Operator:

Good morning ladies and gentlemen. At this time, we would like to welcome you to GOL Airline's 1Q06 results conference call. Today with us we have Constantino de Oliveira Jr., President and CEO; and Richard F. Lark Jr., Vice-President and 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 Q&A session for industry analysts and investors. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator. Toady's live webcast including both audio and slide show may be accessed through GOL's site at www.voegol.com.br/ir. The slide show presented by the management today is available on the website in the IR 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 will 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. Good Morning. First of all, I'd like to welcome you to GOL's first quarter 2006 results conference call.

In this quarter we reaffirmed our "virtuous cycle", as exhibited on slide #2, which creates the necessary conditions for the popularization of air travel in Brazil and South America.

Please move to slide #3**,** Highlights. The first quarter of 2006 represented another quarter of profitable growth for GOL. Our net income in the first quarter was an all-time record R$180 million in US GAAP.

GOL maintained its high operating margins, as indicated by our 29% pre-tax income margin - despite fuel cost increases - sustained by our constant focus on low costs, high productivity and intelligent yield management.

Our position as the lowest cost provider in the Brazilian air travel market, and as a global leader in profitability, remains unchanged. GOL remains committed to providing high quality passenger transportation services and driving fares lower to further create and stimulate demand, what we call the "GOL Effect".

In the first quarter of 2006, the addition of new aircraft to the fleet permitted a 61% expansion in capacity and the addition of 55 new daily flight frequencies. Higher capacity offset by a 2.8 percentage points decrease in the load factor, to 70.6%, contributed to a 55.1% year-over-year growth in RPKs, resulting in a higher domestic market share, which reached approximately 30% at the end of 1Q06. We are focused on continuing to reduce our costs, so we can lower fares and continue to increase demand for our services.

Slide #4 shows the recent additions to our fleet and base network. We added three 737s in the first quarter, and ended the quarter with a fleet of 45 aircraft. We plan to finish the second quarter with 48 737 aircraft in our fleet, as expected. We plan to expand our network with new markets in South America and additional flight frequencies, supported by our fleet expansion of new Boeing 737-800NGs. During the quarter, we added four new markets, bringing our total number of airports served to 49, ahead of expectations.

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

Richard Lark:

Thanks Junior, and good morning everyone. Please move to slide #5. On this slide, you can observe our capacity and network expansion in a more detailed manner. During the quarter, GOL operated an average of 43 aircraft, an increase of 54% over 1Q05, and 7.5% over 4Q05.

When compared to the same quarter of the previous year, our capacity expanded 61% in terms of ASK volume, to 4.3 billion, and RPKs increased 55%, to 3.1 billion. When compared to 4Q05, ASKs increased 12% and RPKs were 6.9% higher.

Such capacity expansion permitted GOL to reach 450 flights per day at the end of March 2006.

Moving on to slide #6, our net revenues in 1Q06 grew by 47% to R$ 863 million, when compared to the same period in the previous year. Higher capacity, in conjunction with higher productivity, played an important role in the 1Q06 revenue growth. GOL increased its productivity, as a result of higher aircraft utilization, which reached almost 14.4 block hours per day during the quarter, and a higher average stage length, which increased 13% year-over-year.

The ability to provide low fares has been a key factor to overall revenue growth. As the lowest-cost provider of passenger air transportation in South America, GOL stimulates demand with low fares, and has increased the number of passengers traveling by air.

A 10% increase in average fares, combined with a 12.6% increase in average stage length resulted in a yield decline of 5.3% vs. the 1Q05, to 27.1 cents of *Real*. Lower yields resulted in revenues per available seat kilometer, or RASK, of 19.9 cents of *Real*, which is a decrease of 9.1% vs. the 1Q05. Compared to the 4Q05, yields decreased 1%, and RASK decreased 6.4%.

On slide #7, you will observe that while RASK decreased 9.1% in the year-over-year comparison, we were able to reduce total CASK by 3.7%, which, combined with the 61% ASK expansion, resulted in a 28% growth in EBITDAR, amounting to R$ 303 million. EBITDAR is an indicator of operating results before accounting for aircraft ownership expenses, such as aircraft rent.

Total CASK – at R$ 14.7 cents of *Real* – decreased R$ 0.6 per ASK, due to higher productivity, lower sales and marketing expenses, lower aircraft rent and the 17.6% appreciation of the Brazilian Real against the USD, partially offset by increases in aircraft fuel expenses. Jet fuel expenses per ASK increased 7.9% over the previous year's quarter, due to a 9% increase in the jet fuel price per liter.

It is worth highlighting that, in the year-over-year comparison, the 17.6% appreciation of the Brazilian currency offset a large portion of the increase in the international price for crude oil – represented by a 27% increase in price of WTI and a 28% increase in the Gulf Coast jet fuel price, meaning that GOL has been less impacted than its low-cost peers by the increase in international fuel prices.

GOL's non-fuel CASK – at 8.87 cents of *Real* – showed a significant reduction during the quarter. Non-fuel CASK decreased 10.1% in the quarter. The strength of the Brazilian Real has not only kept our jet fuel expense increases lower than our low-cost peers, but has also helped us reduce our other US dollar-denominated expenses, such as aircraft leasing, insurance and maintenance, as well as US dollar-denominated disbursements, such as advances for aircraft acquisition.

On slide #8 we show the impact of fuel prices on our operating results. Operating income increased 26.3% during the quarter, due to a 10.1% reduction in non-fuel CASK, partially offset by an increase of 7.9% in fuel CASK – fuel CASK represented 40% of total CASK –, and by a 9.1% reduction in RASK. Fuel-neutral operating income, neutralizing the increase in fuel prices in 1Q06, increased 38.5% in the year-over-year comparison.

Using 1Q05 fuel price, operating income was R$ 246 million in 1Q06, representing a 28.4% operating margin. The company has hedged approximately 55% of its fuel price exposure for 2Q06, and approximately 22% for the rest of 2006.

On the next slide, slide #9, we show our net financial results. Financial income in the quarter increased R$ 4.7 million to R$ 37.3 million, principally due to higher investment income on cash balances. Our financial expenses increased R$ 3.4 million to R$ 12.5 million, due to a negative exchange rate variation on USD-denominated deposits vs. the first quarter of 2005, a non-cash effect. Our net financial results for the quarter was R$ 24.8 million.

On the next slide, slide #10, we show a comparison of the effects on net income between the two quarters. In the first quarter of 2006, net income was a record R$ 180 million, representing a 20.8% net income margin, and a 37.2% growth over the first quarter of 2005.

Running down the main differences, as already highlighted, net revenues increased R$ 274 million. Jet fuel costs increased by R$ 108 million, or 7.9% per ASK, due to higher fuel prices.

Labor expenses increased R$ 27 million overall, due to a 66% increase in the number of employees, related to planned capacity expansion, but reduced 7.4% per ASK, due to higher productivity.

Commercial expenses increased by R$ 27 million overall, related to higher sales volumes, but decreased by 15% per ASK, due to reductions in incentives and an increase in ticket sales on GOL's website, partially offset by approximately R$ 14 million spent on institutional marketing campaigns and 4 base openings in the first quarter of 2006.

Other operating expenses increased by a total of R$ 65 million, principally due to an increase in maintenance expenses of 18% per ASK and 11% per ASK in aircraft and traffic servicing, offset principally by a 21% reduction in aircraft rent per ASK and 23% reduction in other operating expenses per ASK. Main expenses were maintenance of four aircraft engines, use of spare parts inventory and repair of rotable materials. As mentioned, net financial results increased R$ 1.3 million in the quarter.

These were the main impacts on net income. A more comprehensive breakdown and explanation of our expenses can be found in our earnings release that you have already received and that you may access on our website at www.voegol.com.br/ir

In 1Q06, earnings were R$ 0.92 per share or US$ 0.42 per ADS, above Street mean estimates, and represented a 31.4% growth in EPS and a 61.5% growth in earnings per ADS over 1Q05.

On slide #11 we show our cash flow for the first quarter of 2006. At the end of 1Q06, our cash balance was R$ 913 million. During the quarter, cash balances increased R$ 44 million. Operating cash flow was a positive R$ 94 million, mainly due to increased earnings from operations, offset by an increase in accounts receivables, an increase in deposits for aircraft maintenance and a decrease in air traffic liabilities. GOL currently has US$ 188 million on deposit with lessors for future aircraft maintenance. Investing activities used R$ 109 million of cash, consisting primarily of R$ 63 million of advances for aircraft acquisition and R$ 40 million of acquisition of property and equipment. GOL currently has US$ 193 million in pre-delivery deposits with Boeing for future aircraft acquisitions.

Cash provided by financing activities during the quarter was R$ 59 million, consisting primarily of R$ 50 million increase in short term borrowings. On April 5, we closed a US$ 200 million offering of 8.75% perpetual notes, which were rated Ba2 by Moody's and will be used for fleet expansion.

Our cash balances plus interest income and retained earnings will be the primary funding sources for future aircraft acquisition.

On slide #12 we show the relative performance of GOL in the US and Brazilian stock markets. In 2006, through April 17, our ADSs have outperformed the American Stock Exchange Airline Index by 39% and outperformed the Tier 1 LCCs by 45%. Our PN shares have underperformed the Bovespa Index by 1.6% in the same period. Our average daily trading volume in 2006 thus far has been US$ 29 million on the NYSE and R$ 8 million on the Bovespa. GOL is one of the most liquid airline stocks and one of the most liquid Brazilian stocks.

On slide #13, we show that our industry-leading growth and profit margins continue to be a benchmark for the global airline industry. Our P/E multiple is a significant discount to the other leading low-cost airlines, despite our superior earnings growth rate and profit margins, which are among the highest in the industry worldwide.

Transitioning to slide #14, we show our current fleet plan for the next five years. The addition of thirteen more Boeing 737 aircrafts to our fleet in 2006 will allow an approximate 45% expansion in seat capacity for the full year.

By the end of 2006 we expect to have 58 fully-operational 737 aircraft. By the end of 2011 we plan to have a fleet of 90 aircraft, primarily 737-800s, representing a 16% compound average growth rate in seats over the next five years.

The incorporation of new 737-800s into the fleet is projected to produce substantial cost savings. The reduction in the average age of GOL's fleet from 7.3 years in 2006 to 4.8 years by the end of 2007 will contribute to lowering our maintenance expenses. As GOL transitions to newer aircraft, with a 25% larger seat capacity, fuel-economizing winglets, and lower financing costs, we expect to reduce CASK by approximately 4%. These cost savings will allow us to continue to drive fares down and further stimulate demand.

On slide #15 we review our guidance, one of the key elements to our disclosure process.

In the second quarter of 2006, the scheduled addition of three new aircrafts to our fleet will allow a 45% increase in available seat capacity over the same period of 2005. We expect to finish the second quarter of 2006 with 49 aircraft operational. For the second quarter we expect a load factor in the range of 71 to 73% with yields in the range of 25 to 27 cents of Real. We expect a stable foreign exchange rate environment for the near term, supported by good economic fundamentals in the Brazilian economy. We expect that high oil prices will continue to impact our fuel costs. For the second quarter of 2006, we expect non-fuel CASK to be in the range of 9 to 10 cents of Real.

Our guidance for 2006 is based on GOL's planned capacity expansion and the strong demand for air transportation in Brazil, driven by strong Brazilian economic fundamentals and demand-stimulating low fares.

Projections are for a 2006 full-year EPS in the range of R$ 3.90 to R$ 4.30, representing annual EPS growth of over 50%. We plan to continue to popularize air travel in South America through expansion, technological innovation, improved operating efficiency, strict cost management, and, of course, the lowest fares.

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

Constantino de Oliveira Jr.:

Thanks, Richard. On the slide #16 in the webcast presentation, we highlight our competitive strengths, which are essential to keep our successful business model and the "virtuous cycle". We count on our highly productive workforce and proven management to always deliver quality customer service with low fares and the lowest cost in the market to keep our strong brand and high profitability.

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

Jim Parker, Raymond James:

Good morning, Junior, and Richard. I have a question regarding your guidance, that you just gave on the slide - I think you haven't changed it but what assumptions are you making regarding Varig, what market share - are you assuming that it shrinks or stays where it is currently, can you give us some insight on that?

Richard Lark:

Good morning, Jim.Our projections for 2006, our business plan, our operating plan for 2006 is based on our own projected capacity expansion envisages finishing 2006 with 58 aircraft operational, we expect to finish the 2Q with 49 aircraft operational, the 3Q with 53 aircraft operational, and the 4Q with 58 aircraft, operational.

Those assumptions, in terms of fleet expansion, as well as the yields, load factor and margin guidance we've already provided to the market, do not make any specific assumptions regarding Varig vs. what we are today. You know, Varig continues in a downsizing mode in terms of canceling flights and reducing capacity and reducing capacity, which has had arguably a positive effect on our load factors in the short term, but beyond that there's no specific explicit assumptions. Another way of saying it, the execution of our current business plan for 2006 is what's really important to achieve 2006 guidance.

Jim Parker:

My second question will you update us on the status of the runway work that's going on in Congonhas and what impact that may have on GOL in terms of having to shift flights to Guarulhos?

Constantino de Oliveira Jr.:

In terms of the runway in Congonhas Airport, that is a technical discussion, considering all technical people, the engineers from Infraero, which is the owner. They are working with many possibilities, and it is too early to predict that the runway construction or something like that will affect substantially our operation's performance; but if that happens, in the worst-case scenario, we can assume that we will transfer our operations to Guarulhos or even to Campinas' Viracopos Airport, which will create some, probably some noise, with the customers at that time but if it happens it will be proportionally to the number of operations each airline has in Congonhas. That means probably you don't see any difference in our results, or we can consider the effect as neutral, because if everybody will go to operate in another airport, the passengers will have to go to that airport anyway and in this case we don't believe that we will have something affecting, or that can change our results. So, to answer your question directly, the technical people are having some discussion about the runway in Congonhas, and there is no definitive solution yet.

Jim Parker:

OK, thank you.

Jamie Baker, JP Morgan:

Good morning everybody, I have a follow up to Jim's question, Richard. You know, the 1Q, obviously very solid results; your guidance for 2Q appears robust, in fact it would potentially imply that you earned half of your full year profit in the first half of the year and that's before even starting the seasonally strong 3Q and 4Q. My question is why full year 2006 guidance isn't better and/or are you deliberately trying to guide down the 2H expectations?

Richard Lark:

We are adding a lot of capacity in the market this year, as a function of where we see profitable markets to grow in. One of the results of that is very high growth rates for the market this year in terms of demand, we see it growing at 18%-20%; our preference is to continue to invest in this demand creation cycle, which necessarily would imply keeping fares low, and driving the capacity up. Keep in mind that we still have a relatively small number of passengers consuming air travel in Brazil, it is probably maybe 8.5 million individuals today. When GOL started is was probably 5.5 million, and we think that the market can grow to 20 million, so it's important to keep that backdrop. Having said that, if we have a situation where other capacity comes out of the market, that obviously could present a situation that would result in improved RASKs either in the form of higher load factors or better yields in the year-over-year comparison. But, our guidance for 2006 is based on a projected capacity growth and slight improvements in yields in the year-over-year comparison in 3Q, maybe in the 5%-7% range, and kind of flattish in 4Q. But having said, that if something happens in the market where capacity comes out, that's probably going to have a positive effect on RASKs on top of the already high level of capacity growth and that could present an opportunity in 3Q and 4Q of this year for better-than-expected revenues.

Jamie Baker:

Got it, OK, thanks a lot. I appreciate it, everyone.

Ray Neidl, Calyon Securities:

Hey Richard, just to take the Varig example a little bit further, if the worst were to happen to Varig, where they either closed shop or pulled out of the domestic market, 1) are there other Brazilian carriers that could hook up with Varig and feed them, and 2) if the opportunity did develop, the market for 737s is very tight, where could you get extra aircraft to fill this void?

Constantino de Oliveira Jr.:

Hi, Neidl, if you agree I will answer this question. In terms of the Varig situation, we have many hypothetical situations to work with and it's difficult for us to answer a specific one, but if we consider that GOL is flying a standardized fleet with 737s and Varig is also flying with Boeing 737s, that could be a good source of aircraft for our growth if the lessors have these aircraft available. Probably we will see some 737s available in the market soon and we are candidates for these aircraft; we are looking for some of them even to work with a kind of bridge contract that will support our growth in the near term and will help us to deal with new aircraft in the near future.

In terms of somebody operating Varig or helping them with their operations it is, again, difficult to say, it is hypothetical, but their liabilities are quite high and I don't think there is room for quick solution in terms of this liability in the short term, in a quick period.

So, it's very difficult for us to assume that somebody will buy or even effectively help Varig to keep their operations in good shape, and probably we will see some reductions in their operations and we do not foresee any proposal that can really support Varig in the near future.

Ray Neidl:

You probably can't talk about this, but has the Brazilian government approached you about an emergency plan if something did happen to Varig?

Constantino de Oliveira Jr.:

Not yet.

Ray Neidl:

OK, great, and, Richard, we talked about this the other day but I think people are really interested in this because of your rapid expansion. How is your credit financing going forward, how is the lease market vs. the banks vs. the potential public OTC markets in the US, how attractive does it look to you?

Richard Lark:

They have been very attractive, there a lot of very low cost financing sources available, obviously we have a AAA support guarantee from the US Exim Bank, available for us to use. There is a lot of appetite from all of the financing providers, especially for our sector, we have a purchase order of 737-800 NGs with short field landing package, it is a very hot aircraft in terms of the demand for that aircraft and we are currently working on a variety of issues related to the core Exim Bank facility as well as potentially source financing structures as well as sell lease back and we intend to finance our aircraft acquisition over the next couple of years with a combination of USD-based financing sources because interest rates in Brazil are still relatively high vis-à-vis the dollar borrowing alternatives. Another thing we'll probably end up doing, a portion, maybe as much as 20% of our fleet acquisition in the form of sell lease back, but the core, 80% of that, would be using the support from the US Exim Bank facility which would give us borrowing costs near Libor.

Ray Neidl:

Great, thank you.

Steve Trent, Citigroup:

Good morning, gentlemen. Two quick questions from me. And sorry to sound like a broken record here, but just in terms of, let's say, Varig pulling back substantially, could you give us a basic sense as to what is the process for surviving airlines picking up the domestic and short-haul international routes if, for example, substantially pulls out of Brazil-Argentina. What's the process for you guys getting the route versus Aerolineas Argentina's or somebody like that. And my second question is, in terms of your expansion into new markets, are you expecting SG&A CASKs to be basically stable vis-à-vis marketing campaigns for new launches?

Constantino de Oliveira Jr.:

Hello, it is Junior speaking. I get the first part of your question and Richard will get the second.

Regarding the Varig process, again, we have many hypothetical situations to think about. But talking about GOL's international expansion, that means our expansion in South America, we have to submit our needs to the Brazilian authorities that will deal with the international authorities of the other countries, that means Argentina, Chile, Uruguay, Paraguay, who will work on a bilateral agreement that we can be designated and part of our flights as soon as we can start operations. There is space available in these bilateral agreements for all of the destinations in South America; we are already working with the authorities to increase our frequencies to the major markets in South America. It is too early to tell you exactly how the process is going forward but that works with or without Varig, even, I don't know how the authorities can make a fast-track process or something like that if something dramatically happens with Varig, but in this case I think the authorities have something already to work with, I guess, because it's all over the news.

Richard Lark:

Yes, and in terms of your question, if I understood, on the cost impact of international expansion, is that right?

Ray Neidl:

Yes, I was rather kind of looking at your launch of new routes and the marketing campaigns associated with new frequencies and new routes, that you kind of expect SG&A CASKs to be basically stable.

Richard Lark:

Yes, we will have… we will be opening a base in Santiago de Chile this year, obviously there will be a start-up cost for that; we might be opening one or two in other two new countries this year; generally there is a start up cost related to that, which I think will just kind of blend in with what we have planned; and the cost impact is diluted because of the way we do the route management, which is done on an integrated basis. I think the other opportunity for us is to improve profitability in our international businesses as well as we add new frequencies in some of the more prime-time hours, because a lot of our international flights today are in more off hours and there's a large portion of night flights. As you know, yields in the international market in general, in international business in general, are around 30% lower than what we see in the domestic market, but there are opportunities as we build up the network, and as we add frequencies that are also more attractive to business travelers, for us to increase our yields in the international flights.

Ray Neidl:

OK, terrific, thanks very much.

Daniela Bretthauer, Santander:

Hi, good morning. Congratulations on a solid quarter. My first question is regarding your non-fuel CASK guidance, which calls for 9-10 cents in the 2Q. That implies flat, non-fuel CASK year-on-year, despite the 45% capacity expansion in the period, but a 7% increase sequentially. So my question is: how comfortable are you with this guidance for the 2Q; and could you give us a non-fuel CASK guidance for the rest of 2006?

Richard Lark:

Yes, for the 2Q we're very comfortable with that guidance; for the 3Q, it should also be in the range of 9 to 10; and for the 4Q it should also be in the range of 9 to 10, you know, ex-fuel US GAAP CASK.

Daniela Bretthauer:

OK. And then, just going back to a potential over-capacity situation in the industry on a Varig-less scenario; in a duopoly situation, hypothetically, how do you see yields and load factors shaping up for GOL? I mean, the truth is that GOL has never, on a sustainable basis, done more than 80% load factor, and maybe that has to do with the fact that you have a lot of interconnectivity. So, what would happen in a duopoly situation, and how could yields and loads shape up?

Richard Lark:

The first point relates to…, well, our strategy is based on growing the overall size of the market, so it doesn't make a whole lot of sense to be squeezing yields and so on. Obviously we are always managing our business to maximize RASK for a given set of demand, but this year and last year we have entered into a real demonstration of the GOL effect – as GOL has become larger, we're starting to basically have a large stimulating effect on the market, growing the size of the market, and we consistently see about 10% of our travelers consistently are, first-time air travelers, and I would say that 10% now becomes a much larger number.

So, the first point is that we want to continue to pursue our demand creation strategy, and to do that we need to have more seats available at lower fares. But obviously, you know, short-term yields are a function of supply and demand in the market and 70% of the market continues to be business. 2006 is shaping up to be a good year in terms of air travel in general, we have, in addition to the holiday calendar, it's an election year, economic activity is improving, interest rates are coming down, so we are foreseeing a lot of traveling related to increased economic activity in the election year, which should benefit loads.

And as I said before as well, if capacity comes out of the market on a short-term basis, the first impact is going to be increased loads and then, if that continues over time, through the yield-management process, there should be an opportunity for an increase in yields. But if you look at 3Q and 4Q – it is difficult to quantify that, but maybe we are talking versus what we would have expected, maybe a 3 to 5 point increase in loads for 3Q to 4Q, and maybe a similar increase, 3% to 5% increase in yields.

Daniela Bretthauer:

Sorry, in other words, just to clarify: if, let's say, loads above 80% for GOL on a sustainable basis would imply a change in your route strategy, correct?

Richard Lark:

Well, our route length is growing, we have also been adding longer-haul flights, and you see that reflected in our increased average stage length. As passengers as well increase their average trip length, that creates the opportunity to do longer-haul flights. Our route network today, we have 47 aircrafts covering 49 bases, and that presents a lot of opportunities to configure passengers over that large network, and also presents opportunities based on demand to have longer-haul flights if the demand and the profitability is there. But in general what we see is structurally based on our current network, that we start to get spills when we get over 75, so you know, a good number for us where we are basically maximizing RASK is probably in the mid 70s.

But you know, it is possible to reconfigure route strategy based on demand that could, in the future, permit structurally higher load factors. But if you talk about 2006 and 2007, mid-70s is the load factor level that we like in terms of revenue maximization.

Daniela Bretthauer:

Great, thank you; and again, congratulations on the results.

Mike Linenberg, Merrill Lynch:

Good morning. I guess I'm really beating the horse dead here, but with respect to Varig, and what it also means for your fleet plans going forward, Junior and Rich, does the potential slowdown or shrinkage of Varig and some of the long-haul international opportunities that it creates, does that make you rethink your all-737 fleet? Are you more likely to consider a potential wide-body aircraft maybe in the not-too-distant future? Any comments?

Constantino de Oliveira Jr.:

Mike, thank you for the question. We have to consider all the possibilities, but you know our vision is to maintain our standardized fleet, that means we will expand our operations here in South America or even using the same type of aircraft, using 737s. We are not considering for the near future in our plans any change in this business model or even in this operational model; that means we are not thinking about any long-haul operations or larger aircraft in our fleet.

Mike Linenberg:

OK. And then just another question, and this is to Rich with respect to your hedging policies. Rich, it looks like you have a bigger hedge position than what we have seen historically and for maybe longer periods than in the past. Is that any change in philosophy, or is it becoming more difficult to pass on the higher fuel prices, to pass that on into higher fares; what is going on there?

Richard Lark:

Thank you for your question. What we saw in the second half of last year was two effects: one was, with the end of TAM-Varig coadshare, a downward pressure on yields, where in the second half of last year, the pricing power of the past was greatly reduced; the other effect was Petrobras' behavior, where… The correlations between Petrobras' behavior and international fuel prices, specifically WTI, were also greatly diminished, and we went through a period of time here where a lot of the very high correlations both on an ex-ante basis in terms of the derivative use as well as ex-post basis in terms of the effectiveness achieved were really diminished. The problem then is that there have been very few windows of backwardation, that have permitted attractive longer-term hedging, but what we did was, in the 4Q of last year we were able to, at that point in time, put some hedges on for about 30% of 2006 exposure based on attractive levels, and as a result of that today in terms of what's left, in terms of the inventory, we have, you know, if you go to 3Q, 4Q, you've got about almost a quarter hedged at around $60 a barrel, but there've been very few windows, and I think we have taken advantage of doing some volumes where it's been attractive; we've also been able to buy back a lot of the puts for almost nothing, in terms of those positions.

I think it is very similar to what you have seen in some of the other best practices. Hedging companies, like Southwest or Jet Blue… their understanding of the intricacies of the business and getting further out on the curve has increased. We have evolved in a similar fashion. Take a company like Southwest, they spend most of their time thinking about 2009; and for us, we have to find within our policy, trigger programs to put a longer, mid-term hedges, I would say, in terms of opportunities, it still fits within the principle tenet of our hedging program, which is based on a high level of pass through that we have, it still exists. It has been slightly diminished as a result of the end of the Varig-TAM coadshare last year, Varig going to bankruptcy. It has recovered a little bit in the 1Q, but we thought it prudent to go out and get a little bit of longer-term protection, but the majority of our hedging activities are done on a short-term basis to give us the roughly 60-90 day window to work on the yield side of the equation.

Mike Linenberg:

OK. And then, just lastly, back to Junior: I do not think you mentioned much about – or at all – anything about the start-up of the Mexican operation. Can you just update us the status on that, and when we should see the first plane going into the air.

Constantino de Oliveira Jr.:

About the Mexican operations, we are still working with the Mexican authorities, we submitted the forms to our concession title, it has to pass through three different authorities in Mexico, that means, for foreign investors, the DAC aviation authorities, and formal company constitution, that means we are working on this process. In terms of time, again I don't want to anticipate, because we need to have the concession title in our hands to decide when we will start operations, and also have more details or projections to pass to you and all the analysts. So, in this case, we are working under the concession title process, and we expect to see that finalized probably in the next 30 or 60 days.

Richard Lark:

It would be possible that roughly 3 or 4 months after the concession there could be flights.

Mike Linenberg:

OK, thanks. Good quarter, guys.

David Strine, Bear Stearns:

Thanks, good morning. When you look at some of your more developed markets, where you really do not have Varig overlap, can you shed some light on how yields performed in those markets on the 1Q, and how they are tracking in the 2Q so far? Sort of a same-store sales comparison, if you will.

Richard Lark:

You are saying… I did not get the first part of your question, sorry.

David Strine:

If you look at some of your markets which are more developed, where you do not have significant overlap with Varig, can you shed some light on how yields are behaving, how yields are performing in those markets, how it was in the 1Q and then how they are tracking in the second quarter?

Constantino de Oliveira Jr.:

It's a good question. It's difficult to answer, because, as we have a very integrated network, sometimes the number of passengers embarked and the yield could change if the passenger's trends changed too, but I can tell you that the yields in the markets where Varig is not so strong follows the average that we have right now, and I cannot tell you one example exactly, but I can assure you that the yields are following the average of the company. We do not have a different comportment, a different segmentation for the markets where Varig is flying or not, we are talking about a very small number of markets where Varig is not strong yet.

David Strine:

If we remove Varig from the equation and just look at your more mature markets relative to those developing, if you just look at your mature markets where you are really not expanding anymore, how did yields behave in those markets in the 1Q, and they are doing now, in the 2Q?

Constantino de Oliveira Jr.:

The point is that we are expanding our operations everywhere, even in the mature markets, but, again, there are other factors not only regarding Varig in terms of competition, and the yields are following that trend, they are quite the same, as our average.

David Strine:

OK. Thanks very much.

Dan McGoey, Deutsche Bank:

Good morning, gentlemen. Most of my questions were answered, but just given the opportunity, maybe I can focus in a little bit on the 2Q guidance numbers that you mentioned, Richard, specifically related to the load factor. I think you mentioned approximately 73%. I noticed in March was one of the weakest domestic traffics for you guys, at around 68%, so I am wondering, given the weakness in March, and then, I guess, increasing efforts to keep passengers away from Varig given this situation in Brazil, how fresh that number is, and what is the potential for more substantial increase in that load factor. Does it have to do with that with the low base maybe from March, from where you are coming?

Richard Lark:

We've already answered that question. We're doing about 74, 75 in April thus far, for example, and obviously there is a very specific effect when you look at the month by month comparison. So, here in the month of April we've get three long holiday weekends, where there is a lot of travel happening, it's somewhat unique, but in terms of other factors, in part related to our time capacity expansion, in general it takes us one or two months to… In the month of March we added three new aircraft to the fleet, during the month of March we went from 42 to 45 aircraft, and we have already added another two aircraft in April, so there is a little bit of a lead time and a lag in terms of getting those aircraft up to snuff in terms of getting them integrated into the network. I do not know if that answers your question, sorry.

Dan McGoey:

I think it does. I guess it would be fair to say that it represented a substantial change coming form the closure of March to where we are now in April.

Richard Lark:

Yes, I mean, you know, in terms of the year-over-year comparisons, that would be a little bit better than in the 1Q05, in this quarter of 2006.

Dan McGoey:

OK, thank you.

Bob McAdoo, Prudential Equity Group:

A quick question on international versus domestic: could you give us any guidance as to where your expansion is going to be, or how the mix would be in terms of the new aircraft coming in, and also, do international markets grow up slower, faster, roughly the same as domestic markets?

Richard Lark:

Currently, in the current plan we have, you know, 7% to 8% of our ASKs in the international pie by the end of this year. So, I guess aircraft equivalent would be sort of three…, if you look at it that way, but…

Bob McAdoo:

You're in 7% to 8% of the ASKs in international?

Richard Lark:

Keep in mind, it is integrated and added on to the base networks in Brazil. Obviously a large portion of that today is Argentina-related, as I said we are going to be adding Chile as well, they're extensions of the route network and most of the work that the aircraft are doing on the Brazil side of the equation running up and down and around, Brazilian national flights tends to be early in the morning, late at night, night flights that allow us to increase the aircraft utilization and take advantage of the demand.

Today, the majority of the demand for our international flights is more leisure-focused, 60% to 70% of leisure travelers, a function of the flight schedule and the flight times, we think we will be able to, over time – similar to what happened when GOL started, in the first year of operations when GOL started, 2001, we were more weighted towards leisure passengers, today we are 70% business traffic. That phenomenon should also happen gradually with our South-American routes.

Bob McAdoo:

What percentage of your business is international now, about 7 to 8 by year-end, but where are we now? More?

Richard Lark:

Fiveish. We added in January, we added a lot of new routes, we added three new destinations in South America, so there was a big jump up jump in January and February, but now it's roughly fiveish.

Bob McAdoo:

OK, thank you.

Jander Medeiros, Pactual:

Hi, everyone. My first question is regarding Varig as well, I just want to have an idea about what is going on now, about what kind of load factors you are experiencing now. Newspapers mentioned that Varig was even having load factors as low as 40, 50% share on the shuttle, the Rio-São Paulo shuttle. I would expect you and other airlines should experience the opposite effect, a huge increase in load factors?. Are you experiencing those levels of load factors much higher than the load factors in the first weeks, in the last weeks in April?

Richard Lark:

I think, Jander, what you have been hearing is consistent with what we have been hearing also.

Jander Medeiros:

Sorry, could you say that again?

Richard Lark:

I think what you have been hearing is consistent with what we have been hearing also.

Jander Medeiros:

OK. And my second question, just another question regarding the international market, could you give us an idea about yields, or maybe RASK in the international markets as compared to the local markets?

Richard Lark:

Yes. With our reconfiguration, we see yields that are 30% lower than, say, average domestic market yields, but keep in mind that, also related to the previous question on yield trends, I mean, we manage a network of flights, and we do our network management, which is something we need in global aviation, with a high level of connecting traffic. It's not just important the individual route dynamics, but also the contribution that they make to the rest of our network. You take our Argentine flights, for example, you take a passenger from Cordoba, Argentina, with two connections they can connect into around 75% of our network. So the passengers that come from Argentina, they are going to the beaches in Northeast Brazil, or even Rio, they are doing one or two connections they are not doing direct flights.

So, the way we do the route management allows us to basically extract greater profitability. From the perspective of the whole network, from an individual passenger as opposed to what you are just doing in a long-haul direct point-to-point flights. But having that, yes, the yields in the international business for us, because of the high leisure content, because of the high tourism content, and because of the flight schedule that we offer, are for us about 30% lower on an individual route basis than what we see in our domestic market flights on average.

Jander Medeiros:

OK, great. And just a final question regarding to expenses: I note that fuel expense per ASK was a little more volatile than the fuel price in Brazil in the last two quarters, for instance, in 1Q fuel expenses per ASK dropped 13% quarter-over-quarter versus 8% on average for jet fuel prices imported by ANP. Is that because of the change in the hedging policy? So my question is: could we expect a lower volatility in your fuel expense line per ASK in the following quarters?

Richard Lark:

Well, I'm not sure where your data comes from, but if you take quarter over quarter Petrobras prices, they were, you know, the 1Q05, 1Q06, they were up about 9%. You have to be careful with…

Jander Medeiros:

On average did not they go down by 8% for fuel imported by the ANP, quarter over quarter? I mean, 1Q versus 4Q05 - in reais?

Richard Lark:

On average?

Jander Medeiros:

Yes.

Richard Lark:

I'm not familiar with that. I know you are getting this right off the website there, the ANP website, but in terms of, again, the effects of our hedging programs are roughly to 1) to eliminate the bankruptcy risk of the company, and 2) to reduce volatility of earnings. The theory is, you know, the company with lower earnings volatility in theory is worth more. So that's how they basically manage this aspect, it's designed to mitigate the price increases to buy some time to reprice yields based on the price parity

So, I think that if you look at it on an earnings basis, we see reduced… We have always had gains in our oil hedging programs, every single quarter, we have always had gains. Sometimes these gains, because of the FAS 133 accounting treatment have been accounted for as financial gains, as non-operating gains. For example if you do not get a high correlation between the instruments you use and the underlining exposure, you have to account for that as the financial item as opposed to an operating item. But from an earnings perspective we have always generated gains from the hedging portfolio, which has obviously improved earnings and, therefore, reduced volatility. Sometimes, if you look at the operating margin line item, if you ever picture a particular quarter where hedges do not achieve the FAS 133 effectiveness, the net debt number comes in... We only had one or two quarters where that has happened, and the same thing also applies to the USD hedging conceptually.

Jander Medeiros:

OK. Thank you so much.

Travis Anderson, Gilder Gagnon Howe:

Hi, I was wondering if you could remind me on currency, especially given that this is an election year, and, therefore, history would indicate more currency volatility.

Are you hedging currencies, and if so, are you exte'nding them perhaps a little longer than just short-term hedges to help your fuel hedging?

Richard Lark:

Good morning, Travis. We have not lengthened out any of the currency hedges, we have similar trigger programs, similar to what we have on the oil side, but we have never been able to take a view that the transformation of our exposure to reais, to dollars compensates the cost of that, given the very high cost of dollar hedging. But every week we ask that question if we should be lengthening out the hedges, and the financial analysis doesn't show that it would a positive from an earnings perspective.

We basically have been doing that for the past two years in terms of asking that question and we monitor that on a weekly basis and we look at that in a variety of different ways, if there is a way to do it, we have lengthened out hedges in the past, lower cost mechanisms such as the purchase of options, but when we have done that we have always lost money, but we do monitor it, and I would say the current strategy is now to stay in the short-term on dollar hedges. Keep in mind as well that we have, there are some hidden dollar asset in our business, currently we don't like dollar assets, because we prefer the Real assets. If you take some of our maintenance reserve deposits plus the PDP for aircraft, we've got over US$ 350 million of cash assets there are either deposited with lessors or deposited with Boeing. US$ 350 million, you don't see that in the net cash calculations that people do. About half of that is with Boeing, half of that is for the purchase of aircraft, which are dollar cash flow payments, and the other half is with lessors for dollar maintenance payments in the future. US$ 350 million, that is a significant cash asset that we have there from a cash flow outlay perspective, also to some extent, we hedge that in that respect.

But from an operating expense perspective, specifically leasing payments in a dollarized portion of the jet fuel, we are still operating in the short-term, which is roughly 60 days on average.

Travis Anderson:

OK, great. I just wanted to know that you were looking at it. Thanks.

Operator:

At this time, I would like to turn the floor back over to Constantino Jr. for his final remarks.

Constantino de Oliveira Jr.:

Once again, thank you very much for your interest in GOL, we will remain committed to our goal of making air travel as simple, more convenient and an accessible experience for everyone while creating value for our shareholders and employees. GOL is popularizing air travel in South America though the expansion of our business, innovation in our quality 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 of our website at www.voegol.com.br/ir . Thank you, and have a nice day.

Operator:

Thank you. This thus concludes today’s GOL conference call. You may now disconnect.