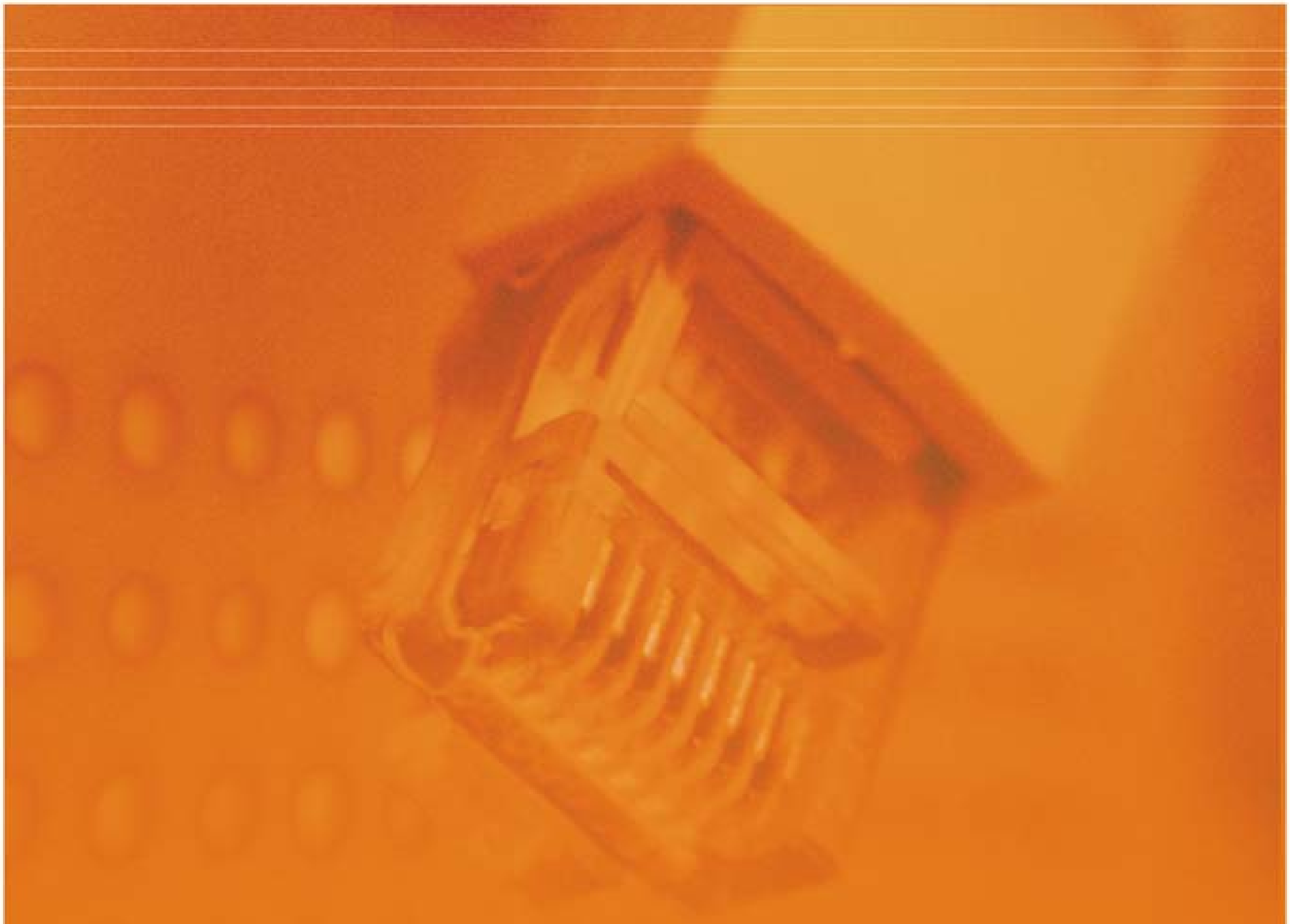

Conference Call Transcription
4Q04 and 2004 Earnings Results
March 8, 2005

Linhas aéreas inteligentes

Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to GOL's fourth quarter 2004 results conference call. Today with us, we have Constantino de Oliveira Jr., President & CEO; and Richard F. Lark Jr., CFO.

We would like to inform you that this event is being 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 section. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have a simultaneous web cast – audio and slides – that may be accessed through GOL's website at www.voegol.com.br. The slide show, which will be presented by management today, is in the platform available in the website, investor relations section.

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 President and CEO Mr. Oliveira who will begin the presentation, Mr. Oliveira, you may begin your conference.

Constantino de Oliveira Jr.:

Thank you and good morning. First of all, I'd like to welcome you to GOL's fourth quarter 2004 results conference call.

Before starting, I would like to say that 2004 was an extraordinary year for GOL as we reinforced Company's growth and reaffirmed our "virtuous cycle", the main pillar of our business model.

The lowest costs in the market allow us to offer lower fares, which help us to achieve high load factors and increase results. This "virtuous cycle" creates the necessary conditions for popularizing air travel and the achievement of outstanding profitability.

Reinvestment of profits is a key factor for the continuous realignment of our "virtuous cycle". In addition, we successfully concluded in 2004 our Initial Public Offering on the Bovespa and NYSE and launched our international operations, with Buenos Aires as our first destination.

Now we will present the figures for the fourth quarter and full-year 2004.

It is important to say that the last quarter of 2004 was very important for GOL in terms of setting the basis for 2005 trends.

Our fare realignment, announced yesterday, reaffirms our strategy and belief in the expansion of the Brazilian and South American air travel markets.

Let us move to Slide #2, entitled "Highlights".

The fourth quarter of 2004 was a period of results and growth for GOL. Our quarterly net income grew 93% from R$64.1 million to R$123.9 million in US GAAP, which is the accounting principle we use to prepare our MD&A and is used by market analysts to model the Company and compare to our peers.

GOL maintained stable operating margins, despite fuel cost increases, and maintained its position as the lowest cost provider in the Brazilian market, with a CASK over 30% lower than the nearest competitor.

In the fourth quarter of 2004, we increased our operating capacity by approximately 20%. We added 4 new aircraft to the fleet, we added 51 new flight frequencies, and 7 new market destinations were inaugurated: Foz do Iguaçu, Caxias do Sul, Uberlândia, Joinville, Teresina, Aracaju and Buenos Aires.

The combination of the 20% expansion in ASKs and a 7-point increase in load factor resulted in RPK growth of 32% year-over-year. We finished 2004 with almost one quarter of the Brazilian regular air passenger transportation market.

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

Richard Lark:

Thanks, Junior, and good morning everyone. Please move to slide #3 in the presentation.

Our net revenues grew almost 50% to R$625.0 million in the fourth quarter, while revenue passenger kilometers increased 32% to R$1.8 billion. Revenue passenger kilometers growth resulted in a higher average market share for GOL, reaching 24% in 4Q04 compared to 20% in 4Q03.

The 20% expansion of available seat kilometers facilitated an 18% increase in departures. Our load factor and aircraft utilization improved to 73% on load factor and 13.7 block hours per day on aircraft utilization, respectively.

In addition to volume improvements, we also experienced a healthy yield environment during the quarter.

Average fares increased 9%. Yield, which represents revenue per passenger kilometer flown, grew 14% to 33.4 cents of Real, partially compensating for higher jet fuel prices.

Revenues per available seat kilometer, or RASK, increased 25% to 25.9 cents in Real. These numbers show the results of our superior yield management practices.

Moving on to slide #4, you can see our 20% capacity expansion, as previously highlighted by Junior. In the last three months of 2004, we added 4 new aircrafts to our fleet, 51 frequencies and 7 new airport bases, including our first international base, Buenos Aires. This gives us new capacity to fuel revenue growth.

On the next two slides, I will show you two expense comparisons, the first 4Q04 vs. 3Q04, and then the second comparison of the fourth quarter of 2003 with the fourth quarter of 2004.

On the next slide, slide #5**,** we have comparison of the fourth quarter vs. the third quarter of 2004. While our fuel costs per available seat kilometer increased by 9% between the third and fourth quarters, average fares increased by over 6%.

Fare adjustments combined with strong demand allowed us to achieve a 14% increase in RASK, when compared to the third quarter of 2004.

Our hedging program, in conjunction with our fuel efficient fleet and pricing power has effectively mitigated the increase in jet fuel prices, allowing us to maintain operating margins.

Our hedge program was over 90% effective during the fourth quarter. In the first quarter of 2005, GOL has hedged approximately 65% of its short-term fuel price exposure and we hedged approximately 50% in the second quarter of 2005.

You will see the "year-on-year" comparison of our operating results on slide #**6**. A strong 25% increase in RASK and a 20% expansion of ASKs contributed to a 50% increase in EBITDAR in the year-over-year comparison, reaching R$242 million in 4Q04, representing a 39% EBITDAR margin.

Almost 80% of the increase in CASK was due an increase in jet fuel expenses per ASK. Sales and marketing expenses per ASK increased 30% primarily due to the launch of GOL's new bases, and a much higher level of sales bookings (vs. passengers flown).

When you have a high rate of growth, as is the case with GOL, we pay commissions on sales, which represent future revenues, as revenues are accounted when passengers fly.

The expansion of other operating expenses was also related to pre-operating costs as to establish our international operations. The sum of the expenses relating to the start-up of new bases and aircraft was approximately R$10 mi in 4Q.

Non-fuel CASK (12.2 cents in Real) increased by 6%. This 6% increase in non-fuel CASK was caused by an increase in sales and marketing expenses and one-time pre-operating costs, that I mentioned, relating to the installation of 7 new bases and the incorporation of 4 new aircraft.

Higher capacity, represented by a 20% increase in ASKs, allowed a reduction of the remainder of operating expenses by 12%, allowing GOL to maintain a stable 39% EBITDAR margin.

These were the main impacts on our expenses. A more comprehensive breakdown and explanation of our expenses can be found in our earnings release that we have made available this morning and most of you have already received by e-mail and you also find it on our website at www.voegol.com.br

On the next slide, slide #7, we show our net income delta analysis. During the fourth quarter, net income was R$124 million, representing a 20% net income margin, substantially higher than the 15% net income margin recorded on the year-ago quarter.

Explaining the main differences, fuel costs increased by R$68 million, when compared to 4Q03. Our 4Q04 net income was also impacted by a R$31 million increase in commercial expenses, R$13 million increase in other operating expenses and a R$8 million increase in profit sharing program provision.

Of the R$43 million total increase in commercial and other operating expenses, approximately R$10 million was related to start-up of 7 bases and the incorporation of 4 new aircraft, as I previously mentioned. Cost increases were partially offset by R$27 million of additional net financial income.

To motivate our employees and align their interests with our results of operations, we provide an annual profit sharing program to all of our employees, based upon the achievement of pre-defined corporate and operational targets. Based on the achievement of our 2004 profit targets, we will make a profit sharing payment equivalent to 4 months salary to each of our employees, corresponding to a $27 million (which is equivalent to R$1.1 cent per ASK) provision in the 4Q04.

In the 4Q04, earnings per share was R$0.66 and US$0.47 per ADS. Excluding direct start-up costs relating to expansion of operations, 4Q04 EPS was R$0.70 and US$0.50 per ADS. For the full-year 2004, earnings per share was R$2.14 and US$1.46 per ADS. Excluding one-time add-backs, the full-year EPS was R$2.28 and US$1.55 per ADS.

The next slide, slide #8, shows GOL's strong liquidity position and cash generation. In 2004, we increased by 2,2 times our operating cash flow to nearly R$274 million. Total cash generation was increased by 3 times, up to R$184 million, that's net cash generation. The total liquidity position at December 31, 2004, was a healthy R$1,2 billion, an increase of R$848 million compared to December 31, 2003.

Slide #9 shows dividends distribution in 2003 and 2004. GOL's bylaws provide for a mandatory dividend to common and preferred shareholders in the aggregate of at least 25% of annual net distributable income determined in accordance with Brazilian corporate law.

The 2004 proposed dividend is R$60.7 million, corresponding to R$0.32 per share or R$0.24 per ADS and this amounts 129% higher than those distributed in 2003. The dividends payable are included in other liabilities and the payment will be made on April 20, 2005, after the approval at the annual shareholders meeting to be held on April 11, 2005.

Moving on to slide #10, we show the excellent performance of GOL in the capital markets. From our IPO, at the end of June 2004 to December 31, 2004, our ADS outperformed the American Stock Exchange Airline Index by 63%, the Tier 1 LCCs by 85%, and the Dow Jones Transportation Index by 44%. Our local shares outperformed the Bovespa Index by 26% in the same period. In 4Q04 our average daily trading volume in the NYSE was US$5 million and R$4 million on the São Paulo Stock Exchange.

On slide #11, you can see that our results continue to be a benchmark for the global airline industry, as we have managed to post industry-leading growth and margins in 2004. Our P/E multiple is still at a discount to the other leading airlines, despite of our superior growth rate, which is one of the highest in the sector.

I will now turn the call back over to Junior, to review our plans for the future.

Constantino de Oliveira Jr.: Thank you Richard. Before moving on to slide #12, I would like to say that in the first quarter of 2005 we added regular service to two new destinations: João Pessoa and Petrolina, both in Brazil.

In addition, we exercised nine more purchase options for 737-800 NGs, totaling 26 firm orders to be delivered between 2006 and 2010. These new aircrafts will provide us with additional capacity to profitably expand in the growing Brazilian market.

The successful launch of our international operations in Argentina confirms the opportunity to expand our business throughout South America based upon an extension of our existing network, using the same strategy that has been followed in the Brazilian market. We expect to start regular flights to Santa Cruz de La Sierra, in Bolivia, in May 2005, and we have recently applied for routes to Montevideo, Uruguay, and Asunción, Paraguay.

Slide #12 shows our revised fleet plan for the next five years. We recently increased the size of our fleet plan, based on our increased need for ASKs to meet demand for our services. Our fleet ended 2004 comprised of 27 737 aircraft.

By the end of 2005 we will have 36 737 aircraft fully operational. Our 2005 capacity needs will be fulfilled by an additional four leased 737-800 NG and five leased 737-700 NG. These aircrafts will allow a fleet size increase of 33%, and an increase in ASK availability of close to 40%.

Our fleet increase is a consequence of, not only an increasing demand, but also of a greater number of destinations, we will be profitably serving.

By the end of 2009, we plan to have a fleet composed of 63 aircraft, mainly 737-800s.

Now back to Richard for the 2005 financial outlook.

Richard Lark: The last slide of this presentation, slide #13, shows our updated guidance for full year 2005. We expect a stable foreign exchange rate environment for this year, supported by good economic fundamentals and strong growth in the Brazilian economy. A stronger Brazilian currency positively impacts approximately 50% of GOL's operating expenses, such as aircraft leasing expenses denominated in U.S. dollars and dollar-linked jet fuel expenses.

We expect to complete 2005 with approximately R$2.8 billion of net revenues, which is 43% higher than full year 2004 actual net revenues, and earnings per share between R$2.70 and R$3.00 per share, representing an average EPS growth in the range of over 30%.

We also expect to deliver an EBITDAR margin in the range of 38% - 40% and operating margin in the range of 26% - 28%. The slight reduction in our margins from 2004 to 2005 is explained by our plan to be more aggressive on pricing and to continue to drive volume growth and create first-time flyers, considering the large growth potential of the Latin American air travel market. GOL's strategy remains focused on popularizing air travel in the region and increasing the size of the overall market.

Having now concluded our brief presentation, we would like to thank you for your attention and turn the floor over for Q&A, during which we will be glad 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 time. If at any point your question is answered, you may remove yourself from the queue by pressing the pound key.

Questions will be taken in the order that they are received. We do ask that when you pose your question that you pick up your handset to provide optimum sound quality.

Once again if you do have a question, please press *1 on your touchtone phone, at this time. Please hold while we pool for questions.

Thank you, our first question is coming from Bill Green, with Morgan Stanley.

Bill Green: Yes, good morning. Richard, could you talk a little bit about the current trends, that is the load factor performance for January and February as well as your performance in light of that, the sales that you announced yesterday.

Richard Lark: Sure, hi Bill, you have seen our load factors for January and February, you know, we are roughly maintaining loads in the 70-71% range, which equals our average performance for 2004. We expect to maintain loads in those levels, including for March, as you know, we are entering in the… March, April and May periods are the down months seasonally. On the yield side of the equation; yields have been similar to the experience we had last year. The combination of the new tariff structure, new pricing structure, fares structure that we announced yesterday.

We expect the yield loads will be cut off slightly but our RASK will probably increase through higher loads. Mostly like in the Y-o-Y comparison we will see RASK above what they were in 1Q04 in a comparison with 1Q05 with loads in the 70-71% range.

Ok. That's helpful. Can I also ask you, can you talk a little bit about the domestic market, there have been some reports mentioning, I guess the BRA is trying to apply now for more permanent ability to supply more regularly at the regular schedule airline. Can you talk what that could mean for GOL?

Constantino de Oliveira Jr.: In terms of BRA, BRA is already flying as at charter company but doing some regular flights between some destinations. What they do usually is that for a secondary market, market they operate as a charter, but on the main market they are flying as a regular flight.

So, if they become, if DAC accepts them as a regular company, they will become regular, but I don't think it will, that means that the regular market will suffer a lot. Probably they will keep their strategy to do regular flights on the main market and keep their kind of charter market and regular flights on the secondary market.

In this sense, they will have much more obligation then they have right now as a charter company. In Brazil, to be regular they will have to follow all the rules that, the rules for regular companies are much heavier than for the charter.

In this sense also, they will be right in our market, so they will be open to compete with us, or they will be open to have a competition from us. I guess they don't have a lower cost than ours, they are operating with a very high load factor, their breakeven is very high also and now they are doing that under the rules for a charter company.

So, if they become a regular company they will be under the stronger rules and also they will be under our radar, if I can say that, to be, to compete directly our fares, our services, with their fares and their services that we don't, we are not able to do that right now.

Bill Green: Ok, that is helpful, thank you.
Richard, just one last question on profit sharing. Will you accrual all in the 1Q05 or will you spread it out among the…?

Richard Lark: In 2005, we already moved the accrual to a quarterly accrual…

Bill Green: So, we should see that the first 3 quarters will have a greater increase y-o-y than the 4Q may actually have a very low increase.

Richard Lark: 4Q will have a lower increase that will not be that much of an impact. The 1Q, 2Q and 3Q would have a higher amount of salaries expenses due to that. Respectively, the full year amount will probably be spread over 2Q, 3Q and 4Q.

Bill Green: Ok. Thanks for your help.

Operator: Thank you, our next question is coming from Mike Linenberg, of Merrill Lynch, please go ahead.

Lily (on behalf of Mike Linenberg): Hi, good morning gentlemen, this is Lily on behalf of Mike. I have a quick question about the fares reduction that you put on yesterday. What is the response are you seeing from TAM and Varig, from other competitors? Are they matching aggressively or are they partially matching? What kind of response are you getting from them?

Richard Lark: I guess, we…, Our new fares were launched at 0 hours on the Monday morning, so we really have to wait to see our competitor's response. It is probably a better question to ask at the end of this week. We have not seen, we heard that they were thinking about responding but we have not seen much real evidence of that yet.

It's hard for me to say but I have been out of Brazil since yesterday morning so it is kind of hard to me to answer that one.

Constantino de Oliveira Jr.: Just to complete. This is Constantino speaking. It is very important to make clear that we put our fares in the same line as our strategy to reinforce our virtuous cycle. If our competitors follow us, probably they don't have the same cost structure, and they don't have the same conditions as we have, so, it is difficult to say what they will do, but in our sense, we did that in a very technical way, it was not something emotional, so there is some rationale behind that and that aligned our fares to our strategy and that's very important to say.

Lily (on behalf of Mike Linenberg): Ok, that's helpful. The other question I have is regarding the startup costs related to the southern market flights, and other operating expenses. We should expect more destinations coming onboard on these routes. Do you have, like, the southern market is going to be running at the heavy rates that you have shown us for the last quarter. We are going to see that for a while, am I correct?

Richard Lark: There are two impacts in the Southern market: the impact in terms of our client service and our costs. Keep in mind that from March/April of 2003 until August/September of 2004 GOL really demanded more aircraft. So, in the 4Q04 we had a large increase in aircraft and with that come training costs and simulator costs for pilots. Also, we launched in 4Q our first international base, Buenos Aires, so we spent money on that, you know, the returns on that are being shown in the fact that we are offering load factors at 75% currently, in the 1Q05 on the Argentina flight and we are about to breakeven from the investments we made in terms of launching GOL in the Argentine market. That kind of investment would prevail for large international market.

We are launching Bolivia in the second quarter of 2005. That's not a large international market so there won't be a lot of money expense on the launch there. So Argentina was sort of a very unique situation in terms of the advertising campaigns, the television advertisements that were done, plus the events that we used to launch the company, to put GOL, as we say, you know, with the right foot in the Argentine market. That we can not repeat at that level, that level was specific for Argentine situation, which was unique. Also, in terms of the aircraft startup cost in 3Q, sorry in 4Q04, we are also incorporating on a temporary basis as you know, we are leasing 737-300s under 2 and 3 year operating leases. So we did have unusual cost there relating to the incorporation of the new aircraft type into the fleet. There, as well, the investment has been made.
The required investments in terms of getting the right crew, training for that aircraft, but these investments will not be repeated. We are adding this year the 700s and 800s, then we already have the capability for that so, we think about that to the extent these expenses tend not to repeat themselves overtime, even for a major launch in a market such as Chile, I'd imagine we would spend a lower amount of money to put Chile on track. You probably do not see that kind of expense with Paraguay and Uruguay, which are also on the schedule for this year. We expect new aircraft but we don't really expect to see anything out of the ordinary in respect to that sense.

Lily (on behalf of Mike Linenberg): Ok, that's was very helpful. One last question, do you have an update on the ASK breakdown for the first quarter of 2005?

Richard Lark: I don't have that data right in front of me Lily, we can try to give that to you later.

Lily (on behalf of Mike Linenberg): Ok. Sure, no problem, thank you very much.

Operator: Thank you, our next question is coming from Daniella Bretthauer, of Santander. Please, go ahead.

Daniella Bretthauer: Hi, good morning gentlemen, congratulations on beating market expectations on the 4Q results. The first question is regards to the fares realignment announced yesterday. Can you provide insight on your expectations for the strategy? Is that taking into account the 100 bps decline in EBITDAR margin for 2005 or, you know, you already called for a dropping margin anyway so that's already sectored in because there seems to be a bit of a confusion in, are these selected seats or is it across the board, you know, if Junior could comment the new pricing strategy in more details? We did some website checking just to provide feedback. The research team of Santander could not access the site yesterday. They had problems getting into the site, so how are you prepared to deal with that increase in demand? Thanks.

Richard Lark: Let me just talk about the present strategy. In terms of impact on margins, as you recall we have articulated in 3Q a slight reduction in margin and we are basically maintaining our guidance on EBITDAR margin but reducing the guidance quite another… by a little bit more on the operating margin and I think, that's because the dollar effects on EBITDAR margin are least expected.

So, the answer of your questions is yes. The effects of this… we've been planning this new pricing strategy for a while as we entered into the high season in 4Q04, it did not make sense that there is fare realignment in 4Q. And we waited for this specific moment to do it, as we enter into the lower season, and the lower seasonal quarter which is 2Q, but this is not in the guidance we have articulated, we must keep in mind that we are expecting a slightly better RASK if you will in the y-o-y comparison through lower yields, but higher load factors, and you know, load factors x yield = RASK, and we are expecting an improvement in RASK, which is also part of the results of the guidance we have articulated here. But I will let Junior talk about the details of the pricing strategy.

Constantino de Oliveira Jr.: Our pricing strategy means that we are taking advantage of our powerful revenue management system. And we changed our view in terms of fares, we changed to keep lower fares in all of these destinations. So we will have really lower fares in all the seat fares we are operating right now. That, for sure, we are not doing that on the flights that in the, for example, 8 o'clock in the morning during the Monday, or something like that, but we are offering during midday, we are offering during certain flights in almost 100% of our destinations very low fares, and that we are doing to stimulate demand.

As everybody knows we had, on the last 3 years, some kind of, or we still have, some kind of constraint offering growth and in terms of keep a higher load factor in the industry and this kind of thing. And at this time the industry is much healthier and we would like to keep this health with much growth perspective then we had in the past.

So, with that, we are looking for the gap between our RASK and our CASK, and in this sense we are, we have expectations to grow in terms of load factors and to keep our projections in terms of RASK. So, this movement was very well analyzed in technical terms, we developed, we studied a lot our RMS system to do something very thin in terms of regulation on the price, that will represent a little bit lower yields in our structure, in our company, but then with representative level of RASK or even a better RASK then we were expecting.

Daniella Bretthauer: Just a follow-up, you mentioned the gap between RASK and CASK, how wide are you willing to go on this gap or what is the optimum level that you would look to maintain?

Richard Lark: Yeah, there is a lot of people focusing on the spread between RASK and CASK and in GOL it seems to be the largest one among the airlines in the world. We do not manage the gap between RASK and CASK, we focus on keeping costs low and constantly trying to drive them down, as Junior mentioned, our pricing strategy is one of the components of what we call our virtuous cycle, as we are able to in terms of, you know, having lower cost, lower fares, you know, improved loads, improved profitability, and then we reinvest that in the cycle.

As we are able to do that, we are going to constantly focus on providing a selection, an inventory of seats that are available at lower fares to grow the demand, grow the size of the market in Brazil. It does not necessarily mean that you lower the RASK because it has the effect of increasing loads.

So, we are really managing it as a functional combination of keeping the cost as low as possible and then trying to make sure we have got, you know, profitability margins as high as possible given the several constraints that we are operating with. That is how we look at it, we are not looking at the spread between RASK and CASK, we are looking into quantify this into our operating margins, you know, 26-28% operating margin, which is our target curve for 2005 and that equates down to a net income margin of something in the range of 18-20%, which is how we are managing the business.

We are really managing the business more focused on free tax income margins as opposed to the spread between RASK and CASK.

Daniella Bretthauer: Ok, thanks Rich. And just to wrap up. What do you think is an appropriate load factor guidance for 2005, do you think 70% is reasonable to assume in your earnings model?

Richard Lark: Yes, that's reasonable, we are working with 70-71%. Keep in mind that we have a, you know, Brazil has probably the size of 48 states and we have a nationwide network but demand is very intense in the business markets and very seasonal several times of the year, you know, GOL is operating at a load factor that is, you know, between 8 and 10 points above what Brazil has, Brazilian industry has achieved historically, and that is combined with 14 hours of aircraft utilization.

I think, you know, the challenge and the objective for us in 2005 is to maintain the aircraft utilization between 13,5 and 14 hours and maintain the loads at the 70-71% level and drive volume growth on top of that, that's really what we are trying to do in 2005.

Daniella Bretthauer: Thanks.

Operator: Our next question is coming from Sam Panella, of Raymond James. Please go ahead.

Sam Panella: Hi, good morning. Recently TAM announced a 42% domestic market share, what is about a 10% up y-o-y. So, it seems that this Company conquered most of the VASP's market share. Can you discuss this and also where do you see domestic market share going to in 2005?

Richard Lark: Yes, sure. GOL was operating in a capacity constraint environment during 4Q04. We added the aircraft, you know, we had the 2 aircrafts that came in in November and the other 2 in December. As we had a large capacity expansion in 2004, we are also adding aircraft, a large number of aircraft, about 6 aircrafts in the first half of 2005.

Both TAM and VARIG had a lot of extra capacity laying around. The RPKs were there, you know, in terms of the RPKs that VASP was transporting, you know, into the market. The market is also growing at a steady rate of 10% y-o-y in terms of volumes and those passengers for the most part, I guess, you know, close to half of those were absorbed into the TAM ASKs and also increased utilization of the total Foker 100s and some of the other regions in Brazil. Having said that, GOL is the only company to have new ASK capacity awarded to the shuttle market in December.

We added 10 new frequencies per day in the Rio – São Paulo shuttle market, which, as you know, is the most lucrative market in the world in terms of revenues, with roughly twice revenues per aircraft, which is roughly twice of our average.

We allocated one aircraft of our 27 fleet of aircrafts to that market in December, that was basically what VASP was operating, so what we were able to get with our limited aircraft capacity, we did pretty well, we were able to get new ASK capacity in the most profitable market in Brazil, the Rio-São Paulo shuttle.

A lot of the TAM and Varig capacity has been allocated into other regions of Brazil, northeast and southern Brazil and so on. I would say that as we add new capacity, that capacity was extended to be most price sensitive. It is not that they are going to stick to a particular brand, since you can go to wherever you want and get the best prices, so there could be a little bit of flow back to the GOL size of the equation.

Constantino de Oliveira Jr.: It is very important to say that, also, TAM, in January and February specifically, they were, and also in December, in the second half of December, they were operating with a lot of charters in a regular flight, that means that they were selling operation tours including services of hotel and transfers or something like that. They do that strategically with one of the largest travel agencies in Brazil and they based their routes and carriers on the charter flights.

So, we can expect to see, on March, or March/April, a slight decrease in their market share because they don't have the opportunity to do this kind of charters during the low season.

Richard Lark: You must remind as well that January and February in Brazil is like August in USA, it is a Summer high season, so, the airlines have a lot of capacity laying around and put that out in temporary flight and, you know, a lot of the growth that was to happen in that sense in terms of ASKs and in RPKs, in January/February, was also related to TAM using its fleet of Foker 100s to do that, which has a higher operating cost.

Sam Panella: Ok, and for 2005, your guidance, what oil price are you assuming in there?

Richard Lark: Yes, that's the million dollar question. We did our budget for 2005 back in October assuming dollar at R$3,14 and low prices of US$39 a barrel. We are working with a dollar now, which is sort of 2.70 – 2.80 range; most of the market has forecasts for the dollar to finish the year in sort of a range 2.75 – 2.85. Having said that, on the other hand we are operating with oil which is over US$50 a barrel. The dollar effect has, I mean, a weaken dollar, given the Petrobras pricing formula for jet fuel is WTI plus dollar, has mitigated the impact of increasing WTI on our average jet fuel price.

We have more or less been following company's trend, in fact for most of January we had a decrease in jet fuel prices for us and we also had gains on our hedge portfolio because, you know, oil prices went up, so overtime those trends, you know, WTI tends to be 80% correlated with Petrobras price.

But in the 4Q I would say it was a little bit of mitigation due to the strengthening of Real and, you know, for example, we have hedge fuel on roughly in the range of 47-48 dollars a barrel for 4Q, so we have made some money on the hedge portfolio which more or less compensated the increase in operations, so we will tend to follow the long-term trends on that, we increased protection with short-term hedge and then in terms of the pricing power that we have in the market, specially with the business segment ability to increase yield to preserve the margin if you want.

Now given the new fares structure that we have announced, we are willing to trade a little bit of the short-term, we pass on any impact on jet fuel to grow demand and to produce higher revenues. Some of those effects are in this margin guidance we gave regarding 2005, including our expectations with respect to oil. I should also say we also plan on redoing our…we have linked the analysis, we are hedged, a kind of a little bit, to prepare for the general 2Q weakness in the market.

Sam Panella: Ok, thank you.

Operator: Thank you. At this time we have time for two more questions. If you do have a question, please press *! On your telephone keypad at this time.

Our next question is coming from Rodrigo Goes, of UBS. Please, go ahead.

Rodrigo Goes: Hi guys, I was just wondering, I have 3 quick questions. The first one: have you made, do you have any new guidance for the average yields, give the new pricing strategy. In other words, what are you looking at in terms of changes in average yield for 2005 relative to average yield in 2004, in nominal Reais. That's number 1.

Number 2: did I hear you say that you are going to end 2005 with 36 operating aircrafts?

And the last question, if you have a number, do you know how much fuel you spent during 4Q04.

Richard Lark: Sorry, the last question, I didn't hear you.

Rodrigo Goes: How much fuel in thousand liters?

Richard Lark: We don't provide fuel consumption, to protect our price in terms with our fuel supplier. In terms of your second question, yes, we expect to finish the year with 36 operating aircrafts, which is an increase of 3 aircraft above what we articulated in our guidance on the 3Q04.

In terms of yields, we don't provide specific yields guidance. And I encourage you to focus on RASK as well, because we also expect, you know, RASK to be stable to…, increasing over our experienced RASK in 2004. Having said that, on an apple to apples basis, yields with our new fares structure should be down at least 10% in the y-o-y comparison. So when we look at yields, they will probably be down 10%, we expect to make up with that through loads and through RASKs equal or better than we did last year.

Rodrigo Goes: This is, you are talking nominal or…

Richard Lark: I am talking nominal, yes.

Rodrigo Goes: Ok. Thanks a lot.

Richard Lark: Sure.

Operator: Thank you. Our next question is coming from Michelle Dorea, of Deutsche Ixe. Please go ahead.

Michelle Dorea: Hi! I actually have the same question regarding that discussion about the expectation on yields. Do you expect yields to decrease 10% with the new fares or do you expect to maintain them very high by increasing load factors?

Richard Lark: As you mentioned, we have a very strong revenue management system, it's not just a bunch of guys deciding where the prices are, it's a very sophisticated algorithm systems that discriminate prices across all seats on our flights. It is MIT based. It is same system used by most of the low cost airlines such as RyanAir and jetBlue. But at the end of the day the demand determines the yield.

You know, we expect to have a variety of fares across our flights, fare classes and the system basically manages how many seats are available in each one of the aircraft and, you know, we set policies, we set targets. So, basically we produce this guidance that we are providing to the market and that guidance is also based on our expected set of demand, which considers the different segment classes, leisure, business and so on.

If demand is better than expected through the business and the lower segments, considering the seats available to lower fare classes, you know, we could be selling seats in the higher fare class. It is important and it could even increase yield.

We don't expect that to happen, we expect yields to fall in the range of 10%. But before to mention that, there is a dynamic there, we expect to create demand above expectations that can generate very healthy yields, then we pass on cost effects, increasing yields, and yields are determined by what the demand is in the market and the demand has been very strong. And that also explains our ability to maintain an increase in yields over the last couple of years.

The RASK is a combination of that effect plus how we are doing our load factor management and load factor management being how we configure fleet, the aircraft and how we allocate our ASKs and that also depends on our system that does our fleet management and our load factor management, in terms of how we are allocating our ASKs. The combination of all these factors, you know, growth into the RASKs, which we think we are able to do better than we did last year, at the end of the day RASK is what is determining revenues and that is really what is going down into the margins.

Michelle Dorea: Ok. Thank you.

Operator: Thank you, our last question is coming from Márcio Correia, of Banco Pactual. Please, go ahead.

Márcio Correia: Hi everyone. Regarding your guidance for 2005, what is the average FX and fuel price that you are working with and what kind of RPK growth in the domestic market you guys are working with?

Richard Lark: Our RPKs growth in the domestic market are at least 8%, maybe in the high extent on the overall industry, it seems to be growing at roughly 8% y-o-y; for the first couple of months we grew over 10%, last year. We are not providing specific, you know, we have our own internal forecast for jet fuel and oil prices, which will probably be equally, better or equally worse than any projections that you guys could use. When we did our budget last year we used a dollar of R$3,14 and a jet fuel price and oil prices of US$39, both of which were wrong, considering the stronger dollar environment and a weaker jet fuel environment.

So, those effects are rolled into our guidance, I think we are doing much better than we expected in terms of dollar and it looks like we are going to have a stronger Real than expected, you know, in the range of 2.75 – 2.85. And that range in terms of market, which is going to benefit us, once 60% of our expenses are dollar-denominated or dollar-linked. We are paying much higher per liter of jet fuel unexpectedly, but keep in mind that the dollar effect has the effect of mitigating some of Petrobras price increases, so how you end projecting oil also, that point depends on your dollar projection, and you can, on a short-term basis, you can more or less take your expected increase and decrease in WTI and then run that again unexpected increase and decrease in the price of dollar, there would be more or less the net effect on our jet fuel prices that we get from Petrobrás, this is more or less how it works. But if you guys got into these variables, oil and dollar, I believe you guys are much more sophisticated them us in terms of determining where these are going to go.

Márcio Correia: Ok. Just one further question for me. This morning, Minister Palocci said that the government should look for stimulating the start up of new airlines in the sector. What kind of stimulation would he be talking about you believe?

Richard Lark: In terms of a new airline startup company?

Márcio Correia: Yes, in the industry, yes.

Constantino de Oliveira Jr.: I don’t know what about Mr. Palocci was talking but we know that there is BRA is intended to be regular as explained to Bill Green on the beginning. And for us, to summarize everything, GOL was born under a competitive market, so, we, if some airline becomes regular in this market we will face them to be competitive and also to keep our strategy in terms of costs, in terms of our virtuous cycle, and we cannot be out of this.

And when we started to operate in 2001 we were facing competition with four major airlines. Now we are 3 and if it comes another one, we will keep our strategy to be very competitive.

Richard Lark: Keep in mind that the Brazilian market is still relatively small when you look at the number of passengers that travel per year by air and so, you know, from a Brazilian perspective, Brazil needs to have companies that are going after demand stimulation. And GOL is going after that and I think that our fares realignment shows that we are very committed to going out to popularizing air transport in Brazil, so I tend to agree with the statement that Brazil needs to stimulate the growth of the airline sector, so we agree with that 100%.

Márcio Correia: Ok. I have just one final question. Regarding the end of the code share between Varig and TAM, how do you guys will benefit from that?

Richard Lark: It depends how TAM and Varig will react to that. Again, we will keep our strategy and, in my view, we will have the opportunity to keep growth in a healthy way. That means that we will keep our good results, our good margins and a high level of growth.

Márcio Correia: Ok, thank you very much.

Richard Lark: Ok, Márcio, thanks.

Operator: Thank you, at this time I would like to turn the floor back over to Mr. Oliveira for his closing remarks.

Constantino de Oliveira Jr.: Ok. Once again, thank you very much for your interest in GOL. We will remain committed to our goal of making air travel a simpler, more convenient and accessible experience for everyone, while creating value for our shareholders and employees. GOL is popularizing air travel through the expansion of our business, innovation in our services, operating efficiency, cost management and competitive low prices. At GOL, our slogan is “Here, everyone can fly and invest”.

If you have any additional questions, please feel free to contact our investor relations department. You can also visit the investor relations section in our website at www.voegol.com.br.

Thank you and have a nice day.

Operator: Thank you, this concludes today’s teleconference, you may disconnect your lines at this time and have a wonderful day.