Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to the GOL Airlines 3Q12 results conference call. Today, with us, we have Mr. Paulo Kakinoff, CEO, and Mr. Edmar Lopes, CFO.

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the Company's presentation. After GOL's remarks, there will be a question and answer session for analysts. At this time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We would like to inform that questions can only be asked via telephone. So, if you are connected through the webcast, you should email your questions directly to the IR team at ri@golnaweb.com.br.

Today's live webcast, including both audio and slideshow, may be accessed through GOL's website, at www.voegol.com.br/ir, and this presentation is available for download at the website.

Before proceeding, let me mention that forward-looking statements will be made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of GOL 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 will turn the conference over to the CEO, Mr. Paulo Kakinoff, who will begin the presentation. Mr. Kakinoff, you may begin your conference.

Paulo Kakinoff:

Hello, everyone, and thank you for participating in our 3Q12 results conference call. Let us begin with slide five, which shows the most important events of the 3Q. Firstly, I would like to draw your attention to the 3.4% growth in passenger revenue per seat-kilometer, or PRASK, reflecting our decision to reduce domestic supply, a trend GOL has led since the beginning of the year. We will be dealing with this issue in more details later on.

The second point refers to the Company's efforts to maintain its costs, excluding fuel, at the same level as last year. In this context, labor cost per ASK fell by 2.4% over the 3Q11.

The third point refers to our clients. During the quarter, GOL put great efforts into its passenger service. It is worth mentioning our on-board sales service, the so-called Buy On Board, which recorded a growth of around 300% over the same period last year. This service offers passengers more options without the need to increase fares. Another highlight was the remote check-in ratio, which moved up by 20 p.p. over the 3Q11, ensuring even greater passenger comfort.

Another important event was the creation of the Brazilian Airlines Association, the also so-called ABEAR, which analyzes and discusses measures that affect this sector with the Government and should help create a more organized and sustainable Brazilian airline industry in the coming years.

Recently, the Government reduced the airlines' payroll tax as of January 2013. After the end of the quarter, GOL announced important strategic projects for the coming years. CADE's approval of Webjet's acquisition will allow GOL to explore more operational synergies between the two companies. With the approval, the sales of both airlines will be centralized on GOL's website, ensuring greater potential on distribution.

The Company is still analyzing the operational integration possibility and will inform the market of the next steps within the next period. With the announcement of the purchase order for 60 Boeing 737 NG MAX aircraft, GOL has extended its long-term cost advantage, given that these aircrafts are even more fuel efficient than the Company's actual aircraft, which are currently the most efficient of the aircraft on the market.

GOL will be the first airline in South America to use these models, which, in addition to their increased efficiency, will provide greater passenger comfort as they are already treated with the Sky's interior.

We also announced the beginning of regular flights to Miami, Orlando, and Santo Domingo, following the huge success of the special flight for Smiles participants. The strategy is in line with the low-cost model and the high utilization rate of the Boeing 737 NG fleet. GOL will continue evaluating new markets, aiming to increase profitability and offer even more options to its passengers.

On slide seven you can see the positive effect of the decision to reduce domestic supply, which resulted in a constant improvement in the domestic load factor over last year. In the 3Q, domestic supply fell by 8.4% over the 3Q11, in turn pushing up the fuel load prices by 2 p.p.

Slide eight shows a new relining, which is supply trend, during the quarter. Previously, we saw increases of more than 15%; now all the leading players have adopted the same strategy initiated by GOL in the beginning of the year.

On slide nine you can see that the 2.2 p.p. increase in the Company's load factor took place with no fuel reduction in yields. The combined effect of the indicators were a 2.4% increase in PRASK over the 3Q11. GOL's PRASK figures for October, disclosed to the market yesterday, show that PRASK moved up by 4.4% year over year, mainly due to the 3.7% increase in the domestic load factor. This was the eighth consecutive month that this indicator was recorded an upturn.

On slide eleven, as we mentioned previously, you can see the first initiatives that we have set and organized the aviation cycle in the coming year. In the short-term, GOL estimates savings of around R$100 million from the reduction in the payroll taxes. However, in 2013 our cost structure will be faced with an additional R$150 million due to the increase in airport fees, R$110 million of which from the new navigation assistance fees and R$40 million from the airport connection fee.

Moving on now to slide 13, here we highlight certain aspects related to the client service excellence. The punctuality and remote check-in ratios increased by 3.4 p.p. and 20 p.p. respectively, over the 3Q11. Around 90% of the Company's flights were on schedule and 55% of boarding passengers made use of the remote check-in facilities. Further initiatives in this area was the introduction of a comfort seat on the Rio–São Paulo route, the very famous shuttle service, where passengers can buy the middle seat in the first rows of aircraft seat blocks. GOL will continue to focus on increasing comfort and expanding passenger options.

On slide 14, you can see that the Company's CASK, excluding fuel expenses in USD, remained comparative with that of its peers, considering the adjustment of our average days flat.

I will now hand over to Edmar, who will present our period's results.

Edmar Lopes:

Good morning, everyone. Thanks for joining us today. It was, again, a tough quarter; primarily we see the effect over the increase of fuel expenses, depreciation of the Real, as well as the increase in the airport fees.

To start this, I will go over slide 16 and highlight some of the operational aspects. First of all, I would like to say that our strategy has been consistent. We have seen load factors going up by 2.4 p.p. over the quarter, taking, again, in the RASK, as mentioned previously by Kakinoff.

We were able to do that without giving up any of the yields. So, yields were flat quarter over quarter, reassuring us the strategy that we have chosen in the past. I would also like to highlight that the RASK for the 9M12 grew by almost 3% year over year.

Turning now to page 17, again, I will give you some of the main issues that were related to our results. First of all, revenues came 7.8% above last year. This is primarily due to the PRASK, as well as to an increase of 7.7% in our ancillary revenues. This is only part of our strategy to have a better margin, since those ancillary revenues have a better result.

On the expense side, we saw an increase of almost 15% on our costs. And at the end of the day, the EBIT came down to R$-201 million. We can say that fuel alone was responsible for R$119 million in the increase of the expenses. This is due to the fact that jet fuels went up by 20% period over period.

Going down to net income; net income was different from last year. We saw no effect as we saw in the 3Q11. And we saw also a reversing of taxes of R$30 million resulting in a final number that was R$309 million on the negative side, which is a margin of -15.6%.

Turning on to slide 18, it is always important to highlight the efforts that the Company has been doing over the past few months in mitigating the effects over the market environment. So, in this case we saw that the CASK related to labor was down 2.4% quarter over quarter and year-to-date it is down by more than 3%, giving us a few cents that in terms of cash that were not enough to mitigate or to offset the increases in other lines.

In the other lines, we can see that fuel alone was responsible for R$1.23, as well as landing fee for another R$0.32. Even with this, at the bottom of the chart one may see that CASK ex-fuel came flat for the year to date. This is very important because it does show the efforts that the Company, again, has been making in the past few quarters.

Turning on to page 19, we put out this new slide to show you the kind of pressure that the industry is facing here in Brazil. And we can see, together, the decrease of almost 2 p.p. as part of total cost that we were able to gain over the last quarter as for labor, that were almost completely offset by the increase in airport fees, which accounted for 1.5 p.p. before margin.

And again, as Kakinoff said before, there has been an announcement that there will be another hike in the airport fees for the next year, offsetting all the gains that we were able to have in the labor tax expenses.

Moving on to the next slide, going over the main financial indicators, again on the left-hand side we see that our strategy to keep the yields at the same level while putting load factors up has indeed come to a good result, the RASK year-over-year is up. On the left-hand side also we see that we have changed a R$-75 million quarter, -4.1% margin for a worse scenario in the 3Q12. But I can tell you that fuel alone was responsible for between 8 p.p. and 10 p.p. of this downturn.

On the right-hand side, we see on the top of the chart the efforts that the Company, again, has been making over what it manages, and that is the ex-fuel. The CASK ex-fuel has been kept over the same level in the last two quarters, in spite of the 24% depreciation of the Real. I do recall you that 55% of our costs are USD denominated.

Moving onto the next page, we see that although the results are is still to come, the recovery is taking longer than previously expected, we are able to show a strong cash position. We are now running at 23%, that is R$1.9 billion in cash. We have 3x our debt ratio for total cash over short-term debt, and although leverage has increased we do not foresee any trouble over the next few periods.

And for debt, I would like to ask you to move to page 23. This is a chart that you all are very familiar with. It does show that there is no pressure in the short run. The amount that we have due for 2013, roughly R$330 million, we think is manageable. It is not concentrated, so it is just a question of the income liability management, while we have our recovery.

Before I hand over to Kakinoff again, I would like to go over to slide 24, to stress once more that our liquidity, our cash position is among the highest within our peers. 23% of cash is still very high. And if we do improve receivables, then we would be able to show even more than 25%. That is, again, a sign that the Company has converted some points, the pillars that we decided as part of our strategy a few quarters ago have been having effect, that is strong liquidity and all the financing needs in the short term. And as for the results, it was taking longer, but the last numbers show that we are in the right way.

And I will give the floor back to Kakinoff, and he will go over Smiles. And then we will open for Q&A. Thanks again. Bye-bye.

Paulo Kakinoff:

Please, go to slide 26, on that we present the Smiles program initiatives. Thanks to the success of the exclusive flight for Smiles Program participants with 100% of tickets sold and the high demand, we decided to begin new regular flights to Miami, Orlando, and Santo Domingo.

Next, we have Smiles Shopping, an on-line platform through which participants can use the accumulated mileage points to acquire not only air ticket, but also 300,000 new products and services from various partners. The new development focus on retail and provide Smiles members with yet another option, providing greater reach and facilitating the accumulation and redemption of points.

Partners include Natura, Walmart, Pão de Açúcar, C&A, Editora Abril, Netshoes, and other renowned companies.

On slide 27, we show the Company's most recent numbers. Smiles client base recorded year-over-year growth of 11%, while redemptions for use with international partner airlines moved up by around 53% year to date, mainly due to the implementation of the new platform, which makes things easier, increases conveniences, and improves clients' perception of the product. The increase also reflects just the many seats are available for redemption with international partners.

Slide 28 shows that the process of turning Smiles into independent GOL business unit is moving ahead on schedule. The Company believes that segregating these units will add value to its business as a whole. Without represent a future capitalization alternative, although the Company would like to make it clear that it has not yet taken any decision regarding this option.

On the final slide, we have underlined our commitment to adjusting domestic supply in line with the new macroeconomic scenario. We need to improve efficiency and resume profitability by increasing the load factor and ensuring a continuous improvement in passenger revenue, PRASK.

GOL will remain focused on integration with Webjet in the pursuit of even more operational synergies. Smiles has been increasingly important in the Company's business, offering new strategic growth option at this stage of the industry development.

Management is fully aware of the business models, enormous potential for creating value. In regard to strengthening the factor, for the first time the airline industry has organized an organ to discuss issues of common interest and making easy that has already been adopted by many important sectors of the Brazilian economy. At this moment, in which the civil aviation industry is taking structural change and higher costs, this institutional organization has become absolutely essential, given its strategic importance to national growth.

To service part of GOL's DNA and the Company we will continue to do everything possible, including making any necessary investments to further increase passenger comfort and satisfaction and offer even more innovative options.

Thank you all for taking part, and we will now begin the question and answer session.

Richa Talwar, Deutsche Bank:

Hi, good morning, everyone. First, just wanted to get a little bit more detail about your long-term plan. It is already taken out punch of capacity. You have cut your workforce and I believe you have completed many cost-cutting initiatives in 2011. So, I was just curious to hear what other leverage you feel you can pull to returning GOL's profitability and when do you think that is likely?

Edmar Lopes:

Richa, good morning. Thanks for the question. In the long term, we have a view, and I will pass over to Kakinoff, that we have a lot of opportunities to develop over our network without giving us our DNA of being a mono-fleet airline.

So, you are right. We have been doing our homework as for cost cutting, being more efficient, and streamlining the process, but we still see a lot of alternatives. And then I will give over to Kakinoff.

Paulo Kakinoff:

Hi, good morning. Our major aim at this moment is to capture all the potentials we got to enhance our results through better optimization of our network. I mean, we are forecasting to further reduce our fleet size by 12 aircrafts along the next year, and even though we can keep the current offer level in ASKs that we are offering today.

It means that we could improve even more our efficiency level, reaching different destinations or additional destinations as we are doing today with Miami, Orlando, and Santo Domingo. Our higher level of attention is related to the offer capacity that we are keeping, not only under control, but also looking after additional opportunities to further reduce it.

There is no definition or no clear definition on figures for the next year, but, at the same time that we are bringing more rationalization to the domestic network, we are looking after opportunities to further develop our international network, as we are doing with Santo Domingo and Miami, to Miami via Santo Domingo and also to Orlando.

It is also important to mention that the strategy to keep increasing our load budget will not be effective if we do not take care of our yield management. Clearly speaking, we will not give up from our current strategy of yield and craft recovering to artificially boost our load factor.

We are improving these three indicators significantly, mainly load factor and PRASK, probably not as fast improving the load factor as we could, but if we boost the necessary time to increase load factor right now, it is likely that we would decrease yields or even compromise our PRASK recovery plan. So, it is likely that will keep the current pace, recovering load factor in a smoother way, but we will not give up our strategy to keep both indicators, load factor and PRASK improving simultaneously.

Richa Talwar:

OK, great. Thank you for that color. And are you willing to share a sense of timing for when you think we can see profitability again, maybe even just on the operating line?

Edmar Lopes:

We are still discussing next year's budget. So, it is very too early.

Paulo Kakinoff:

Too early to say when we have, but for sure we have no doubt that 2013 will be a much better year than this year.

Richa Talwar:

OK, great. Thank you for that. My second question is just on Webjet, I know you mentioned that you are still evaluating synergies, but curious this year what you think are your most significant challenges that you face and what are some of the lowest hanging fruit from moving forward with the integration?

Paulo Kakinoff:

OK. Just to bring everybody to the same page, as you know we got the official approval from the regulators to merge both companies – October 10th, so it means one month ago. And just after that, we were allowed to get into the Webjet organization in order to identify the potential synergies.

Since then, we established a three-week calendar along this period, when our Board members and executives went personally into the Webjet Organization and drew a merger plan, which must be analyzed and further developed along the following three weeks. Along the following three weeks we will start to announce how this integration plan is going to happen, and meanwhile we have already started some important movements, like the commercialization channels integration. We are selling tickets for both companies since two weeks ago, exclusively by the GOL channels, which has already boosted somehow our sales level because we have better capillarity and also higher penetration among the other customer base, and we are also merging our airport operations.

The new airport director at GOL came from Webjet and we did this movement because Webjet was considered a benchmark in the airport operation in Brazil, better efficiency rates and also the highest level of Web Internet and self check-in, so 100% in line with our low-cost, low-fare approach. Therefore, now we are focused on the airport integration together with the commercialization part.

We believe that from now to two weeks or three, we will get back to the market announcing further integration steps.

Richa Talwar:

OK. Thank you.

Jim Parker, Raymond James:

Good morning, Kakinoff and Edmar. I have two questions. One is, I would like for you to clarify your capacity growth, particularly your domestic capacity growth for 2013. I believe you said you were getting rid of 12 aircraft, but nine of those are the 300s, are they parked? What is the net increase in domestic capacity that you expect for 2013?

Paulo Kakinoff:

So, we are going to drop the number of aircraft in our fleet around 12 aircrafts. Those are basically the 737-300s, which are small airplanes in comparison to 737-800s. Just by redelivering the airplanes and having all the 737-800s covering the network currently managed by Webjet, we will keep the same or the current offer level, capacity level that we are offering today, because we have more ASKs flying over our network per hour and consequently also our block hours are larger than the average day by the Webjet network.

We are going to work with these drivers to manage that. First of all, we will not increase the ASK capacity in any case, and also to further identify further opportunities to even decrease our current capacity. There are no final figures related to these topics because we are still working on demand side what is going to be our demand forecast.

This topic has been addressed generally and it is going to be discussed also along the following two weeks, and just after that we can work on a final budget for 2013 and then decide on possible further capacity reduction.

Jim Parker:

Why are you not cutting more capacity? Because your principle competitor looks like will take on about 7% of domestic capacity in the 1H13, and of course the big issue in Brazil is that fares are very low. So, why you are not taking out more capacity?

Paulo Kakinoff:

Actually we did it. Actually we started this movement in April this year. We cut the capacity in April in comparison to March by 8%; it is going to be the annual effect around 4.5% this year in comparison to the full year 2011. The competitors are just now taking the same measure.

So, I did not say that there is no opportunities or possibilities for further reduction. I just mentioned the size of this reduction is not 100% concluded at this point of time. So, we do believe that the current industry discipline to readjust capacity is the right movement to be taken by the sector, and we would like to keep this PRASK and possibly find additional opportunities to reduce capacity, mainly in the domestic market. At the same time, we are looking after additional opportunities to fly over enhanced network to international destinations.

Jim Parker:

OK. Before you arrived at GOL, and actually for the past few years, it appears, well, GOL has been pulling back internationally, and now you are saying that you want to grow faster internationally. What is different now from what has gone on in the past few years when you were actually shrinking your international business?

Paulo Kakinoff:

The difference is that the strategy implemented before worked with different aircraft. GOL tried to develop its international network utilizing not efficient airplanes, basically the old 767s that we brought from the Varig merger. That operation was clearly inefficient, and what we are doing now is basically strengthening or making our current network larger than it is today.

The same planes with the same configuration are flying over domestic and international network that we got. By reaching the United States market over Santo Domingo, we are developing a new flight at the same rate we are doing for the whole South America region since many years. So, the basic difference in comparison with the prior international strategy is that we are making more of the same, more from the basic strategy of growth, which has been successful for many years.

Jim Parker:

OK. Thank you.

Stephen Trent, Citi:

Good morning, gentlemen, and thank you for taking my question. I am curious about, sort of a follow-up of sorts to Jim's question. But looking at your plan to service South Florida via the Dominican Republic, it seems there is some perception in the market that you guys are going to somehow form a hub in Santo Domingo with different daily flight banks and maybe you will start servicing same regions. At least from what I can tell, it looks like you are going to be servicing two high-density route segments to travel to the United States, which in my view is sensible. But I just want to make sure I understand this correctly.

Paulo Kakinoff:

Firstly, our strategy is to, as I mentioned, reach additional destinations within our network over Santo Domingo, which could increase our range by 2x. I mean, having this refueling stop in Santo Domingo we could reach basically any city in the United States, which could bring us a huge opportunity.

We are developing this international network towards North America in combination with our major partner, which is Delta. As you probably know, Delta has daily flights to Santo Domingo from New York and Atlanta. Our first priority to develop the destination with Delta is not serving the market at this time, and therefore we have complementary strategy, which is going to bring to all the customer base the opportunity to fly to the most desired destinations, from a Brazilian perspective today, which is the United States.

So, it is too early to think about hubs creation in Santo Domingo. We are reaching and searching this market extremely cautiously in order to build a consistent, profitable, and long-lasting plan to increase our operations internationally.

Stephen Trent:

Great. I appreciate that, and that makes sense to me. And just one other question, if I may, speaking of Delta, they relocated their LATAM headquarters and they are laying on more capacity into Brazil. I am trying to get a sense as to how soon we could see maybe some increase in Delta's ability to feature a domestic network as we move into the coming month?

Paulo Kakinoff:

We are forecasting a similar operation between both companies by beginning of next year, precisely from February on. I mean, in the commercial side and also from our customer's perspective. Both companies are working together to address their combined network in order to really offer a complementary network to the customers.

It means that these discussions related to capacity and demand on this corridor, linking North America with South America, has been discussed in order to find where and when each of both companies can better offer better products to different customer types.

I mean, we are going to keep our low-cost, low-fare approach even to the international flights to the United States, and Delta will offer a product, which starts, from a customer's perspective, also immediately above GOL's service level that we are regularly offering here.

So, it means that both companies are working together, covering together to cover both regions with complementary.

Stephen Trent:

OK, great. Thanks for the color. I will let someone else ask their question. Thank you.

Operator:

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

Paulo Kakinoff:

Thank you very much. Thank you all for the attention. We are, as always, available here for further questions. You know how to reach us any time. Thank you very much. Have a nice day.

Operator:

Thank you. This concludes today's GOL Linhas Aéreas Inteligentes 3Q12 results conference call. You may disconnect your lines at this time.