Operator::

Good morning. Welcome to GOL Airlines 2Q23 results conference call.

This morning, the Company made available its results. After GOL's presentation, we will initiate the Q&A session for analysts and investors when further instructions will be provided.

This event is also being broadcasted live via Zoom and may be accessed throughout the Company's website at www.voegol.com.br/ir.

We would like to inform that all participants will only watch the event during the presentation, and then participants will also be able to send their questions on the platform, and they will be answered by the management during this conference call or by GOL's Investor Relations team after the end of the conference call. As of now, participants are free to submit questions throughout the Zoom platform. You just need to click on the Q&A button located on the bottom of your screen and type your questions.

Before proceeding, we emphasize that forward-looking statements are based on the beliefs and assumptions of company's management and on information currently available to GOL. They involve risks and uncertainties, given that they are related to future events, and therefore, depends on circumstances that may or may not occur.

Investors and analysts should consider that events related to the macroeconomic conditions, the 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 over to Mr. Celso Ferrer. Please, Mr. Ferrer, you may begin.

Celso Ferrer:

Good morning, everyone. We appreciate you joining us today. This morning, we posted our 2Q23 earnings release and a slide presentation on GOL Investor Relations website. So we will make just a few briefing comments here and shoot straight through your questions.

Thanks for the great work of our Team of Eagles, we announced record revenue and operating margin for the 2Q, which is the seasonally the weakest one in the year. We were also recognized as the best airline in South America by APEX Passenger Choice Award 2023, crowning all the efforts of our best professionals in the industry.

Also, according to ABRACORP data, the Association of the Corporate Travel Agent, GOL consolidated its leadership in the 1H23 as a leader in the corporate markets, demonstrating that business passengers prefer to fly with us.

All of this reflected the strengthening of our network, both domestic and international and our unique low-cost business model and GOL differentiated brand. This reflects the consistent recovery in demand currently more supported by leisure with a gradual but slower-than-expected recovery in the corporate demand, but which has brought an important contribution to our fare discipline.

During the autumn period, we expanded our capacity by 14% over the 2Q22 reaching around 91% of our 2019 capacity and even surpassing 100% on selected days, highlighting the growth in São Paulo, connecting main largest airports and markets as our position to capture corporate passengers. We also connect new regional destinations with our own Boeing 737 fleet from the capital of São Paulo, both airports, to Caldas Novas, Caxias do Sul, Foz do Iguaçu, Juiz de Fora,

Maringá, Presidente Prudente, Uberlândia, São José do Rio Preto and Ribeirão Preto. This is the way to provide low cost and available and good fares for everyone in Brazil.

In the international market, the Company started to grow its flights at a stronger pace now, in 73% versus last year, reaching around 63% of its 2019 capacity, mainly in new flights from GRU to South America and from Brasília to Florida.

Between April and June, GOL transported 7 million passengers in more than 55,000 departures. This represents an increase of 20% in both metrics comparing to the 2Q22.

Our total unit revenue per ASK, our RASK grew 12.2% while our PRASK, passenger revenue per ASK, grew 8.9%, demonstrating the potential that the Company has been unlocking in its revenue diversification initiatives.

Yield grew by 9.5% in the period, which demonstrated that we have been delivering efficiency and dynamic management of our fares through capacity control. We maintain our disciplined approach to costs to further drive productivity, as showing in our better efficiency and productivity indicators.

Excluding the effects of the cargo fleet, our unit cost decreased by 80% comparing to the last year. The unit cost, excluding fuel, remained stable, down approximately 1.5% on the same comparative basis. We kept our unit costs under control, even with a decrease in approximately 5% on an average stage length, due to the growth in the number of departures, especially because we are flying more in shorter routes and also regional markets.

The utilization of our operating fleet remained at elevated level of performance reaching approximately 11 hours per day, an increase of 6% comparing to last year, while fuel consumption per hour of operation remained in line in the comparison in the same period.

Our loyalty and cargo business has demonstrated improvements every quarter and made an important contribution to the results for this quarter. Smiles increased its total customer base by 8.3% and reached over R$1.2 billion in revenues, another sequential increase versus the previous quarter.

The cargo unit, our Gollog record even greater growth, more than doubling its quarterly revenue, mainly due to the contribution of dedicated cargo operations with Mercado Livre, which in this quarter, received the fourth dedicated aircraft from a total of six this year, with a potential to increase up to 12 planes. As a result, our cargo, loyalty and other revenues increased by more than 72% comparing to the previous year, reaching R$425 million. We continue to prioritize reliability, profitability and strengthening our balance sheet.

Consumer demand for air travel remains robustic and we are retaining our 2023 outlook for earnings per ADS of approximately US$0.20 in net debt over EBITDA rate of around six times. Although we have reduced our projections for the overall capacity for the year, second half will be stronger, and we expect to intensify our efficiency and productivity metrics by reducing the number of non-operating aircraft, and we hope that with our lowest cost structure and commitment of our Team of Eagles to deliver the best customer satisfaction. We will further strength GOL's competitive advantage in the market.

I am now turning the floor over to Mario, who will present some additional highlights.

Mario Liao:

Thanks, Celso, and good morning, everyone. So, I reinforce Celso's message of consistency in operating results. Our record revenues with margins above 20% on recent quarters. Our strategy is underpinned by a commitment to financial performance with a focus on recovering the free cash

flow for our current operations, and we are going to deliver it with a combination of supply recovery with consistent delivery of profitability.

Talking about sales, we reached more than R$5 billion this quarter, the highest for the 2Q in the GOL's history, and 7.3% above 2Q22, when there was a strong recovery in demand after a prolonged period of uncertainties due to the pandemic.

Our yield and RASK also established new levels for the period, growing by 9.5% and 12.2%, respectively, reaching R$0.47 and R$0.40. With an integrated and proven commercial strategy and the best people in the industry, we have significant opportunities ahead.

The operating margin, EBIT and EBITDA margins reached 13% and 22.8%, respectively. Our EBITDA in the quarter was R$947 million, totaling R$2.1 billion in the 1H23. The unit cost fuel decreased by approximately 18%, mainly impacted by the reduction in jet fuel prices in the quarter as a combined effect of a more stable oil prices and appreciation of the real exchange rates. This reduction in the cost of fuel was fundamental for reducing our total unit cost by approximately 8%.

Since the beginning of the year, GOL has maintained our ex-fuel unit cost under control at levels that are similar to pre-pandemic period and with the resumption of productivity in our fleet, company will reach even lower levels for the 2H23.

The Company's operating cash flow was approximately R$700 million. CAPEX investments amounted to R$300 million, mainly to the recovery of investments with spare parts and engine maintenance in this quarter in order to prepare for the high season to the entrance of high season.

Cash flow from financing activities, including amortization of financial debt and leases amounted to approximately R$670 million in the period. Our leverage in the quarter was 6.7x using the seven times leases calculation or five times under IFRS 16, a reduction of 1.1x compared to the end of last quarter and 2.8x lower than compared to the end of last year, mainly due to the increase in our last 12 months EBITDA. Excluding the facts of the senior secured notes 2028, that number would be 3.5x.

We updated our financial forecast for the quarter, highlighting mainly the increase in the EBITDA margin to 25%. We remain focused on balancing our capital structure, bringing consecutive leverage reductions and therefore, an improvement in the Company's risk perception.

Now, I turn the floor back to Celso.

Celso Ferrer:

Thanks, Mario. Our positive results in the 1Q, combined with greater stability in the economic environment, position us to maintain the pace of delivering consistent results during this second half. We will continue to focus on initiatives that bring us greater diversification of revenue sources and especially on those that enable productivity and official gains to lower our unit cost.

We continue to build on our strong foundation we have led over the past years and remain focused on reliability, profitability and strengthen our balance sheet. Throughout the recovery, we made structural changes to enhance our customer travel experience and better position goal for success. We could not do this without our hard work of our Team of Eagles who are responsible for our daily moments of true with our customers. I am incredibly proud of their role and rebuilding the best-performing airline in the region.

Operator, you may initiate the Q&A section.

Michael Linenberg, Deutsch Bank:

Good morning, Celso and Mario. I guess one question. I have few questions here. First, can you just speak to on slide 4, on a corporate basis, you have leading share on a revenue basis, but also on a ticket basis. But it looks like you are selling a lot more tickets than the revenue that you are getting. And so the question is, why are your corporate yields a little bit lower than your competitors and it may not to front-run the answer, but is it because of the mix, maybe you happen to have more exposure in some sectors that tend to be lower yield, maybe education versus financial services, for example. That would be my first question.

Celso Ferrer:

Michael, it's great to speak with you, and thanks for your question. We have a different mix of routes and also a different mix of APs. So we have less regional, and we operate in a more competitive environment than some of our players.

So not only in the corporate but in the overall segments, we tend to be more kind of a low-cost approach, offering more attractive fares, but managing the unit revenues like you saw for the overall revenue basis. Here, the main explanation is different advanced purchases throughout the segment and the mix of routes.

Michael Linenberg:

Very helpful. And then just my second question, on the capacity reduction as you head into the back half of the year, you did mention that it had to do with some efficiency moves or you wanted to reduce non-operating aircraft. Now naturally, it would have some negative impact on your unit costs because of less capacity. But when I think about the reason why you had cut the capacity, it would seem like that, that would be a positive for cost. Is there anything in there about just demand or is it more fine-tuning the network? Thanks for taking my question.

Celso Ferrer:

Thank you, Michael. So like I have said, we are reducing the overall capacity, and we cut a lot of capacity in the 1H23 to adjust on a route basis for the demand we were facing. This is already there. And we also have a 2Q lower than the previous share with the market in our first guidance. So we are reviewing this now.

And the reason is, we want to create the right equilibrium and demand and supply. So we are leading the discipline in the market here, and we are going to keep this. So even though we are doing this, we are growing the second half versus first half because second half in Brazil is usually stronger than the first half, and that's what we are seeing so far from the July and sales from future sales now, but we want to adjust.

I mean there's still some segments like the corporate that's not there yet. We have a stronger VFR, a stronger leisure, but we are still flying with 75% of the passengers that we had, business travelers overall.

So we want to adjust. There's also an impact of shorter stage lengths in our case, that is more concentrated now in the 737 flying regional and some shuttles, which are shorter stage lengths. As you said, there is a combination effect. We are going to have increasing unit revenues, also some increasing unit cost. But in our case, we want to reduce the number of planes that are out of services.

So we are trying to address as much as we can. We returned two aircraft this quarter, the 2Q, and we will return more going forward. So the overall cost for us will be reduced even though we are flying less than what we previously expect. The main driver is to keep the market well disciplined and keep the healthy environment on the fares.

Michael Linenberg:

Very good. Thank you.

Daniel McKenzie, Seaport RP:

Good morning. Just following up on that point of better margins from here. You have kind of laid out some sources of revenue and cost friction. How much of the revenue and cost frictions that exist today go away in 2024? And how should we think about the longer-term margin targets from here? So you touched on lease returns. You touched on the network. It seems like there is a hub relocation. So it seems like there are a lot of ASKs maybe that are not in markets that are mature at this point. Anyway, if you can just elaborate a little bit further on margin targets as you are thinking about the Company longer term.

Celso Ferrer:

Dan, good to speak with you. In this recovering process from the worst years we had during the pandemic, we are still managing the ASKs and trying to maximize margins as you see and be consistent with our guidance as we go, managing unit revenues as a primarily source of profitability at this point.

In our case, we still have idle capacity, and we can still reduce the cost as we deploy more planes and increase utilization. Even though we are increasing step by step, I just said that we achieved 11 hours for a 2Q is not bad, but it's not what we want. Our model is to fly more than 11 hours. Our aircraft was made to do this. Our model is to do this. So we expect, once we left all this drag still on the corporate demand and we start to deploy efficiently, more planes, but with more utilization, we expect to further reduce our costs and improve margins.

So 2024, for example, we are doing everything we can to make sure that we have the right number of airplane and quarter-by-quarter, we expect in 2024, we have the right-sized fleet flying more hours and reduce the unit cost. And by then, we expect the unit revenues to stay stable. That's why we are trying to control and lead all the capacity is clean to keep the healthy environment like I said. And with that, margins, of course, will be better.

Mario Liao:

Let me just add one point, Dan. The margins that we are guiding now for EBITDA for this year that basically leads us to reach the breakeven free cash flow for the current operations. So that is an important inflection point from where we were in the last three years of COVID, definitely. If you look back on 2018, we have even lower EBITDA generation of R$4 billion, and now we are expecting to be closer to a number that's going to be US$1 billion. We are going to be delivering something close to 30% of the EBITDA margin.

So of course, we are still not there. But definitely, if you look to our consistency in the margins on the last three quarters reaching that particular margins that we have this quarter right now, that's the number that we produce by still carrying some inefficiencies in our fleet. That is something that we are very focused to address.

You saw in our results this quarter that we have higher maintenance activities this quarter. So it's basically during the low season where we started to invest on spare parts and engine maintenance, in order to really prepare the fleet, or reactivate some of the idleness of the fleet, some inefficiencies to start to deploy that reserved capacity during the 2H23.

So imagine if we have been already off of this inefficiency right now. So we believe that we could better improve our results and our margins than when we are addressing that.

So we are working very disciplined in order to control our costs, our CASK under USD that is similar to the pre-COVID levels. And compared to last year, we have been continuing to improve our yields year-over-year, as we start to deploy those capacity that has been preserved.

Of course, we do not expect that our yield is going to continue to increase in a running forward basis, but that scenario to continue to keep the discipline on yields, and also to reach better levels of cost control, that, of course, is going to be leading us to improve our margins, increasing the EBITDA and also reducing the leverage.

Daniel McKenzie:

Perfect. With respect to 2024, can you speak to potential growth just given the moving pieces around lease returns and Boeing delays? How should we think about growth next year?

Celso Ferrer:

Dan, we expect to grow next year, especially in the piece that we are not growing this year. Basically, what we are trying to manage is the renewal of the fleet in a good pace.

What happened is that we had the MAX grounding, then we receive a lot of MAXs at once. So we achieved 38 planes during the pandemic, and then we stopped to receive MAXs because of the delays.

So what we are trying to do from now on is and we are going to start receiving MAXs now in August, the ones that were supposed to be received in the 1Q23, and then we are going to start to adjust the fleet accordingly, one per one, or sometimes reducing even further the NGs.

If we continue at that pace, and our approach is conservative towards the deliveries, we will be growing next year, especially in international routes. So we are working now with the whole group, the ABRA Group, especially on international growth in the region that we will, in our case, will sustain an important piece of our future.

Daniel McKenzie:

Okay. Thanks.

Stephen Trent, Citi:

Good morning. Okay great. Thank you very much. So just one or two quick ones for me. I definitely appreciate you are partnering with American Airlines, you have connections with Avianca through ABRA. And just as a start, we would love to hear about your longer-term plans for international expansion, which maybe go beyond the U.S., South America corridor and, let's say, Brazil to Colombia, how should we be thinking about sort of the longer-term international opportunities?

Celso Ferrer:

Hi Stephen. Thank you for your question. And you are right. That is our model is to keep our fleet as it is on a simple fleet type, and we expand our international routes, leveraging on our partnerships. This is what we are doing with Air France-KLM on the Europe market and what we do with American here, and we are now going to do even more with Avianca.

So from where we are starting, we are starting from two airlines that have the same model; the low cost of Avianca is passing through a huge transformation in expanding its network, with a super strong hub in Bogota.

Most of the growth will come from the integration of those networks, and it's all about growth. There's no overlapping today. So we are studying a lot of opportunities in the region to make sure that we can go and strengthen the footprint that both airlines have, like we have Brasilia, we have Guarulhos, Avianca has Bogota and the Central American market. We are going to leverage those positions and start to create flights to grow this network.

And we are, of course, bringing more customers, integrating the customer base, but also optimizing the fleet. So most of the work is to increase utilization and use, of course, Gol plans that today we have on the ground, the new deliveries that will come to be able to allocate those planes in this new market, and the intention is to really operate as a single platform to brands, but with a seamless experience.

And we had the best experience of doing this even with legacy carriers, traditional carriers, like I said before. If you ask the GOL customer today who connects with American on Air France, they see us as like real partners. I think every GOL flight is an American AFKL and Avianca flight. And this is the way we are going to approach the market.

And of course, the America's is the main target right now. There are no plans at this point to fly to Europe or we want to increase the flights in the region, not necessarily only to Colombia, but also for other countries, not Brazil and Colombia, but new customer base for both airlines with flights from Avianca and flights from GOL will create a robustic offer for customers in countries like Peru, Paraguay, Uruguay, and also Central America. And this is what we are doing right now. We have a dedicated team now in our, what we call the network stream that is looking for a five-year plan and making sure that we can grow sustainably for strengthening the partnerships.

Stephen Trent:

Okay. I appreciate that. And just one very quick follow-up related to that. When we think about the longer-term potential beyond sort of the expansion opportunities that you see. Could you envision with your partners on a longer-term basis, maybe joint procurement of sustainable aviation fuel, for example, initiatives along those lines, do you think there's a possibility to see that?

Celso Ferrer:

Yes. I mean, of course, with the airlines within the ABRA Group, we are doing a lot of things together in the procurement, and we are developing also the teams to do this. But with the overall partnerships we have, this is the type of agenda that we want to build. I think on the environment side, on the safety side, there is always cooperation, especially among partners. So that's an agenda that we are, of course, willing to develop with them.

Stephen Trent:

Okay. Very helpful. Thanks for the time.

Bruno Amorim, Goldman Sachs:

Hi, thank you very much. I would like to follow up on the US$1.5 billion financing with ABRA. First of all, if I remember correctly, last time we spoke, you mentioned you had not withdrawn all the cash available under this financing. So I just wanted to see if you could update us on that, have you withdrawn more cash from that line?

And second, I would like to clarify one term of the agreement. I understand there is a conversion premium on the convertible instrument of 35%, which under certain circumstances could be 15%. Could you clarify, is it a premium over what exactly? Is it the share price at the day of the conversion? Is it the share price over the average of a certain period? Those are my questions. Thank you so much.

Mario Liao:

Bruno, just remember that the transaction states that GOL can issue up to US$1.4 billion. That includes up to US$450 million cash available for the Company, where we have been disciplined in deploying this cash according to the necessities, basically focusing on reactivating the fleet and essential activities like spare parts acquisition and maintenance activity.

So up to the 1Q, as we disclosed, we have issued US$140 million out of the US$450 million, and this quarter, we have issued additional US$50 million. So you can see in the financial statement that the total balance that has been issued so far is around US$1.2 billion. So that's this increase of US$50 million compared to the last quarter. And that basically has been deployed under maintenance activities. So you can see also that increase in the P&L on the maintenance line.

That's basically the way we will be addressing some of the grounded aircraft and returning some of those back. So that's basically why that has been increasing, the number on this line. And also reverting some of the provisions that we have already recognized in the past. You remember that back in 2021, we also recognized some provisions in the result. So we are also reverting some of those provisions against the income statement.

So that is basically what has been utilized so far. So from the US$450 million, we still remain with something approximately US$250 million that has not been yet deployed and is still available to fund the Company, and we are utilizing this cash in such a way that GOL can continue to create value, and generate additional credit. So that's the number that we have right now.

And sorry, what is your second question again, please?

Bruno Amorim:

I just wanted to clarify one term of the convertible instruments. In the document, it says there is a conversion premium of 35%, which could eventually become 15%. I just wanted to clarify, is it a premium over what exactly? The share price at the day of the conversion, or the average share price over certain periods? I just wanted to clarify that.

Mario Liao:

This has not been defined yet. Of course, the Company has been working on that, but there's not exactly a timing. But the conversion premium is above what is going to be the exercise price at the time that we are going to be switching that SSN into ESSN. So when this change from SSN to ESSN will take in effect, so it's going to be exercise price and it is going to be a premium over the exercise price.

If you look back on 2018, we already did an *exchangeable senior notes* at the time with the maturity in 2024. So it's going to be the same mechanism, the same dynamic of what we have issued so far. But we still do not have a timing about that so far.

Bruno Amorim:

Thank you.

Pablo Mendoza, Barclays:

Thanks for taking my question. Just a quick follow-up on the environment to increase your block hours, you are below 2019, and Celso has mentioned that they aim to return to the 11, 12 hours. How is that progression, and when should we see that happening? That's my first question.

And my second question is a little bit of a follow-up on the first question in terms of deals and unit revenue environment for next year. Thank you.

Celso Ferrer:

Pablo, we expect to reach this in the 4Q. We were expecting to reach this in the 3Q, and the reason why we are reducing capacity for the year is because we are postponing this so we are adjusting capacity for 3Q, adjusting in the 4Q, but in 4Q, we will be flying the operating fleet will be at the right level of utilization, which is even better than what we have before, that we have right now, okay? So that's where we are.

You are asking about the revenue environment next year, which is in Brazil, it's tough to say, but for the first time after years in the industry, we can see that, I mean, there is rationality in the market. I mean, the three airlines and we have different challenges, but we do not see a disruptive movement from anyone at this point. And I think everybody understood the importance of this, and everybody is trying to maximize results and be able to navigate through a very volatile environment.

So we show this as an industry, especially in the 2Q22 when the fuel spiked more than 50% within the quarter and the industry responded in a very good speed, and that was the first time I saw it. I have been in the industry here for 20 years now, and that was the first time. And since then, we are assuming that this rational environment will keep that.

We do our adjustments. Like I said, we position ourselves as kind of a leading the capacity discipline, we are cutting, we are adjusting as we go, not necessarily in the overall domestic environment, but in a route basis or in a hub basis, you can see that we changed a lot what we publish as a schedule. And we do this because it's one of our strengths. We have a single fleet type, we can do and we can move quickly and adjust capacity as it goes.

Mario Liao:

Pablo, let me add one thing. You saw that in the 1H23, we have been able to keep the leadership in the corporate segment. So that positioning will be very important for us to extract value, with the expected recovery of the corporate sector in the 2H23, where we are going to expect a stronger rebound given that we will start to see some better macro indicators, especially what's been happening in the tax reform that will lead certainly the high level of economic uncertainty that Brazil faced until the 1H23.

So my point is that most of that fare environment has been driven or has been supported right now from the leisure passengers rather than corporate. So corporate has been gradually improving, but in a slower pace. So leisure is somehow, in terms of the high and the low season, more sensible to prices. So any big change in terms of capacity can cool down this demand.

What we have been doing, especially on what we indicated in the guidance in terms of reducing the capacity in order to improve that daily utilization of block hours per day, at the same time adjusting the network in order to serve better those clients in the corporate routes, that's going to be the key in terms of the future revenue trends going forward.

So we need to see how that means to pass is going to be playing after all. But in terms of what we have been doing as a role in the industry by keeping the capacity discipline, that is what we have been showing as update for this quarter.

Pablo Mendoza:

Thank you very much.

Gabriel Rezende, Itaú BBA:

Good morning. I just have a quick follow-up on Bruno's question regarding your debt instrument with ABRA. So Mario mentioned that you withdrew US$50 million more this quarter, and then you have like US$200 million more to be withdrawn from ABRA, given the agreement that we have. How can we think about the pace of this amount being get by you? Can we think about US$50 million per quarter. So maybe in early 2024, you might have reached US$1.5 billion agreed with ABRA, something like that? Or could we think about something faster than that? Thanks.

Mario Liao:

We do not have a specific plan that is going to be US$50 million per quarter or US$100 million per quarter. Of course, we wanted to keep that available for the Company proposals. So as you see, the 2Q is kind of a transition quarter for the high season where we basically focus on investments for maintenance in order to prepare the fleet for the 2H23. It has been particularly a challenging quarter, especially because of the lack of credit, due to the big retail company that entered in distress from the beginning of the year.

So usually, this is the weakest seasonally quarter, where industry needs to fund its operation through debt, basically from the working capital management, and that is the scenario that we need to start to invest CAPEX for the 2H23.

So we are now going to be moving to the strongest seasonally quarters, that are going to be 2H23. We have important initiatives that we wanted to deploy, especially in the Brazilian local credit market. There are some initiatives that, if we are going to be able to secure in the short term, we are going to be able to better use the current assets that we have in our balance sheet. For example, receivables that grow along with the sales, that has been increasing.

So our focus is to better utilize our assets. We have some additional borrowing capacity to access. So it depends, of course. If we started to get into better margins for the 2H23, they usually should be positive for operating cash flow, and also being able to deploy those initiatives in the local market, of course, that cash is going to be preserved. But if this does not happen, we are probably going to be utilizing in a very rational way.

So again, this cash, we wanted to use in such a way that we can add some value creation for the Company, like negotiations that we can generate additional credit, or maybe some gains for the Company.

So most of the discussions that we are having right now with some of the main stakeholders, of course, are going to be impacting in terms of the way how we are going to be deploying this cash.

So if you look for the 1Q, we have something around US$100 million of this cash that has been deployed, net, with the initial cost of insurance, and then now its US$50 million. So we expect that the remainder of this cash is going to be somehow disciplined in this way.

Gabriel Rezende:

Thanks, Mario. That's very clear. And just another quick follow-up. Can we assume that these senior secured notes will only become exchangeable notes after you reach R$1.4 billion? Or can they convert the notes before that?

Mario Liao:

We are working on the timing. So I think most important thing is that GOL did that, so the main basis was to issue the convertibility to ESSN in the past. So when we closed the transaction in March 2023, we decided to issue a *senior notes* first due to the complexity, and in order to focus

to provide the cash for GOL without the complexity of converting to ESSN. So we already have the technology and the experience of issuing, as I highlighted back in 2018 with the ESSN 2024, but we did not enter into this complexity because in Brazil is mandatory to offer those preemptive to rights.

So the foundation of the Company is to have the ESSN, the switch from SSN to ESSN, and that's going to happen when certain operating conditions will be complied. So it not necessarily need to be only when it has been deployed, the R$1.4 billion, it could be with the SSN that has been issued so far and then subsequently up to the maturity of 2028. Additional conversion can be executed for the remaining piece that is still not being converted. But that is part of the initiatives that the Company that has in terms of deleveraging process, but we are still working on that, and when that happens, we are going to properly communicate to the market.

Gabriel Rezende:

Great. Thank you very much.

Victor Mizusaki, Bradesco BBA:

I have two questions here. The first one, I found in the press release, you mentioned that the plan is to deliver like 13 aircraft in the second half. So my question is, I mean, how much it will cost and if you can expect any additional cost for grounded aircraft that maybe you can resume the operations in the second half.

And the second one is related to your aircraft lease and liabilities. GOL has issued some *secured amortizing bonds* and we can see that in the 2Q, the Company could also raise another R$72 million with a sale leaseback. So my question here is if you are working on any kind of negotiations with the recent companies in order to try to provide these payments. Thank you.

Celso Ferrer:

What we have in the press release is only the contractual lease if we do not do nothing we need to do to return 13 planes. But of course, this is something that we call the flexibility we may have with the lessors and also adjusting according to the delivers of the MAX. So we will return more planes, but not necessarily the number, which is the contractual rate.

What we did in the past three years is sometimes we do early terminations with some lessors, sometimes we extend the plane, it depends on each of lessor, each negotiation is something very unique, and it's also important to understand what the lessor wants to do with the airplane.

So we will, of course, return planes, like I said, but we are trying to adjust the number to the number of deliveries that we are going to take, which we had a big delay. And now we are going to start to take again, delivers, but we are adjusting quarter-by-quarter to make sure that we just return flyable planes if we take a delivery of a brand new plane.

And that's the main tool that we have right now to adjust the capacity on the GOL side. Like I said, the movements we have done so far were very intense to take delivery of almost 30 MAXs during the pandemic and now starting to return some of the NGs, there's these adjustment at this point that we are trying to adjust and talking to every lessor about this.

And to your second question on how much those can cost, an aircraft return, as you know, it's going to be between US$5 million and US$10 million per plane. This is something that we are already working on. So like we have seen the increase of CAPEX is that we had in this quarter, the deployment of the cash from the SSN is basically through our fleet is to buy parts and taking engines from the shops, that's what we are doing.

Most of the planes to return to the fleet, but also like we have seen, we returned some of the planes. So the investment to return or to stay on the fleet are similar, and we are optimizing plane by plane, tail by tail.

The aircraft lease liabilities, we have been doing those negotiations with lessors in the last three years. We intensified this last year with the issuance of the senior amortizing notes. As you have been seeing, some of lessors are still increased their position there. Some early comers are there, but some orders are coming and talking to us. And this is the way we not only this, but also the fleet renewal as a process like you said, to address the liabilities we have with the leasing companies. This is our main focus right now.

We want to find a final solution with a lessor because what we had is, we have been negotiating but the pandemic took longer than we expected. Now the market is not at the level that we were expecting. So we still have idleness capacity, and this is a continued negotiation with them, and we want to find, like I said, a final solution to address all the liabilities we may have.

Victor Mizusaki:

Thank you.

Mario Liao:

We are reaching almost the limit of the call, but before asking the last participant to make a question, there are some questions in the webcast platform here that are basically asking to discuss the refinancing strategy for the bonds, the 2024, 2025 2026. So I wanted to clarify this before the next question.

So this quarter, there was US$26 million of the 2024 SSN that were repurchased. So that reduced the current outstanding balance from the US$68 million that was after the recent transaction that was concluded in March. So the initial issuance amount was US$425 million, maturing in 2024. That has been reduced to US$68 million. So that additional US$26 million now has been repurchased, and the current outstanding balance now is 42%. So it's below 10% of the original issuance amount, and that eliminate the Spring maturity risk that is associated to this bond.

So for the 2025 and 2026 bonds, 2025 is still two years for maturity. So that's not the Company's top priority now, neither the best usage of the cash. As we mentioned, we are focusing on really putting the Company back on track in terms of operational and profitability performance. So that results on that delivery of margins that will take the Company back to positive free cash flow generation, and free cash flow generation needs to come first. It will allow us to think on the best way to address the other maturities.

So we have several alternatives, as we have been doing since the last year, and you have been following us, for liability manage to deal with this. And when the timing is appropriate, of course, we are going to be discussing that topic. But the main priority right now for us is really to bring the Company back on track and that can lead us to a better way to address the remaining 2025 and 2026 bonds.

Alberto Valerio, UBS:

Thank you for taking my question, the last one. My first would be regarding the operating aircraft and the maintenance. We saw an increase in the level of maintenance per aircraft since the 1Q, similar to the level that we see in the 2Q. My question is, did you stop to capitalize part of that maintenance that you had as a program in the past?

And my second one is how many of that grounded planes, I think it was 20, do you still have on your fleet? Thank you very much.

Celso Ferrer:

Thank you for your question, Alberto. What you are seeing is basically the maintenance expenses that we cannot capitalize because it is related to return of the planes. So especially in this quarter, what we saw is the return, and like I said, the return is an expensive event, and we cannot capitalize those as the plane is leaving the fleet.

On the planes that we have on the ground, we still have 20 aircraft in idleness. We started to work on those planes, we are starting to bring those planes back to maintenance, and most of them will be ready to return to operations or leave the fleet by the end of the year or 1Q24. So we are reducing as we go, and what we want is on the high season to use as much planes as possible.

Like I said at the beginning of the call, one of the main synergies that we are expecting with ABRA is to launch new routes of some of these separate capacity that we have jointly, with both networks to get added.

Mario Liao:

And if you remember, Alberto, back in the 2H23, we also had lower maintenance activities that reduced the maintenance expenses during the 3Q and the 4Q in a year-over-year comparison. So most of that advance related to the fleet now has been addressed.

As Celso mentioned, this quarter, we have two redeliveries, so that's basically impacted those maintenance lines. And in addition to that, as I mentioned at the beginning of the call, we have some higher volume in terms of spare parts acquisition, and this is basically expandable items that are not subject to capitalization.

Alberto Valerio:

Perfect. I was expecting that the redeliveries were linked to that provision that you made in the 4Q21, but you have an extra than that one. Is that correct?

Mario Liao:

Some of the provisions are related to certain aircraft. So we anticipated some of the provisions. And of course, depending on what is going to be the maintenance cost for that, it can change slightly in terms of what has been provisioned in the past.

We have some benefits on this line that you saw that we captured because of those provisions that have been constituted during the 2H23, and because of the timing, most of the provisions are also impacting this quarter as well.

Alberto Valerio:

Fantastic. Thank you very much.

Operator:

Thank you. This does conclude today's question-and-answer session. I would like to invite Mr. Celso to proceed with his closing remarks. Please go ahead, sir.

Celso Ferrer:

Thank you all for your participation today. I hope you enjoyed today's webcast. Our Investor Relations and Communications teams are available to speak with you as necessary. Thank you all, and have a good day.

Operator:

Thank you. This concludes GOL Airlines conference call for today. Thank you very much for your participation and wish you a very good day.

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