SCRIPT KAKINOFF – RESULTS | 3Q18

Kakinoff:

Good morning, ladies and gentlemen, and welcome to GOL Airline's third quarter 2018 results presentation. I am Paulo Kakinoff, CEO and I am joined by Richard Lark, CFO.

Richard:

Good morning, it's nice to be with you all today.

Kakinoff:

This morning we released our third quarter 2018 figures.

Our net revenue growth was strong, reaching 2.9 billion reais. This represents a 8.3% increase compared to the third quarter of 2017.

GOL's current network serves higher yielding routes and has a leading share in the corporate client segment. We have the largest share of corporate traffic in the country.

This third quarter was the ninth consecutive quarter in which the Company reported operating profits, reflecting GOL's competitive leadership and financial discipline in the management of its business portfolio, as well as the efforts and commitment of the entire GOL team.

In the third quarter, the Brazilian real experienced a 25% depreciation against the dollar, and jet fuel prices increased 46%. This resulted in significant cost pressures. This trend in the currency markets, however, has already begun to reverse.

Given our disciplined and flexible capacity management, with ASKs increased by 3.7% in the quarter to serve demand, we were able to increase average yield by 6.5% to 27.4 cents.

Our load factor reduced by 1.1 percentage point to 79.1%. Our PRASK increased 5% quarter over quarter, mitigating a large portion of the cost pressures.

Our fuel CASK increased 47% in the quarter, which, combined with our ex-fuel CASK decrease of 3.4%, resulted in a total CASK of 21.8 cents, an increase of 11.5% versus the year-ago period.

Our RASK of 23.2 cents represents an increase of 4.5% over the year-ago period. The operating margin of 6.2% in the third quarter 2018 was a decrease of 6 percentage points quarter over quarter.

Operating income in the third quarter was 180.5 million reais. GOL's EBIT margin was positive for the 9th consecutive quarter.

Quarterly EBITDA totaled 355 million reais, with a margin of 12.3%.

Demonstrating our commitment to efficient and disciplined capacity management, we increased ASK by 3.7% in the quarter.

We received our second MAX 8 aircraft this quarter, and we have started capturing productivity gains from its incorporation into our fleet.

We continue to optimize aircraft utilization, allowing us to increase our number of flights by 0.2% quarter-over-quarter, while expanding our seat availability.

During the fourth quarter of the year, we will continue incorporating the latest generation 737 MAX 8 into our fleet, which will provide reduced operating expenses and extend the range of our network.

This aircraft will allow us to cover all of South America, the Caribbean and destinations in the Southeast of the United States.

The MAX 8 permits GOL to serve the large addressable market of passengers traveling between Midwest/Northeast of Brazil and the State of Florida.

Next week, we will begin nonstop flights from Brasilia and Fortaleza to the Miami and Orlando international airports. The Brasilia to Orlando flight will be the world's longest regular flight ever made with a 737.

In September, GOL announced the expansion of international destinations, with four nonstop flights per week to Cancun, Mexico, from Brasilia's hub, scheduled for June 2019.

These flights will be operated with the new Boeing 737 MAX 8 aircraft that allow GOL to offer nonstop journeys from Brazil to any destination in South America, the Caribbean and destinations in the Southeast of the United States.

Flying on our new Boeing 737 MAX 8 aircraft, with next-gen technology, customers will have at their disposal all the convenience and comfort offered on GOL's flights, including in-flight internet and entertainment, eco-leather seats with ample leg room, and free on-board drinks and meals.

Even while optimizing our operations and keeping a tight leash on expenses, we remain committed to providing the best overall air travel experience for our customers.

We increasingly serve diverse customer preferences and demands by offering exclusive products such as our GOL+Comfort seats. We have also expanded our on-board service menus.

We designed our flight network to provide a high level of integration and interconnectivity, as well as to offer the highest schedule frequency between the main business destinations in Brazil.

Also, our loyalty program in Brazil, Smiles, is second to none with more than 14 million members.

In October, we announced our intention to effect a corporate reorganization, including the merger of Smiles into the airline.

The Reorganization seeks to ensure the long-term competitiveness of the Group, aligning the interests of all stakeholders, reinforcing capital structure, simplifying corporate governance, reducing operating, administrative and financing costs and expenses, and increasing the market liquidity for shareholders.

In order to satisfy requirements related to the Brazilian Stock Market as well as Brazilian foreign ownership restrictions imposed by law on airlines, the following is being proposed:

- GOL will have, after conclusion of the reorganization process, a single class of common stock on the Novo Mercado, as mentioned in the announcement.

- Current GOL shareholders will exchange each of their existing preferred non-voting shares into 35 common shares (and subsequently regrouped at a ratio of 35 to 1).

- Current Smiles' shareholders will exchange their shares for GOL common shares PLUS newly-issued redeemable preferred shares to be issued by GOL, at an exchange ratio and on terms and conditions to be negotiated with the Smiles Independent Committee.

- These steps will allow Smiles to be incorporated into our airline company.

As mentioned previously, an independent committee to be appointed by Smiles' board of directors will negotiate the terms of the transaction with GOL's management.

GOL's management will not have any say on the composition of this committee, which will have full discretion to analyze all merits of the transaction. Moreover, it will also submit its recommendation to Smiles' board of directors.

Thus, the terms of the reorganization depend directly on negotiations that will still occur between representatives of GOL and the independent committee of Smiles.

As soon as the negotiations are concluded and the terms of the reorganization are defined, they will be duly communicated to the market.

Now, before handing over to Richard, I would like to update you on our guidance for 2018 and 2019, so that our investors and analysts can share in our mid-term view of GOL's business.

EBITDA and EBIT margins in 2018 are expected to be around 16% and 11%, respectively.

Our revised guidance indicates earnings per share, before currency gains and losses, is between 5 and 25 cents of real.

Leverage, measured as net debt (excluding perpetual debt) over EBITDA for 2018, should be slightly better than 2.6 times, reflecting our commitment to reduce leverage in our balance sheet.

For 2019, we have reduced our operating fleet plan by 1 aircraft and expect our domestic capacity growth to be between 1 to 3%, and non-fuel CASK to be around 14 cents of real, driven in large part by the incorporation of additional 737 MAX 8s into the GOL fleet – we call "The MAX Effect".

We project an EBITDA margin of around 17% for 2019 and expect to end the year with leverage of approximately 2.5 times.

I will now turn us over to Richard, who will discuss the financial results for the quarter. Richard, over to you.

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SCRIPT RICHARD – FINANCIAL REVIEW | 3Q18

Richard:

Thank you Kaki.

This quarter we achieved an EBITDA margin of 12.3% and an operating margin of 6.2%.

As Kakinoff already mentioned, this is the ninth consecutive quarter in which we report improving operating income.

We continue to be the traffic leader in Brazil, and have been the lowest cost operator in the market since our founding for over 17 consecutive years.

In the quarter, we achieved a 5% increase in passenger revenues per kilometer, or PRASK, generating RASK growth of 4.5%, while expanding our capacity by 3.7%.

We achieved this growth in supply due an increase of 4.8% in our available seats and 0.2% increase in number of flights.

Our total liquidity at the end of September was 3 billion reais, stable when compared to June 2018 and an increase of 872 million reais compared to September 2017.

With regard to load factor and future bookings, we note that the demand for GOL's services continues to be strong.

For the fourth quarter of 2018 we expect load factors to be in the low 80s.

Our profitability, measured by EBITDA, benefited from the 4.5% increase in RASK, which was partially offset by an 11.5% increase in total CASK.

This was mainly due to the 46% increase in jet fuel prices quarter-over-quarter.

We kept capacity and costs tightly controlled and delivered effective revenue management and hedging to compensate the more challenging fuel environment.

The combination of stronger pricing, higher demand and gains on hedging, permitted GOL's EBIT margin to reach 6.2%.

CASK ex-fuel reduced 3.4% quarter-over-quarter, supported by the maintenance of high fleet productivity and positive operational results from sale of aircraft.

This was partially offset by an increase in aircraft rentals and higher depreciation driven by capitalized maintenance on aircraft components (including engines).

As a result of our increased unit revenue (RASK), and growth in unit costs (CASK), our EBITDA totaled 355 million reais in the quarter, with margin 12.3%, while EBITDA per available seat-kilometer reached 2.9 cents of real this period.

Net financial results were negative by 386 million reais, of which 187 million were the result of negative exchange and monetary variations, as pointed out in graph at the bottom of the illustration.

This was a result of the 26% real devaluation on the Company's two billion dollars of gross debt on our consolidated balance sheet.

We maintained the ratio of net debt (excluding perpetual bonds) to last twelve months EBITDA at 3.2 times in September 2018. This indicator was lower than the 3.4 times in September 2017, and higher than the 2.9 times in June 2018.

The variation in net income between the third quarters can be visualized in this illustration.

Net loss excluding the exchange rate variation was 222 million reais.

Operating cash flow generation was 461 million reais in the quarter, with an operating cash flow margin of 16%, mainly due to actions that strengthened working capital.

Total liquidity at three billion reais, stable in relation to June 2018 and an increase of 872 million compared to September 2017.

In October, GOL successfully concluded a liability management and refinancing exercise on debentures issued by its wholly-owned subsidiary, Gol Linhas Aéreas S.A. ("GLA").

The debentures were fully-amortized in the total amount of 1 billion reais and GLA issued a new single series of non-convertible and unsecured debentures in the amount of 888 million reais, resulting reduction in a net indebtedness reduction of 138 million.

The new debentures were issued at a yield of 120% of the Brazilian CDI interbank rate (approximately 7.68% in real) with quarterly interest payments of approximately 17 million reais and semi-annually principal payments of approximately 148 million (with final payment to be made on September 28, 2021).

It is worth mentioning that the yield on the new debentures is substantially below that of the fully amortized debentures, which carried a rate of 132% of CDI.

This transaction is additional deleveraging of GOL's balance sheet and better matches GLA's operating cash flow generation with the amortization of its liabilities.

We believe this result is further evidence of the market's improved view of GOL's credit profile.

The issuance reduced the Company's cost of debt and improved its credit metrics.

Considering the debenture issuance, the average interest rate is 7.7% for local-currency debt. For dollar-dominated debt, the average interest rate is 6.8%.

To finalize, we present a preliminary quantitative analysis of certain indicators, based on currently available information, as of and for the last twelve month period ended September 30, 2018, considering the new standards of IFRS 16.

The International Accounting Standards Board (IASB) has recently issued IFRS 16 as a new accounting standard, which will become mandatory on January 1, 2019.

As a result of the mandatory adoption of IFRS 16 as of January 1, 2019, we have analyzed the impact of this accounting standard on us, and our preliminary valuation shows an estimate of a significant reduction in net debt, as well as an improvement in the net adjusted debt to LTM EBITDA ratio.

Our preliminary valuation shows that total adjusted debt will reduce by 1.7 to 2.7 billion reais, and that our annual EBIT will increase by 4 to 5 percentage points.

With that, I return to Kakinoff for a preliminary Q&A session.

Kakinoff:

Thanks Rich.

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SCRIPT | QUESTIONS AND ANSWERS | 3Q18

WHAT IS THE IMPACT OF THE 2018 ELECTIONS IN TERMS OF DEMAND FOR THE NEXT YEAR?

Kakinoff:

We expect that the outcome of the elections will have a positive impact on business and consumer confidence.

More than 65% of our Clients travel for business reasons, and we believe that eliminating the political uncertainty will spur an increase in corporate activity in general.

The appreciation of the Real should also help in the invrease of consumer purchasing power for air travel.

HOW IS GOL CURRENTLY POSITIONED RELATIVE TO COMPETITORS IN TERMS OF CASK?

Richard:

As Kakinoff mentioned, the combination of our efficient, high frequency network connecting major urban centers, and our top-of-the-line single-aircraft-type fleet has allowed us to establish ourselves as one the premier global class low cost operators.

In terms of CASK ex-fuel, GOL has around a 25% cost advantage versus Brazilian competitors.

We believe this is critical. We believe lowest cost always wins.

Passengers are sensitive to fares and low costs, which creates a buffer beyond which our competition cannot lower its fares further in a sustainable manner.

Also, as mentioned, we expect to continue to strengthen our structural cost advantage, as we roll the MAX into our fleet. The MAX consumes around 15% less fuel than the 737 800 NG.

We already have two MAX aircraft in operation in our fllet, and we will receive four new MAX aircraft in the fouth quarter of 2018.

WHAT IS THE COMPANY'S GOAL WITH THE RECENTLY-ANNOUNCED TAKE IN / MERGER BETWEEN GOL AND SMILES?

Kakinoff:

Our goal is to ensure the group remains competitive in the long term, while observing and respecting the interests of both GOL and Smiles shareholders.

With this reorganization, we will strengthen our capital structure, which will be even more solid. We will simplify our company's corporate governance.

We also believe we will reduce operational, administrative, and financial expenses, as well as costs in general, which will make us even more competitive.

WHY IS IT THAT SEVERAL PLAYERS CARRIED OUT THIS TYPE OF OPERATION TO REINTEGRATE THEIR LOYALTY PROGRAMS? IN THIS CONTEXT, WHY DID GOL DECIDE TO DO SO TOO?

Kakinoff:

The recent wave of "reintegration" of loyalty programs changes the game's dynamics.

We expect more intense competition in this segment of our business, which will demand airlines to increase investment in aviation products, which, at the end of the day, are the major source of value for mileage programs.

Both GOL and Smiles are currently performing very well from an operational point of view.

In our group, 90% of miles redeemed from Smiles are used to obtain tickets in the GOL network.

With an integrated program, we will be better equipped to make investments to maintain our leadership in this market and preserve value for all shareholders in the long run.

One point that is rarely mentioned, and which is worth remembering, is that today there is a global focus of players from outside the aviation sector, such as banks, launching their own loyalty programs.

As these players pursue this strategy, competition will increase, which would have a negative effect on the margins of all airline loyalty companies.

This trend is especially relevant given that today the biggest buyers of loyalty points in the market are the banks themselves.

It is always worth remembering that our business follows trends similar to those of all other airlines that had a non-integrated loyalty program, and have been making proposals to integrate them over the last 6 months.

WHY DOES THE CURRENT CONTRACT BETWEEN GOL AND SMILES JEOPARDIZE THE LONG-TERM COMPETITIVENESS OF THE BUSINESS?

Kakinoff:

The loyalty program business was dissociated from the core business in 2013, and some changes in the landscape of the loyalty program industry and the airline industry, jointly, were impossible to predict at the time of the carve-out.

It is important to note that the decision to unify the business is taken and follows its normal course under the terms of current legislation.

We understand that, from the announcement last month, the market starts to analyze the Group businesses from this perspective – that of an integrated company.

According to our forecasts, this separation is likely to put non-integrated airlines at a disadvantage compared to those where both businesses are integrated.

In our future scenarios, we forecast rising competition among loyalty programs (regardless of whether they are related to airlines), which will have a negative impact on the margins.

Even recently published studies and reports point to this expectation and risk. For example, market analysts from different banks have begun to reflect such expectations in their growth and margin projections.

In addition, an appraisal report analyzing the loyalty sector, which was filed with regulators and made public last week, also describes - in a very detailed way - the inflection point that the loyalty industry is going through.

This reading is not just for Latin America. We are experiencing a global trend of integration between airlines and loyalty programs. And we understand that companies that have both integrated businesses can finance themselves at lower costs.

As a result, they will have greater control over the yield management of both businesses: loyalty and air transportation, condition that becomes revevat for the maintenance of our competitive edge, especially in a scenario where the other players have such structural characteristic.

WHAT ARE THE MAIN APPLIED ASPECTS THAT LED GOL TO DEVELOP THE INTEGRATION PROPOSAL?

Kakinoff:

It is very important to have a real understanding of the rationale of the proposed operation.

There are three relevant concepts that are taken into account in the decision making regarding the integration of the loyalty business into the air transport business.

CONCEPT 1 - PORTFOLIO MANAGEMENT: As you know, GOL Linhas Aéreas Inteligentes S.A. (GLAI), a listed company, is a holding that not only sells air tickets. The fact of being a holding does not imply that the company is necessarily better, but it certainly brings diversification to the final investor.

We are the largest air transportation group in Brazil. We have several businesses such as passenger transportation, cargo transportation, aircraft acquisition and management, accessory services and Smiles, our loyalty program.

As a portfolio manager, our commitment is to have a forward-looking view of all our businesses. Always aiming at creating value for GLAI shareholders.

We have our own studies, besides closely following the main competitive movements at the global level.

That is, as Smiles shareholders, we have the prerrogative of having our own vision about the market. And such a vision is formed by our experience and future expectation based on movements of this industry, which is very dynamic.

CONCEPT 2 - DUTY TO COMMUNICATE: Once the decision has been made regarding the integration of the business, GLAI has the fiduciary duty to communicate the market in general, the management and executives of Smiles. This was done on October 14, two weeks ago.

Matters of this nature are not discussed, nor can they for legal reasons, with the management of non-wholly owned subsidiaries involved in such operations.

This is a fundamental principle in relevant facts, as we announced on October 14.

CONCEPT 3 - RESPECT TO THE DIVERSITY OF OPINIONS: Managers of holding companies and subsidiaries do not necessarily share the same vision about the future and / or conduct of business within the holding company.

In the light of the holding company's decision, we must follow the applicable legislation and best corporate governance practices in order to preserve the best interest of GOL’s and Smiles’ shareholders.

Hence the creation of an independent committee to analyze the transaction and propose the conditions of exchange to the Board of Directors of Smiles and, subsequently, to the Shareholders' Meeting. The objective is to preserve and promote the alignment between the interests of all shareholders.

We thus have the result of the restructuring to be built by GOL together with the members of the independent committee of Smiles.

This is not any imposition of the controlling shareholder, but rather a structured and negotiated process, aimed at protecting and balancing the shareholders' rights of GOL and Smiles.

Therefore, in light of these three concepts, we are preparing the Company with a vision of long-term business continuity.

We are now acting proactively to protect and improve our group's future value proposition. Competition between loyalty programs (regardless of whether they are related to airlines) will continue to rise, with the possible arrival of new players not necessarily linked to companies.

Our view is that such movements will have a negative impact on loyalty program margins, and will require fast and more integrated responses from Smiles and GOL.

YOU MENTIONED THAT THE TRANSACTION WILL ALLOW GOL TO BETTER RESPOND TO CHANGES IN LOYALTY MARKET TRENDS AND IMPROVE ITS COMPETITIVE POSITION COMPARED TO OTHER AIRLINES AND OTHER LOYALTY PROGRAMS. HOW WILL BRINGING SMILES IN WILL MAKE THIS POSSIBLE?

Kakinoff:

If we intend to remain in the lead in this new scenario, GOL will have to react even more quickly to adjust pricing and control yield management for the air transportation and loyalty program businesses - SIMULTANEOUSLY.

We operate with a systemic vision and not the one of an isolated business. We are continuously evaluating and adjusting the strategy, now integrated with the loyalty program and the airline.

Having Smiles “in house” means not being subject to the limitations of an operating contract or of a separate entity, in line with the new competitive environment.

Reintegrating Smiles will allow us to do just that — and ensure our competitive advantage compared to our Brazilian and Latin American peers in the future.

As we already mentioned, with the independent players entering the loyalty program market, our move also aligns the interests of all of the group’s shareholders with the goal of maximizing value for the consolidated Group.

WAS THE DECISION TO CARRY OUT THE TAKE-IN PROCEDURE DUE TO THE FACT THAT SMILES HAS DISTRIBUTED MANY DIVIDENDS THROUGHOUT ITS EXISTENCE, VALUES THAT THE CONTROLLING SHAREHOLDER NOW INTENDS TO CAPTURE FOR ITSELF?

Richard:

The Smiles operation has given its shareholders exceptional returns. Since the carve-out in 2013, until October 2018, SMILES shareholders received a total return of 288% - through increases in its stock price and dividends.

If compared to a 53% return on Bovespa over the same period, it is clear how well the company has been managed during that period.

It is important to stress that now the scenario has changed. Our forecasts are systemic, which means GOL plus Smiles already integrated, as well as our competitors' forecasts, show increased competition in the loyalty program industry, which we believe will result in lower margins for the business.

Recently published studies point to this expectation and risk. If lower margins are forecast in the medium term, it does not make sense to think that the controlling shareholder wants the transaction to only capture the dividends that would be distributed to other investors.

What is sought through the proposed restructuring is, in line with a global trend, to position the company in a sustainable manner in the face of future challenges.

WHAT WILL BE THE NEW STRUCTURE OF THE COMPANY RESULTING FROM THE ABSORPTION OF SMILES?

Richard:

GOL will have a class of common shares on the B3 Novo Mercado segment, which demonstrates our commitment with the adoption of a system of corporate governance rules for the merged company in keeping with the best market practices.

Smiles will be absorbed into this new structure maintaining a separate management team. Current holders of GOL non-voting preferred shares will remain in the company and these shares will be exchanged for GOL common shares.

Each preferred share of GOL will be exchanged for a lot of 35 common shares, in order to preserve the economic rights of the current preferrred shareholders.

In a second step, this batch of 35 common shares will be regrouped into a single voting share. Current Smiles shareholders will exchange their shares for GOL common shares and additionally new redeemable preferred shares.

The conditions of this exchange will be established in negotiations between GOL and the Smiles' independent committee, yet to be constituted.

In this way, we seek to preserve and promote an alignment between the interests of all our shareholders in GOL and in Smiles.

WERE THE FOUNDATIONS OF THE CONTRACT BETWEEN GOL AND SMILES DETRIMENTAL TO GOL? WAS THAT WHY THE COMPANY CHOSE NOT TO RENEW IT?

Kakinoff:

That's not what this is about. We need to understand that this contract was written and signed some time ago, and the market has since changed and become even more challenging.

It has become more competitive and will continue to become even more so. We see the need to restructure the business under normal operating conditions.

The current scenario is very positive for this decision: Smiles is the market leader, and so is GOL. We are not under pressure from a new scenario.