

**Operator:**

Good morning ladies and gentlemen. At this time, I would like to welcome everyone to the GOL 2Q09 Results Conference Call. Today with us, we have Mr. Constantino Júnior, Founder and CEO; Mr. Leonardo Pereira, Vice President and Chief Financial Officer; and Mr. Rodrigo Alves, Head of IR.

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 sessions for 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 [www.voegol.com.br/ir](http://www.voegol.com.br/ir).

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 beliefs and assumptions of GOL's 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 Founder and CEO, Mr. Constantino Júnior, who will begin the presentation. Mr. Júnior, you may begin your conference.

**Constantino de Oliveira Júnior:**

Thank you. Good afternoon everyone and welcome to GOL's 2Q09 results conference call. Let us begin the presentation by going straight to slide number five, where I would like to comment on GOL's current situation and where we are directing our efforts. We have arrived at the midpoint of 2009 on the right path, systematically complying with our main annual targets.

On the other hand, we are fully aware of the challenge that lie ahead and this is what keeps our team on track in order to ensure that the Company becomes more and more solidly as each year passes.

Just to illustrate this, the slide five shows that as of the 4Q08, following CADE's approvals to merge GOL and VRG, we were able to integrate 100% of our operations, finally being able to capitalize on VRG assets with GOL's low-cost platform.

This transformation period was last year's main highlight, and GOL emerges in a substantially stronger position in the Brazilian market, being the absolute leader in number of both landings and departures at the main domestic airports. Our value proposition, which proved highly promising in the 1H is built around higher route frequencies, punctuality levels of around 97% according to INFRAERO recent data, regularity, and the modern standardized fleet of 737 aircraft.

The exemplary quality of passenger service is complemented by the benefit of the SMILES, Latin America's largest frequent-flyer loyalty program with more than 6.2 million

registered members and an average growth rate of 100,000 new users per month in the last eight months. In order to support SMILES growth, we have one of the largest e-commerce platform in Latin America, if not the largest, allowing passengers to acquire their tickets rapidly and efficiently.

To summarize, our current position is sufficiently flexible to explore all segments of the domestic market, continuing to do what GOL has always done, encouraging demand by offering tariffs that compete with interstate buses and permitting payment in up to 36 installments through the Voe Fácil program.

We are also offering a series of advantages for business travelers with high-quality service, such as flight rescheduling at no extra charge, with miles bonus as well as a greater flight frequency between the main domestic airports.

This year, we once again introduced a series of passenger services, which has been another GOL's trademark features throughout its eight years of existence. We took the first steps in preparing our e-commerce platform for its strategic future by introducing car rental and insurance sales generating ancillary revenues at a low selling expenses and better convenience for passengers. As a result, our air ticket sales portal is being gradually transformed into a real travel portal.

On slide number six, you can see some of the other highlights that we would like to share with you today. In order to make it easier to understand, we have separated them in three groups; strategy, operations and balance sheet.

Strategy, the SMILES program has been assuming an increasingly vital strategic role. Not only is it an loyalty-building tool, it also helps to raise funds for the Company. In the last day of June, we signed an important partnership agreement with Bradesco and Banco do Brasil for the launch of a co-branded credit card, through which the two banks will help popularized the SMILES program even more.

Under the agreement, the banks have acquired SMILES and its brand and have rented the right to use the SMILES database. This is a clear evidence that VRG is a good value addition to shareholders. The partnership has now opened a door, we leveraged it with more than 150 partners of the SMILES program, which including rentals, retail chains and hotels that were dormant before this process.

Operating, we have also begun the Buy on Board implementation, allowing passengers to purchase premium meals and beverage. Currently, this service is available on seven medium-haul flights, predominantly tourist routes. But we plan to expand it to other routes in the future. In addition, this innovative service allows passengers to opt for cheaper fares while at the same time giving them the possibility of acquiring premium on-board service. It is worth remembering that GOL's normal on-board service will not suffer any alteration due to the introduction of Buy on Board.

The 2Q09 highlights also include the code share and mileage-sharing agreement we signed with AirFrance-KLM and American Airlines. These are extremely important agreements for GOL as they will increase traffic on our network and strengthen the SMILES by allowing passengers to use their miles to visit the most varied destinations around the world.

We also made important progress regarding the control of our operating capacity. We have already announced an agreement with Boeing to postpone the delivery of certain aircraft. We also sub-leased two 737-800s to Transavia in Europe, which helped us reduce cost

and control capacity during the quarter. We have been posting successive positive operating result since the 3Q08 and 2Q09 was no exception, even though the 2Q is the most seasonally unfavorable for the airline industry.

I will talk about balance sheet. We have successfully completed our capital increase and debenture issuance of R\$400 million. Therefore, we can see that our goals are being achieved in compliance with our plans to reduce cost. This quarter, GOL once again joined a select group of airlines with the lowest cost per ASK in the world.

Please move to slide number seven. I would like to share with you our three main strategic vectors for the future. Capacity management is one of the most important challenges we will be facing from now on. GOL's management task will be to balance supply and demand positively while at the same time increasing our load factor so we can dilute our operating cost and manage our yields, maintaining focus on profitability. Consequently, we are keeping a close eye on the pace of demand growth, which have been showing signs of improvement in July and August.

Cost reductions. We are still working on the return process of six remaining 767-300 from our fleet. We are aware that a definitive solution will not be easy, but our fleet and financial teams are continuing to focus their attention on this issue. In addition, we need to complete our fleet renovation and standardization process by the end of the year replacing all of our 737-300s with 737-800 SFP, which can carry more passengers and are more fuel-efficient and to reduce maintenance costs.

Operations. We shall be reaffirming our strategic position, back to the basics, and a focus on productivity, efficiency and quality since we believe we are on the right path.

These are my initial comments and I will now pass the floor to Leonardo for his considerations. Please, Leonardo?

**Leonardo Porciúncula Gomes Pereira:**

Thank you, Júnior, good morning everyone. I just would like to make some remarks before opening for the Q&A. Let me first talk about the results and you can follow that on slide nine. We had recorded a positive operating result for the fourth consecutive quarter. Even though, as Júnior mentioned, the 2Q is seasonally the weakest quarter of the year.

If we only concentrate on the EBIT margin, which is the most important result because in a way it represents the operation from us, we have generated a EBIT margin of 6.5%, which is very close to the margin that we posted in the 1Q.

Our yields of R\$21.5, and our breakeven load factor is at 56.3%. This breakeven load factor is also a pure indicator of improvement, because it represents 21 p.p. improvement comparing to the 2Q08, when the breakeven load factor was close to 78%.

If you remove the fuel cost effect from this calculation of the breakeven load factor; it still has fallen by 11 p.p. to 66%, which clearly shows a significant year-on-year improvement in our yield and cost management. We continue to focus on profitability as Júnior mentioned. In terms of aircraft utilization, we are moving back to the ratio of over 12 hours a day.

In summary, we have taken advantage of our lower operating cost in order to optimize leasing load factors. We have done this gradually, always in line with our positive operating cash flow objective, aiming to achieve an annual profitability and our cash position objectives.

If you move to slide 10, I would just like to highlight that our gross debt today, our balance sheet gross debt is of R\$3.6 billion. If we exclude the perpetual bonds, which has now matured, these levels comes down to 2.8 and there is no doubt that our liquidity today is much stronger than it was 12 months ago.

If we look at our gross adjusted debt, which is using the operating meters like the EBITDAR of the last 12 months, this ratio has come down from close to 12x in December of 2008 to 6.9x at the end of the 2Q09. Looking to the future, we are working to bring this ratio down to below 5x by the end of 2010.

In general, our ratios are showing a significant improvement. Our EBIT today is less than all interest expenses on a 12-month basis and our current ratio is moving towards one to one. If we look at our enterprise value, it went up from R\$9.3 billion during 2008 to R\$11 billion this week. Therefore, our total adjusted net debt enterprise value went down from 79% to 67%. These improvements are positive for GOL and are in line with our estimates. We are fully aware of the process of having a healthier balance sheet that can also provide us with a solid shape and always avoid risk. If you look at our cash to net revenues, which are now at 9% or close to 10% ratio, we still have the target to raise that to 20% by the end of next year.

Moving to slide 11, I would just like to talk a little bit of as exercise to achieve the R\$800 million by yearend is moving. If you look at our cash balance at the end of the 1Q, you can see that there are a few events that helped our cash balance moving up. We had EBITDAR of R\$157 million, capital increase of R\$104 million, debentures of R\$280 million and co-branded agreements that generated just over R\$100 million. So altogether, we have cash gains of over R\$700 million coming into the Company and cash out of R\$490 million going out of the Company.

As a result, we closed the quarter with cash and cash equivalents of over R\$600 million, 55% above the 1Q09 and very much close to 10% of net debt registered in the last 12 months.

If we consider that the main cash out component in the 2Q was R\$250 million, which we had to replace the letters of credit as long-term deposits, and the letters of credit are slowly but gradually coming back, we will see that the portion that we had on our cash flow is substantially down. And on the other hand, as we are moving to generate more cash from an operating cash flow, we are feeling very comfortable today that our cash balance should continue going up as planned.

Moving to slide 12, you will see that despite having our total debt of R\$3 billion, if we exclude the lease that we pay on a monthly basis and it is part of our operation, our debt schedule has no pressure on the cash flow over the next few years. In 2010, we have a substantial part of the repayment schedule which is the debenture repayment, but this debenture repayment is done on a monthly basis, so we have no pressure on the cash.

Out of that, I would like to highlight that we had a R\$50 million working capital loan which was maturing now in August and it has already been renewed for another 12 months, and we have the largest payment, which only happens in 2017 when the senior notes come due. So in other words, we have the payment scheduled which is totally comfortable and adequate to a Company like ours.

Moving to slide 14, we are updating the fleet guidance, the operating fleet guidance for the year, and that is basically a result of a new average exchange rate and a new average WTI

that has a positive impact in our CASK ex-fuel, which we are revising down to R\$9.3. And we are also positively reviewing the ASK for the year, down from 40.5 billion to 40 billion. We are expecting no change in the domestic market, we are just reviewing down the international passenger demand, which is consistent with what we have seeing in the last few weeks in terms of costs and profitability and focused on areas that are generating cash.

So, those are my remarks and now we are opened for Q&A. Thank you.

**Duane Pfennigwerth, Raymond James:**

Thanks. Good morning, Junior and Leo. I had a question for you on your capacity; it appears that your guidance implies 18% growth in the domestic market for the balance of the year. I am wondering if that puts with your estimates, when we would see that capacity growth acceleration because you have been approximately flat year-to-date and what impact you think that will have on the competitive landscape? Thanks.

**Leonardo Porciúncula Gomes Pereira:**

Can you repeat your question again?

**Duane Pfennigwerth:**

Sure. It appears from your full-year domestic capacity growth target that it implies 18% capacity growth for the remainder of the year, August through December. One, I was wondering, how does that look like over the balance of the year and what impact do you think that will have on yields and the competitive landscape vis-à-vis a competitive response from TAM?

**Constantino de Oliveira Junior:**

Just a minute, Duane, we are just checking the numbers.

**Leonardo Porciúncula Gomes Pereira:**

Hi. According to our calculations here, the decrease in the 2Q vis-à-vis the 1Q in this case would be of just 9%. I could not get the second question.

**Duane Pfennigwerth:**

OK. What are your domestic capacity growth plans for the remainder of the year? And what do you think that will do to yields and perhaps a competitive response? And then I think Jim has a question as well. Thank you.

**Leonardo Porciúncula Gomes Pereira:**

Yes. In domestic growth plans we are seeing a recovery in July and in August. But we are increasing this capacity without increasing the fleet and just on basically cost on the domestic market, which we view that there is a demand and would not impact our targets in terms of profitability.

So, what you see we are still reaffirming that by year-end we have an operating fleet of 108 planes. But that does not mean that we are increasing the number of planes. We are just reviewing our network to make sure that we fly at the right place.

**Duane Pfennigwerth:**

It appears to get to your full-year guidance of 35 billion ASKs that you would have to grow 18% for the balance for the year in the domestic market?

**Leonardo Porciúncula Gomes Pereira:**

Yeah. Our numbers – I am not sure of that, I will have to check and then we will post that in the site. The 19% I am not – according to my numbers, it is not 19% but I will review that. And I will make sure that we get back to you and we will put that in the site.

**Duane Pfennigwerth:**

Thank you. Jim?

**James Parker, Raymond James:**

Yeah, just Leo and Junior, a question regarding what Duane was saying about capacity growth, with the exception of July your loads have been running in the low 60s and not even up on 50s. So, why do you feel has the economy in Brazil recovered? Only that you feel like you need to add capacity at, say, 15% or higher?

**Leonardo Porciúncula Gomes Pereira:**

We are not adding capacity, we are basically reviewing our network and flying, adding new frequencies to places where there is demand. And, again, we are seeing some recovery in Brazil, yes. We feel that the economy in the 2H of the year is not going to be as soft as in the 1H.

**Constantino de Oliveira Junior:**

And Jim, just to just to complement what Leo is saying, our growth plan in terms of ASK comes from large aircraft. As you know we are returning the 300s and introducing 800s. With that, it is great to have a situation where the ASKs will grow. But we are trying to find the way to even replace some aircraft, if possible reduce fleet, and increase our productivity when the market grows in the right path in a very healthy way. So, considering that, we are very focused on that equation between supply and demand and we have been working on that.

Our plan in terms of aircraft and the contracts that we have with Boeing and finance also compromises, did not allow us to just receive the aircraft. But I can assure you that we have been very focused on this equation, and we are working hard to increase our productivity without any kind of big increase in capacity without adequate demand. And this will come from certain growth, but most part of that will come from larger aircraft.

**Duane Pfennigwerth:**

OK. All right. Thank you.

**Nick Sebrell, Morgan Stanley:**

Good morning, gentlemen. Two questions. First, can you talk a little bit more about cost cutting? We saw that your guidance is down significantly, now R\$9.30 CASK. Is there room for that to go down further? If we hit an exchange rate that is a little bit more aggressive than the one that you have in your – I guess, it is an average. But let us say we were to hit a R\$1.90 or R\$1.80 exchange rate by the end of the year, how much improvement do you think we could see going into 2010?

In other words, you are growing your ASK, you have done a lot of cost-cutting, is it possible that we would see something, say, could we get further in 2010? Or alternatively, you have got a few places you can save, like get rid of the 767s, but for the most part R\$9.30 is a good spot and that is where you envision results being in 2010? That is the first question.

And then the second one, if you could talk about your SMILES program relative to its primary competitor out there, I am sure you have noticed that there has been a lot of discussion in the market about all kinds of things, partnerships it flooding as aero planned in Canada. What do you see the competitive advantage is of your program and how would you compare and contrast the two? Where do you think is your strength and where you might need to do some more work? That is it.

**Leonardo Porciúncula Gomes Pereira:**

Let us talk about CASK, CASK ex-fuel; that was your first question, right?

**Nick Sebrell:**

Yes.

**Leonardo Porciúncula Gomes Pereira:**

OK. Of course we are assuming an average exchange rate of R\$2.09. And that is the official guidance that we are using from the Central Bank. Of course, if the Real strengthens further, the number is going to be different, right? That is one thing. But let us forget about the currency. We are still working very hard on creating synergies inside the Company, and that does not necessarily have to do with Varig, because the Varig integration has already happened. But for a company like us, since we have the DNA of being a low-cost carrier, we have always to look for alternatives to be more efficient, and that is the one that we are looking at today.

The main target for everyone, the main target, the main goal, internal goal here is to be more efficient, to be more profitable, and to be more efficient, and that of course will bring CASK ex-fuel down. But we still would like to have CASK ex-fuel below 9, OK, lower than 9. In terms of the numbers, independently on what the exchange rate is going to be, we will continue to work to have CASK ex-fuel lower than 9 next year.

**Nick Sebrell:**

OK.

**Leonardo Porciúncula Gomes Pereira:**

As far as the 737, there are the 737-300s that will go back. But there are things that will happen, and so those are not things that are not concrete, but there are things that are very objective that will happen over the next few months that should help the CAPEX to go down. OK?

**Nick Sebrell:**

Got it.

**Leonardo Porciúncula Gomes Pereira:**

The second thing about SMILES, I will talk and then Rodrigo can complement, I think that SMILES is a very important strategic target for us. I do not like to compare things, but let us look what the aspects of SMILES are. SMILES has 6 million people enrolled, has a brand that is very strong; the moment that we decide to energize SMILES, we quickly had two banks that wanted have partnership with us. As Junior mentioned, we have over a 150 partners that were very recently joined and they are now also keeping a positive pressure on us to be more active.

So, we have a program here that is usually and very quickly determined to go back to what it was. Everyone knows what SMILES is, SMILES is a very strong brand, and so we combined SMILES with what we are doing in our e-commerce platform, we will have a very powerful operating tool to support the Company. So, we see SMILES as part as our strategic objectives, of our strategic plan to support people to come back to fly GOL. And again, as we were saying, we definitely want to be Company where everyone can fly, and SMILES is a major component of that.

**Nick Sebrell:**

OK. And in terms of partnerships with other kinds of companies, whether it is a rental car company – you already have one of those. But let us say other partnerships that the kind of things that most people are just talking about, do you envision doing that as well, or do you see it more as something more strategic in the direction of what GOL is trying to do, not so much the all-encompassing-points program that Multiplus is?

**Constantino de Oliveira Junior:**

We have invested a lot in the SMILES platform and in software and reservation system that allowed us to implement the GOL share program, and that is very important for us. Not just for SMILES, what that means we will capture more passengers from the long-haul carriers, and it will help us to build a stronger load factor, better load factor too. And also there is an aspiration from the clients to have alternatives to fly outside of Brazil. So considering that, we have been dealing with other airlines that fly to Brazil from other continents and, for mainly a confidential agreement, we cannot tell you exactly who, but we have been working with another agreement at this time.

**Nick Sebrell:**

OK. Thank you.

**Leonardo Porciúncula Gomes Pereira:**

Just to complement and to finalize. We view that our ability to build partnerships in the next 12 months is fundamental with respect to SMILES.

**Victor Mizusaki, Itaú Securities:**

Good morning, a quick question on Voe Fácil. You relaunched the SMILES program with a great success, and I would like to know if it is possible or we can expect that you do the same with Voe Fácil, and in this case if you can raise more money with a partnership with another financial institution.

**Leonardo Porciúncula Gomes Pereira:**

Victor, as we mentioned, we view that our ability to partnership will be key in the next 12 months. So, we have fixed team of new business here that generated this cycle of agreements, and it should be no surprise that if we have strong partners this revenue stream comes along naturally. So, I think that this is definitely a new component of our revenue stream. Of course there is process that you need to understand and Junior mentioned, it has to be confidential until we reach an agreement that we can disclose.

But we are working to have at least five or six large partnership with major airlines that can complement our strong domestic network. We are working very close with all these 150 partners that SMILES had in its portfolio. I can assure you that there are tremendous opportunities in terms of hotels, in terms of movie theaters, in terms of insurance, in terms of financial services. So, I think that unfortunately we cannot disclose those, but there is no doubt that there is a huge business opportunity here, and we are paying a lot of attention and very much positive on that.

**Victor Mizusaki:**

OK. Thank you.

**Mike Linenberg, Bank of America:**

Good morning, gentlemen. Two questions here, I guess. One, the 767-300s, you indicated that you are negotiating both the sub-lease and the wet-lease. In the cases of the wet-lease, is that an airplane that is going to be crewed by your personnel?

**Constantino de Oliveira Junior:**

Yes, Mike. In this case, in the wet-lease we are talking about our crew personnel. But we are working with both alternatives, wet-lease and the sub-lease.

**Mike Linenberg:**

OK. And I just want to make sure, do you still have 767 pilots and crews on the payroll, or do you have people who fly those planes that you are keeping current, even though you are not flying the airplanes, that is what I am getting at?

**Constantino de Oliveira Junior:**

Yes. We are keeping crew enough for one aircraft, which will be wet-lease flying monthly. And so we are keeping their license during this period.

**Mike Linenberg:**

OK. When you said the one crew, are you actually doing charter on the side to try to generate revenue, or is the airplane just on the ground?

**Constantino de Oliveira Junior:**

Yes, the aircraft are just on the ground. There is no sense for us for the aircraft to fly at the moment where we have a lower load factor, lower aircraft utilization with the 737. The aircraft is not competitive with the 767, when we compare it with the 800. And so they are grounded. To keep the crew licensed and to keep the aircraft available, we have introduced some flight in certain period of times.

And we did that, for example, almost one month ago with flights between Belo Horizonte and Brasilia where the load factors were higher and just the amount enough to keep the crew certification and license updated.

**Mike Linenberg:**

OK, thanks, Junior. And just one more, Junior and Leo. The recent pull out of some of the international markets, I know you are scaling back service to Chile, you do not fly to Peru. You may have pulled back some service into Argentina. How much of that is a response to the H1N1 influenza?

Or how much of that is the Company's back to basics transformation? I mean do you see yourself going back into those markets or are these permanent reductions from these markets, number one or part A? And part B is how is the traffic looking at this point into both Chile and Argentina, are you starting to see the numbers recover from the H1N1 flu?

**Leonardo Porciúncula Gomes Pereira:**

Mike, I think it is a combination of those things. First, we had a foster economy, which had been affecting the region. I think what is happening in other Latin American countries is slightly different than what is happening in Brazil. The second thing is that the flu had a major impact because we had a lot of the contractions, once the health authorities in Brazil and in some of those places had warned us not to fly into those places, it has become a major issue.

So, we decided to be strictly proactive and retrack temporarily some of those flights. We are still flying to Santiago on a daily flight, via Buenos Aires, but we have to be very cautious because our main target is not those routes and the market share that we have in international routes, although we have to make sure that those routes are profitable.

**Mike Linenberg:**

OK. Well, you know the...

**Leonardo Porciúncula Gomes Pereira:**

There is a positive thing here. We have managed to shift those planes to the Caribbean and now we are flying to Aruba, we are flying to Curaçao, and we are flying to Punta Cana. So, this is a positive thing and I can tell you that the load factors in those places are close to 70%. The number of flights is smaller comparing to the 800 flights a day that we had, but we have managed to not let the planes idle. So, we are working very hard and reshifting the planes from the southern part of Latin America.

**Mike Linenberg:**

OK. Very good, nice job this quarter. It is really good you are getting traction.

**Stephen Trent, Citi:**

Good morning, gentlemen. Just one or two questions from me. First off, I was wondering if you have some kind of update as to what is going on with the slots at Congonhas. We understand that Anac took a few of your slots away, and seem to have Pantanal's slots possibly set to be redistributed. What is your view on this; is to potential competitive lines could change there?

**Constantino de Oliveira Junior:**

OK. Regarding the Congonhas slots, what really happened is that we failed in not cleaning our database. That means we had been asking for some flights seven times a week and we were flying just five times a week, we were not flying on Saturday and Sunday, with a flight reduction during this period, from the beginning. So, what I am trying to say is that Anac got back some of the slots that we were not really using, utilizing. So, the impact in our numbers will be zero, because we were not having these flights, and we have no plans to fly at that certain period of time.

So, considering that, Anac did the right thing in cleaning the database, I mean putting these slots available for this period. But again, this is not part of our strategic, we are not available for ticket sales. There will be no impact in our projections.

**Leonardo Porciúncula Gomes Pereira:**

And also, just to comment, that does not impact our ability to get new slots, with slots available from a third company. So, in terms of performance we are ready to get and will be these slots, as we should get if there are slots available from a third company.

**Stephen Trent:**

So, in other words if they rearrange Pantanal slots and offer those to the group of airlines, you might also try to go for some of those, if they make sense for you?

**Constantino de Oliveira Junior:**

Exactly. In this case, the number that Anac announced we will be able to select almost four new slots on a daily basis for GOL; that is our projection. If this process moves forward.

**Leonardo Porciúncula Gomes Pereira:**

Yes. And from a practical term, our statistics and our performance have not been affected by what Anac has done.

**Stephen Trent:**

OK. Great. And just looking at the yield environment at the end of the 1Q results call. It seems that you have been telegraphing that you were looking for stronger yields in 2009. And now we are seeing perhaps some pressure and you are kind of telegraphing that yields for the full year could be down. So, given the good yield performance in the 1H of the year, any color you can give us on what you are seeing in the 2H so far, particularly how July's yield trended in 2009 versus July of 2008?

**Constantino de Oliveira Junior:**

Look, I do not think that we will see additional pressure on yield in the 2H. I think, as I mentioned, we are trying to routes where there is demand. And of course, the moment that we have an efficient management system, and that we are quick enough to make internal decisions of introducing and discontinuing routes, this is the way to manage the eventual pressure on yield. So, in my view I think, considering how the market behaves in the 1H, I think we managed the question of the yield fairly well and I think that is what we will continue to do in the 2H.

**Stephen Trent:**

Great. And just one or two very quick follow-ups. If we think about fuel prices that have moved at a lag to the broad market – you mentioned fuel prices went up in July – assuming WTI stays around US\$70, do we have more pass-through in August, or should July kind of set the benchmark for the rest of the year?

**Constantino de Oliveira Junior:**

I am sorry, can you say that again?

**Stephen Trent:**

Sure. With jet fuel prices moving at a lag to the broad market jet fuel prices in Brazil, you mentioned that prices have gone up in July, now more in line with oil prices maybe around US\$70 a barrel. Have we seen the full pass-through in July? Or can we see more increases through August in order to sort of get at what we should expect for jet fuel prices the rest of year, especially with a guidance where you increased your jet fuel price expense?

**Constantino de Oliveira Junior:**

Yeah, just regarding the fuel price, I do not think that we have price increase here in Brazil. Even with the price per barrel at the level of US\$70, we have the benefit of the Real appreciation from the end of the 2Q until now. So, probably we will see the same level of fuel prices for us here in Brazil or even a little bit lower, considering the FX variation.

**Leonardo Porciúncula Gomes Pereira:**

Steve, just to complement that, just to remind everyone that we have a 100% policy to have hedge on a 12-month rolling basis for at least 20% of our fuel consumption. So, in case there is a sudden increase, the Company is protected in a way and we have the ability to react.

**Stephen Trent:**

OK. I was just trying to get at your fuel price increase in your 2009 guidance, but I guess I will follow-up with you offline. That is it from me now. Thank you.

**Dan McGoey, Deutsche Bank:**

Good morning. Just a quick question; first, on financials. The other non-operating expenses, R\$84 million in the 2Q and it was R\$94 million in the 1Q, could you just remind me where those expenses are coming from? And then secondly, just a follow-up on the yield and I guess the July traffic. If you can talk a little bit about the specific strategies or time that led to such a strong domestic traffic growth, 29% in the month of July.

How much of that came from price stimulation in June, and also if you can give a little bit of color on what advanced bookings, yields from advanced bookings are tracking at for the 3Q?

**Rodrigo Alves:**

Hi, Dan. How are you? Well, again in the 1Q09 we had more expenses in other operating expenses more related to the number of departures that we had. So, as we had a higher number of departures these expenses related to crews, hotels paid, these expenses were a little bit higher. And if you compare to the 2Q, these expenses were lower because we have discontinued our long-haul flight; that was the main reason. Then the second portion of your question, could you repeat, please?

**Daniel McGoey:**

Regarding yields and the July domestic traffic result of 29%. I mean it is such an off-the-curve growth forecast versus what we have been seeing either from the Brazilian economy or other statistics in recent months. If you could talk a little bit about the price or fare strategy that led to such a strong result in July, and whether or not how much of any price discounting strategies we should reach to traffic in upcoming months for the 3Q?

**Constantino de Oliveira Junior:**

The demand growth, in our opinion, comes a lot from our integration between GOL and Varig. That means we are offering a much better network and frequencies for our clients.

Also we have to thank the SMILES program and Voe Fácil – all the programs we have in implementing or even energizing during this period, giving us results during the high season especially for our tourists. And also with the swine flu, there was a transference from the South American flights to domestic markets and, as Leo explained, also to certain destinations in the Caribbean area, but especially for the domestic market, especially for the North East of the Country was the trend destination. So, that helped us to have a stronger demand in July.

Also we did not see the benefits of the higher yields during the high season. As a trend, July we have almost around the same yield that we had during June. So, for sure the lower price also stimulated demand and that happened considering the competitive landscape and also the transference from South American routes to the domestic market. They added to the well implementation, or well-done programs regarding charters, SMILES program, Voe Fácil helped us to build demand during this period.

**Daniel McGoey:**

OK, thanks, Junior. And I am sorry if you have commented this, your advanced bookings per yield, is it tracking in August, September similar to July, or it is tracking higher?

**Constantino de Oliveira Junior:**

Traditionally August is a tough month especially for us, it is where the business travels start again. We will have a first August with all of the benefits from the integration, so we can have a good surprise. But it is too early to predict. Normally after the high season, the advanced booking starts a little bit later; that means people really do not fly or even buy tickets during the second half of July, just a small amount.

So, considering that it is difficult to predict August and beyond, but our experience for August is to close load factor between 60% and 65% for the Company in the domestic market. And we will have to see how the international, how the South America will react in this period of swine flu. So, I am sorry I cannot give you the right answer in terms of numbers very specifically.

**Daniel McGoey:**

Understood. Thank you.

**Duane Pfennigwerth, Raymond James:**

Why yield? I understand July was the same as June and looking at the 3Q yields from last year not sure what July was as a component, but it looks like it is down about 20% perhaps year-to-year. I just wanted to check that with you.

**Constantino de Oliveira Junior:**

Just a minute, Duane, I will check the number from the 3Q last year.

**Duane Pfennigwerth:**

Or just July-to-July. What the year-to-year change might look like?

**Constantino de Oliveira Junior:**

July-to-July, I do not have July in my mind. Give me just one second, please.

**Duane Pfennigwerth:**

Thanks very much.

**Constantino de Oliveira Junior:**

Considering the yields for last year, in the 3Q it was around R\$0.25. I can tell you that we will have slightly lower yields during this 3Q09, probably something around 10% lower than last year's 3Q yields.

**Duane Pfennigwerth:**

OK. Thank you.

**Operator:**

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

**Constantino de Oliveira Junior:**

Once again, thank you very much for being with us today, and have a very good day.

**Operator:**

Thank you. This concludes today's GOL 2Q09 results conference call. You may now disconnect your lines.

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