the limits for foreign ownership. I am just wondering if that is true, and if it is, do you support that? Would it help the Company up by bringing in additional capital to help finance growth?

Constantino de Oliveira Júnior:

We are following that. There are almost three or four different propositions there in the Congress to increase the percentage of foreign ownership for the Brazilian airlines. There are some projects that suggest 49%, others suggest no restrictions; but as we are following this matter, I think and we believe that the most acceptable suggestion for them is the 49% of foreign ownership.

We are following that; it is difficult to predict when we will see this law valid, but it is something that is going forward and we have some propositions that are there in the Congress for three years now. We think that this will be solved soon, but it is difficult to predict when.

And I think that the 49% is the probable law that is going to be passed through.

Ray Neidl:

OK. A kind of a follow-up to that: if additional capital is available to come into Brazil, could that actually encourage competition? There are two airlines now that I think are kind of foreign: one is OceanAir Avianca and the other is our old friend from JetBlue. If more foreign ownership capital can come in there, does that mean there may be more competition for GOL and TAM?

Constantino de Oliveira Júnior:

Yes. We think that this kind of credible and experienced competition is always positive for the industry, we think that it is positive if someone wants to invest their resources in the growth of passenger traffic in Brazil, that means more competitors will help stimulate demand and better segment that, and stimulating demand or growing the market I think will be positive for the industry and for the community, for the country.

Yes, we think that it would stimulate competition and we have to be prepared for that, we have to keep investments in innovations, in improving our quality of service, punctuality, and drive profitability. We think that is positive.

Ray Neidl:

OK, great. And just finally a general question: going forward, your view on fuel and what percentage of fuel price increases have you and will you be able to pass through to your customers while you are funding this growth? And what is the Brazilian economic outlook?

Worldwide it looks like the economies are slowing down, particularly in the United States; what do you see in Brazil?

Richard Lark:

Our principal initiatives are focused on reducing fuel consumption as opposed to passing fuel price increases onto consumers, given the competitive environment. We are not counting on that. The main initiative is fleet renovation, with newer, more efficient aircraft, with winglets, new motors, other techniques such as reductions of reserve fuel to international standards, changing alternate airports, new controls on flights to reduce drag. We are also in a process of implementing electronic flight bags that permit weight reductions of around 200 kilos per flight.

So, we are really focused on these initiatives to reduce the actual consumption. We will get some benefits from the hedging program, but we are not counting on a big pass-through to yield.

As far as the Brazilian economy, we continue to see a very good demand, we continue to see passenger volumes growing in Brazil at around 2x GDP. GDP is still expected to grow at around roughly 5% this year and that is what we are working with, and with stable inflation and a strong currency; so, in terms of this impact in our domestic business and the economy we basically see kind of maintenance of the status quo.

Obviously, if growth would be higher or lower than that in terms of passenger transportation, it is the fare dynamic that would affect that. We continue to see a pretty good and stable growth demand for air travel in the domestic market.

Ray Neidl:

OK, great. Thank you.

Bernardo Carneiro, Deutsche Bank:

Hi. My question is a follow-up on the question regarding guidance specifically on the 2Q08. We had talked I think one month ago, and you suggested that operating margins in the 2Q08 could be in the positive territory. But given the higher fuel prices and the new revised guidance, does the Company still continue to guide for positive operating margins in the 2Q08?

And another question is: I would like to know if aircraft utilization already improved since the Congonhas restrictions were lifted or if aircraft utilization is still on the ramp-up phase since the restrictions in Congonhas were removed. Thank you.

Richard Lark:

With fuel prices where they are and the intensive competitive environment, it is going to be tough to have, you know, the 2Q08 is going to be tough. I think from a profitability perspective, on the GTA side we do expect positive operating margins in the high single digits, but keep in mind we are phasing out the international flights in the 2Q08, the long-haul flights to Europe and Mexico, and they will continue to have a drag on operating results, probably more or less consuming all the positive profits we generate.

Tatiana Feldman, Morgan Stanley:

Hi. Good morning, gentlemen. I am sorry?

Richard Lark:

Bernardo, can we finish your question? Because we got cut off here, we had to change the phone; but afterwards we finish Bernardo's question, I guess. Go ahead.

Tatiana Feldman:

I was just actually going to ask about VRG strategy. If you could help me understand why you guys would not have chosen to start or go into North American routes from Brazil, where there has clearly been pumped-up demand and insufficient supply. And then I am wondering if you guys could comment, obviously you are saying it is the competitive environment, but since you have changed the VRG strategy, what kind of changes have you seen in both your competitive and fare environment? Thank you.

Constantino de Oliveira Júnior:

When we decided to stop our operations with the 767 aircraft and reinforce operations in South America, that means we will take directions to standardize our fleet and take advantage of that and flights where we have a competitive advantage in terms of costs and reliable services.

When we considered the North American operations, we had to change all of these plans, we would have to keep the 767 aircraft for a long period, with a higher fuel price, which we did not think was appropriated for us. And also we have to keep all the commercial systems of sales and reservation systems with very complex softwares, which allowed us to keep these long-haul flights, and we have no gains in terms of synergies and in terms of advantages when we see our product on the competitive environment, when we compare them. So, considering all of these points, we are not operating with the most modern aircraft or the most cost-efficient aircraft at this time, in these flights.

And considering the competitive environment, we really prefer to keep all our flights, our fleet standard, and to develop better sales and reservation systems to attend the domestic and the South American markets, that means the medium-haul flights. With that we are confident that we will be able to reduce our costs, our consolidated cost for ASKs and be more competitive. That is the case.

Richard Lark:

As far as your question on the… We have seen other Brazilian companies also reduce operations to some of the long-haul markets we were operating, some almost simultaneously or immediately after decisions we were making based on lack of profitability in some of the routes. We did see a big competitive reaction when we entered some of these markets to the addition of both direct and indirect capacity on the nearby markets and dropping of fares.

That was in tandem with fuel prices going up in December and January, but you really have to go market by market because international business is much more complex in terms of how companies can serve Brazil directly and indirectly from a variety of hubs and connections around the world; it is much more complex. You have to really go market by market, but in some of the markets we did see some companies also reduce capacity or cease flights to those cities.

Tatiana Feldman:

And just domestically, what is happening to the competitive environment since you rationalized or since you started to change the VRG strategy?

Constantino de Oliveira Júnior:

On the domestic side we introduced a new network, and with that we are achieving good results in terms of load factors in April, and that shows our ability to manage that. We are not expected to have a huge change in our strategy or in our business model domestically.

So, going forward, we are renewing our fleet, reducing costs and introducing, I can say, a more rational fleet network combining these two companies. So, with that, we are offering more frequencies, we will have a strong presence in the major markets in Brazil where the business travelers are, and we are expected to achieve good results with that business model and that solution during the 3Q08, as we should see just after July.

Richard Lark:

Let me go back. Bernardo's question got cut off, we did not finish; I got cut off in the middle of the sentence. He was also asking a question about aircraft utilization. To help the situation of air traffic control in both the 4Q and the 1Q, we increased flight times that reduced aircraft utilization; we also suspended some flights to some destinations, such as Ribeirão Preto and São José do Rio Preto, based on the network adjustments that we had to make to deal with new requirements.

These measures had a positive impact on punctuality, for example, in the month of April, the punctuality was above 90%; but had a negative impact on aircraft utilization as we increased flight times to allow for more time between flights. And that is reflected in the 1Q08 results, one of the main reasons for the increase in cost per ASK is the lower number of ASKs produced over the same fixed cost faced.

We do expect to maintain GOL at its aircraft utilization in the mid 13 to 14 hours and we are still in the process of increasing VRG's fleet productivity, which today is approaching above 12 hours per day, and we will also be positively helped by the new network. Having said that, VRG will maintain lower aircraft utilization, as its network is based on higher preponderance of direct flights to primary business destinations; it has a much more focus in our network today, as the two networks are run entirely independent.

That might change if in the future we manage two networks more as one and achieve more room and network synergies, which could allow VRG to increase its aircraft utilization. We have a little way to go on VRG's aircraft utilization, but its productivity has improved substantially in terms of utilization and we do expect it to improve a little bit more, but it will be sharply lower than the GTA utilization based on its network.

You were asking questions about what we expect for profitability for the 2Q08: as I was saying, domestically we expect decent profitability, which will be an improvement over the profitability experienced both at GTA and at VRG in the 2Q07. So, we should see an improvement in profitability over the 2Q07. We do not expect it to produce a positive result in the bottom line, given the drag of the long-haul international flights.

I just wanted to finish Bernardo's question. You can go to the next question.

Bernardo Carneiro, Deutsche Bank:

Thanks, I think this answers my question. But continuing on the issue of aircraft utilization, you just said that aircraft utilization has improved since March. Is that correct? Are you positive with a significant improvement in aircraft utilization right now in the 2Q08?

Richard Lark:

As I said, we expect to maintain GOL's aircraft utilization in the mid-13s in terms of block hours per day and VRG's domestic aircraft utilization slightly above 12.

Bernardo Carneiro:

OK. Thank you.

Jorge Mauro, Legg Mason:

First, I would like to confirm: you mentioned that the yield in the 2Q08 will be R$0.20. Is that correct?

Richard Lark:

Yes. We are expecting consolidated yields to be at that level for 2Q08.

Jorge Mauro:

OK. And regarding domestic yield, basically GTA yield; we saw an improvement of 21% year over year in the 1Q08. I would like you to give us a sense of what we should expect on the domestic market in terms of yield at GTA level. This kind of increase is sustainable over the year, should we expect further increases, or just some guidance, please?

Richard Lark:

Sure. We have seasonality in our business; July and January travel periods are the most positive in terms of seasonality. And 2Q, particularly May, April to May are the low months in terms of seasonality on yields. But we are seeing in the domestic market, if you look at the year-over-year comparison improvements, probably in the 12% to 16% range in terms of improvements year over year.

But it is affected by seasonality, and it is also affected by the comparability of results; we need to be careful because we bought VRG, which was included in the domestic business in the 2Q07, and VRG was also substantially affected by the events that happened in Congonhas at the end of July last year. But what we are seeing is a year-over-year comparison, increases in yields on the order of 12% to 15% overall probably for the year, adjusted for the seasonality effects.

We will probably see a larger effect in the 3Q08, in July, and a lower effect in average 2Q08 with the lower seasonality.

Jorge Mauro:

OK. In terms of VRG, before, you were expecting to breakeven for the 3Q, which would be your expectation? There is a lot of uncertainty; I mean forward, if you could give us a sense of when would you expect Varig to be breakeven.

Richard Lark:

As we said, our objective was to have the Company at breakeven by the 3Q08 and we continue with that expectation.

Jorge Mauro:

And finally, the last one: I heard some rumors on privatization of Infraero, that could impact your landing fees. Do you have any news on that?

Constantino de Oliveira Júnior:

No. We are not considering that in our projections. People are talking about this possibility, but it is just one possibility. We do not think that this kind of decision will be taken and will be executed in a short period, so, we are not incorporating that and it is difficult to comment something that is still a possibility.

Jorge Mauro:

OK. Thank you very much.

Eduardo Vieira, Credit Suisse:

Good morning. You reported an operating loss for VRG of around R$203 million; could you give us an idea of what was the operating result for the routes that are being restructured? Thanks.

Richard Lark:

We do not break up the profitability on a route-by-route basis.

Eduardo Vieira:

OK. Can you give us an idea of how much you saved in terms of rentals out of the routes that are being restructured or is that still confidential?

Richard Lark:

We don't save rentals, the aircraft costs are part of the cost of doing business. What we have in the VRG intercontinental operations, the revenues were substantially below the overall cost. We will be eliminating, obviously, the 767s.

The largest component of costs is the variable jet fuel cost, which, again, I think the right way to look at that is the majority of the current losses in the VRG business, the majority will be eradicated on the long-haul international flights. So, those are being gradually phased out of the business and should be entirely phased out of the business into the 3Q08
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Eduardo Vieira:

OK. And also, just another question: has the Company considered or actually done any transaction in the secondary market to buy back the Company's bonds?

Richard Lark:

It is part of our cash management policy; we defined targets at attractive levels, which we would think is attractive to repurchase bonds of our own issuance. So, we have, from time to time, invested small amounts in that; we keep a small portion of our cash invested in USD, so, we manage that as part of our USD cash management book.

We have, from time to time, bought back a small portion of the Perpetual as well as the Senior Notes.

Eduardo Vieira:

OK, great. Thank you very much.

Bob McAdoo, Avondale Partners:

Hi. Before you started the VRG operation, you were making really good progress with the GTA side on the international departures, international markets. I am curious as to, as you now built the intra South American side of VRG, are there plenty of markets or what is the nature of the markets you are going to be covering with the VRG international versus the GTA international? And what is the competitive situation with TAM or whoever else in those kinds of markets?

Constantino de Oliveira Júnior:

We defined our strategy passing to allocate VRG services to medium-haul flights; that means in South America we are talking about Caracas; Bogotá; Santiago, in Chile; and Buenos Aires with some flights.

We continue operations with GTA in the short-haul flights, we are talking about Montevideo, Asunción and the flights between Porto Alegre and Córdoba, Rosario, Buenos Aires and the interregional flights between Argentina, Buenos Aires; Chile, Santiago; and Peru.

With that we are now renewing the fleet of VRG, changing the 300s that we are flying to Bogotá, Caracas and Buenos Aires. We will replace that with the 800s and offer the VRG product, the Varig product.

So, with that, we think we are offering the appropriate service to medium-haul flights where the low cost of GOL shows that we can stimulate demand, but not enough to attract traveler passengers, these high-yield passengers.

So, that is our definition for the South American strategy and South American networks.

Bob McAdoo:

So, basically you will be able to keep them separate, different destinations, different types of flights for the two different companies. Is that correct?

Richard Lark:

GOL is very much focused on flights from Rio, São Paulo and cities in Southern Brazil into nearby countries, like Uruguay, Argentina, Paraguay.

Bob McAdoo:

You used to call those, like, transborder flights as opposed to regular full-size international flights.

Richard Lark:

That is right; the sub-regional flights connecting sub-regional cities, like flights from Porto Alegre to Rosario or Córdoba, for example. And VRG is focused on services to Caracas, Bogotá, Santiago; both companies have flights to Buenos Aires, given the large size of the market.

Once we phase out the intercontinental flights, the international businesses of both those companies will be more or less equal-sized in terms of ASKs. In the 1Q08 we did around 76% load factors with GTA in the international business, if you will, and those will kind of be maintained in the low 70%s throughout the year. We did eliminate some services in the last year to more medium-haul markets where the GOL product was less competitive, such as Lima and Santiago with direct flights, but we do keep service to Lima, for example, by GOL from Santiago. We do flights between Buenos Aires and Santiago and Santiago and Lima on GOL, which are short-haul flights, as Júnior mentioned, and then with Varig we do direct flights from São Paulo, for example, to Santiago, because it has a business class, 'comfort class' as we are calling it, on the long-haul flights.

Once the restructuring of VRG's international flights is done also, we expect VRG to be showing on those flights high 60%s to low 70%s load factors also. So, we will operate both businesses with similar sizes, and the difference being that the VRG flights on the VRG aircraft have also a premium class product.

Bob McAdoo:

Are you going to be bumping up against TAM or other major competitors on these routes, or are these things that TAM has not really kind of gotten involved in as much?

Richard Lark:

On the sub-regional flights it is different, or, as you say, transborder flights, permitted by our network management, where we were just doing a high level of connecting flights on GOL. Those flights are tougher for competitors to compete with.

But on the VRG flights, it varies by market, for example, Buenos Aires and Santiago, those are very trafficked markets, but when you go to other markets, like Caracas and Bogotá, generally competing with flag carrier in those markets as opposed to a large number of Brazilian competitors. It is a really very tough market, but we generally do see we get the flag carrier and then TAM in many of those markets.

Bob McAdoo:

OK. I think a lot of us who have kind of been around you for a couple of years have got a little better sense of what goes on in and out of São Paulo. Can you give us a sense, a little bit of color on the markets in and out of Brasília, size of them, competitive situation, is it a tougher deal to do or is it going to be easier? Any color you can give on that would be helpful.

Constantino de Oliveira Júnior:

OK. Trying to help you, Brasília is the capital of Brazil and it is in the center of the Country. It is a natural geographical hub for our operations, and the Brasília airport is not congestioned yet, but it is going to be, especially when we talk about the peak hours when we see that the Brasília airport has the second or third largest movement in terms of number of passengers passing through that airport, embarking or connecting in that airport.

You have Congonhas and Guarulhos in São Paulo on the first place, and Brasília and Rio are almost equal in terms of number of passengers boarded. Considering that we invest in Brasília as a hub and we cover a period of the day and a schedule that is not competing with GOL, it is something that could be supplementary to GOL's operation. So, with that, we build a strong and balanced network between GOL and VRG.

Brasília is the market where we have more opportunities for growth; the main reason is because GOL has the dominant position in Rio, in Galeão, for example, and we still have some room for growth in Brasília as a hub. So, we define Brasília as our second hub for VRG for these main reasons.

Richard Lark:

Yes. And after the accident in Congonhas, the Government, the regulator limited the length of flights out of Congonhas, which hurts VRG, which was doing a lot of direct flights out of Congonhas. So, what Brasília also allows us to do is connect passengers to North and Northeast Brazil.

Brasília is used as a hub for connecting traffic to get passengers to the North, the Amazon region, as well as the Northeast of Brazil. So, it is not only complementary to GOL's network that was already there, but it is essential to being able to monetize the slots and route rights that VRG has in Congonhas, which were hampered as a result of the restrictions of flight lengths that went in in the 3Q07. So, that is one thing.

Galeão, in Rio, is also used as an important hub for us, as is the Confins airport in Belo Horizonte, which are used to manage passengers around the Southeast and Central areas of Brazil, as we also use Curitiba and Porto Alegre to Southern Brazil and to these transborder markets.

Bob McAdoo:

Sorry about taking so many questions. There are a couple of other quick ones: VRG has a much lower usage of your website; I assume it is because of the long-haul stuff, much more directly out of the GDSs and the call centers. Are you going to be able to get more of that with the new VRG network? The new nature of their flights, are you going to be able to get more of that onto your web?

And then, finally: what specifically is the return scheduled for the 767s? When and how many of them will you get off the property?

Constantino de Oliveira Júnior:

In terms of the Internet sales for VRG, we have to launch a new reservation system that will help us make our website friendlier and will help us grow our sales through the Internet. We expect to do that during the 3Q08; until then, we are stimulating the Internet reservations, but there are some restrictions or limitations regarding our VRG reservation system, which is a very old system, it is not so modern and it is not helping us achieve this objective.

Regarding to the 767s, sorry, I did not understand your question.

Bob McAdoo:

The question was: I know you are not flying them; are they parked now, are they gone, have you returned them to the lessors? How soon will you get them all off so we do not have ongoing costs in the system, as we think about our model for the actual airplanes themselves? Obviously you are going to keep one or two around for Paris for a while, but other than that, are the rest of them gone by now or soon gone? What is the schedule?

Constantino de Oliveira Júnior:

OK. We are dealing with the lessors, we just started this deal after we announced that we stopped these aircraft; we are having good conversations. Boeing has announced that they would delay the 787 deliveries that are helping us deal in a better sense with our lessors because there are some airlines asking for this type of aircraft.

And considering that, we are dealing with the lessors, we have some expectations to return 100% of these 767s until September, that means end of August, and we will not receive one of them, we are dealing to reduce almost two aircraft or two to three aircraft monthly from May until end of August, beginning of September.

Bob McAdoo:

OK. It sounds like your making some really good progress. Thanks a lot.

Operator:

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

Constantino de Oliveira Júnior:

Once again, thank you very much for your interest in GOL. We are very committed to making air travel a simpler, more convenient and accessible option for everyone by creating value for our customers, shareholders and employees. GOL is popularizing air travel in Brazil and South America through our expanding business, innovative, quality services, efficient operations, successful cost management and competitive low prices.

At GTA, our slogan is “Here, everyone can fly”, and at VRG, “The pleasure is flying”. If you have any additional questions, feel free to contact our Investor Relations department. You can also visit the Investor Relations section in our website at www.voegol.com.br/ir. Thank you very much, and have a nice day.

Operator:

Thank you. This concludes today’s GOL Linhas Aéreas Inteligentes 1Q08 results conference call. You may disconnect your lines at this time.