Operator:

Welcome to the GOL Airlines' 4Q16 Results Conference Call. Today's presentation will be made by Paulo Kakinoff, GOL's President and CEO, and Richard Lark, GOL's 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.brir and Engage-X platform, 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 the platform, and their questions will either answered by the management – during this call – or by the GOL 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's 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 hand you over to Paulo Kakinoff. Please begin.

Paulo Kakinoff:

Good afternoon, ladies and gentlemen. Welcome to the GOL Airlines 4Q16 results conference call. I am Paulo Kakinoff, the Chief Executive of GOL, and I am joined by Richard Lark, our Chief Financial Officer.

Both the press release and slide presentation are on the GOL website and I would urge everyone to make sure you have had a look at that. Richard will take us through the quarterly results in a few minutes, and I will give you a couple of brief summary remarks.

In 2016, GOL achieved the number one position as the largest airline in Brazil, as measured by market share of RPKs and passengers transported. We are Brazil's favorite airline, having carried almost 400 million passengers since our first flight in 2001. In 2016, over 32 million passengers chose to fly GOL. And our forward bookings and traffic are rising.

GOL is recognized by customers for having the most attractive flight network in Brazil, the leadership in punctuality, and the best customer experience and service. Our fleet of 120 Boeing 737 aircraft and order for another 120 Boeing 737 MAX will allow us to maintain the lowest operating costs of any airline in Brazil.

GOL has a team of more than 15,000 skilled aviation professionals delivering Brazil's best on-time performance, and an industry-leading 16-year flight safety record.

Please move to slide number three. This morning you have seen we released the 4Q numbers, showing that we recorded a net loss of R$30 million for the quarter. We achieved an operating margin of 7.4% in the quarter, and 7.1% for the full year 2016. Our pre-tax income margin was 1.3% in the quarter. Our EPS was a loss of R$0.9 cents in the quarter, or US$0.003 dollar per ADS.

Fuel costs fell 17% per ASK in 4Q. Non-fuel unit costs, excluding non-recurring expenses, were down 7%, as we grew load factors and benefitted from USD weakness on some parts of our cost base.

Our low cost base continues to be the key differentiator with all other airlines. Not only have we the lowest operating costs, but, as this gap widens, we will continue to deliver an even better value proposition to customers to ensure we grow safely and profitably.

On-time perfomance in the quarter was solid at 94%, and, in 2016 GOL, was recognized as the most punctual airline in Brazil by the OAG (Official Airline Guide). Our load factors were at 78% in the quarter, up to 2.2 p.p. over the 41Q5.

We returned five aircraft in the quarter and reduced our ASK capacity by 6% year-over-year, and reduced our number of flights by 20% year-over-year, allowing us to match our supply with Brazilian economic conditions.

The balance sheet continues to improve. In December, we moved to a net debt position of R$5.2 billion. GOL's leverage, pro-forma for aircraft returns to occur in the 11Q7, is now close to 4x.

Please flip to page four. In the quarter, average fares increased 19% while traffic decreased 15% to R$8.1 million. I also highlight the 6.6% increase in our unit revenue quarter over quarter. The RASK was almost R$0.23 cents of BRL.

During 4Q16, we returned five aircraft, as we continued to match our capacity, route network and bases to the adverse Brazilian economic conditions, at a time when some other airlines are growing capacity, despite the Brazilian recession. Accordingly, our price environment has improved, but we still have economic and political uncertainty.

On slide five, here you see that the reduction in our fleet permitted a 6% cut in ASKs and 20% reduction in the number of flights. ASKs increased 2.6% in the 4Q16 compared to the 31Q6.

And on page six, we demonstrate how the new network launched in May 2016 was responsible for the major portion of our quarter operating margin increase. Our new network has re-focused on the higher yielding portion.

This flexibility permits us to rapidly take advantage of and adjust to market opportunities in accordance with seasonality. Increasing our supply in certain high-season months is part of our plan.

However, challenging the recent environment, I would like to emphasize that it is due to the smarter work of our dedicated aviation professionals that GOL was able to minimize the effects of the crisis on our operations.

Our single fleet type, agile operations, and fast turnaround times helped us to partially mitigate the adverse conditions. The result of our operational excellence is reflected in our monthly punctuality data.

Moving to slide number seven, we have maintained industry-leading load factor near 80%. In December, we saw load factor and yields improve, which has helped us exceed our guidance for the quarter.

Moving to page number eight, as you can see, even with a 15% reduction in the number of aircraft in the fleet, net revenues increased 0.5% quarter over quarter and reached R$2.7 billion. 4Q revenues increased 11% over the 31Q6.

Among the factors that drove fares higher in the quarter were a 19% increase in average fare, a 16% higher stage length, and a 4% higher yield combined with 7% higher RASK.

On slide nine, you can see a key reason for our RASK improvement: our significant investment in the customer experience, which now includes on-board Wi-Fi that we launched in the 4Q. By the end of this year, we are going to achieve 78 aircraft equipment with such feature.

Moving to page number ten. Looking at the 11Q7, while we expect the industry environment to remain difficult in the short-term, GOL is seeing strong underlying demand for our service, as daily ticket sales have increased around 30% in January as compared to December figures, and we are experiencing load factors above 80%. Aircraft utilization is increasing 10%.

Moving to slide 11, since the launch of our new flight network, we increased our load factors by an average 2 p.p. in the 2H16, and our forward bookings are strong. For the first six months of 2017, we expect loads to be in the high 70s.

Moving to page 12, I present the last six years of operating profits that represent the combination of our capacity reductions, network reorganization, cost discipline and stronger BRL.

Our low costs are a key differentiator, and our growth in ancillary revenues and Smiles has contributed to our improved RASKs.

On slide 13, in summary, I would like to emphasize that GOL is working smarter to strengthen our foundation, so as to deliver consistent and sustainable results for shareholders through the business cycle.

On page 14, we highlight our 2017 focus areas. We are working on maturing our new flight network to maintain its contribution to increase margins; keep our dominant position in the Rio de Janeiro market; enhancing our connectivity and capillarity in Galeão, Guarulhos, and Brasília; developing new markets in the North and Northeast of Brazil; investing in international regional expansion in South America and the Caribbean; and increasing RASK from investments in customer experience.

Moving to slide 15. For 2017, we are expecting increased aircraft utilization from our Boeing 737 aircraft. We will make seasonal capacity adjustments in the Brazilian high season, derived from our single fleet type advantage.

Our tactical capacity adjustments help us meet demand in different market conditions. Our 2017 revenue metrics will be driven by the improved environment, and deriving from the more stable Brazilian economy and currency. Thus, we expect to push our load factors higher.

The key will be our continued focus on improving our execution across the commercial function. In terms of outlook, we remain very cautious. There are six weeks of the quarter left to go, and Brazilian

Carnaval is in the last week of February, we will carry over 8 million passengers in the 11Q7, and the full-year ex-fuel unit costs should increase by approximately 1%.

Looking out into 2017, it seems clear that pricing will continue to be challenging as Azul and Avianca are adding capacity in the Brazilian domestic market. We intend to respond to those adverse market conditions with, unlike other airlines, even lower unit costs. We believe that that will result in the best outcome for our passengers, our employees and our shareholders.

Before handing the call over to Richard, I would like to review some of our competitive benchmarks.

On page 16, you can see we are among the top airlines in revenue generation per aircraft, primarily due to our productivity and high load factors. Also, if the BRL maintains its appreciation trend compared to the USD, these figures could be even better next quarter.

The graph in the middle compares stage-length adjusted CASK. GOL is second to only Ryanair. GOL has the lowest CASK in the Latin American region and in Brazil.

We expect more in terms of CASK reduction for the near future. We have already concluded, in 2016, our investments in technology and product, and we will begin to receive the first five Boeing 737 800 MAX in July 2018. This new equipment will enable an increased range, combined with lower fuel consumption.

On the right graph, you can see a comparison for total operating costs over total net operating revenue ratio. The current 93% is too high and we are implementing a comprehensive cost reduction plan, intended to contribute with higher and sustainable operating margins within the next two years. Richard will also provide some extra color ahead.

Moving to slide 17, for the CASK ex-fuel, adjusted by the average stage length, we can see GOL has one of the lowest fixed cost structures in the world, among the leading low cots carriers.

We have demonstrated our commitment to remain Brazil's lowest cost carrier since our foundation in 2001. And it is a continuous and relentless effort of the entire team of eagles, which enable GOL a sustainable competitive advantage over the other airlines in the region.

Since we have a standardized single fleet, GOL obtains smaller crew costs and better spare parts management. Nevertheless, safety always comes first, and we maintain our FAA certification as best-in-class maintenance.

We also have lean and productive operations that position GOL as number 1 in the most important and efficient airports. As a result, we are able to extract the best aircraft utilization. We have reduced exposure to fixed costs with an efficient administrative structure working towards improving our client experience and strengthening GOL's brand.

In summary, through consistency, efficiency and service, we expect to deliver sustainability and profitable growth for our shareholders.

With that, I am going to hand over now to Richard Lark, who will take us briefly through the MD&A of the quarter.

Richard Lark:

Thank you very much. Moving to slide 18, we had a solid December quarter, while maintaining the lowest costs in Brazil and our number one position in traffic.

On page 18, we have the quarter highlights. We attained a 7.4% operating margin. This figure included approximately R$142 million in restructuring costs, which were not operating expenses. From 144 aircraft in December 2015, during the year 2016, we reduced our fleet to 121 aircraft at the end of December 2016, and our plan contemplates an average fleet of 115 aircraft in 2017.

The capacity rationalization required by the industry slowdown in recent years is finally paying off. Despite a 3% decrease in RPKs year-over-year, our load factor reached 78%, 2.2 p.p. higher than the 41Q5. This was possible due to our concentration on capacity and yield management.

In the 4Q, GOL's airline operations reduced capacity by 5.7%, and increased passenger revenues per seat kilometer, or PRASK, by 6.8%, permitting a total RASK improvement of 6.6% in the quarter.

The 19 p.p. reduction in available seats above the 6.9% ASK reduction in the year is primarily due to the increase in stage length, which is part of the new route network, fully implemented in May 2016.

GOL's continuous focus on improving revenue management helped drive a yield increase of 3.8% over the 41Q5. From January to December of 2016, yield was up 8% and PRASK increased 8.5%.

The operating margin expansion in the quarter resulted in an EBIT of R$198 million. For the full year, operating margin reached 7.1%, with an EBIT of R$697 million.

We remain the lowest cost provider in the region and we were able to obtain a significant reduction in leverage. At the end of this quarter, the leverage was 5.7x, while twelve months ago it was 11x. We had net losses of R$30 million in the 4Q16 and net income of R$1.1 billion for the full year.

On slide 19, you see that the increase in profitability was driven by a 7% increase in RASK and 5% reduction in CASK. Cost performance was very good. We had 5% unit cost reductions in the quarter just-ended, and when we strip out fuel that was up 1%. We are targeting, as Paulo said, to keep unit costs ex-fuel almost stable for 2017.

At R$0.21, total operating cost per seat kilometer, or CASK, reduced 5% over the same quarter of 2015. The CASK excluding fuel increased 1% in the quarter-over-quarter comparison.

Combined with the RASK increase, we captured an increase in the gains from operations to R$0.014 cents, representing a significant improvement when compared to same period in 2015.

In the quarter, consolidated CASK ex-fuel was R$0.152 cents, an increase of 1.2% in the quarter-over-quarter comparison. The decrease in CASK was primarily driven by fuel reduction, which, in the quarter, was R$1.94 per liter, representing a 12.7% decline when compared to the 41Q5.

It is worth to mentioning that GOL decreased by 11.4%. We had a reduction of almost 12%, and the number of fuel liters consumed per RPK during 2016 versus three years ago, as a result of initiatives to improve operating efficiency and reduce fuel consumption.

As a consequence, higher RASK with lower CASK led GOL's EBITDAR margin to just under 17% in the quarter.

On slide 20, you see our net financial results the result of R$31 million of financial income and R$194 million of financial expenses in the quarter.

Moving now to page 21, we have broken down our net income variation between the fourth quarters. Beginning from the left, GOL had R$89 million of additional revenues in the year; R$606 million in savings with fuel; R$61 million in lower commercial expenses and R$197 million in other expenses savings; R$76 million with salary increases to compensate for approximately 8% inflation in local currency; exchange rate gains were responsible in the quarter-over-quarter comparison for R$3.7 billion in non-cash net financial results. This item explains the net income, primarily the net income variation between the quarters; and taxes explained the balance of R$585 million. This is explained by compensation of accumulated losses in previous years.

GOL reported a loss of R$0.09 cents per share for the quarter and a profit of R$3.17 per share for the full-year. On an ADS basis, with our ADR program, GOL reported approximately US$0 per ADS for the quarter and earnings of US$0.09 cents per ADS for the full-year.

On page 22 you can see the breakdown of GOL's cash flow evolution from the 31Q6 to the 4Q. GOL increased by R$79 million with cash and accounts receivables, primarily due to operating activities, almost entirely offset by investing and financial activities.

The balance sheet liquidity is shown on slide 23. We continue to work on delivering GOL's balance sheet with the objective of moving up to a B credit rate. We have R$1.9 billion in cash and cash equivalents.

On page 24, you can see we reduced our debt by a total of R$2.9 billion during 2016, and the breakdown, you can see also, of our financial debt maturities.

Moving now to slide 25, 2/3 of GOL's debt is asset based and we have been successful at lowering GOL's cost of debt.

As you can see on slide 26, our net leverage, including off-balance sheet aircraft leases, finished the quarter at 5.7x, which was a significant improvement from 11x at the end of 2015.

On slide 27, I want to take a minute to review the relative performance and liquidity of GOL's shares in the market.

During the 4Q16, and right up until February 15, 2017, GOL surpassed all of the XAL index, which is the airline index, also the the Tier 1 LCCs – comprised of Ryanair, Southwest, Jetblue and Westjet – and the Ibovespa, the Brazilian Stock Market Index, by 6 p.p., 11 p.p. and 8 p.p., respectively, as you can see on this page here.

GOL's average trading volume per day was US$3.5 million on the NYSE, and R$19 million per day on the BM&FBovespa in the same period.

One of the challenges we have had recently in our public market trading value has been the relative lack of liquidity in the ADSs and, for this reason, the Board has agreed to alter the ADR ratio of PNs to ADRs from ten to one previously to five to one, which will be effective over the next few months.

Now, page 28 shows a table with some KPIs benchmarks, using 12 months, ended December 31st, 2016. From an operating margin point of view, we can see that despite GOL's situation, we have significant improvements and opportunities in comparison with low cost carriers, but, in spite of that, we lead the pack in margin in the South American market.

On slide 29, you can see a comparison of the profitability and returns for the same airlines in the previous slide.

Our fleet plan can be seen on slide 30. We ended the 4Q16 with 121 aircraft in operation, and we are at 120 now. In 2017, we will maintain an average fleet size of 115 aircraft and, in 2018, we will resume fleet growth and begin our aircraft replacement with the delivery our first five Boeing 737 MAX 8 aircraft.

As you can see on page 31, we have significant flexibility to match our capacity growth to GDP growth.

A key component of our fleet plan is the 737 MAX 8, as you can see on page 32. The MAX delivers more seats per aircraft, increases operating range and improves performance, with significant cost reductions. As you can see on page 33, we expect an approximate 10% reduction in operating cost.

Our outlook is our slide 34. I hope there will be a favorable fare environment in the 21Q7, with only 2% decline or less in capacity, but we do not have a clue as to what our competitors will do, nor do we know what the outcome is going to be at this point for the 2Q.

For 2017, full year, we are assuming a yield increase of 6%, but that is a guess. We hope it will be more than that. While the environment can continue to be positive, if there is not capacity discipline, we could see pressure on yields.

We are planning for rising costs in 2017, due to higher jet fuel prices. Our goal is to improve the trend of rising unit revenues in 2017 and achieve positive unit revenue comparisons for the year, as compared to 2016. For this 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 unit cost pressures.

We expect better profits, cash flow and returns in 2017, despite the competitive environment. Our priorities for the balance sheet this 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.

The guidance for 2017 is a small decline in capacity, of 2% or less, average load factor from 77% to 79%, CASK ex-fuel of R$0.14 cents, EBITDA margin from 11% to 13%, and EBIT margin of 6% to 8%. Downside risks are the 4Q fares, external shocks and capacity growth.

With this I thank you all for your attention and we are ready to move to the questions and answer session for today's call. Please confirm your name and then ask the question.

Dwayne Pfennigwerth, Evercore ISI:

Hi. Thanks. I wondered if you could just kind of review for us what you are seeing in the corporate segment of your demand versus the leisure segment of your demand, and where you saw more of a recovery in the 4Q and how those trends look here into the first part of 2017.

Paulo Kakinoff:

Thank you very much for the question. Actually, what we have seen is that the total size of the corporate market has not increased. It has not recovered yet. But GOL has been able to achieve a higher market share last year. For the first time ever, we took the largest portion in revenues too, so we were leading the market in the number of tickets sold to the business travelers, and, in 2016, we achieved the market leadership in revenues.

So, it means that we have been able to bring more customers to fly GOL – preferring the company. This is probably the result of the investment that we have done, changing the low-par, offering them more leg room, special packages, conditions, the loyalty programs, now the Wi-Fi.

So, I believe that the Company will deliver continuously better results in that segment, but this is because we have been able to bring customers to fly GOL. It is not because the market size in that specific segment has increased. At least, not until this moment.

Let us see now, because we are close to the end of the leisure season. After the Carnaval, normally we have an increase in that segment, but it is quite soon to say that it is going to happen this year.

Dwayne Pfennigwerth:

And can you give us any sense of level? So, it sounds like you are seeing a stable corporate market and maybe your market share is increasing within that, but can you give us a sense for the recovery potential? How meaningful could a recovery in corporate be? How far below trend maybe a normalized trend do you think corporate activity is in Brazil?

Paulo Kakinoff:

Considering that the average fares in those specific segments are between 3x to 5x higher than the leisure ones, any slight improvement has a quite significant impact in the results. Personally, I believe that following the market expectations, the 2H17 would deliver a better economy dynamic in the Country, and, certainly, getting that effect, we would see an improvement in the business travelers' demand.

So this is what we have expected. That is part of our plan. It could not happen in the 2Q. And we are, I would say, prepared, considering our offer, our revenue management strategy and network design, to only get access to a bigger business travelers' market in the 2H of this year.

Dwayne Pfennigwerth:
That is great. And then just my last one for Rich, the cost guidance that you have given us here, is there any sort of idle aircraft ownership embedded in that that might be kind of non-recurring into 2018 and beyond? And thanks for taking the questions.

Richard Lark:

Yes, thanks Dwayne. Yes, we have a couple of things. We have a couple of aircraft that are in maintenance and Wi-Fi upgrades while they are in our fleet. And so, it is five or six that are kind of going through that process on heavy maintenance and Wi-Fi through July/August. And, as we kind of articulated in our fleet plan, we can bring them in as demand, seasonality revs up kind of in the September/October period.

We also have a couple of aircraft in sub-leasing in Europe, which are obviously not incurring costs on your question, but also give us the flexibility on the capacity side. But we expect that the inefficiency on the cost side should kind of go out of the system more or less in July, as we go back to having a couple of aircraft in spare and maintenance capacity.

And we are moving along with the program on the Wi-Fi retrofit. But for the 2Q, it is about four to five average aircraft that are in the lease expenses, but are not producing revenues. We also did that as a specific strategy to deal with the lower seasonality in the 2Q that is natural in Brazil on the demand side.

Plus, trying to make sure that we keep our capacity and overall capacity in check, as we got a couple of competitors that are, in the 2Q, thinking about bringing some aircraft into the market, which concerns us, of its potential overall effect on fares. So, we are trying to do our part to match demand with supply.

And so, long-answer to short, it is about four or five average aircraft in the 2Q that in July/August period will kind of comeback online in terms of producing revenues.

Dwayne Pfennigwerth:

Thank you very much.

Victor Mizusaki, Bradesco BBI:

Hi, good afternoon. I have two questions here. The first one you reported adjusted net debt-to-EBITDA of 5.7x. And you also mentioned that for this year, for the 1Q, you are to redeliver another seven aircraft. And I do not know if you can give us guidance in terms of what do you expect in terms of financial leverage for this year.

And the second question, just a follow-up about leisure and business travelers. I do not know if you can give us some color. I mean, you are making a lot of changes in your network, if you can give us a kind of break down in terms of leisure and business passengers for these new routes.

Richard Lark:

Our overall target for this year 2017 is to get close to the 4x range. I do not think we are going to get under that. Pro-forma for the aircraft that are being redelivered here in the 1Q, they are already grounded or in the U.S. in the desert during their return process.

Pro-forma for that leverage, which goes out of the system, we are already with our EBITDA assumptions, we are already at a leverage of about 4.5x. That is because the market convention of taking seven times the operating leases inflates the overall leverage of those seven aircraft that are still going out of the system.

So, we will be, at some point between the 1Q and the 2Q, at around 4.5x on an accounting basis. But overall objective this year is to get to 4x level. As I mentioned as well, we will also be working to re-achieve single-B status.

But now, on your question on the corporate, I guess I will let Kakinoff follow up to Dwayne's question on that.

Paulo Kakinoff:

Hi, Victor. Actually, it has been hard to predict when, as mentioned to Dwayne, to predict when the business travelers, the size of them – that specific segment – will be bigger than it is today. As I said, we expect to have more meaningful improvements by the 2H of this year.

But the most important thing is that after the redesigned network, GOL has further strengthened its strategic position among the top 8 airports in Brazil – those are standing for 75% of the Brazilian GDP. So, I mean, those are the most important airports to the business travelers.

Our market share among these airports is hanging from 35% to 52%. I believe nobody can come even closer to the offer that we have structured to this segment of customers in Brazil. We strongly believe that we have an unbeatable network and the time-table to get further preference of the customers.

I mean, it is promising, but we do need to find a better economic conditions in Brazil, which is supposed to happen from July on.

Victor Mizusaki:

OK, thank you.

Savi Syth, Raymond James:

Hi, good afternoon guys. Just first off on the 2017 outlook, it is right in line with what we were thinking, but if I look at the 1Q outlook, I am a little bit confused about the components. Your yield guidance of R$0.24 is below the 4Q16 and below the 1Q16, which seems at odds with your comments on January trends. I was wondering if you could talk a little bit about that.

And then also just on the ex-fuel unit cost, it is about 3% year-over-year, if you exclude the gain on sales, and you do you have a nice tailwind in FX. I am wondering, is that because of what you mentioned about the aircraft that still are non-producing, and then maybe some of the cost related to that?

Richard Lark:

Yes, sure. On the revenue side, yes, that will depend on March, as you mentioned, we have the Carnaval at the end of next week, the first week of March is a holiday week. So, doing better than what I mentioned there would depend on March.

January was very good, January was very strong. Based on January, if those trends continue through March, we will do better than that, but we are being conservative because of the capacity, the competitive capacity, the dynamic and, as you know, any change on yield can have an extremely big impact on profitability.

On the cost side, yes, we are, in our planning for 2017, we were assuming, October of last year based on our own economic, macroeconomic projections, a BRL of R$3, but it was more in the third, at the end of the 3Q. We are already getting close to that level. So yes, and fuel, let us say, oil prices have not tracked at as it normally would, with pretty close to minus one correlation.

So, we do have year-over-year fuel cost increase, but the exchange rate effect is more than overwhelming that at this point in time, kind of temporarily, if you will, in January. So, it helps a bit in January, we expect to give a little bit of that back on the fuel side kind of going through March.

But there is a potential for us to do slightly better than that on the non-fuel cost side because of the exchange rate effect. And then kind of going back to the extent we can maintain discipline and rationality on yields in terms of all the competitors in the market. We could retain some of that in the operating margin.

We have a good visibility on the bookings, but not 100% visibility on the yields and much less so in the 2Q. But the trends are positive for us to have better than expected yields based on where we stand right now.

Savi Syth:

Just to follow up on that, what is the pro forma rent going to be, once everything is returned, what is kind of the new level of rent expense?

Richard Lark:

Rent expense per ASK or?

Savi Syth:

Or just after you return all the aircraft?

Richard Lark:

You are saying, like, on a monthly basis or quarterly basis or annual basis or?

Savi Syth

Quarterly is fine.

Richard Lark:

Yes, that goes down, it is about another R$7 million that comes out on a quarterly basis, R$7 million to R$8 million that you would take out of those numbers.

Savi Syth:

OK, that is helpful. And then, if I may, if you look up to kind of 2017/2018, could you share a little bit more about what your CAPEX expectations are and what you might want to do on the debt front?

Richard Lark:

Yes, sure. I mean, 2017/2018, 2017 this year we have approximately little under R$1 billion in CAPEX, the majority, 60%, 70%, is related to the engines and maintenance on those. We have a small portion of that, which is the Wi-Fi upgrades that are in progress in that R$1 billion.

The majority of it is covered with financing sources. So the cash portion of that CAPEX is only around 20% of the total CAPEX balance. And that comes from low-cost financing sources, such as we have with facilities we do with, the bank guarantee facilities we deal with Delta and Air France, maintenance, I would say credit facilities.

And so, the majority of that is covered through these mechanisms that we use. CAPEX, 2018 is a little bit down from that. And the PDP component this year and next year would be, the first five deliveries are already covered by sale leasebacks. And it is possible that we will have all of those 18 deliveries for the MAX also covered with sale leaseback.

You saw this week, we announced sale leasebacks for the first five of those on the MAX order. So the PDP component of the CAPEX is expected to be much less also. So, we are pretty comfortable with the investment cash flows in terms of what we are doing there financially and financing-wise.

So, and then we start in 2018, we will start to have, most likely, to have PDP as financing requirements as we start to take ownership of those portions of the MAX deliveries as they start to ramp up in 2018 on our plan, which, we expect, will be matching PDP growth at that point in time.

Savi Syth:

That is helpful, all right. Thank you.

Matt Fallon, Deutsche Bank:

Hi guys, thanks for taking my question. So, aircraft rent came down substantially in the 4Q. Why is it down so much? What drove the decline and what is the go forward number?

Richard Lark:

Yes, well, as we described in the press release, it is mainly due to the impact of contract renegotiations throughout 2016. GOL, we did a major fleet restructuring in 2016. I mean, when all is said and done, over 25 aircraft that are returned. In the context of that massive unprecedented fleet reduction, we were able to renegotiate and have proved productivity on that.

There is also an exchange rate effect in there as well. If you look at the full-year, there is an impact of the average depreciation of the BRL against the USD, which is around 5%. And it is also an effect which relates to the time-lag between removing an aircraft from operation until its actual term, as we were mentioning, we have inefficiency there, we are still paying the rent on some of those aircraft.

So, if that was fully pro-forma that number would have been much lower. But it is primarily due to the work that our fleet team and the manager team did on restructuring the fleet, specifically on the aircraft rent side.

And to keep in mind also, the network restructuring that Kakinoff mentioned in his piece of the call was also very important for us in improving productivity. The allocation of those ASKs, improving productivity, so there is also a general component in that across our base, of what management was able to do to better allocate the assets on the route network. So it is a combination of those factors.

But the main factor was the impact of contract renegotiations that happened throughout the year, as GOL affected this massive fleet restructuring.

Matt Fallon:

All right, great. Thanks guys.

Lucas Barbosa, UBS:

Good afternoon Kakinoff and Richard, this is Lucas from UBS. Thanks for taking my question. Congratulations for the results. My question is just a follow-up on the last question. Is the R$120 million aircraft rental costs seen this quarter a recurring level going forward, or was there any one-off in this line? Thank you.

Richard Lark:

Yes, as we described, we have, in the quarter, we had around a little over R$140 million in a variety of issues in there, primarily in the non-operating expenses. So, when you look at the total CASK, it is important to remember that we had around R$140 million in the quarter that was related to when we returned aircraft adjustments and maintenance and a variety of costs that we have to be able to return those aircraft.

Within the actual leasing number, I am just checking here for you, Lucas, the actual leasing number we had and that number that you are taking there is about R$8 million to R$10 million of one-time cost that were recorded in the aircraft rent line that is specifically related to that. The others were, there was bit maintenance and then the rest is in the other operating expenses.

Lucas Barbosa:

OK. Thank you.

Peter Grishchemko, Barclays:

Hi, guys. Thanks a lot for taking my question. I am sorry, my phone dropped before. I also want to ask, but I was wondering if you can talk a little more about the nature of the sale-leaseback agreement you guys announced just recently in terms of capital for operating lease and if you can give us some more color on kind of implied cost of financing and the timing of net proceeds?

Richard Lark:

Those are time for our deliveries which start in the middle of next year. So the actual transactions happen according to the delivery schedule. We cannot provide the specific details on the negotiations we do with the lessors. But we have a very attractive price, a very attractive asset, very attractive with Boeing.

And, then, as you know, with the sale leasebacks, it is a combination of the sale price plus the lease rate. And we negotiate the best terms for our shareholders. We cannot provide details on that, other than to say, generally, the costs on these, if you want to look at it, kind of it is like our financing costs, it is kind of in the 4% range on the financing cost, in terms of kind of what the effective financing cost in USD is for us.

We, generally, on our USD assets, which are the aircraft, we are generally kind of in the 3% to 4.5% range on our, on the effective financing cost to go on to the leasing, which mostly we have been doing, or if we were to do an Exim type financing.

Peter Grishchemko:

Got it, yes, this was helpful. Thank you. Another question I had, assuming full year 2016 results, can you perhaps update on the EBITDA sensitivity to the move in BRL?

Richard Lark:

I mean, yes. I mean, obviously we have an environment I think, going forward, where we are looking at, we are working with kind of, our forecast for the year was about 3.16, the market thus far is kind of tracking ahead of that. So, we do not expect a lot of sensitivity on the exchange rate in terms of volatility.

But trying to answer that question as we kind of look for, you have to tell me what your assumption was on oil prices, because for us to do homework together on our fuel cost and our business, because they indirectly affect the yields also.

And so, we do not really work with just on exchange rate in isolation on EBITDAR because it has a very high correlation to what happens on yields. Then, we also have to look at what is going to be the assumption on fuel.

Thus far, we are getting little bit better than expected on fuel, I think a little bit better than our budget. But in terms of volatility for our business, it is very large. If you take the standard volatility for exchange rates and WTI or oil, if you will, and apply it on our cost structure, within the actual volatility that exists in those commodity prices today, on the EBIT margin basis, you are little over 10 points swing on the margin, kind of like plus or minus 5 points on either side of what our current situation is, assuming the current market volatilities that exist for exchange rate and oil.

So, we got two ways of looking at it. What our expectation is which is – we are working with a stable or slightly appreciating BRL and increasing oil prices. We expect oil prices to increase substantially from now until the end of the year. That is the work with our budget. And that is kind of what we have guided in our cost, kind of flat year-over-year ex-fuel cost, and then a significant increase in the fuel cost is where we are looking at our 2017 guidance.

But generically, if you would have kind of thrown it on a matrix, you kind of go up 5 points and down 5 points around that using the current market volatilities. I do not know if that is helpful. But you also have to have a view on the oil prices, because they work together with us.

An isolated move in the exchange rate, while it can have a short-term effect over three or four months, you also have to look at what is going to be happening with the oil prices and then see how that is going to affect our fuel price and our cost structure, and then how that flows into yields, because yields in the Brazilian market also are highly correlated with what happens with exchange rates in fuel.

So, that is how we get to the overall margin, we do not look at it as an isolated impact of what exchange rate would do on isolation, and what fuel will do on isolation. We have to put kind of the overall package.

But I think what we can do is going forward we can think about how to help folks think about that, those volatility issues which are significant for our business as we think about how we provide guidance and talk to the market. I will take that to heart and think about it.

Peter Grishchemko:

Great. Thanks a lot for the color. And the last, if I may squeeze, do you have any maybe additional color on, from the industry perspective for the bill, to end the airline ownership, what it could mean for the industry? And I do not know if you talked about it before, but is it potentially going to encompass just the passenger and transportation or also cargoes and logistics? Maybe a discussion would be helpful.

Paulo Kakinoff:

I need just to repeat the statement that GOL has delivered to the market since the beginning. The Company is totally in favor of liberalization in every sense. So, it does not mean that we have restrictions to get access to capital, due to acquired ancient legislation.

This is nothing related to speculations regarding selling any stake of the Company or having other strategic investors increasing dramatically their position. This is, as said, this is basically speculation.

What we have, I have always mentioned that the cost, the capital structure of the Company would be much simpler and then highly appreciated by the investors, without having this structure of voting shares, non-voting shares, the relation between them and which has been necessary at the moment, exactly to get access to a bigger market.

So, we are pretty much in favor of this liberalization. I believe this can be only positive. And the other speculations regarding the possibility of having more competitors here in Brazil, I would say they are welcome. If any brand does need the protection of this type of relationship to be feasible in the market, probably there is another problem. I believe that GOL is prepared to compete in Brazil with any kind of airline, even newcomers.

So, I think this is the right decision to be taken. I cannot speculate on the political environment to approve it or not, but I think that the reasonable decision would be to have that thing approved. And this is, I believe, our expectation at the moment.

Peter Grishchemko:

Got it. Yes, thanks a lot for your answers. And best of luck in 2017.

Paulo Kakinoff:

Thank you.

Richard Lark:

Thanks Peter.

Pablo Palazuelos, GBM:

Good evening. We have witnessed during the quarter a drop in leases per aircraft. I believe it should be because of the renegotiation of your contract. But I was wondering if this should be sustainable going forward?

Richard Lark:

If you are talking about the cost per ASK, yes, that is a sustainable number going forward. We had this very large fleet reduction which removed all the excess capacity from our system. We have a little bit of inefficiency in the 1Q because we are still returning aircraft from that negotiation. Then in the 2Q, in the seasonality, we keep some aircraft in maintenance and upgrades on the Wi-Fi. So, we also continue to show some lower productivity on that aircraft in the 2Q.

In the 2H, we should see improvements in that. So, it is sustainable. And as Kakinoff mentioned as well, we are also working to improve our aircraft utilization, which means we are producing more ASKs per aircraft, so the denominator of that goes down. And our aircraft, Boeing 737s aircraft, have the ability to increase utilization above the current levels.

Thus far, this year, we are kind of tracking with the 10% increase in utilization. So, in the 1H, that compensates some of this inefficiency we mentioned on having aircraft out of service. But we should see significant competitive gains for us on that in the 2H, as our Boeing 737s crank up the aircraft utilization, which is an important thing to understand about our business, especially ours, it is the only 737 operator in Brazil.

Last year, really kind of the last, maybe, two years, we were not able to fully take advantage of the utilization capability of the Boeing, just given the economic stagnation in Brazil. But here going forward, we are working on going back to using that capability which for this year somewhere between a half hour to 50 minutes higher aircraft utilization, which is significant.

Why do we even think about that? Effectively, each aircraft is doing an additional flight per day on the existing asset. So, we are having a much bigger dilution of fixed cost. And, as Kakinoff mentioned as well on the chart he showed you, showing the fixed cost versus the variable cost. In our business, we have a very high operating leverage based on the low fixed cost component of our business, which is the aircraft.

So, we can squeeze another half hour to an hour a day out of those aircraft, it is significant in terms of the overall profitability. It is not only sustainable, we are going to push that cost advantage further this year.

Pablo Palazuelos:

OK. Thank you.

Julia Bretz, BCP Securities:

Hi, thank you for taking my questions. I know you mentioned a little bit about this leaseback agreement. If you could give us some numbers, I do not know if you could, but for the market value of the 737s. And then if GOL has made any down payments for these?

Richard Lark:

No, no we do not. When we do the sale leasebacks, those are one of the confidential transactions we do with the lessors, so we cannot provide information on that. But in our particular case, with the down payments that we would normally have on an acquired aircraft, the PDP payments, we then are not making those in the context of the sale leaseback transaction. They are then put into the deal, basically the lessors picking that up so that goes out of our CAPEX plan.

The Boeing 737, in general, has a very, very high value in the market and so we monetize that in the negotiation with lessors, and a combination of purchase price plus the lease rate. But it is a combination of what we want on the cost side and on an ongoing basis, and what we get in terms of cash.

These deals are already done, but as these aircraft are delivered next year, we will probably be able to see some details on that next year. We are about one year ahead of the curve on our deliveries. So, we could probably provide some more information on that next year.

Julia Bretz:

OK, perfect. Thanks. And if I could ask one more question, your taxes were also very high this quarter and if you could explain the reason for that and then give a little guidance for this year as well?

Richard Lark:

GOL, on the airlines side, we are not paying any taxes because of our net operating loss carry-forwards. We have a very large amount of tax credits, net-net operating losses which have an unlimited term which we advertise against any income we have.

The other effect you are seeing there is the effect of the income tax on Smiles, which is a subsidiary of our holding Company which we consolidate. So, what you are seeing there is also the effect of it. Smiles is a full tax-paying entity, very profitable, full tax-paying entity, but the majority of the numbers on the income tax are coming from the income tax expenses from the Smiles subsidiary.

Julia Bretz:

Right. So, will these expenses continue during this year for Smiles?

Richard Lark:

Yes, they will because Smiles is growing there. You can find some information on that on their website. But they are growing at a very nice rate and continue to increase their margins and so they will be continuing to increase that tax amount.

On a relative basis, in terms of the overall consolidated numbers on our side, it probably shows a slight increase just because our overall business is six to seven times the size of – the airline is six or seven times the size of the overall Smiles business in terms of revenues. So, it dwarfs that in our overall revenue and tax calculation.

I think the important thing about GOL going forward is as GOL as we go back to generating operating profitability and pre-tax profitability, we have a very efficient tax planning to minimize those, as we grow earnings on the airlines side of the business.

On the loyalty side of the business, they will basically continue to show those levels of taxes going forward, growing more or less with their, with the size of their business, but it is kind of growing in the 20% per year range.

Paul Lukaszewski, Aberdeen:

Hi, maybe if I could just start with sort of cleaning up and clarifying a few things that you have gone through up till now. I believe you said you are expecting CAPEX of about R$1 billion in 2017. Did I hear that right?

Richard Lark:

Correct, that is right.

Paul Lukaszewski

OK. So can I clarify, does that include PDP or PDP is on top of that R$1 billion?

Richard Lark:

No, we do not have any PDPs this year, as it relates to our MAX deliveries because of the sale leaseback transactions we have done the first five, incorporate those PDPs, we do not have any PDP outlays this year. We might have some next year depending on what we do with the 2018 delivery.

Paul Lukaszewski:

OK, all right. So that actually addressed my second question, which was whether that schedule detailing the PDPs reflected the sale leaseback transaction from earlier this week, and it sounds like it did not, so those PDPs have gone away. I guess the follow-up to that – is there any sort of netback of any PDPs that you have recovered back as a result of the sale leaseback against the R$1 billion or is that already factored in?

Richard Lark:

That is already factored in. As part of our restructuring plan last year, we did a complete restructuring of our PDP deposits. And so going forward we will only have outlays that we actually are going to be financing and taking ownership of the aircraft. Like I said, in 2018 we might have some PDP outlays based on that. That is down the road, we are kind of working one year ahead at this point on the MAX order.

Paul Lukaszewski:

OK, thanks for that. Moving on – and apologies for having to do this, but back to the rent expense line, just to make sure I have got it completely, are your comments that the sort of R$8 million to R$10 million of noise in the quarterly run rate of what was 120, so, assuming steady state USD, we are sort of talking about a sort of 110ish aircraft rental line per quarter going forward, is that a number we can work with?

Richard Lark:

Yes, I mean, part of it, on an absolute USDs, on the absolute BRLs, I will take a note and get back to you on that, provide you more on that. But more or less along those lines you have something that is the number on the ASK basis. There was lot of noise throughout the year on a quarter-to-quarter basis. There is still little bit of noise in there in 4Q that is confusing you a bit, but it is more or less what we were expecting on an ASK basis going forward.

As I said, it probably improves a little bit on an ASK basis based on our plans on increasing productivity.

Paul Lukaszewski:

OK. So, it is a fair conclusion to draw that more of the fleet restructuring was concentrated in the operating leases than the financial leases, just kind of given the degree of magnitude in terms of the reduction of aircraft rent in the P&L?

Richard Lark:

Yes, I guess it is fair. Across the board, today we have 31 aircraft in a finance lease construct going forward. Especially because there are fewer scenarios where we are going to have an accounting change which all lease, including operating leases, would be treated as finance leases. So they got cleared up.

And it is now going entirely out of the operating margin and moving into the construct of interest expense and depreciation. But yes, that is, I think it is fair, your comment.

Paul Lukaszewski:

OK. And one more on this aircraft front, I believe your prior guidance was that the fleet size would come down, that the full operating fleet, including the subleases in the aircraft waiting for return, I thought the target that was going to come down to 122 versus finishing at 130. Is that correct or I am sort of mixing apples and oranges here?

Richard Lark:

What period?

Paul Lukaszewski:

I thought in the 3Q, you guided to expect the fleet, the year-end fleet number, to be 122, either after the 2Q or after the 3Q. I thought that was the guidance, so finishing at 130 I thought was a bit high.

Richard Lark:

We finished at 121 in total, for December 2016 we finished at 121.

Paul Lukaszewski:

Well, that is sort of the net number, right?

Richard Lark:

Net number.

Paul Lukaszewski:

The gross number, including the aircraft to be returned and the growth aircraft on subleases, 130 now?

Richard Lark:

No, no, the 121 includes the 7 aircraft that are being returned. That will take us down to, we will hit kind of like April/May, we will be at 115 aircraft. And that is, obviously, net of sub leases, that does not include aircraft we have in sub-leasing. So that is not included in that number.

Paul Lukaszewski:

OK, all right. Let me investigate where I got my number from then, and if anything, I will get back to you.

Richard Lark:

The 130 I am not, I mean, 121 was the actual. Today we have 120 and, like I said, with the adjustments and so on, we plan this year to be at 115, average. We are actually kind of, we will hit that number kind of in April and then there is an average calculation for the year. But we also have the sub-lease aircraft will be coming back in the at the end of the 3Q

So they also come back into the 2H that allows take advantage of the seasonal demand in the Brazilian market. And we have the flexibility of not taking those aircraft back in the system either if you want to leave them in sub-lease, those contracts expire in the 3Q. So, that is the important thing there, is that we have the ability to manage the capacity.

Paul Lukaszewski:

OK. And my last question is just where should we have our expectations for dividends going forward, are you going to pay sort of the statutory minimum or how you are going to think about dividends in 2017?

Richard Lark:

We will not be in a dividend paying position for years. You have to have a minimum of reserve which is kind of like a minimum book value reserve. And work, we are working, we do this substantially in 2016, but we got about little under US$1 billion of negative book value that has to be recovered before recapitalizing, if you will, before shareholders could start to.

GOL had paid dividends in the past, when it got to a certain, but I think the key there is more, 2017 no, 2018 no. I think 2019/20 perhaps is something, who knows. But the policy would be driven more by what the operating profitability of the business is because we have to be paying our operating cost or capital expenditures, or debt service before we can get into a dynamic on return of capital to shareholders via dividends or stock buybacks.

Paul Lukaszewski:

OK. So the dividend line we see in the cash flow statement, that is another case of Smiles, is that sort of the net leakage of Smiles?

Richard Lark:

Correct. Yes, the Smiles has dividend and they are a cash generating business, very high cash flow. And so, what you see there are the effects of the dividends that Smiles pays to shareholders and then you would have the leakage out for the minority.

Paul Lukaszewski:

OK. All right, thanks very much. I appreciate it.

Felipe Vinagre, Credit Suisse:

Hello, good afternoon. Actually, it is Felipe Vinagre, just a quick question on the fleet restructuring. Just want to know how much did you spend in non-recurring fleet restructuring expenses in 2016, and how much do you expect in additional non-recurring expenses in 2017 with additional reduction up until 115 aircraft? Thanks.

Richard Lark:

Yes, the whole fleet restructuring costs around R$220 million. And, as you know, that was basically from a cash flow perspective that was financed with the operations we did in our old vintage, first vintage Boeing 737 aircraft. We did aircraft sales and sales leasebacks which generated more than that cash amount which basically internally financed the return of those aircraft.

Going forward, we do not have any more expenses relating to that restructuring. That was all done inside of 2016. And all the expenses are appropriately provisioned.

Felipe Vinagre:

OK. So the additional aircraft that you are redelivering in 2017, the costs are already in the past, right?

Richard Lark:

Yes, when you return an aircraft, you may have some additional cost at the end, or the inefficiency there relates more to the new owners or the new users of those aircraft picking up the aircraft. So, the delays pick-up, you may not be able to (inaudible) in there which goes into the aircraft red line as a number there.

But it is really represented more by lack of revenue productivity as opposed to the one-time costs on those returns. But the actual return, the one-time cost which is reflected structuring are already recorded in our costs. And I highlighted those in the 4Q, which was about a little over R$140 million that was provisioned and expensed in the 4Q, relates to the entire fleet restructuring format.

But we could have some additional cost as to the extent that the aircraft deliveries delay, which is possible or if there could be some additional costs, but nothing material. But there could be some additional costs.

Felipe Vinagre:

OK, thanks. My last question, what is your breakeven margin for cash flow generation when we include, let us say, a more normalized level of CAPEX to maintain the average rate of the fleet, etc., and also including in these numbers the dividends paid to Smiles' minority shareholders besides the income taxes, even when you do not have profits. So all included, what is the breakeven margin for cash flow generation? Thanks.

Richard Lark:

CAPEX, we are already above breakeven on operating cash flow. As we have highlighted for you in our CAPEX in there, post CAPEX you would have to add another 6 to 7 points on top of the current operating margin. What I would like to say, if you want to be net cash flow zero on a margin basis in our business, you need to be kind of around 12% operating margin, which is twice what the current level is.

All of our competitors have lower operating margins than us. So, it is a very interesting point. We look to be, as a business, net cash flow positive with what we are doing this year and next year, in terms of revenue management, cost savings reductions, what we are doing with the Smiles subsidiary in terms of the increase in their operating profits.

And then, hopefully, improving on the economic side, which gives us some upside there, all of which kind of result in kind of a 5 to 8 p.p. over two to three year period increase in our operating margin, assuming rationality on the competitive side. From an operating cash flow perspective, we are generating positive cash now, but we are not covering the cash back, as are covered with financing mechanisms.

But if you are asking what would you need to be zero net cash flow? It is 6 or 7 point increase in the operating margin. But, of course, all this is highly sensitive to exchange rate, and exchange rate and oil assumptions as well, which can go one way or the other, depending on how you are going work those two together, but assuming steady state with the numbers I just described to you.

Felipe Vinagre:

Thanks, last question on the business demand potential. So, in the last two years in Brazil, with the crisis, we have seen some big reductions on the demand for the business side, also from the government, we have already seen some recovery on that side and how do you expect this to evolve in the next few months?

Richard Lark:

In the 1H of this year we still have, Brazil economically has been recovered. We expect in the 2H, depending on what happens with these massive reduction interest rates that is happening in the 1H of the year as that could relate to economic stimulation. We could see better demand as Brazil's business activity picks up.

You also have the U.S. dynamic, which is a big question mark to the extent that the U.S. embarks on a path of reindustrializing and improving its competitiveness. Brazil is a big important factor in the supply chain for other industrialized economies.

And our big corporate clients are the extractors, the natural resource companies, the construction companies, the real-estate companies that have to send large amounts of employees around Brazil to develop Brazil.

The large chunk of our business, more than half of our clients are corporate clients engaged in industrial projects and so on around Brazil. That could have a big benefit in our network.

We have are the most corporate travel airline in Brazil with our network and so on. And you know how Brazil works with the large concentration of population centers along the coast, and then the large location of natural resources and development is in the interior, in the North and Northeast.

And so, you have to use the airline transportation to transport your workers and employees around the country to the extent that the biggest developed country of the world, the U.S. is reindustrializing around this year and next. And we expect that that will have like a third and fourth derivative effect on our business, on the corporate travel side.

But still, where we sit right now we do not have visibility on that. We have a partial visibility into the 2Q and that is it. So, we are just speculating at this point on what might happen as a result of the reduction, the 300 to 400 b.p. reduction in Brazil interest rates and how that might get things going here in Brazil in the 2H.

And so, I think everybody is in that same boat in terms of what the 2H of this year is going to look like macro-economically, when I say, different than zero percent growth, we still do not know yet, we do not have that crystal ball.

Felipe Vinagre:

So no rebound at this point, right? So just expectations on the benefits that Brazil could have?

Richard Lark:

Yes, we do not have visibility on that when and how much of Brazilian economic recovery is going to happen. We do not have visibility on that.

Felipe Vinagre:

OK. Thank you.

Juliana Rocha, REDD Intelligence:

Hi, good evening. Thank you for taking my question. Richard or Kakinoff, I would like to know if you are comfortable with your cash position, the liquidity to start the off-peak season. And if you are working somehow on the short-term debt, if you are trying to refinance, talking with the banks, or if you are good with the level that you have right now?

Richard Lark:

Hi, we do not have any significant short-term debt maturities this year, within our construct on working capital, we are working hard there. Based on the constructs that we have with financing receivables and inventories we have a small amortization payment on our 2007 issued bonds which will be the first full amortization of our capital markets bonds issued by GOL on April. That is a small outflow there.

The cash position, in general, with airlines, you never have enough cash. And so, we are very careful with our cash position, we are working hard to try to increase that. A lot of that will depend on stability and improvement, rationality in the capacity environment in Brazil and, also, to some extent, on the exchange rate.

And so, no, we are not comfortable with our cash balance. We need to improve it and work very hard, especially through the 2Q here in Brazil, where we have a downturn in terms of seasonality, which puts a very high level of pressure on cash on oil companies, but especially on airlines.

Juliana Rocha:

Okay, yes. But can you give us a forecast for the end of the year, what do you expect to have as a cash position?

Richard Lark:

No, we are not providing that kind of information.

Juliana Rocha:

And I just want to check a few numbers. You expect MAX leverage to be at 4x at the end of the year?

Richard Lark:

As I said, we are working, we are working to achieve 4x. I do not think we are going to achieve that this year. I think we will achieve that in 2018. But I do think that once we have finished the return of all the aircraft that are going out through the system, we will be at around 4.5x on the leverage.

Juliana Rocha:

And your forecast for the exchange rate is R$3.16 per USD?

Richard Lark:

Well, we are working this year in our planning in that range, R$3.16 to R$3.20 as an average for the year. I think we are, thus far, if we were to stay at the current levels, we would be a little bit ahead of that. But we have a lot of volatility in the currency. But that was our forecast back in October when we worked on our 2017 budget with that level. So, I think we are more or less tracking on that, but we are very cognizant of the very high volatility so we have to be careful.

Juliana Rocha:

Yes, just one last question to clarify on the debt. You said you do not have significant cash that is maturing on short-term, but are you working somehow with the banks? You have FINAMPE maturing this year, and are you trying maybe to postpone this or roll over or for the 2018? Are you already working with the banks or there is no need for that?

Richard Lark:

Well, 2018 on the thing you mentioned, mostly likely we will roll-over some of those things or refinance with other small activities we have facilities with, financing with maintenance and our Wi-Fi with Exim guarantee and other things.

I would say there are no significant, I mean, they are small relative to our overall capital structure, but we do have to work hard to manage them. They are not insignificant in that respect, but overall, our big debt maturities are out in kind of 2020, 2022 on our USD liabilities. And then in 2018 and 2019 we have some larger maturities as it relates to our Brazilian debentures.

But yes, we will probably do some rollovers of some of these small debts of refinancing with some of the small facilities we have inside of 2017.

Juliana Rocha:

OK. Thank you.

Operator:

Ladies and gentlemen, this will conclude today's question-and-answer session. I would like to invite Mr. Kakinoff to proceed with his closing remarks. Please go ahead sir.

Paulo Kakinoff:

Ladies and gentlemen, I hope you followed our presentation and the Q&A session was helpful. Our Investor Relations and Corporate Communications team is available to speak with you as needed.

To finalize today's presentation, we would like to leave you with GOL's competitive strengths on page 35. We see clear sustainable advantages over our competitors. We have the best cost benefit ratio for the passenger with a high rate of one-time performance and we are leader in the offering of flights at main Brazilian airports with a young and modern fleet. So thank you very much.

Operator:

Ladies and gentlemen, now we will conclude today's conference call. We do thank you for attending. You may now disconnect your lines.