Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to GOL Intelligent Airline's 1Q07 results conference call. Today with us we have Constantino de Oliveira Junior, President and CEO, and Richard Lark, Executive 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 question and answer session for industry analysts. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Today's live webcast, including both audio and slide show, may be accessed through GOL's website at voegol.com.br/ir. The slide show presented by management today is available on the website, in the 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 the President and CEO Mr. Oliveira, who will begin the presentation. Mr. Oliveira, you may begin your conference.

Constantino de Oliveira Junior:

Good morning. First of all, I would like to welcome you to GOL's 1Q07 results conference call.

In the 1Q, we relied on our virtuous cycle, as exhibited on slide number two, to continue to stimulate growth in the air transportation market. Our low cost operating platform and planned cost reductions enabled us to profitably grow the Company's capacity year-over-year by 51% on our Brazilian routes and 173% on our South American routes.

We continued our international expansion in the quarter, adding Lima, Peru to our integrated route network. GOL offers passengers daily flights from Lima to Santiago, Buenos Aires and São Paulo. Today, we operate over 40 flights per day to South American destinations and we are expanding our service in the Chilean and Peruvian markets to replicate our success in the Argentinean market.

In the 1Q07, we reduced our operating cost per available seat kilometer to approximately R$0,13, bringing GOL back to the CASK level we had when were a two-year old Company.

Our ability to continually reduce costs reflects the ongoing efforts made by our “Team of Eagles” to perpetually rejuvenate the Company and maintain the absolute lowest costs in all of our markets. In terms of costs, we are in the best shape of our lives, and can still improve, with the incorporation of new, more efficient Next Generation aircraft into our fleet.

January marked GOL’s sixth anniversary providing low fare air passenger transportation, and commemorated the success of our focused efforts in popularizing air transportation in Brazil and South America. From a strategic, operational and financial perspective, we are strong and ready to rely on our low-cost platform to accelerate growth into new markets.

This month, we begin a new chapter in our history. The acquisition of VRG will permit GOL to bring its revolutionary low-cost spirit to the long-haul market, with innovative services that will change the way intercontinental passengers perceive value. Varig, one of global aviation’s most valuable brands, will provide an attractive combination of low fares and quality service to business and leisure passengers traveling to and from Brazilian destinations.

We are already aggressively implementing our proven low-cost procedures into VRG’s operations, modernizing and standardizing the fleet, rejuvenating an almost 79-year old brand, reducing operating costs, and improving revenues. Our virtuous cycle permits us to continue to grow the size of the air transportation market, passing savings onto the traveling public.

VRG is an important next step in fulfilling our mission of providing safe and high-value passenger and cargo transportation through innovative, cost efficient solutions for our customers, shareholders, employees and society. I will speak more regarding our plans with VRG later in this webcast presentation.

Now, please move to slide number three, entitled “Highlights”. 1Q07 revenues were affected by exogenous factors confronting the airline industry in Brazil. We incurred additional salary and fuel costs during the quarter related to air traffic control bottlenecks. Even with these unplanned costs, we achieved significant cost reductions year-over-year during the 1Q.

GOL remains one of the lowest-cost providers of passenger air transportation in the world and the lowest cost provider in South America. Our simplified fleet type, agile operations, no overbooking policy and fast turnaround times helped us to partially mitigate flight delays and cancellations during a very difficult industry environment.

Despite air traffic control problems, domestic industry RPKs grew 12 % year-over-year in 1Q07, which is one of the highest growth rates anywhere in the world.

During the quarter, capacity increased 62% year-over-year and 16% over the 4Q06 which permitted the addition of 22 new daily flight frequencies. Daily press coverage related to flight cancellations and problems with air traffic control highlighted the demand suppression experienced in the quarter. Load factors were flat at 70% and RPKs grew 60% year-over-year in 1Q07. Average passenger market share in 1Q07 was 39% in the domestic market. In the 1Q07, GOL achieved an 18% average share of among Brazilian carriers in the international market, a 14 percentage point increase over last year.

Slide number four shows the recent additions to our fleet and base network. We added two new 737-800s in 1Q07, ending the quarter with a fleet of 67 aircraft. Including the VRG fleet, we plan to finish 2Q07 with 81 aircraft in the fleet and to end the year with a fleet of 102 aircraft. During the 1Q07, we commenced service to Lima, Peru bringing the total number of destinations served to 57 and increased flight frequencies to our Santiago, Chile destination.

Today we are the second largest international airline serving Chile, only after LanChile, operating six flights per day to Chile from São Paulo, Buenos Aires and Lima. This year, we plan to add frequencies in existing markets and expand our network with new markets in Brazil, South America, Europe and North America.

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 number five in the presentation.

On this slide, you can observe our capacity and network expansion in more detail. During the quarter, GOL operated an average of 66 aircraft, an increase of 53% over 1Q06, and an increase od12% over 4Q06.

When compared to the same quarter of the previous year, our capacity expanded 62% in terms of ASK volume, to seven billion, and RPKs increased 60%, to 4.9 billion. Such capacity expansion permitted GOL to reach 630 flights per day at the end of March 2007. When compared to 4Q06, ASKs increased 16%, while RPK growth increased 19%.

Slide number six discusses in more detail estimated capacity for 2007. This year, GTA is expected to grow its capacity in the Brazilian market by over 30% and in the South American market by over 200%, representing an overall capacity increase of approximately 50%.

VRG will show a decrease in domestic capacity of over 30% and a reduction in international capacity of approximately 65% in the year-over-year comparisons, representing an overall capacity decrease of approximately 54%. Combined, this translates into a domestic capacity increase of 15% for the two companies and an international capacity decrease of 27% for the two companies, representing a zero increase in total ASK capacity on consolidated *pro forma* in 2007.

On the next slide, slide number seven, we show expected capacity and demand for the domestic industry in 2007. We expect overall domestic industry capacity growth, as represented by ASKs, of 19% to 21% in 2007, and overall domestic industry demand growth, as represented by RPKs, of 13% to 15%, resulting in expected average industry load factors of approximately 68% to 69% in 2007.

Moving on to slide number eight, we can see that our net revenues in 1Q07 grew by 21%, to approximately R$1 billion, when compared to the same period in the previous year. Higher capacity and productivity were offset by the lower yields in 1Q07. We achieved very high productivity as a result of record aircraft utilization, at 15 block hours per day during the quarter.

An increase of 20% in stage length over the 1Q06 is reflected in the 26% decrease in yields, which resulted in a 25% decrease in RASK. RPKs increased 60%, adding a greater number of low fare seats to our virtuous cycle. Ancillary revenues also contributed to the virtuous cycle, growing almost 100% to R$66 million, with ancillary contribution margins of over 80%.

On the next slide, slide number nine, we discuss recent impacts affecting the Brazilian aviation industry. Continued Air Traffic Control bottlenecks, congestion in the São Paulo City airport, related to abnormally heavy rains in the months of February and March and scheduled runway maintenance at that airport, and the related daily press coverage, helped contributed to a frustrated traveling public, despite strong underlying industry demand.

We had 3,500 cancelled flights during the 1Q, which represents approximately 7% of our total flights, lower than the 4Q06 but still above normal cancellations rates of around 3%. In May, the resurfacing of the auxiliary runway at the Congonhas airport will be completed, and maintenance will begin on the primary runway. The Brazilian Aeronautical Command has announced that over 500 new air traffic controllers will be integrated into the system this year. This 20% increase in air traffic controllers is expected to surpass the needs of the Brazilian air traffic system. Additionally, the Aeronautical Command has announced that as of 2007, 300 new controllers will be trained on a yearly basis.

Ticket sales for the quarter were strong, considering the environment, averaging 1.3 million per month. We estimate the impact of external factors in the quarter to be approximately R$80 million on revenues and R$30 million on costs, related to increased headcount and fuel costs. In April, we are seeing load factors around 72%, with average fares of around R$170.

The year-over-year comparison of our operating results is on slide number 10. Due to the external-related pressures on both yields and load factors as compared to the 1Q06, and a 20% increase in average stage length, our RASK decreased by 25%, resulting in a 18% decrease in EBITDAR, amounting to R$249 million.

EBITDAR is an indicator of operating results before accounting for aircraft ownership expenses, such as aircraft rent.

Total CASK, at R$0.0131 cents, decreased R$0.0167 cents per ASK, or a 11% reduction year-over-year, due to lower sales expenses, a reduction in fuel costs, lower aircraft rent expenses and a 4% appreciation of the Brazilian Real against the US dollar, which is partially offset by increased aircraft and traffic servicing expenses, maintenance, materials and repairs and depreciation.

Jet fuel expenses per ASK decreased 12% over the previous year's quarter, due to a decrease in fuel prices, deriving from an 8% decrease in international crude oil prices, as measured by WTI, a 4% decrease in Gulf Coast jet fuel prices, and an increase in international flights, combined with a proportionately more fuel-efficient fleet, which incorporated larger, winglet-equipped aircraft.

GOL's non-fuel CASK decreased 11% to R$0.0791 due to planned cost reductions. The strength of the Brazilian real helped reduce our other USD-denominated expenses, such as aircraft rent and insurance, as well as the USD-denominated disbursements, such as advances for aircraft acquisition.

Summing up the main impacts on operating margins, demand suppression contributed to lower than expected load factors and yields, which were only partially compensated by expected lower costs during the quarter.

On the next slide, slide number 11, we show our net financial results. Financial income in the quarter increased R$55 million to R$89 million, principally due to higher investment income on our cash balances. We have invested approximately R$2 billion of cash earning on average 13% per annum in Reais. Our financial expenses increased to R$27 million, due to increased low-cost, long-term debt financing during the year. We have approximately R$1.4 billion of long-term financing with an average maturity of 6.3 years at an average rate of 7.3% in USD. Our net financial results for the quarter were R$35 million. Our net cash position is R$311 million.

The next slide, slide number 12, shows a comparison of the effects of net income compared to 1Q06. Running through the main differences, net revenues increased to R$178 million. Jet fuel costs increased by R$107 million, due to an increase of 83 million additional liters consumed, partially offset by a reduction in fuel cost per liter – WTI decreased 8.4% and Gulf Coast Jet Fuel decreased 4.2% – and an appreciation of 4.1% in the Brazilian Real. Jet fuel expenses decreased 12% per ASK.

Commercial expenses decreased by R$23 million overall and 52% per ASK, due to changes in sales commissions effected at the beginning of the 1Q and efficient marketing activities during the quarter. Ticket sales on GOL's website were 83% of total sales during the quarter.

Salary expenses increased R$51 million overall, but remained flat per ASK, due to a 5% cost of living increase on salaries, an increase of 60% in the number of full-time equivalent employees and additional overtime expenses related to air traffic control related delays, which were offset by productivity improvements.

Other operating expenses increased by a total of R$142 million, principally due to an 14% increase per ASK in aircraft and traffic servicing expenses, due to higher ground handling services expenses, a 11% increase in landing fees per ASK, and a 41% increase in depreciation per ASK, primarily due to the addition of six new owned aircraft to the fleet in the last two quarters.

Also, contributing to the increase in other operating expenses, maintenance expenses increased 10% per ASK due to the scheduled maintenance of seven aircraft engines and the use of spare parts inventory and repair of rotable materials, offset principally by an 11% reduction in aircraft rent per ASK. Net financial results increased R$10 million in the quarter, year-over-year.

In 1Q07, reported earnings were R$0.59 per share, or US$0.29 per ADS and reported net income was R$117 million, representing a net income margin of 11%, an improvement over the 4Q06 and slightly ahead of market expectations.

A net quarterly interest on shareholder's equity and dividend payment of R$73.7 million, representing R$0.35 net per share and US$0.17 net per ADS, was approved at the March 16th, 2007 Board Meeting, both to be paid on May 4th, 2007 to shareholders of record as of March 20th, 2007.

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

On slide number 13 we show our cash flow for the 1Q07. At the end of 1Q07, our cash balance was approximately R$2 billion. During the quarter, cash balances increased by R$256 million.

Operating cash flow for 1Q07 was a negative R$26 million, mainly due to a reduction in unearned transportation revenues due to lower sales levels, an increase in inventories, and an increase in deposits with lessors, offset by an increase in earnings from operations and a reduction in accounts receivable. GOL currently has US$274 million on deposit with lessors for future aircraft maintenance.

Investing activities used R$189 million of cash, consisting primarily of aircraft pre-delivery payments of R$114 million, and property and equipment acquisition of R$82 million. GOL currently has US$269 million in pre-delivery deposits with Boeing for future aircraft acquisitions.

Cash provided by financing activities during the quarter was R$470 million, consisting primarily of an R$562 million increase in long-term financing, mainly from a capital markets placement in March of 7.5% Senior Notes, maturing in 2017.

I will now turn the call back over to our CEO, Constantino, who will discuss our plans for VRG in more detail. Please, Junior.

Constantino de Oliveira Junior:

Thanks, Richard. Please move to slide number 14 in the presentation.

Slide number 14 presents transaction highlights of the VRG acquisition. On April 9th, 2007, GOL assumed the operations of VRG with the approval of the ANAC. Total consideration for the acquisition was US$275 million, consisting of US$98 million in cash, representing less than 10% of GOL's total cash, and 6.1 million of non-voting PN shares issued by GOL Linhas Aéreas Inteligentes S.A., representing approximately 3% of GOL's total shares outstanding.

In addition, GOL assumed R$100 million of debentures issued by VRG. For the consideration, we acquired a company with route rights for 18 destinations in Brazil, three destinations in South America, three in North America and five in Europe, including 812 weekly slots at the Congonhas airport. We also have the rights to use an almost 79-year old brand, which is a brand recognized around the world. We also acquired the revenue generating Smiles loyalty program, with a database of almost six million individuals.

We will take advantage of significant tax benefits, represented by tax-loss carry-forwards and goodwill, which will be amortized to generate almost US$100 million of tax savings at VRG and on a consolidated basis.

Related to the acquisition, GOL is offering 2.5 million preferred shares in a preemptive rights offering. GOL has voluntarily elected to register a rights offering with the SEC to enable U.S. holders to participate in the rights offering. More detailed information regarding the offering is available on our IR website.

Please move to slide number 15. With the acquisition of VRG, GOL will use its highly-efficient LCC operating platform to accelerate growth and service a growing passenger base. In the domestic market, Varig will operate a standardized fleet of modern 737 aircraft, targeting customers who value on-board service, direct flights and a mileage program.

The principal bases of operation will be the Congonhas airport and Guarulhos airport in São Paulo, and the Santos Dumont and Galeão airports in Rio. The domestic network will leverage the slots acquired in these airports to service direct flights to Brazil's main business destinations. Operating a fleet of Boeing aircraft, Varig will offer the best cost benefit, dual class service to first rate, high-traffic international destinations, re-inventing intercontinental travel.

Please move to slide number 16, that highlights the revenue and cost opportunities associated with the transaction. The GOL and Varig domestic networks have limited overlap servicing distinct market segments. Together, these networks create a wider feeder and distribution network for intercontinental passengers with numerous and flexible connections throughout Brazil, improving scale and accelerating growth.

The “Smiles” loyalty program will further stratify the market with a database of almost 6 million users. The all Boeing 737 fleets benefits from single fleet maintenance and cost synergies. We are upgrading the long-haul fleet to 767 aircraft, which is better suited to service the international market opportunity. GOL will use its network and route management know-how to maximize Varig’s aircraft utilization and improve operating efficiency.

To quickly turnaround the operation of the new subsidiary, we have installed a management team at VRG, comprised of four of our senior commercial, operational, technical and financial executives. Together with the VRG operating team and managers from GOL’s headquarters, they are implementing GOL-style best practices and controls at all levels of the operation.

Already in the first month, we have reduced operating costs in key areas such as fuel, aircraft operations and maintenance. Specific initiatives include, 1) reworking routes and slots to best service business oriented primary and high traffic economic centers while maximizing aircraft utilization; 2) improving Varig’s daily yield management techniques and re-positioning the company with a focused segmentation strategy; 3) renegotiating with suppliers and leveraging relationships with lessors to source a young fleet of 737 and 767 aircraft; 4) negotiating with IT suppliers to improve systems and reduce costs; and 5) building a campaign to re-introduce Varig as an innovative brand with a long history. We are also currently rationalizing overhead and implementing best practice cost management procedures into the VRG subsidiary.

The next two slides, slides number 17 and number 18, show graphically the planned domestic and international networks for the Varig brand. Distinguishing characteristics of the Varig brand domestically are high quality, single-class service, direct flights and a loyalty program. We expect domestic operations to breakeven in three months.

Slide number 18 shows our plans to re-introduce the Varig brand in the long-haul market. Our low-cost platform and optimized aircraft utilization allows us to achieve more effective segmentation and better yield management offering better service at affordable prices. This formula will enable VRG to take advantage of the current opportunity for Brazilian carriers to re-gain share of the international market. We expect our long-haul international flights to breakeven in approximately four to six months after launch.

We will launch service following the rights and approval process of the authorities. Regarding the launch of intercontinental flights to Europe, we have several alternatives that are in the process of being submitted to the civil aviation authorities for approval. We expect to maintain all of the route rights related to our plan.

On slide number 19, we show how we are using brand segmentation to better service the entire market. The GOL brand will continue to popularize air travel in Brazil and South America with a highly connected network, lower fares, reliable, simplified service and a young fleet, providing a compelling value proposition for first time flyers. The Varig brand targets premium customers who value differentiated service in the domestic market and more price sensitive intercontinental customers through an innovative dual class service and a loyalty program.

On slide number 20, we show GOL's consistent delivery of growth, as demonstrated by the expansion of our route network, revenues and earnings per share. In six years of operations, we have taken GOL to a leadership position as one of the world's fastest growing, most profitable and most efficient airlines. Operating a highly efficient company is what we do best, and GOL is strong and well positioned to capitalize on the unique opportunity to further accelerate growth and quickly penetrate new markets through the acquisition of VRG.

Slide number 21 highlights the increased growth options and accelerated growth opportunities available, including new slots and route rights, new customer segments and new ancillary revenue sources. The acquisition enables GOL to benefit from operating synergies, increased volumes and better yield management. In addition to the significant share of slots operated by VRG at the city airport in São Paulo, VRG holds the rights to first rate, high traffic destinations in Europe and North America.

The opportunity to segment brands allows us to better service premium, business, leisure and discount customers. The VRG acquisition also brings new ancillary revenue opportunities such as revenues from the loyalty program and cargo and installment payment opportunities.

I will now turn the call back over to our CFO, Richard Lark. Please, Richard.

Richard Lark:

Thanks, Junior. Please move to slide number 22 in the presentation.

On slide number 22, we show the fleet plan required to meet our growth needs over the next six years. The fleet is projected to grow to 119 aircraft by the end of 2008, and will permit an 11% compound average growth rate in seats from 2007 to 2012.

The incorporation of new 737-800s into the fleet is projected to produce substantial cost savings. The new aircraft are equipped with fuel economizing winglets, which reduce up to approximately 3% to 4% in fuel consumption per year, enabling better flight performance and increased stage lengths on non-stop flights.

The new 737-800s are larger than the 737-700s and carry up to 30% more passengers. We estimate that the 737-800 will reduce direct operating costs per ASK by 15% compared to our 737-700s.

On slide 23 we show the relative performance of GOL in the United States and Brazilian stock markets. From the beginning of the 1Q07 through April 17th, our ADS' have outperformed the American Stock Exchange Airline Index by 7% and underperformed the Tier 1 LCCs by 6%.

Our PN shares have underperformed the Bovespa Index by 17% in the same period. Our average daily trading volume in the 1Q07 has been approximately US$30 million on the NYSE and R$37 million on the Bovespa. GOL is one of the most liquid airline stocks in the world and one of the most liquid Brazilian stocks, included also in the IBrX-50 and Ibovespa indexes.

On slide 24, 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 at 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.

On the next slide, slide number 25, we highlight that, even though GOL has one of the lowest cost structures in the world, a strong balance sheet, the highest trading liquidity in the sector and some of the most attractive growth prospects in the airline industry worldwide, GOL's P/E is at a discount to its peers.

Slide number 26 shows GOL's financial guidance, one of the key elements of GOL's disclosure process. All of the guidance figures provided are on a consolidated basis, which is how we report our earnings. In 2Q07, the addition of aircraft to our fleet will allow an 80% increase in available seat capacity over the same period of 2006.

For 2Q07, we expect a load factor of 71%, with yields in the range of R$0.20. For the 2Q07, we expect non-fuel CASK to be in the range of R$0.082. We expect that the incorporation of larger, more fuel-efficient aircraft and reductions in jet fuel prices will reduce our fuel cost per ASK by over 15% in the 2Q07.

Financial guidance for the full year 2007 is based on planned capacity expansion and the expected high demand for our Brazilian passenger transportation services, driven by strong Brazilian economic fundamentals and the Company's demand-stimulating low fares.

We expect to end 2007 with 102 aircraft and expand consolidated capacity by approximately 80% to adequately serve expected passenger demand and add new routes and markets in Brazil, South America, Europe and North America.

Our projections are for a 2007 full-year EPS in the range of R$4.20 to R$4.70 per share. Full-year non-fuel CASK is expected to be in the range of R$0.081, representing a 12% reduction over 2006. Fuel costs per ASK are expected to decrease approximately 12% due to larger, more fuel-efficient aircraft and lower fuel prices. We expect operating margins to be in the range of 20%.

We plan to continue to popularize air travel through expansion, technological innovation, improved operating efficiency, strict cost management, and the lowest prices. Our cost leadership will permit us to offer the lowest fares, generating high load factors and high profitability, so that we can invest in more seat capacity and further stimulate demand.

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

Constantino de Oliveira Junior:

Thanks, Richard.

I will finish with slide number 27, where we highlight our competitive strengths, which are essential to 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.

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

Lilly, Merrill Lynch:

Hi, good morning Junior, good morning Richard. This is Lilly standing-in for Michael. My first question is regarding the ongoing air traffic control issues. According to a local magazine, Brazilian's airlines were supposed to go to court against the Government, demanding some compensation for the losses that were incurred during the traffic controllers' crisis. I am wondering if this is indeed true, and if so, could you share an estimate for the size of the compensation?

Constantino de Oliveira Junior:

OK, thanks. That is true. The syndicate is working to collect all the arguments to ask the Government to pay these losses, and now we have to define what will be the methodology to understand how much we lost in terms of revenues and how much higher were costs than we expected.

For example, we had during the last quarter a revenue impact of something like R$80 million, and on costs something like R$30 million – that means R$110 million, just considering the last quarter. We still have to consider that we had the problems also in 4Q06. So, right now we are discussing how the airlines will ask the Government for this reposition.

Lilly:

I see. Thank you so much. My second question is regarding integrating the Varig operation into yours. I see that there is a lot of cost savings, due to the increased size and scope, but I was wondering if you could also give some color on some of the infrastructure that needs to be built and developed, in order to ramp up on all these operations, in both the international and domestic market. How much will that set you back in terms of extra costs?

Richard Lark:

We are in the process now. We took over the operations of the Company on April 9th, and we have teams in there working. The costs you are basically referring to are the operating costs; from a CAPEX perspective and infra-structure perspective, we are only spending no more than US$30 million this year on CAPEX related to infrastructure, spare parts, refurbishment and things like that. So from a cash flow and CAPEX perspective this is very minimal amount.

All the efforts right now are focused on creating a very simple operation, running a highly efficient airline, which is what we do for a living. There are cost reductions across the board and we have already reduced a few costs. We are in the process of reducing IT costs and other operating costs of the Company, and then rejiggering the network and repositioning the Company for a re launch of its brand, which will be positioned as a premium service provider in the Brazilian domestic principally and that will take place over the next couple of months. This is what we are doing right now.

But this will not have a positive impact on results in the short term, short term meaning 2Q, and as we mentioned in the webcast, the domestic business will take two to three months to get back to the breakeven level. And in the international routes, when we launch them, will take four to six months to reach a breakeven level.

Lilly:

I see. Thank you so much.

Stephen Trent, Citigroup:

Good morning gentlemen, just two quick questions for me. The first is thanks for the color in terms of organizing your guidance including Varig; now looking at the 2Q, in terms of ASK growth, could you give us a sense, roughly, as to what portion of that ASK growth is going to be driven by higher average stage length, as Varig is doing some long haul international that you guys obviously were not doing last year?

And my second question is a sort of follow-up to Lilly's, which respect to full year 2007 guidance; any sort of broad senses to what might be included in terms of one-time acquisition related expenses. Thank you.

Richard Lark:

In terms of stage length in the 2Q, we were expecting increases in stage length of 5% to 7%. In terms of one-time costs, it is a little bit early to say. We took over operations of the Company on April 9th, and it is really too early for us to give numbers on that at this point.

Stephen Trent:

OK. Thank you very much guys.

Frank Boroch, Bear Stearns:

Good morning. Could you give us some sense of your expectations for tax rate in the 2H of the year? I know you talked about the NOL credits at VRG.

And also I am interested in hearing how your view on the 2H yield environment has evolved. Earlier in the year the expectation was, I think, for yield down around 7%, now I think for the full year the expectation is for down roughly 8%, despite the 25% decline in the 1Q.

I realize there is some change in the loads, but that would imply that there is a nice improvement from prior expectations in 2H yields, and I was just wondering if you could sort of comment around that. Thank you.

Richard Lark:

Sure, yes. Hi Frank. The tax rate for us, on a consolidated basis for the remainder of the year is estimated to be in the 27% to 29% range. That does not include how we can manage expected tax benefits from this acquisition. The Company has a large tax loss carried forward, as well as it has a large amount of goodwill that we can be amortized within the acquired Company.

But it can be maximized in lower overall group taxes, but right now the only guidance we provide on that is 27% to 29% in US GAAP for the average corporate tax rates.

In terms of 2H07 yield environment, we expect, in the year-over-year comparison, for the 2H of the year that yields could be down in the 8% range; but if you compare that to the 1H07, they would more likely show something up 10%.

Frank Boroch:

OK. And have your thoughts on the sort of optimal leverage profile evolved with the VRG acquisition? Where do you see that ultimately going?

Richard Lark:

The VRG acquisition does not have a material impact on our leverage. In the Corporate Finance Policy of GOL, we define a whole series of indicators that we keep track of, from a compliance perspective. Simplifying it, basically the Company needs to maintain Investment Grade Credit ratios, subject to minimization of the cost of capital.

We are BB+ rated Company because of the Brazil sovereign ceiling, but we have BBB, high BBB, low A credit ratios, and our Policy is to maintain those and then we try to minimize the cost of capital, within the range of maintaining investment grade credit ratios.

Participant:

Great. Thank you.

Jim Parker, Raymond James:

Good morning Junior and Richard. I want to ask you regarding your 1Q, you had a big decrease in sales and marketing expenses. I would like to know how much of that came from the lower travel agent commission and then what is the outlook? Can you continue to push that down? What do you think about that?

Richard Lark:

Good morning Jim. About half of our sales and marketing expense line is commissions paid to travel agents on sales that are booked through travel agents, which represents 70% plus of our total sales. So the 1/3 reduction we did in travel agency commissions at the beginning of January had a substantial effect on what is half of that line item. So the majority of the effect was a reduction in travel agency commissions. We also continued with a low level of overall institutional marketing activities; given that we had a lot of headwinds to be dealing with.

So it did not make a whole lot of sense to be spending of marketing dollars when everyday in the press there is a lot of news to the contrary. But we expect to, for the full year, maintain levels with respect to seasonality when we launch new bases; we will have marketing expenses related to the pre-launch of the Varig brand, which should take place more kind of like June/July, and also certainly with respect to the launch of international markets in the 2H of this year.

There are still other factors, we are operating the basic Company at these levels of sales and marketing expenses, but we will have additional expenses related to marketing activities on the VRG side, as they develop but those numbers are obviously incorporated in our cost guidance for the year. The amount marketing dollars we expect to spend on Varig are incorporated in the cost guidance we provided.

Jim Parker:

Rich, you are suggesting then that there is a three-month integration period here, where Varig may be a drain on your earnings? You are talking about from April 9th, when you took over?

Richard Lark:

Yes, basically the 2Q. The Company's EBITDAR is positive, and the Company has operating losses currently – it should not be until July until we see the domestic business positive results from an operating perspective. It is operating basically one long haul market today, to Frankfurt.

We have plans to launch additional markets this year, and it will take several months to get those markets, in our projections, up to positive contributions. We do not have the specific timing yet, or we are not making public the specific timing yet of the launch of the international markets; those will be phased in over the 2H07.

But in terms of this being accretive on an earnings basis, we do not see that happening until the end of the 3Q to the beginning of the 1Q08. We do not expect a large drain; it is more of a neutral situation in the 3Q, and then a positive one in the 4Q07, slightly positive. It is slightly accretive for the full year of 2007, in terms of our having the Company from April 9th until December 31st.

Jim Parker:

Rich, also, how will you ramp up the capacity at Varig? You are talking about increasing utilization sharply, and then adding some aircraft. Can you give us some game plan here about how you will boost the capacity?

Richard Lark:

The capacity for Varig is not really being boosted; in fact, one of the things we try to highlight in the chart in the presentation was that Varig is actually, in the year-over-year comparison, showing rather large reductions in capacity. In the domestic market, we are just maintaining the same number of aircraft that we are operating today, and then, in the international routes, as far as long-haul flights there will be a gradual increase from basically what today is three 767 equivalents to eight 767 equivalents by December.

And the actual launches of those aircraft will come in as it relates to the launch of those markets. We already have all those 767s signed up with lessors within the domestic market. It is really just a question of improving load factors and revenue management on the existing capacity that they are already operating.

Jim Parker:

Rich, I believe when you initially announced the acquisition of Varig, you indicated that you were going to increase the utilization from maybe 8 hours to something like 15 hours, and you intend to increase the fleet from 14 737s to 20, that is what I am referring to. Have you changed that?

Richard Lark:

20 is end of the year 2008, in terms of the domestic fleet. You are saying 20 for 2007, including six 767s within the 2007 forecast, but those will be operating in the long haul. We expect to have eight 767s operating by December of 2007.

In terms of aircraft utilization, yes, we do expect to have a better optimization of the network, which is mainly having these aircraft on a more developed network outside of the São Paulo market, because what the Company did to maintain its slots was operate of the aircraft capacity from the other regions into São Paulo, to make sure that they were operating those slots.

And there is a lot of room to increase aircraft utilization just by flying these aircraft up and down in Brazil. If you look at that route map we have on a page in the presentation, direct flights down to Southern Brazil and up into North and Northeast Brazil. But there would not be an increase in capacity in, for example, the Rio and São Paulo shuttle, which is where those aircraft are operating today.

Jim Parker:

OK. Thank you.

William Green, Morgan Stanley:

Hi, Richard, I just want to make sure I understand. When you said it will be accretive in 2007, you just mean you will no longer report operating losses, or are you saying in spite of the dilution from the share issuing and the cash payment that it will actually contribute more than even that?

Richard Lark:

I was referring to it on an earnings basis. It might slightly be negative on an operating basis, but it will be slightly positive on our earnings basis, based on what we can do on the financial and tax side.

William Green:

OK. And then, if I have done the map correctly, I think you reduced your guidance by basically R$1 per share, and you said that is basically all from Varig, so the loss in the 2Q here should be pretty substantial. So, the driver to get us to a positive or breakeven level, even within three to six months, comes mostly from cost?

Richard Lark:

I did not say it was from Varig, in fact it is not from Varig, and it is just based on the revision of our overall revenue targets, lower load factors and lower yields versus previous expectations. VRG, in terms of the relative size of that business, is somewhere between R$500 million to R$700 million of revenues on the top line.

So, in terms of the overall weight in the business, it does not have a significant impact on the overall business in 2007. So the largest impacts are coming from the GTA side of the equation, which is the company that operates the GOL brand, through lower load factors and lower yields. It is important to point that out.

And the second half of your question Bill, sorry?

William Green:

OK, sure, that is fine. And then, if I could just ask generally on the fare environment, as it pertains to TAM – are you seeing any kind of improvement in the competitive actions, or how would you describe what you see going forward, in terms of the fares?

Constantino de Oliveira Junior:

I believe that the ATC problems on the last six months affect considerably the yields that impacted negatively in the industry. Considering that, we expect to have a much better system, or a more stable system, for the near future. I think that will reflect a better yield environment for the rest of this year, for example.

William Green:

Thanks for your help.

Luis, Credit Suisse:

Good morning. I was just wondering if you could please comment on ANAC's recent indications that deadlines for the international slots are not going to be postponed, and that it is very likely that there will not be any negotiation in that sense. How does the Company view those indications, and does that impact your plans for international expansion?

Constantino de Oliveira Junior:

We are developing different plans to introduce Varig into the principal international destinations, especially to Europe, where the bilateral agreements are tighter, or on the limit. So, in this case, it is still too early for us to announce which plan we will implement; and we have to check all these plans with ANAC, first.

We will do everything under the rules and under the legal procedures – that means our plan is considering that we will be able to explore all the destinations, as the rules permit.

Luis:

I am sorry, so the current plans do expect the deadlines to be postponed, that is what you are working with?

Constantino de Oliveira Junior:

One of the plans, yes. Another one is considering that we will have to achieve all the destinations without this postponement.

Richard Lark:

We have had different operating plans for international business for many years, so it is just a question of which plan we execute, and they come in a variety of formats, and that will also depend on the specifics related to when we want to start operating, but obviously this is all subject to routes, launches and route approvals also in international, they are all subject to approval of business plans by the Aeronautical authorities. So, we are currently working with them right now on what the best alternative is for maintaining the Varig brand operating in these markets.

Luis:

OK, thank you very much.

Ray Neil, Calyon Securities:

Good morning, everyone. Richard, you did a great job on slide 26 showing us what the combined Company is going to look like in 2007. Are you going to help us out, do our job first in 2008, because there should be a phasing from the Varig growth?

Richard Lark:

It would be a pleasure to talk about 2008. I was going to talk about the 2Q, but what specifically are your questions?

Ray Neil:

OK, there are a couple specific questions on Varig. One is – I think we talked about this before, but I just want to verify: there might be some liability from the Varig bankruptcy still overhanging you. Some of the other people in Brazil are saying it could be substantial, I think we talked about it, and that that was going to be limited. I just wanted you to comment on that.

Richard Lark:

We assumed the Company free and clear of any civil, tax and employee liabilities. We assumed R$100 million of debentures, which VRG had issued, and its agreement with the creditors in the bankruptcy process that it went through last year… Remember that the Varig restructuring Chapter 11/Chapter 7 process was really the first test of the new bankruptcy law in Brazil, which was instituted in 2005. It is a law that was written to be a lot more creditor-friendly, and the specific mechanisms that were used by the private equity groups to acquire the three assets sold; the maintenance business, the cargo business and the passenger business.

The VarigLog Group, which is backed by private equity, bought both cargo business as well as the passenger business, and they based it on the specific legal mechanisms that were available, to provide 100% protection from creditors. And the creditors that participated in that process, the various creditor committees, agreed to the restructuring, and the net result of that was the issuance of these R$100 million, which was issued in two debentures, which generated cash flow back to the various creditor groups.

So, as long as that obligation is honored, the Company is protected against any future claims against old Varig, or, as we call it under the bankruptcy law, the Recuperating Companies. There are three – Varig, Rio Sul and Nordeste – these Recuperating Companies are receiving cash flows from the Chapter 7 process; and, as long as this cash flow is honored, there is no legal way that they can come and knock on our door with respect to not honoring what they specifically agreed to in the bankruptcy settlement process.

Ray Neil:

So you think you are pretty well-protected there, except for a certain minimal level?

Richard Lark:

The obligation is the R$100 million of debenture which we have assumed, and which we will continue to pay. We also might consider an early payment of those, to generate cash flows back to the creditor groups to help them with their cash needs.

Ray Neil:

OK, fine. Now, getting back to 2008, that is where you are going to be expanding with Varig on the international routes, I guess pretty bigly. Some of the aircraft people that I talked to say getting the aircraft that you need, the 767s might be difficult?

Constantino de Oliveira Junior:

Regarding the 767s, we already signed LOIs to end this year with eight aircraft flying with the Varig brand, plus another seven aircraft for 2008. That is what we were able to sign in the last two weeks.

Ray Neil:

OK, good. Congratulations on that. With Varig, also, under different brand names, it looks like – particularly domestically, but in other parts of South America – you might be competing with yourself, so much, similar to Air Canada, before their bankruptcy, where they had different brand names out there, and was confusing the consumer. Is that a concern going forward?

Richard Lark:

Well, not really. Varig creates a unique opportunity to take a well-established brand, and reposition it on a lot of its strong attributes, which are more targeted towards the smaller but highly profitable premium business market, using that brand. And Varig is still a highly valued and cherished brand in Brazil, from a customer perspective.

Customers are looking forward to Varig providing the premium service, and value what it provided previously, combined with mileage programs and the VIP lounges in the international business, which are revenue generators, and the combination of this service, business oriented direct highly punctual flights will provide a different positioning, a different segmentation for us, and also allow us to achieve better yield management. The GOL business model.

If you are talking about Rio-São Paulo, yes, the answer to your question is yes, what we are talking about is a 35-minute flight, where basically it is the question of seat availability that gets you there. But when you are talking about longer distances, to Northern and Southern Brazil, or South America, the GOL model is based on connections, and the Varig model is based on direct flights.

And there is a segment of customers that will pay more to get a direct flight with slightly… We are talking of cold sandwiches during meal time hours versus the cereal bars that GOL provides, plus get some miles, which customers can use on international flights on Varig, which are things that GOL does not offer today.

GOL will just keep its positioning, based on price, popularizing air travel, and Varig will be basically positioned on top within the domestic market, to the upper segment. We have almost 5 million passengers out of, say, the 9 million passengers in Brazil that travel, that consume air travel, still a little bit over half are people that consume air travel for business purposes.

And what is happening is that as part of the GOL effect over the last couple of years, basically everybody has followed GOL into the low-price no frills segment. Part of the frustration of Brazilian air travelers today is – as they are 60% business travelers – part of that has been related to the flight cancellation and delays in the recent times.

But that also has kind of overshadowed an underlying frustration, which is a lack of a better product for this business segment, as everybody has kind of followed GOL, I mean, the "GOL effect" that everybody followed GOL into the low-price discount area.

Obviously, 60% of our passengers are business travelers because they have come to us, it was not a specific strategy to target business travelers. So, this Varig brand will allow us to have a very specific, differentiated brand, which will allow much better segmentation in what we think has been an neglected segment in Brazil for the last two or three years. This is a highly price inelastic, service sensitive business travelers, such as yourselves when you come and visit Brazil.

Ray Neil:

OK, so let me clarify this: Varig will have a frequent-flyer program that will be independent of GOL, and that will not be part of any worldwide partnership?

Richard Lark:

That is correct. We are not planning on going into a global alliance, we are planning on, in the United States and European markets, eventually to have some agreements that will allow last mile redistribution of passengers within those continents, but our plans are to do that on a one-off basis.

Ray Neil:

OK, great. Now, any airline integration – of course I am going from a United States experience – does involve complications, and if something can go wrong, it will go wrong. Do you have a back-up plan, in case the integration with Varig is not going very well, or maybe you can cut back on the planned growth, or even terminate it?

Richard Lark:

Well, of course we have the ability to slow down the growth. Keep in mind that the largest portion of the revenues, call it 2/3 of the revenues, are domestic market revenues, where there is a very large opportunity; and all we are doing today is taking the existing aircraft and using that, better utilizing that for all the route rights that it has.

All those aircraft are really just being mainly focused on maintaining the Congonhas slots for them, and so that is basically just improving the utilization of the assets they have on the domestic market. The international roll-out will be very conservative, we talk about having eight 767s by the end of the year, and that will allow us to serve a maximum of four markets, and we operate 57 markets today at GOL.

From a fleet management perspective, the current fleet of 737s is on very short term leases, one to two years; so even if we decided… The Brazilian business, which is 2/3 of the revenues, is the *"filet mignon*" of the travel market in Brazil, but if for some reason we decide to not grow that, which we do not see happening, those aircraft would run off over period of two years.

As Junior mentioned, we just signed leases for 15 767s, which would allow us to cover up the 7 to 8 markets by the end of 2008. These international markets are also the best international markets to and from Brazil – JFK, Heathrow, destinations like that, which are very high-yielding business travel markets.

So it would be easy for us to recalibrate the fleet and downside that business, to the extent that something happened and that we needed to do that. With the same concept applied to our GOL business also, From a demand perspective. We do not see that happening from a revenue perspective.

From a cost perspective, we do not really see any bumps there, there is a lot of work to do, especially on IT issues and systems, things like that, streamlining the cost structure there. But we are pretty excited about the opportunities, for us to reduce the operating cost of that Company further, and there is a lot of synergy that we can achieve, going forward.

Just the tax benefits pay us back for the cash that we have invested in this transaction, and if you include the financial benefits, meaning a better optimization of cash management among groups and Companies, it almost also pays for the amount of shares we are using in this acquisition.

So the acquisition pays for itself just from taxes and financial benefits, before we even get to the operating benefits. The operating benefits are primarily based on very valuable route rights in the Brazilian domestic market in the best business markets.

The way we view it, we had an option, if you will, to explore these long haul international markets, which are also some of the best markets in the world. As you know, the New York-São Paulo market is basically like a shuttle between the United States and Brazil, and we also have an option to explore revenues out the Smiles Program, which is a revenue generating business also. So that is how we view this acquisition.

Ray Neil:

And the two brand names, the two flight assets, will be kept totally separate. In other words, the non-Union Varig employees will be separated from the GOL employees, there will not be any interchange. I will not go to an airport in São Paulo with a GOL ticket and see a Varig airplane sitting there?

Richard Lark:

That is correct. I mean, we can do what we do today, for example, let us say… the airlines in Brazil, transport each other's passengers, if there are flight cancellations from overflows, and so the only relationship is that Varig can transport GOL passengers or GOL could transport Varig passengers in an overflow-type situation, with each Company paying each other for that; but being maintained as separate legal entities, with separate employee staffs; we will have a corporate management of everything that can be managed at a corporate level. But the operations of that Company will be Varig uniforms, pilots, flight crews and call center attendance, etc., everything that has to do with commercial, marketing and the operation of the airline will be maintained on a separate basis.

Ray Neil:

And compensation levels, will be roughly even for both airlines? For the employees?

Constantino de Oliveira Junior:

The compensation is already almost there, on the same level. We are discussing now with the Union, to put exactly on the same level. But, again, we are expected to keep the operations independent, and even all the areas that will have contact with the public – that means, the airport, commercial and call centers, for example.

Ray Neil:

OK. Great. You do have Unions at Varig you said, though, right?

Consta tino de Oliveira Junior:

Sorry?

Richard Lark:

Similar to what we have at GOL, I mean, we have pilots Unions and ground employees Unions, which are… Employees can be a member of those Unions or not, but it is very similar. They had a GOL-style labor contract already when they started up the Company anew, on December 15th 2006.

Ray Neil:

OK. And the final question regarding the integration: international routes. TAM has been establishing themselves pretty thoroughly in the old Varig routes. Are there enough routes for both carriers now to go back to the same routes for the business travel in Brazil?

Richard Lark:

Well, from a Brazilian perspective, yes. If you go back six or seven years, Brazilian carriers had around 60% of the total share of passengers flying internationally to and from Brazil long haul, and the old Varig had about 80% of that. Today, that number has… Last year that number fell down to around 30%, Brazilian carriers' share of international, and maybe today it is back up to about 40%. So there is still a lot of room for the Brazilian carriers to grow their share back up to 50% plus.

You highlighted that chart that I showed, I mean, there is a lot of, and you know, Varig…. In the year-over-year comparison – obviously you are comparing very different Companies, but there is a dramatic reduction in capacity of Varig, internationally. So there is room to grow. I would say this benefited a lot the European and United States airlines, which they have come back and added capacity in the key markets like São Paulo, and a lot of those flights are still going to São Paulo. And if you go back to, as I said, you know, six or seven years ago. There is room also to have non-Guarulhos connections into São Paulo, eventually, as demand comes back. We have a very strong Brazilian currency right now, which is also contributing to a positive environment for Brazilians wanting to travel to the United States and Europe and, believe it or not, Brazilians prefer to travel on Brazilian airlines, because they want to get the benefits of using miles at home and they feel more comfortable traveling on Portuguese-speaking Brazilian airlines.

Ray Neil:

OK. Great. And one final thing, in the air traffic control area, that slide you show… it seems like they are really making progress, just spending the money to upgrade the system, they are hiring new controllers, it looks like they are finally getting these procedures problem out of the way.

One third thing I am just wondering about, though, is politics. Is the politics still going to come up reforming the system, transferring it between military and civilian. What is the situation on a political level?

Constantino de Oliveira Junior:

On a political level, I think things are much more normal now than they were in the last six months. The Government is dealing with the flight controllers in terms of giving them the option of being civil, and that will take a few months, or even a year or two, to do all the process in terms of making them civil.

Today, I can tell you that not all of the militaries would like to be civil, so this discussion is going forward, but now I can tell you we have a much better environment.

Ray Neil:

Thank you Junior, thank you Rich.
Travis Anderson, Gilder Gagnon & Howe:

Good morning. I just wanted to clarify a little bit, make sure I understood. On your forecast for this year you were saying that domestic Varig is going to loose money for the next few months, but it should be profitable by the 4Q, while international Varig, once it starts up, will obviously be loosing money initially.

I assume that the international part of Varig will be loosing money through the 4Q, but I think I understood that you said that you think that net-net Varig combined will be slightly plus in the 4Q, implying that, domestically, you expect it to be nicely profitable? Am I putting words in your mouth or is that about the right way?

Richard Lark:

Hi, Travis. The international will depend on the timing from when those routes are actually launched. We are forecasting four to six months to a building of loads, to take those above breakeven. For an overall basis, we expect – VRG on a separate basis – we expect it to be slightly negative, to have operating losses in 2007 and be slightly positive on an earnings basis.

Travis Anderson:

Due to taxes?

Richard Lark:

Due to taxes and financial income that we can optimize, the financial tax situation of the Company, doing our cash management on a consolidated basis and cash and risk will be managed on a corporate basis. When we talk about cash management and hedging, we manage it on a consolidated level, which is all we can do there in terms of optimizing that portion of the equation.

Obviously, the operating side of the equation, load factors and yields, are managed on an individual Company basis. We think that the cost situation of the Company will turn around very quickly within the 2Q overall, and on the domestic side, we do not think that the revenue situation will be where we want it to be until the 3Q. But as we get to June and July, in the high season, we should have that in the domestic.

But it will take a while to, if you will, 'relaunch' the Varig product in the domestic market. And the international situation will depend on when each market is launched. They are obviously not all going to necessarily be launched at the same time; as I said, we have a couple of different plans there. One of them would be launching in phases, and another would be just launching the majority of those markets on that map by the end of the year, where they would be kind of bunched really in the 4Q of this year.

In one scenario, the international business will really only exist, in a large way, in the 4Q of this year. In another way, we will be launching in two phases, where part will be launched in the 3Q and part will be launched in the 4Q. That is still subject to fine tuning; currently what is really being operated there is Frankfurt. There are markets in South America, but basically there are two aircraft running Frankfurt today.

Travis Anderson:

OK. And then secondly, obviously, you have all had control of Varig for about 10 days now, so it is hard to see much change, but when do you think you will have the whole system rejiggered, so that you are flying the routes you want to be flying and you are charging more importantly the fares that you feel that Varig should be able to get. Is that going to take the full quarter to do, or can you pick those…in the system…and…into the reservation systems, so the agents are selling those tickets for 30 days, 60 days, what do you think?

Richard Lark:

Exactly. Tickets are sold today, but are generating revenues three months from now; it is going to take two or three months to see the real improvements on the revenue side of the equation we are working on that now, we have only been in there for exactly 11 days; what we have there is people working on – for example, two days after we were there, we already had put them on the GOL fuel cost, which was a large reduction in fuel costs for them. On the operational side, maintenance and aircraft expense has been reduced dramatically.

Things like reservation system issues take longer, because there is lot of IT involved, so those kind of costs will take longer to develop here, and then obviously there will be marketing related investments, related to the relaunch of the Varig brand, positioned in a innovative and differentiated fashion.

And the route network, rejiggering the route network, the assets that they have are the route rights, and what we do is maximize aircraft operations on top of the route network, but that takes a couple of months as well to fine tune and reorganize quick flights, see what the impact is on demand, and we are doing that as we speak.

We have a full-time team there; these are people that are a combination of their employees and our employees, so in the short term the team is focused on this. But for a lot of our guys, it is really just looking at another business unit now, aircraft, fuel management, things like that, and just implementing the GOL practices. But it will take two or three months on the domestic business before we think we will see the Company operating at a breakeven level or near a breakeven level from an operating or from n EBIT perspective.

Jamie Baker, JP Morgan:

Good afternoon, gentlemen. Richard, what was the completion factor in the 1Q? Based on your strong cost performance, it is just not clear from the numbers that there was really that much operational impact from ATC.

Richard Lark:

The completion for 1Q was 95%, based on internal data. There is different data available on the ANAC site, because what they did is they changed the criteria in 1Q, because we are having our average aircraft do about 9-10flights per day. So, when you have one flight deflated, it affects the whole system.

The old ANAC criteria adjusted for that, they changed in 1Q. You will see much lower data for that on ANAC site, but for us, we did 95% completion and 99% on time. The real impact was the cancelled flights, which affected loads. We had many days where we were expected to be 80% full, on a Friday night, and because of flights being cancelled – we had 7% of our overall flights cancelled in the quarter, 3,500 flights –a lot of people just went home, they did not fly.

And they waited for the next day, so we thought we were going to have 80 and ended up with 60. So the real impact ended up being on revenues. And when you take that demand out of the system, and everybody is sort of relatively adjusting their fares to do the best they can so they did not have any impact on yields, you get the negative double dip.

But on a cost perspective, what we saw was really just increase over time pay as pilots flight crews were working more during the delays, and then a little bit on fuel. But the real impact was revenues.

Jamie Baker:

OK. And secondly, your guidance for the full year implies a less per gallon or per liter for jet kerosene in 2007 than in 2006; I certainly hope that you are right in that assumption, but can I ask what gives you that level of confidence so as to incorporate that in your guidance?

Richard Lark:

We are using in our numbers about R$1.65/liter. You can divide by R$2.10, and get the USD variation, but this is slightly higher than the levels that we are operating at now. For the 1Q07, we were at about R$1.53/liter; I considered R$1.67/liter for the rest of the year.

Also, we have a high level of hedging this year, through the end of this year, through the end of the 2Q, roughly 60% hedged through the end of the 2Q, and we have a 25% of our consumption for the 3Q and the 4Q hedged at rates that would be better than our slightly lower, that R$1.65 level that I am telling you.

But obviously it is based on the internal view that we have, that we develop, with the people that help us. Petrobras, this year, went back to a monthly pass-through on pricing. In January, we saw international oil and fuel prices go down, but our fuel prices go up, but then we saw that in February. But it is really based on our internal forecast, for what we expect in our market here in Brazil, with Petrobras supplying 95% of our fuel.

Jamie Baker:

OK, thanks a lot.

Operator:

Thank you. I would now like to turn the floor back over to Management, for any final remarks.

Constantino de Oliveira Junior:

Once again, thank you very much for your interest in GOL. We remain committed to our goal of making air travel simple, more convenient and an accessible option for everyone, while creating value for our shareholders and employees.

GOL is popularizing air travel through 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". If you have any additional questions, feel free to contact our IR department, and you can also visit our IR sector in our website at www.voegol.com.br/ir. Thank you very much and have a nice day.

Operator:

Thank you. That thus concludes today's GOL teleconference. You may disconnect your lines at this time and have a wonderful day.