Operator:

Welcome to the GOL Airlines' 3Q16 results conference call. Today's presentation will be made by Paulo Kakinoff, President and CEO, and Richard Lark, EVP and CFO.

This call is being 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. At that time further instructions will be given. Should any participant need assistance during this call, please press star zero to reach the operator.

This event is also being broadcast live via webcast and may be accessed through GOL website at www.voegol.com.br/ir, where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via the webcast may post their questions on our website, and their questions will be answered by the Investor Relations Team after the conference is finished.

Before proceeding, let me mention that forward-statements are based on the beliefs and assumptions of GOL management and on information currently available to the company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

At this time, I will now turn the presentation over to Mr. Paulo Kakinoff for opening remarks.

Please go ahead, sir.

Paulo Kakinoff:

Thank you, and good morning everyone and thank you for joining our 3Q16 earnings call. The cover photo of this presentation was taken in the new GOL Lounge. I want to invite everyone to visit the space which is located in Terminal 2 of Guarulhos Airport, in São Paulo. Richard will take us through the quarterly results and I want to review a couple of highlights, so please turn to page two of today's presentation.

Today we report a good performance in the 3Q, due to the lower industry capacity the stronger Brazilian currency, and fuel savings. The key milestones in the 3Q include traffic of growth of 10% over 2Q16, to 8 million passengers, a load factor increase of 1.2 p.p. to 8%, an average fare increase of 15.8% year over year, and 61% versus the 2Q16. And finally, a unit cost reduction of 6.4% versus the 3Q15. Excluding fuel, they fell by 3.1%.

We had solid revenues of R$2.4 billion on 6.7% reduction in capacity, and we drove industry leading but modest unit revenue growth of 3.3%, and that was in line with our expectations. Ancillary revenues are approaching 13% of revenues.

GOL experienced an operating margin expansion in the 3Q, posting a margin of 9.7%, accompanied by an operating result or EBIT of R$232 million, due to the rationalization of capacity, which reduced the number of seats available for sale by 20%, leading to a 1.5% increase in yield, and the strict control over costs, which fell by 12.6% overall.

Our 3Q consolidated profits reached R$66 million. We generated net cash flow, before financing activities of R$390 million in the quarter, and we closed the quarter with just over R$1.8 billion in total liquidity as represented by our cash resources and receivables.

We concluded our service to the Summer Games held in Rio de Janeiro in August and September with absolute success. All in all, we carried more than 7,200 athletes, 5,600 passengers with reduced mobility or special needs, and 49 delegations. The launch of the new accessibility ramp, the improvements in our processes and procedures also combined with the excellence of our service, as well as the high level of security in our operations represent the medals we won in the Games, and which we will wear with great pride.

During 4Q, we will return the remaining 13 aircrafts in our fleet reduction plan, which will take our fleet to 122 aircrafts by the end of the year. Our seat capacity reduction should be on the order of 17% in the 4Q, allowing us to achieve our full-year target of a 17% reduction.

In terms of outlook, I think this is a time to be cautious. The success of our efforts is driving forward bookings, higher load factors and is supporting improved yields. Taking into account the upcoming holidays, we seeing are better fare trends in November and December and January, and notably with close-in bookings, given the overall industry revenue trends we have been monitoring. It is a little too early to tell if we will maintain the improvements in yield, mainly from February 2017 onwards.

A couple of encouraging signs are the increases in yield resulting from our decrease in capacity. As we have reduced our domestic capacity by 4.3% in the quarter, this bodes well for our unit revenue outlook.

The domestic industry is growing seat kilometers ahead of GDP growth. We have seen significant competitive capacity adds in markets that we serve, and it is increased competition that is diluting revenue on routes that we also serve. As forward prices have softened in recent weeks, we expect that the 4Q will be slightly up over last year.

We expect costs to fall in the full year 2016 by 7%. This is an impressive performance, particularly given our capacity reduction. As a result, we are anticipating better 4Q margins and profit, and also better cash flows, but we need to factor these softer trends into our future plans.

So, for now, our 4Q16 plans are unchanged, but we will continue to look carefully and evaluate our 2017 plans. We should caution that this guidance is heavily dependent on the final outcome of 4Q fares and yields, where we will continue to be active. We are planning for rising costs in 2017, and that is due to higher jet fuel prices and labor rates.

Our goal is to arrest the trend of declining unit revenues in 2017 and achieve positive unit revenue comparisons for the year as compared to 2016. We will rely on effective revenue management and route design techniques to achieve this, and we are leaning heavily on our fleet modernization to help mitigate cost pressures.

We expect better profits, cash flow and returns in 2017, despite the competitive environment. Our priorities for the balance sheet this year and next year are unchanged. We will continue to focus on the basics, running a reliable operation, offering our customers exceptional service and delivering results for our employees and our shareholders.

I would like to thank all the organizations and our Team of Eagles who played a vital role in helping us get through this period of rapid economic change. We are convinced we will arise from this arduous and complex process even stronger, more efficient and fully prepared for a new cycle in Brazil's economy.

Slide number three. GOL has the best shares and lowest costs of any airline in Brazil. We are number one when it comes to traffic. We had 24.5 million customers up to September this year. We are number one when it comes to coverage at main airports in Brazil, with 52 bases.

Indeed, we are number one when it comes to customer eservice. Not only do we offer our customers the lowest shares, the best on time performance, the lowest numbers of lost bags or cancellations, but we also offer our customers miles in the Smiles program. As a result, our forward bookings and load factors are rising. We have ordered 120 aircrafts, which will enable us to grow to 43 million customers by 2019, up from 39 million customers in 2015. We have been doing this for a long time over 15 years.

GOL offers the number one experience in Brazil, and during the quarter we continued to lead. Aiming to ensure a better flight experience for our customers, in August 2016 we launched the GOL Premium Lounge in the Guarulhos International Airport in São Paulo. The new VIP lounge has modern and distinctive spaces specially designed to provide clients with increased ease and convenience.

We will be inaugurating two more lounges, in the Galeão Airport in Rio de Janeiro, in the 1Q17. With that, GOL will be the only airline to offer VIP lounges in the domestic market. On October 4th we undertook the first commercial flight in South America with internet onboard on the Congonhas-Brasilia-Congonhas route. The Company's entire fleet will be equipped with this service by October 2018.

We also rolled out our new website at the end of October. The customer feedback on the recent additions to our customer experience has been very positive. Customers are enjoying the lounge and onboard Wi-Fi and are finding it easier to find our lower fares.

A key element to our customer experience remains our commitment to delivering the lowest fares and delivering the number one in on time performance. We expanded of our codeshare agreement with Copa Airlines and Aeromexico, and initiated a new partnership with Emirates.

As a result, passengers served by these companies will only have to check-in themselves and their baggage once and will be able to take advantage of an extensive route network. Customers will also benefit from being able to accumulate miles and redeem tickets through loyalty programs.

We increased our activities with Smiles in order to provide more benefits and amenities to customers, exemplified by the expansion of miles accumulation to promotional fares. In addition, customers entitled to a category upgrade during the year and who accumulate more qualifying miles than necessary will be entitled to carry the surplus forward to the following year, helping them maintain their category or possibly entitling them to a new upgrade.

So, with that quick overview I ask Richard to take us through the results presentation and then we will take you through the question and answer for the quarter. Richard?

Richard Lark:

Kaki, thank you. On slide five you can see we have the lowest costs of any airline in Brazil, with an average cost ex fuel of R$0.13. A key point to take away is that the gap between us and the other airlines which we compete against is widening. Our competitive advantage is increasing.

Slide six, our coverage continues to be quite wide: 63 bases with 52 airports served in Brazil, and nine countries with 800 flights every single day.

Slide seven, we enjoy strong market positions across Brazil. We are the number one or number two carrier in the key markets that represent approximately 80% of the Brazilian economy.

You can see that GOL has the highest level of non-passenger revenues, as you can see on slide eight. GOL's Smiles subsidiary closed the 3Q16 with net revenues of R$398.3 million, an increase of 14% over the 3Q15.

Operating income was R$163 million, representing an operating margin of 40.8%, which was 5.7 p.p. higher than the same period in 2015. Net income in the 3Q16 was R$145 million, representing a net margin of 36%.

The quarter's results at Smiles reflect 11 billion of redeemed miles, a 2.2% increase over 3Q15, 12.2 billion miles accrued excluding GOL, a 5.7% increase over 3Q15, R$305 million of billings excluding GOL, a 3.6% increase over 3Q15, and a 1.5 p.p. increase in the burn to earn ratio to 79.6%.

In the 3Q16, GOL's cargo revenues were R$77 million and R$332 million in the last 12 months period, despite the reduction in ASKs. Other revenues were R$225 million. 100% of our fleet is configured with with GOL+ Comfort Seats, which are producing additional revenues, and in the 3Q16 GOL sold13,800 products on board per day.

Flip to slide number nine. As you can see, we had a good quarter. We saw our 3Q profits increase to R$66 million, representing a net margin of 2.7%. Our 3Q EPS was R$0.19. We are happy with our 3Q earnings results. They were in line with consensus, and in line with our expectation and the guidance we provided last quarter.

I would like to commend also all of our hardworking employees on a very solid quarter, especially with the very challenging environment.

Net revenue in the quarter decreased R$88.2 million to R$2.4 billion, primarily due to a 20% decrease in seat availability. Total net revenue increased R$77.2 million in the 9M16 compared to the same period of 2015. Year-to-date revenues reached R$7.2 billion, representing an improvement of 1.1% compared to the 9M15.

In the 3Q16, EBITDAR profit was R$600 million in the quarter, representing a 25% EBITDAR margin. EBITDA profit was R$303.4 million, representing an 13.9% EBITDA margin. 3Q16 EBIT was R$232.6 million. 9M16 EBIT reached a profit of R$498.3 million, representing a margin of 6.9%, which was an 8.1 p.p. improvement over the same period of the previous year.

On slide ten, you can see these results were driven by 1.2 p.p. increase in load factors, at 79.8%, and strong passenger numbers at 8 million while our average fare increased by 15.8% to R$258 per passenger.

In the 3Q16, GOL's airline operations reduced capacity by 6.7% to 11.5 billion ASKs, and increased passenger revenues per seat kilometer, or PRASK, by 3%, permitting a total RASK improvement of 3.3% in the quarter.

The 20 p.p. reduction in available seats above the 6.7% ASK reduction is primarily due to the increase in stage length which is part of the new route network fully implemented in May 2016.

GOL's constant focus on improving revenue management helped drive a yield increase of 1.5% over the 3Q15. In the 9M period ending September 30th, 2016, yield was up 9.5% and PRASK increased 9%.

At R$0,18, total operating cost per seat kilometer, or CASK, reduced 6.4% over the same quarter of 2015. The CASK excluding fuel decreased 3% in the quarter-over-quarter comparison. Combined with the RASK increase, this permitted an increase in the gains from the operating process from operations to R$2.03, representing a significant improvement when compared to same period in 2015.

In the quarter, consolidated CASK was R$0.13 cents ex fuel, a decrease of 3% in the quarter-over-quarter comparison. This decrease in cost per seat kilometer was driven primarily by the following factors: a R$0.2, or 8% increase in aircraft lease expenses per ASK, driven by the increase in the number of aircraft under operating leases contracts from 98 in the 3Q15 to 101 in 3Q16, partially offset by the 8.3% Brazilian real appreciation; R$0.1 cent, or 8.7% decrease in maintenance expenses due to the Brazilian real appreciation and reversal of provisions related to aircraft returns; a R$0.1 cent, or 4.1% increase, in salaries expenses due to an 11% increase in wages from the collective bargaining agreement, partially offset by 9.4% reduction in headcount, result of national turnover that was not replaced.

Fuel in the quarter was R$1.96 per liter, representing a 8% decline when compared to the 2Q15, and was the lowest level since the 1Q11.

It is worth noting that GOL decreased by 11.4% the number of liters consumed per RPK compared to the LTM period ending the 3Q16 versus the LTM period three years ago, as a result of constant initiatives to improve our fuel operating efficiency.

On slide 11, our balance sheet improved and we had a net total liquidity position, including accounts receivable and Smiles cash, of R$1.8 billion. Our total debt reduced by a R$3 billion during the year. Our net leverage including off-balance sheet aircraft leases is near 7x.

Moving to the next page, our forward bookings and load factors continue to rise, although we caution this will have an impact on average fares and yields. In order to capture opportunities during the high season, we are adding 49 new routes in the 4Q16 and 1Q17.

I would like to point out that we operate in nine countries around South America and we see growth in a lot of these destinations and countries this summer, including Argentina and Chile. Our oil exposure for the next three months is 27% hedged at R$49.25 per barrel WTI.

On slide 13, last year our load factor increased by 0.3 p.p. to 77.2%. In the current year we see that figure increasing to 78%.

Despite strong comparative numbers you can see that we had strong load factors throughout three months. On a comparative basis we are between 2 p.p. and 4 p.p. better booked now that we were in the same time last year for the remainder of the year.

Slide 14, since 2011 GOL has worked to lead the industry in rational and profitable capacity growth.

In the adjustment of industry capacity to match demand, not all competitors have cut capacity and reduced frequencies on destinations and routes in Brazil. Some competitors have continued to cut capacity and reduce frequencies. Other competitors have continued to add capacity in spite of their higher operating costs. This has had a big impact on sector profitability.

Slide 15. The outlook for the remaining of fiscal year 2016 is that we will see our load factors increasing by 1 p.p. to 78%, and traffic is expected to reach 33 million passengers in the year. Ex fuel costs will be down, and average fares will be slightly up in the 4Q. We have very limited visibility into the 1Q17.

So, as a result of all of this we are happy to increase our guidance to the upper end of the range. Our previous range was 4% to 6%. We will now be at the upper end of that range. This, of course, is highly predicated on closing bookings for the remainder of 4Q.

Moving to slide 16, for the full-year 2016, we expect to achieve a capacity reduction of 8% in ASKs and 17% in both total seats and volume of departures. As mentioned, mentioned, we expect to achieve the top end of our operating margin range, at approximately 6% for the full year.

To finalize, I will turn to the fleet on slide 17 and quickly walk through that. We ended the quarter with 135 aircrafts, and will finish this year with 94 800s and 28 700s in our fleet. Next year we will reduce by two 800s and reduce by three 700s, for a total reduction in fleet next year of five aircrafts. In 2018 we will resume fleet growth and begin our fleet replacement with the delivery of our first MAX aircraft.

I guess now we will move to the Q&A. Thank you very much.

Michael Lindenberg, Deutsche Bank:

Hello everyone. Just a question on press release, where in the domestic market it talks about how capacity in the domestic supply decreased 4.3% in the September quarter and it is down 5.7% from January to September 2016, and it goes on to saying with that same sentence, the aim of reducing the supply by 8% for the year, and this is in the domestic section, so that would imply that your 4Q domestic supply is going to be down 12% to 15%. Is that right or is that 8% for the system rather than domestic? Just trying to get that number.

Paulo Kakinoff:

Good morning. It is the system as a whole. So, there is a crisis in the market, and we think that demand came to a sort of stability from July on this year in comparison to last year, but it is still too early to assume we are going to have a demand increase over the following weeks.

So, the data you got is related to the system and the message behind is that there is no further deterioration, this is the positive side, but the other half we do not know except when we are going to find improved demand.

Michael Lindenberg:

OK, and just for 2017, I think that the view is the Brazilian market will grow 3% to 4%—

Paulo Kakinoff:

Following now my speech, this is not any kind of guidance, I would just like to highlight on statics. There is a factor of three terms when you compare the Brazilian GDP and the demand for the airline industry in Brazil. The official forecast for next year is 1.5% positive GDP, that was delivered by the government.

So, following the history, the historical figures, we could calculate a 4% to 5% additional demand, but it depends on how disciplined will the capacity be. This potential growth could be translated into better yields or additional demand. We do not know how the market will react.

Michael Lindenberg:

And you do not have an early view on what you think your capacity plan will be for next year as of now, right? I think you said you are still going through all the numbers.

Richard Lark:

As we said, we are reducing five aircrafts in the fleet next year, so obviously there is a reduction there, but part of that will also depend on how configure the network, the productivity of the aircraft. We are operating on this 11.4 block hour on the day of utilization, and in the context of our planning next year we want to increase that, but I think we will give a better view on that when we present our details for next year, and we always do it in February, so you will have to stay tuned for that.

Paulo Kakinoff:

Final message, disciplined capacity is the name of the gain this year. Please keep it in mind.

Michael Lindenberg:

Absolutely. OK, great, thank you gentlemen.

Duane Pfennigwerth, Evercore:

Thanks for the time. Just with respect to your 13 cent or 13.2 cent CASK in the 3Q, if we assume a stable currency, which obviously is a big assumption, is that a level you feel you can keep going forward? Specifically with respect to the 4Q, typically you see this big increase sequentially from the 3Q to the 4Q. What are the reasons we would see that 13.2 trend higher? It feels like a level you could sustain.

Richard Lark:

Obviously the key point is the exchange rate, which we are planning on stability. The combination of the other initiatives we described indicates that assuming exchange rates stability, related to the macro situation, we should be able to maintain it in that range.

Duane Pfennigwerth:

So the year-over-year decline in the 4Q could be double digits?

Richard Lark:

On the ex-fuel, most of the effects, we have some inefficiency in that number, as it relates to the aircraft we still have in return. At the end of 3Q, in the fleet reduction, we had 11 aircrafts in the return channel, in other words, they are out of Brazil, out of our network, but we are still paying the monthly rental costs on that. There is a little bit inefficiency on the cost side.

We think that the objective is to have all those returned by the end of December, our current planning is to probably have two that will probably still be in the desert, they have not been picked up by their new operators yet, but there is a little bit of inefficiency there on that CASK with respect to aircraft components and how that will impact the overall CASK number.

On the other side, we have the one time effect for the fleet restructuring of pretty much all through the system. The only inefficiencies we still have are these aircrafts we are paying, but they are not producing revenues for us.

That is how you can approach it, as one of the key drivers of that non-fuel CASK is the aircraft components, both components, the dilution in terms of the productivity and then the exchange rate component. I think that is consistent with what you are thinking.

Duane Pfennigwerth:

OK, just to clarify that the 11 aircrafts, were they parked in the cost structure in the 3Q or is there some incremental inefficiency 3Q to 4Q?

Richard Lark:

The rental aircrafts are 3Q numbers and we hope to have nine of those totally returned by the end of the year, so some of that cost will be in the 4Q CASK, if you will.

Duane Pfennigwerth:

OK. Lastly, in the non-op, below the line, it looked like you had a 230 million gain related to a discount obtained on your senior notes, is that likely to be a recurring gain or just in the 3Q? Thanks for taking the questions.

Richard Lark:

That was in the 3Q. we finished an exchange offer where, in a net basis, we obtained the reduction in debt, so that is a one-off in the 3Q.

Duane Pfennigwerth:

Thanks, Richard.

Savi Syth, Raymond James:

Good morning. I am just wondering if you were able to quantify this benefit you got in trips from the Olympics, and along this line, looking at the improvement you are seeing on this time last year and how much now, is there a change in strategy going forward or was there a strategy put in place already and the incremental improvement is really demand coming back?

Paulo Kakinoff:

Actually, the summer games did not help as much as the soccer games two years ago. It was pretty much concentrated on Rio de Janeiro. Surely it was quite interesting in that specific route, the shuttle service connecting São Paulo to Rio de Janeiro and vice-versa, but to the remaining network, I would say, the summer games were somehow negative.

This is, at the best, a sort of neutral effect. It could be considered good, because it could be negative considering how much these games could impact traffic, but it was a more neutral effect.

Richard Lark:

Regarding your second question on the increased load factor demand versus network, it is really a combination of both. We have adjusted network as a function of seasonality. We are going to summer season here, which has a lot of traffic in December, January related to vacation destinations, so we have about 50 new frequencies added in there to capture that demand and that relates to the network changes put into effect in May, so the network adjusted to our new fleet size.

We do not see anything significant on the demand side overall. It has been a little of uptake on the corporate demand versus what we had seen previously, but the traffic is still suffering from the effects of the economic situation in Brazil.

So, in terms, the combination of demand versus network is really more based, the increase in load factor is based more on our route network combined with what we are doing for the summer season here in Brazil.

Savi Syth:

OK. Maybe I can ask you, on the interest expense, I am a little bit surprised by the level in the 3Q when I compare it to what we saw in the 2Q, especially with the restructuring, was there something in the 3Q that should come down or is that a good level going forward?

Richard Lark:

Surprised at what, sorry?

Savi Syth:

It seems high in the 2Q, like 100, 180 million in interest expenses, in the 3Q it was closer to 200 million. I expected it to be in line or lower.

Richard Lark:

There is nothing out of ordinary there. Part of it probably relates to, we might be seeing some exchange rate effects there. We have, you know, a big chunk of our capital structure today, about R$1 billion of debentures in BRL which are fairly high cost, maybe in your analysis that is a larger part of the overall debt now, but ther eis nothing extraordinary there.

Savi Syth:

Thank you.

Josh Milberg, Morgan Stanley:

Good morning everyone and thank you for the question. I just wanted to go back to the issue of the 4Q margin outlook. As was noted on the Portuguese call, your updated guidance for this year does imply a pretty low level for the 4Q, and I got that that responded in part to FX and fuel volatility, but we were just hoping you could elaborate further on other variables behind your expectations. You mentioned earlier on the call you have seen pretty good, fair trends coming in to the 4Q.

Richard Lark:

It is a combination of that. Obviously we have our own assumptions on the exchange rate and oil prices, as all of you have, we all use our own independent assumptions on that, and we have our assumptions on the demand environment, December, how it can impact yields. Based on our assumptions on the exchange rate to oil price dynamic, that is how we come up with those numbers.

Having said that, I guess to some extent we will see what happens after tomorrow, but it seems as if we may have softer on oil, so that could potentially help positively. We have a lag, you have to be careful with lag. If there is a reduction in oil, it can take up to 60 days for that to work itself into our cost, so it will not necessarily give us a big bump on the 4Q, it might help us in the 1Q a bit.

But on the demand side, we are being very cautious, because we have taken a lot of capacity out of the system and so you saw in the 3Q that impact a little bit on the yields, very slightly.

Obviously, there is the seasonality in there, so we did see a positive effective of all this capacity that we and some of the others had taken out of the system, but it is not obviously clear to us if that is going to continue as some of the competitors have additional capacity to come on and they are going have to try to build those aircrafts with passengers which come out of a market that is 15% to 20% lower than it was this time three years ago.

So, that part is a really big question mark and we need to be cautious in respect to that because the visibility we have on that is for increased capacity to be coming along in certain areas, but–

Josh Milberg:

That already in the 4Q? The additional competitor capacity, do you think that is something that could–

Richard Lark:

We cannot predict what competitors are going to do with their pricing environment in December. We are working from a load factor perspective, we share those with you, if you look at that, the yield components will be equilibrated by the competitor behavior of the other guys, everybody combined.

At the beginning of November, it is a bit too early to predict what kind of behavior we will see on that, so what will happen, to the extent that everybody is on capacity, and we should see a solid yield environment December and January.

That is why we are being cautious, we do not have a whole lot of visibility very far in the future of what is going to happen on the yield environment.

Josh Milberg:

OK, fair enough. I was also hoping you could comment on where you think you need to be margin-wise to breakeven from a cash flow to equity standpoint next year, taking into account your minority interest. That was something also raised on the Portuguese call. One element of that, I was hoping to get some color on what assumptions you have for maintenance CAPEX over the next couple of years.

Richard Lark:

The maintenance CAPEX is minimal. GOL made an enormous investment on its platform on the last couple of years, technology and so on. When you say maintenance, do you talk about maintenance of the CAPEX or maintenance expenses on the aircrafts?

Josh Milberg:

I am talking about the CAPEX.

Richard Lark:

You could do something in the range of R$150 million per year in terms of what the maintenance CAPEX is, in other words, the price to maintain our investments in hardware, software and people. Again, GOL already made an enormous investment in the last couple of years in technology, across the board, from customer experience on apps, websites, onboard activity and so on to our backend, which is our ERP system, controls and all systems we use to build a performance management. All that investment is behind us and we are looking at R$150 million to maintain that.

The other part of your question, could you repeat that please?

Josh Milberg:

Just to get a sense of what you think you need to do margin-wise to be breakeven from a cash flow to equity standpoint.

Richard Lark:

Well, when you say cash flow to equity, what does that mean?

Josh Milberg:

I am saying EBIT, EBITDA, less interest, less maintenance, less CAPEX and taxes, less minority interest. To be in a level where you are generating your breakeven from a cashflow standpoint.

Richard Lark:

From an operating perspective, we are already at that level. We have seasonality in the business so, for example, in our business, we see generally between Carnaval and the end of May, we have a drop in demand, margins reduce, but overall, this level we are right now is a breakeven level of cash flow, but obviously you have seasonality in the business.

When you look at the airline sector in general, you have the various levels, it is not us specifically, it is a structural thing for the airlines business and when we talk about cash to equity, only when you are above 15% operating margin that you can start entertaining paying dividends, you can actually think about paying dividends.

In the past, this Company only paid dividends when it is above 18% operating margin, up in that range, so about cash to equity, us paying dividends to shareholders is not something we foresee in the future here in the next couple of years, but we are going back on the other end in terms of being able to meet operating expenses, interest expenses, that service.

Basically, with the results of the restructuring plans, as you have seen, we have about 18 months of runway before we get into some of the large analyzations. 18 months is a long way up. Our operating cash flow, plus what you just highlighted in terms of the minimum maintenance CAPEX, it is sufficient for us to cover the financial obligations on a kind of runway basis for the next 18 months.

One of the objectives of the restructuring plan is we are articulated, basically thinking of the guarantee of that runway, so that we could see the positive effect of the capacity management on the operating part of the equation. In other words, to be able to pay all the obligations through cash flow generation and not counting on external resources or external capital.

We basically achieved that. As I have said, we have a little bit inefficiency with the return of aircrafts that are still in the system, but once we get through that, this massive restructuring has been done, the importance of this level to better match the market to people from the supply-demand perspective. That is pretty much done.

What we need going forward to maintain that entirely depends on us, we just need a rational capacity management going forward and then we are OK. Because of our cost advantage, which derives from the Boeing 737, and because we operate that on a highly ingrated network, we also feel that we are very well prospected to the extent that there are negative effects in the demand environment or any overcapacity effect next year that negatively affects the yield environment and reduces our margin and cash flow, we feel we are pretty well protected against that from a defensive perspective.

I think we all will have a view of that on April or May of next year, once we get through, we will have a little bit on November, December and January, because of the high season, and then we will see the down post-Carnaval until April, May, so I think May we will get a view on that.

But for us, on our plan, from a cash to equity perspective, this range we are operating right now is sufficient, but we are another level away from thinking about returning capital to equity in the form of dividends or otherwise, we are pretty long way of that.

You see it in this Company, if you look back historically, in the historical GOL data you got the numbers to see at what point, what the trigger was to be able to pay dividends and it is kind of close to an 18% margin where you got enough to be able to pay dividends and return that, but we are a long way from that.

Josh Milberg:

OK, thank you very much.

Ravi Jain, HSBC:

Good morning. I have a quick question on the international capacity. The international has been coming down over the last few quarters. Do you see some potential to increase that on the next 12 to

18 months? Where do you see this in the longer term in terms of international and domestic capacity? Thank you.

Paulo Kakinoff:

No, we do not think we will add any capacity. It could be marginally due to seasonality, but we got information that some of our competitors are supposed to add at least eight aircrafts each over the following 12 months, which would bring us a +4% additional capacity in the market. This is based on information available to the market.

Ravi Jain:

Thank you. That is helpful.

Stephen Trent, Citi:

Good morning and thanks for taking my question. Two for me quickly. First, if you have any view on what we might or not see in terms of Brazilian governmental policy initiatives. Jet fuel, do you think there is a resistance that seems to be coming from the state of São Paulo and could it intensify with respect to current FX levels? Giving you guys more help than six months ago.

The second question, I just wanted to get your take on some stuff we have seen on the corporate governance front and whether you are confident and comfortable that you are satisfied with your internal controls. Thank you.

Richard Lark:

We honestly are satisfied with our internal controls vis-à-vis what has happened, the Company has already a lot of information of the policies and procedures with respect to that.

In terms of your second question on the government help we saw, we do not expect any specific help from the government. We are operating on the basis we are operating now. As you mentioned, there were some press announcements on potential reductions in taxes on fuel. We do not expect anything there in the short term, probably not even in the medium term, so do not count on that.

I think in terms of other issues–

Paulo Kakinoff:

We have engaged in those discussions with the government via our association. The conversations are always promising ones, but we do need to find the right environment to properly address such type of requests. You know Brazil is still under a turmoil and we cannot give you any kind of forecast when we could finally get some tailwinds coming from better or improved taxation towards the airlines.

There are several discussions, some promising ones, but we cannot give you at the moment any kind of precise forecast.

Stephen Trent:

OK, very helpful.

Pablo Zaldivar, GBM:

Good morning. Thank you for taking my question. My first question is regarding your fleet plan. You are looking at a reduction of around five aircrafts for the next year, could you tell us how many of those aircrafts are owned by you? And how many are financial leases and what should we expect in terms of income from the return of aircrafts programed for next year?

Paulo Kakinoff:

Despite being reduced next year, they are all operating leases and we are going to achieve 117 aircrafts.

Richard Lark:

Financial leases are aircrafts we own. You asked what we own and what is financial, the operating leases aircrafts are what we do not own. For example, you can take the fleet numbers we had at the end of the 3Q, 34 are finance leases, which are aircrafts we own and the others are operating leases, which are aircrafts we do not own.

Pablo Zaldivar:

But regarding the income during the quarter, like 30 million in the cost line as a budget expectation on the return of the leased aircrafts, what should we expect by next year by returning these aircrafts?

Richard Lark:

I do not understand the question. You are asking because we are returning five aircrafts next year, we provided that. What is your question related to the return of the five aircrafts?

Pablo Zaldivar:

During this quarter we saw an income of around 30 million due to the return of aircraft, so I guess that during the next year we should see a similar amount due to the return of other aircrafts. Could you give us some guidance on what to expect?

Richard Lark:

Obviously, you know, how we finance our fleet expansion involves sale leasebacks and depending on what we negotiate we may or may not generate some gains from the sale leaseback, but it really depends, because sale leaseback is a combination of a sale and a leaseback.

Generally we look for the lowest possible lease rate versus trying to maximize the gain. So, the right assumption to use there would be zero gain, because we are looking to guarantee the lowest possible lease rate for our future cash flows, but it really depends. It also depends on the timing of the market.

You are right to assume we should expect gains, because the Boeing 737 NG is a highly sought after aircraft on a global basis, because of its very low operating costs, and we also have a very attractive price by a large volume from the OEM Boeing. But I think the right assumption to use would be zero, we cannot really predict the result of negotiations.

But it is a good question, an interesting question, but I think it should be zero for your assumption.

Pablo Zaldivar:

Thank you very much.

Savi Syth, Raymond James:

I just have a question, internally GOL has been focusing a little bit more on getting more a premium product over the last few years, and I think that is reflected in your increasing corporate share, but I was wondering if you could talk a little bit about how your fares versus the industry have been trending and are you starting to see more and more premium and if we should expect that to continue?

Paulo Kakinoff:

We have accessed more business travelers and they are paying higher fares than the usual ones. That has happened and we can monitor this improvement by ABRACORP, the Brazilian Association of Corporate Agencies. We have improved our market share there and by doing so we have expected more business travelers, the best output we could get from the investments made over last year.

I think we can improve those figures even more after getting our aircrafts equipped with the Wi-Fi and other improvements already ongoing.

Richard Lark:

You are right, part of the increase in the GOL average fare is indeed from the benefits of a more premium service. GOL has the best pitch offer in the market, which is how we attracted corporate travelers. The GOL Comfort class service provides additional space between passengers, first company with onboard Wi-Fi, the onboard service in terms of the buy and board product, it goes into the premium component.

So, some of the effects on the average share increase is deriving from the product, the additions that have also happened over the last three years on a gradual basis. Today, as Kaki was saying, GOL is the number one market share in transportation of corporate passengers and that is a function of the onboard service and products and all the other facilities, the check in, the apps and all that investment, massive investment made in technology.

Part of the average fare increase is coming out of premium, fare premium versus what existed previously.

Savi Syth:

Got it. It is helpful to know if it should maybe continue. And the question before, you are assuming maybe a greater moderation in terms of RASK improvement, I am having a hard time getting your full years margin guidance if it was not slowing your year-over-year RASK growth.

Richard Lark:

We are being cautious with the yield component. In December, it is more leisure travel, less corporate travel. We have also added frequencies to capture the volume, but it is a lower yielding travel and we just talked about the more premium fares, that really applies to the corporate traveler, the leisure traveler– the majority of our seats are still put in at very low fares to also have an interesting product for the leisure travel and the bookings are happening now.

The December holiday season has that impact on yields, number one, and number two, as I mentioned, we do not have a good visibility on the competitive environment and how it will relate to pricing as we see on the last couple of weeks leading up to December.

That is really the caution we are using and the information we are providing to you is really based on those factors.

Savi Syth:

Thank you.

Victor Mizusaki, Bradesco BBI:

Good morning. Just two questions. The first one, when we take a look at your fleet plan, the number of aircrafts will drop to 117 from 122 this year. Can you give us any color on what you expect in terms of ASK reduction for next year?

My second question, thinking about consolidation, do you think there is room for the consolidation in Brazil, even with what we are seeing in Latin America?

Paulo Kakinoff:

We are not giving guidance on 2017 yet, but you probably got from our speech that we have no intention to increase capacity. It could happen either increase or reduction marginally, depending on seasonality.

Richard Lark:

We are reducing our fleet by five aircrafts last year, but on the other side we are working to increase our utilization, our aircraft utilization, block hours production per day on the aircraft. So, the ultimate amount of capacity reduction next year will depend on how efficient we are able to be, how productive we are able to be with those aircrafts.

For your purposes , if you assume we are staying at the 11.4 block hours, you can more or less use that five aircrafts reduction to see how this year-over-year capacity growth could be lower.

I am not saying it will be lower, because we are working to squeeze more out of our assets, our aircraft assets by increasing the aircraft utilization and that will lead to how we configure the network, which is a very complicated activity, but we will give you more visibility on that when we speak in February.

On you other question, it does not depend on us. The second part of your question, the competitive environment is happening, there is the capacity dynamic and I think it is hard for us to say whether or not that would happen or not, and if it happens, I think it depends on a variety of issues, not just within Brazil, they also depend on what is happening in the South American environment and, to some extent, how that links into North America.

It is a complex equation. I think for our purposes, our planning for next year, that would not happen. We are assuming we have to work under the current competitive environment that we have today. That is how I would approach that. Thinking about our performance for next year, I think that is the way to think about it.

Victor Mizusaki:

OK, thank you.

Operator:

This concludes today's question and answer session. I would like to invite Mr. Kakinoff to proceed with his final remarks. Please go ahead, sir.

Paulo Kakinoff:

OK, ladies and gentlemen, I hope you found our Q&A session helpful. Our Investor Relations team is available to speak with you as needed, please do not hesitate to call us. Thank you very much, have a nice day.

Operator:

This concludes the GOL Airlines conference call for today. Thank you very much for your participation and have a nice day.