



**OPERATOR**

Welcome to the GOL Airlines' fourth quarter 2018 results conference call.

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 the GOL website at [www.voegol.com.br/ir](http://www.voegol.com.br/ir) and MZiQ platform at [www.mziq.com](http://www.mziq.com). Those following the presentation via the webcast may post their questions on the platform, and their questions will be 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 events 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 Mr. Paulo Kakinoff. Please begin.

**Kakinoff:**

Good morning ladies and gentlemen, and welcome to GOL Airline's fourth quarter conference call. I am Paulo Kakinoff, Chief Executive Officer, and I am joined by Richard Lark, our Chief Financial Officer.

**Richard:**

Good morning. Good to be with you today.

**Kakinoff:**

This morning we released our fourth quarter figures. Also, we made available on GOL's investor relations website three videos with our results' presentation, financial review and brief Q&A.

**WE IMPROVED OPERATING INDICATORS:** In the quarter, GOL's RPKs increased by 3.5% (from 9.9 billion in fourth quarter 2017 to 10.2 billion this quarter), driven by a 3.4% increase in the number of transported passengers.

Strong demand allowed GOL to continue driving yield through dynamic revenue management. Average yield per passenger increased by 6.6% quarter-over-quarter, reaching 29 cents.



Supply growth (ASK) increased 2.4% compared to fourth quarter 2017, driven by a 1.9% increase in seats, partially offset by a 2.3% decrease in take-offs.

The average load factor was 81.9%, an increase of 0.9 percentage point compared to same period in 2017.

For full year 2018, RPKs increased by 3.2% (primarily due to a 2.9% increase in the number of transported passengers), with yields growing by 7.7%. ASKs increased by 2.9%. Load factor was 80%, 0.3 pp increase compared to 2017.

**WE CONTINUE TO DRIVE STRONG REVENUE GROWTH.** The combination of higher demand and optimized pricing resulted in net revenue for the quarter of 3.2 billion reais, an increase of 10.1% compared to the fourth quarter 2017.

Net RASK was 25.6 cents in this quarter, an increase of 7.5% over same period 2017. Net PRASK increased 7.7% quarter-over-quarter, reaching 23.9 cents. Average fares increased by 6.7% from 313 to 334 reais.

For full-year 2018 net revenue was R\$11.4 billion, 11% higher than the prior year.

GOL's 2019 guidance is for net revenues of approximately 12.9 billion reais.

GOL's current network serves higher yield routes and is the leader in the domestic market with a market share of 36%. GOL is also a leader in the corporate customer segment, with the largest market share of business traffic in Brazil.

By the end of 2018, six 737 MAX 8 aircraft had already been incorporated into our fleet, providing us with lower operating expenses and expanding our network, allowing us to serve new destinations in South America, the Caribbean and the United States.

With that, I am going to hand you over to Rich, who is going to take us through some additional highlights.

**Richard:**

Thanks Kaki.

First, we would like to comment about our **CONTROLLED COST ENVIRONMENT**. Total CASK in the fourth quarter was 20.22 cents, 2% lower than in same period in 2017.

On ex-fuel basis, CASK fell by 19.4%. Our CASK ex-fuel, aircraft sale, and costs from maintenance of aircraft to the execution of the fleet renewal plan were 14.45 cents, 3.9% higher than 4Q17.

GOL remains the cost leader in South America for the 18th consecutive year.

**OUR MARGINS REMAIN SOLID.** While the average price of jet fuel increased by 15.6% in this quarter over the third quarter of 2018, the combination of stronger pricing, higher demand, and execution of fleet renewal plan permitted GOL's operational income to reach 672 million reais, the EBIT margin to reach 21% in the fourth quarter 2018, the highest EBIT margin since 2006.



EBITDA was 851 million reais in this quarter, and EBITDA margin was 26.6%. EBITDAR was 1.2 billion reais, a 36.3% margin.

For full year 2018, EBIT margin was 12.3%, a growth of 2.7 p.p. compared to 2017, and the operating income reached 1.4 billion reais.

GOL's 2019 guidance is for an EBIT margin of approximately 18%.

Second, we want to highlight our CASH FLOW MANAGEMENT. The combination of operating cash flow generation of 803 million reais in the quarter and stable cash liquidity improved the Company's financial flexibility.

Total liquidity, including cash, financial investments, restricted cash and accounts receivable, was 3.0 billion reais at the end of 4Q18.

Third, we would like to share the continued success of our LIABILITY MANAGEMENT.

Our net debt (excluding perpetual bonds) to Last Twelve Months EBITDA ratio was 2.1 times as of December 2018, improving versus year-ago metrics of 3.0 times.

We finalized a series of deleveraging initiatives throughout the year 2018. We repurchased our bonds with maturities in 2018, 2020, 2021, 2023 and 2028. In October GOL successfully concluded a liability management and refinancing exercise on debentures issued by its wholly-owned subsidiary, GOL Linhas Aéreas S.A. ("GLA"). The total amount of 1 billion reais was fully amortized and a new series of non-convertible and unsecured debentures amounting to 888 million reais was issued, resulting in a reduction of net indebtedness in 138 million reais. GOL also amortized other short term debt using funds from the generation of operating cash flow.

These transactions represented additional deleveraging of GOL's balance sheet and better matches GLA's operating cash flow generation with the amortization of its liabilities.

The liability management reduced the Company's cost of debt and improved its credit metrics. Today, the average interest rate is 7.7% for local-currency debt. For dollar-dominated debt, the average interest rate is 6.8%.

GOL has maintained its commitment to financial discipline, managing the effects of Brazilian currency, through our efficient capacity management and dynamic yield management.

For 2019 we expect our domestic capacity growth to be between 2 to 4% and international capacity to be between 35 to 45%. Non-fuel CASK is expected to be around 13 cents.

We have projected the EBITDA and EBIT margins in 2019, based on IFRS 16, at around 28% and 18%, respectively.

Leverage measured as net debt (excluding perpetual debt) over EBITDA for 2019, should be 2.9 times, reflecting our commitment to reduce leverage in our balance sheet.



Now I would like to return to Kakinoff.

**Kakinoff:**

Thanks Rich.

In summary, we worked hard to maximize our results this quarter.

Our commitment to continuous improvement in results has proven the efficiency of our strategy of offering a differentiated and high quality product while relentlessly focusing on cost efficiency.

We remain focused on offering the best experience in air transportation, with exclusive services to customers on new, modern aircrafts that connect our main markets with the most convenient schedules.

We are committed to highly disciplined capacity management and prudent management of our balance sheet and liquidity, maintaining cost leadership and continuing as the preferred airline for customers, while driving sustainable margins and returns for shareholders.

And, to conclude, we are optimistic for 2019 with the general scenario of continuous improvement for the Brazilian economy and the aviation sector in the country.

Now I would like to initiate the Q&A session.

## **OPERATOR**

Thank you. The floor is now open for questions. If you have a question, please press \*1 on your touchtone phone at this or any time. If, at any point, your question is answered, you may remove yourself from the queue by pressing the # key. Questions will be taken in the order they are received. We ask that when you post your question that you pick up your handset to provide optimum sound quality. Please hold while we poll for questions.

**Duane Pfennigwerth, Evercore:**

Thank you. So just with respect to the domestic capacity outlook, which remains disciplined, can you talk about flexibility that you have to ramp that up if in fact a big chunk of domestic capacity goes away, or if there is a void in the market? Question one.

And question two, have you been approached by lessors to take over any aircraft, maybe a different type, in that eventuality?

**Paulo Kakinoff:**

Duane, good morning. Thank you very much for the question. Actually, you probably remember, when we implemented the restructuring plan by the end of 2015, 2016, we have renegotiated our leasing contracts in order to create the kind of flexibility that we could use in situations like this.



At the moment, the Company is fully prepared to either grow or to reduce its current capacity by 4 p.p. in a very short-term. We do not believe that it is going to be needed, at least considering the current scenario, the current landscape, but we are fully prepared to fast react without jeopardizing our main dealer, which has the same incentive structure.

We can get access to even more planes than the 17 737 MAX that we are supposed to receive this year, and also postpone some of the current leasing contracts in order to increase the number of aircraft serving in our fleet.

We wish an even higher demand than the past year that we have already shared with you, and if it comes, it is going to come and we will be fully prepared to absorb it. Even if we have one of our competitors giving us a further opportunity to increase our own demand, I think that we are capable of getting it without any major movements on our side.

**Duane Pfennigwerth:**

Thanks. And then, just for my follow-up, you have given the forward load factor here into January, it is on the boards, and February up one. I wonder if you could comment on yield trends beyond the load factor for January and February. Thanks for taking the questions.

**Richard Lark:**

For February, we will announce our traffic statistics next week, but we are seeing around about a 15% increase in sales, in other words in our receivables, in our paid tickets, of which around 1/3 is volume, and about 10% is price. Year-over-year comparison, about 5% increase in volume and 10% increase in fares, which kind of pull us into around a 15% run rate increase in sales.

If you take that on a USD basis year-over-year, remembering that we have an increased capacity, it is virtually the same as it was last year. It is almost R\$100 million in additional run rate of revenues on top of that. That is kind of like the February trend.

For year-to-date similar trends, with around a 15% increase in sales, January had a higher portion on the volume side than on the fare side. But, year-to-date, the run rate of sales for January and February is about R\$200 million above what they were in the previous year, keeping in mind that capacity is still growing in very low-single digits. Everything I am saying is domestic market.

**Duane Pfennigwerth:**

OK. Thank you.

**Michael Linenberg, Deutsche Bank:**

Yes, hey. Good morning, everybody. Rich, as we think about 2019, this year you had a healthy amount of gains, you had aircraft sales, you also had some of the redelivery costs associated with the aircraft and engines. As we think about 2019, what is baked into your forecast as it relates to future aircraft sale gains and/or incremental costs associated with returning aircraft back to the lessor?



In other words, when we think about 2019, your fleet transition program, how much of that is going to have an impact on your P&L? Maybe similar to 2018, or is it going to be a bigger impact? Rough numbers would be helpful. Thank you.

**Richard Lark:**

The short answer is, in terms of our guidance, there is a neutral or zero effect of the net effect of any potential gains on aircraft sales, less the cost of the return of those aircraft. Zero in those numbers. 2018 was extraordinary, because we took advantage last year of some very particular phenomena that happened in our markets, which was a temporary increase in availability of MAX aircraft.

You remember we announced those direct operating leases in October, 11 MAX to come in the 2H19 and the 1H20, and that allowed us to be more aggressive on the disposition of aircraft in our NG portfolio, for which we continue to have good demand. And you saw the transaction in the 4Q, which we monetized 13, and the net effect of that was basically just to accelerate our transition from the NGs to the MAX.

Generally, we are budgeting from an operating perspective, the continued disposition of one to two NGs per quarter. So it is possible that this year, based on market conditions, if market conditions continue we will dispose of some additional NGs this year.

But we are not budgeting anything in there, it is not in the guidance. We may continue to take advantage of the high demand for these midlife NGs, which we have seen from the market. Our ability to do that, or accelerate that is contingent upon our ability to get MAXs to replace those aircraft in the fleet. And so that is how I would guide you on that.

**Michael Linenberg:**

Great. And then, just back to your comments on February and the strength there, how much of that is really organic? Are you actually seeing some share shift from one of your competitors, are you picking up whether its volumes are getting better prices? That is the A part of the question.

The B part of the question is, how does the competitive capacity look out over the next couple of months, maybe quarter or so, vis-a-vis Avianca Brazil? What are you seeing in the markets right now?

**Paulo Kakinoff:**

Yes, definitely we have kind of systems traffic shift, but it is not possible to precise how much of that. I would say that most of the growth comes from the organic, the additional demand that they are getting from the market. I would not say that we had it because, if you see their competitive deterioration, it is so far quite marginal, losing 1 p.p. to 2 p.p., giving us as an additional demand.

I believe that certainly the market will continue to react rationally, even facing a further disruption in the market, but I also believe that GOL itself has played a major role in showing to the market a disciplined capacity, a disciplined offer, and I think that the market has no reason to change this dynamic anytime soon, even if you are going to have any kind of unexpected disruption coming from one of our competitor. So I am pretty optimistic in that sense.



**Richard Lark:**

Historically, remember that the domestic Brazil air travel has grown at about 2x to 3x GDP. So, this year, the expectation of GDP growth here, according to Central Bank, is around 2.5%, and that is consistent with also the ABEAR, which is the Airline Association here in Brazil. They are expecting a domestic demand in the range of 5% to 7%. So that is really what is driving the profitability here, supporting both yield, as well as just the overall volume increase.

And this has been bouncing up and down since the 4Q17, there has been this uplift. There was a suppression last year with the truckers' strike in the middle of the year, which basically collapsed the demand curve for about four to five months, and then we had the elections. But pretty much, since the elections were over, the certainty on that was installed. In the longer sense, it has been pretty solid since October 2017, but since November 2018, it has been even more solid.

Carnival is in March this year, it was in February last year, so that was positive for extending the Summer travel season here in Brazil an additional month. So the year-over-year comparisons for the 1Q will also be helped by the fact that we gain the month of February onto the high season for 2019.

**Michael Linenberg:**

That is great. Just wondering if I can squeeze in one here, on your new services to the U.S. The only thing I wanted to comment, I thought it was interesting in your press release you sort of highlighted the fact that you are the only airline that offers flights from Congonhas to the U.S. You listed other markets, but the U.S. among international markets, and presumably you are marketing these flights as one-stops over Brasilia and Fortaleza. And I am just curious if you are actually carrying decent loads that originate in Sao Paulo, that make their way up to Orlando and Miami.

**Paulo Kakinoff:**

Yes, I can tell you, without giving any further strategic disclosure, that we have two-digit load factor being raised here in Congonhas to travel to Miami and Orlando, mainly via Brasilia. We have less than one hour connecting time in Brasilia, which makes this product pretty attractive to the travelers living in the neighborhood of Congonhas airport, which means the highest portion of the local market.

You can spare easily one hour avoiding the traffic between Congonhas and Guarulhos, having a quite pleasant experience connecting in such an efficient airport as Brasília. So we had a considerable portion of our load factor in those flights being raised here in Congonhas.

**Richard Lark:**

As Kakinoff said, the taxi time from downtown Sao Paulo to Guarulhos Airport is longer than the turnaround time and connection time in Brasilia. GOL has, over a period of several years, built up a significant presence in Brasilia, so we have a lot of connectivity there.

I took a flight to Miami on Sunday, you get on the plane here at around 7h in the morning, and you are in Miami at about 3h30 in the afternoon, with a super quick connection in Brasilia. It is not unlike what some of you guys maybe would experience in an airport like Panama, or some of the airports designed to do a quick connection.

And also, keep in mind that it for the passengers as well, we are taking advantage, there is an Congonhas angle, 30 minutes to the airport. It is a quick check in, a domestic check in, they do a pre-



check of your passport and stuff, and then we have an expedited process in Brasilia when you do the quick connection.

But then, also, we are basically capturing the demand from the middle of Brazil up, so those passengers do not have to come all the way down to Sao Paulo, Guarulhos. They just kind of plug-in there and shoot up to Miami and Orlando, and there's a lot of VFR traffic, there is lot of integration with Brazil from a family and small business perspective with South Florida.

It is not the core business traveler that would be traveling out of Sao Paulo, or maybe Rio de Janeiro, up to those markets. It is also a different type of customer, which are business owners, demographically using air travel, but it is a different targeted market in terms of this VFR traffic between South Florida and Brazil.

So that is a niche that where we have been focusing on, in the context of having a competitive advantage in the operations from a cost perspective. And then, of course, on the other end in the case of Miami and Orlando airports, we are helping with Delta in terms of quick connections on Delta flights.

When you get off the other end, there is a quick connection onto a Delta flight if you are connecting to somewhere else in the Southeast of the U.S., as well as we are sharing infrastructure there in Miami with our partners, Delta, to keep costs low; the check-in and the baggage handling. We have two maintenance employees in Miami, the extent of the GOL employees in Miami is to maintenance, and we are leveraging on our partners infrastructure. So the breakeven load factors for us tend to be lower than the competition.

**Michael Linenberg:**

Great. That is very interesting. Thanks.

**Roberto Otero, Bank of America:**

Thanks for taking my questions. The first one is a follow-up to Duane's question regarding Avianca Brazil. I know it is a situation not under your control, but what do you expect to be the most likely outcome from these ongoing negotiations with the lessors and the final say from the Brazilian judges? Also taking into consideration what the Cape Town Convention says.

And the second question is regarding Smiles, if you could provide us the latest update regarding the ongoing process and the discussions with the independent committee. That is it. Thank you.

**Paulo Kakinoff:**

Thank you very much for the question. It is really hard to predict what is going to happen over the next steps involving this legal dispute. I believe that Cape Town is legally speaking in a sovereign issue, and sometime I think that the lessors willing to get the planes back will have access to that.

I do not think that it might be anytime soon considering the news that we got from the press, based on the same source of information that you do have. But, following our interpretation, our understanding on the legislation, we believe that the Cape Town agreement is senior, is sovereign in over any other legal aspect. I think that sometime the lessors will get the planes, but it is really hard to predict at this moment.



**Richard Lark:**

Yes, in terms of your question on the status of the discussions with the independent committee, Roberto, we are executing the process in line with the terms and forms in the announcement that was made in December. We have been pleased with the level of expertise and professionalism exhibited by the independent committee in our discussions, and we are continuing to work with them constructively and cooperatively towards a transaction that benefits all shareholders.

As soon as we have important developments, we will communicate them to the market as per the applicable legislation here in Brazil. But thanks for the question.

**Roberto Otero:**

Thanks.

**Paula, Bradesco BBI:**

We have two questions. The first one is, during the conference call back in October, GOL said that Smiles struggled to grow given all changes in their competitive landscape. However, Smiles reported a really good result in 4Q18. How does these results change your view for Smiles'?

**Richard Lark:**

Paula, that is a great question. Obviously our statement in the call on October as to Smiles structural growth challenges is a long-term perspective, and not meant to address specific periods where external effects can impact and swing results one or the other.

We think that in the 4Q18 Smiles' management continued to do a great job, including capitalizing on a market window that has recently been created by two specific scenarios. One is LATAM's ongoing process to acquire the float in Multiplus, and, as mentioned on the previous question, Avianca Brazil's filing for judicial reorganization, Chapter 11 here in Brazil.

These situations created uncertainty around the business plan and long-term outlook for two of Smiles' key competitors, LATAM's Multiplus program and ABB's, Avianca Brazil's Amigo program, and this has allowed Smiles to capture a disproportionate growth.

Two things I think are worth noting. One is that both of the situations I just described, while they create an opportunity for Smiles, are actually long-term consistent with our view that Smiles has a structural challenge to grow as a standalone entity, as we mentioned in the October call that you are referring to.

In the case of LATAM, we believe that a full integration of Multiplus into LATAM will place Multiplus in a structurally advantage position by completely aligning the interest of the loyalty program and the airline.

And in the case of Avianca Brazil's Chapter 11 filing and its effects on Amigo, we believe that that situation has highlighted the shared credit risk between airlines and their affiliated frequent flyer programs, and that will make it more difficult for programs to finance themselves and their working capital on a standalone basis. So we are keeping our eye very close on the working capital situation of the loyalty program.



The second thing that I think is worth noting is that, highlighting the ongoing challenges of growth, when you guys look at this in your analysis, when you compare the historical performance of loyalty programs, when you look at comparable periods you see that revenue growth came at the expense of substantial margin compression, especially at the net income level. In the case of Smiles, even though gross billings grew nearly 20% and redemptions grew over 5%, net income, excluding the one-time events which you analyze, barely grew 3%. This trend relates to the curve and where we are in the cycle.

We continue to believe that the long-term growth and profitability for Smiles will be more and more challenging. The results announced by Smiles in 2018 do not change our view of the merits of the reorganization for both GOL shareholders, as well as Smiles shareholders. But thanks for the question, it is a complex issue, and I think it merits some careful consideration.

I think you said two questions, or was that the question?

**Paula:**

Yes. Thanks for the answer. For the second question, B3 rejected your proposed structure to go at Novo Mercado. Would it make sense to launch a tender offer for Smiles?

**Richard Lark:**

As stated in October of last year, a public offer, an OPA, delisting tender offer remains as an alternative, but we still believe that a structure involving Smiles merger brings more benefits to, and it is also better for Smiles' minority shareholders. And it is this rationale that guys are in discussions with the independent committee.

**Paula:**

OK. And my third question, the local press mentioned that the Constantino family would be okay to lose control of GOL as part of the plan to release Smiles and integrate the company. What is your view about this?

**Richard Lark:**

No, you are referring to a press article last week. It is highlighted in our notice to the market last week, the news in the press last week was produced without GOL's participation. It was not based on any concrete facts. As we said in the note, we strongly recommend investors not to make any investment decisions based on that news.

**Paula:**

OK. Thank you.

**Dan McKenzie, Buckingham Research:**

Thanks, guys. I have a couple of housecleaning questions here. First, what should we be putting our model for CAPEX this year and next.

And then, separately as a housecleaning question, it is tied to debt, at the Investor Day, I think you guys pointed out that the plan was to amortize roughly R\$2 billion in debt this year with free cash flow. I am just wondering what the average interest rate of the debt would be that likely gets retired here?

**Richard Lark:**

Good questions. On the CAPEX, we have provided you guys guidance on that. This year, the operating CAPEX of around R\$650 million a year, and just to highlight that, that does not include CAPEX for acquisition of new aircraft. We have sale-leaseback of 2018 and 2019 deliveries of the order to the extent that we will start to do finance leases, where we would basically put in mortgage financing on those aircraft.

We then could have some outflows from our own cash for pre-delivery deposits. But all of that aircraft CAPEX, the airframe and the engine, as well as the PDPs, is 100% financeable given a secured and unsecured mechanisms available to us.

But that number is not in the CAPEX. The CAPEX, the R\$650 million we are providing there is the operating CAPEX, which is basically maintenance CAPEX, engine overhauls, product enhancements. That is the guidance that we have provided there.

In terms of your second question, with the continued liability management that we are doing and the debt amortizations, our focus there is on the USD side, that is with coupons in the high 8s, almost 9%. There is a little bit there, and then the remainder of that, the big chunk of that is a combination of our Brazilian debentures, which is a variable rate, but today have a rate of around 9% in Reais, and then some other financings that have been done for CAPEX, which have the rates of kind of 5% to 6% in USD.

So the net-net effect of that, the debt that is going has a cost to us in the income statement of around 8.5%, but we are today in a market environment in Brazil with interest rates below 8%. As you know, the bond deal we did in 2017 December, 2018 January, has a 7% coupon, and a part of the use of proceeds on that, what we have been using to do this liability management on the USD debt that have costs in the high 8s to low 9s.

So we are getting an interest savings there, which I think is where you are going, which can impact earnings. On average between 100 bps to 150 bps on the liabilities that we are reducing. It is generating a reduction in interest expense cost of around 100 bps to 150 bps.

Another way I could say that, as I think we have mentioned on calls in the past, is that we are working to get the interest expense component on our business, ex the effects of IFRS16, the interest expense on our balance sheet bounces around 5% of revenues. One way you can also think about that is that we are targeting to get to roughly 5% of revenues, the overall outflow of interest expense on the business as compared to our revenues to be about 5% of the total, and that structurally will be kind of where we want to get in terms of optimal capital structure. So that is another way I can tell you to think about it.

Having said that, you have a little bit of work now to do, to redo models and projections in the new accounting standard of IFRS16. So all of our numbers going forward, as of January 1, including the guidance we provided, the kind of update on guidance we provided today, that is on the new accounting format of IFRS16, so you will see a net financial expense now for this year of R\$1.2 billion, that includes the aircraft lease components.

So embedded in that number is the other interest expense, which today is in the range of R\$500 million in terms of what I just mentioned. And then, the other R\$700 million is the interest expense component in the IFRS16 methodology on the lease contracts.

That is something we can also talk about going forward. As you guys adjust your models to the IFRS16 format, you have to make those adjustments including the net financial expense line, which we have represented in the guidance that we provided this morning.

**Dan McKenzie:**

Thanks, Rich. That is very comprehensive. And then, just for a follow-up question here, with respect to the economic recovery you guys referenced, is the recovery expected to be pretty even throughout the country, or are there parts of the country where the demand backdrop is stronger, parts of it where it is weaker? I am just wondering if you might be able to sort of compare, contrast São Paulo-Rio versus the rest of the country.

And then, just one other kind of big picture question, at the Investor Day I think it was pointed out that the structural reorganization of Smiles could improve margins this year. I am just wondering what is embedded in the current outlook. I am wondering, with respect to the guide, if you can provide some perspective on what that upside could potentially look like.

**Paulo Kakinoff:**

I am going to start by answering your question on the economic recovery. That question gives me the opportunity to better clarify why you have emphasized so much our privileged position to make the most out of that movement.

Being the market leader among the top ten airports in Brazil, we have also a clear advantage in our offer to the business travelers, and these are the first ones to fly more, and this is exactly what is going on right now.

If you consider that, these top ten airports are basically located in the South-Southeast part of our country, and they together stand for more than 70% of the total traffic. It is likely that these positive demand at the beginning of this year has been generated by a much higher dynamic in the business segment. Therefore, GOL has improved its results by capturing the largest portion of these customers once the combination of our network and the products that we have developed around the last four years position ourselves at the highest position in the business traveler choice to travel.

Now, what we are facing and what we are finding in the market is a much higher level of business activities than we experienced in the beginning of last year, and that is what is sustaining these higher yields. Personally, I believe this is a positive trend supposed to continue over the following months.

Richard is going to comment on the Smiles structure that you have asked.

**Dan McKenzie:**

Very good.

**Richard Lark:**

I am not sure if I totally got the question, Dan. Maybe you can repeat it.



**Dan McKenzie:**

In the Investor Day, I think it was just pointed out that the structural reorganization of Smiles could improve margins. I am just wondering if you can maybe provide a little bit more perspective around that. What if anything you might have embedded in the guidance currently, and what that potentially could look like post the restructuring?

**Richard Lark:**

There is nothing in the guidance related to an outcome at this point, and it will not have any impact on operations. The benefits that will come from that or combination of if you want the synergies, or the pre-launch that gets eliminated comes out of better efficiencies on taxes at GOL, at the airline operating company. We have US\$1 billion of NOLs, which today only compensated against profits at the airline. Post-merger, the large amount of profits that are at the Smiles subsidiary in Brazil, they have to be compensated based on the tax of each individual company. You cannot share them across group companies, even though you control.

That is a big source of cash flow and earnings once the merger would be effective, but we do not have any assumptions on that right now. The leakage, if you will, on that item alone, it varies, but it has grown to a rate of over R\$200 million a year. It is a combination of higher taxes on revenues that the Smiles subsidiary pays, as well as full income tax. And so, those synergies are self-evident and only possible via a merger.

So, once we have an outcome of that, yes, that would generate some substantial cash flow, as well as earnings accretion, and allow us to better manage our taxes and NOLs across the Group.

There is other synergies as well, as Kakinoff mentioned, on better optimize revenue management, better competitiveness versus what our main competitors are doing, and also as well as cash flow that comes out of some other components. But, as we said, that process is ongoing, and it is not going to be a couple of months before we have greater visibility on that. We will update you guys once we have greater visibility on that.

**Dan McKenzie:**

That is perfect. Thanks for the time, guys.

**Pedro Bruno, Santander:**

Good afternoon. Thanks for the questions. Could you comment on what is behind the upward revision on the guidance in terms of margins, or perhaps confirm my impression that it relates to the VAT tax cut recently announced by the São Paulo government? I am talking about the 1 p.p. increase on the EBIT margin. That will be the first one.

**Richard Lark:**

Your impression is correct. That comes out of a lower net price per liter for jet fuel. You saw it was revised down by around R\$0.10 per liter, and that is the only change in the guidance, which has had roughly a 100 b.p. impact on our margins, and then the corresponding roughly R\$0.10 impact on earnings per ADS, as disclosed in the release that went out this morning.



**Pedro Bruno:**

Thank you, Richard. And then, a second one if I can, if you can also give us a bit more color on what is behind the guidance in terms of jet fuel and FX. Of course, you provide the jet fuel component, but in Reais. It would be interesting to have an idea of what would be the impact of the currency there, perhaps talking in terms of average, either FX or could be Brent or WTI for 2019 versus 2018. That would be great. Thank you.

**Richard Lark:**

We do not provide those numbers, because you guys in the market come up with those numbers on estimates for currency and oil prices. We use those averages in the data we provide to the market. Obviously, we work with other types of forecast here, because those are external inputs, USD and oil.

Having said that, oil, through our combination of hedging and capacity management, we have taken the upside oil risk off the table. We are hedged on our 2019 oil consumption, about 60%, in the low 60s WTI, which would be kind of high 60s Brent.

And so, if we have a scenario of oil prices above that, we would be generating gains on our hedge portfolio. Of course, the capacity dynamic allows us to have a fair amount of recapture or pricing power on to yields, which is buoyed by the very rational supply demand balance, as well as the excess demand that is been coming into our domestic market as a result of a variety of factors.

Having said that, we here at GOL, we are bullish on oil. Based on our process and our forecasts, we expect oil at the end of this year above US\$70 Brent, and that is a reflection how we are approaching hedging.

On the currency side, we are just using the same average as you guys work with. If you try to back into it from our numbers, you will probably see something between R\$3.6 and R\$3.7 average for this year for currency in those forecasts, but feel free to use your own forecast for currency and oil into the matrix, a lot of detailed metrics to help you guys do your models.

Having said that, historically, there is a very high negative correlation between oil prices and currency. And so, if we do get an appreciation in oil, it is likely that we continue to get an appreciation in the currency. But you guys are the best to come up with what you think the right FX is to use there.

The comment I would make on that is that our first line of defense on the currency is what we do on the revenue management side, and our ability to have pricing power comes out of what is going on in the capacity side of the industry. Obviously, we are the largest domestic player, we have the biggest impact on capacity, but we have other competitors and lot of intense competition in the market.

So the overall rationality of capacity in the market will ultimately determine how we are able to manage margins through any volatility we might get. In currency, if there is a rapid currency depreciation, our ability to adjust fares over the booking cycle.

But if or appreciations are normal, in other words, if the variation in oil price and currency is with normal volatility, that is generally captured in the regular yield management. How we approach hedging here, it is designed to protect us against the dislocations when all the correlations tend to go to one, and then you have got a period of three to six months when we have got to manage through abnormal volatility.

But the key driver, and the key thing that I encourage people to focus on, and you see this in the monthly traffic stats for the whole industry, is what the supply-demand balance is in the local market. And historically, when we have RPK growth in excess of ASK growth, in other words, rational capacity, in our market here in Brazil, and this is a statistically significant data for the last 20 years in the market, which is as long as we have been operating in it, we have a 70% correlation of Brazilian yields with the USD. So our yields are highly dollarized when we have a rational supply demand environment. So the key driver here to focus on for that is how well we are doing on that balance of supply and demand. That is ultimately going to determine how everything else falls in line.

But, of course as you know, we do a lot of proactive hedging both in oil, as well as currency to buy us some time to adjust. And ultimately, we are working for a margin outcome. So the margin guidance that we provide there is what we are working for across the board. Capacity management, revenue management, hedge management; it all works together in a coordinated way to help us achieve what we are guiding on margin, but not any one variable on itself on an isolated matters. But the most important variable is, obviously, the capacity.

That is how I would answer that question and guide you guys in terms of how we are thinking about that in the management of our business.

**Pedro Bruno:**

Very clear. Thank you very much.

**Savi Syth, Raymond James:**

Good afternoon. I was wondering if you could provide a bit of a color on the kind of the key cost items, and how you are thinking about them in 2019 and 2020. That kind of drives your CASK ex-guidance.

**Richard Lark:**

Good question. The main way that we think, about especially CASK ex-fuel at GOL, is what we are doing on aircraft productivity and dilution of fixed costs. That is really our key focus here at GOL on the cost side, it is productivity.

As you have seen in the last many quarters, we have been consistently increasing our aircraft utilization, we are on our way back to roughly 12 hours a day of utilization, which for us here in our business is about 11 flights a day. When you put in turnaround times and the maintenance, it is roughly 24-hour day operation. So we are always working to try to maximize the productivity out of the aircraft in general.

And also, this year we are starting to get more of the effect of the MAXs' coming in, and they have a higher productivity overall in terms of having nine additional seats on the aircraft, as well as a longer stage length.

This year to next year we will start to get a little bit more of that effect where the capacity that we are putting on is coming out of this up gauging, as opposed to adding additional fixed cost. So we are getting better fixed cost dilution.

So, this year we are basically going to be achieving around 3% to 4% increase in productivity through that effect that I just described, which, if you assume currency stability or appreciation, basically covers us for inflation. In other words, the normal call, inflation this year in Brazil is running, and we

have been running at all-time lows, kind of below 4%, so we basically have inflation covered with what we are achieving on the productivity side. It is a combination of increasing utilization, and then as well as the effect of the MAXs coming in, and the up gauging on the NGs.

That effect will continue. We want to say like this year 3% or 4% next year, 3% or 4%, that will continue as we transition the MAXs into the fleet. And that is pretty much across the board. In terms of the non-fuel part of the equation, that is the real driver.

Generally in Brazil, we have to deal with annual inflation and cost of living adjustments, so we are always dealing with the inflation impact on our costs. So the way that we are keeping these costs stable at this roughly R\$0.13 non-fuel CASK is out of that effect, and it is structural, it is something with, obviously, we are working on many years as we have developed the MAX coming into our fleet.

But just to make a comment, that also impacts the fuel as well, because of MAX aircraft, as you are probably seeing in companies like Southwest and Ryanair in your coverage of U.S. and European airlines, that we are getting, as advertised on the fuel consumption for us versus the 800, it is about 15% on a per ASK basis. And that is significant, especially because that is the biggest component of our cost structure.

And what you will see as you adapt your models now to IFRS16, with the full movement of the aircraft component below the operating line, the fuel component now has a larger weight, a larger ponderation percentage in the overall cost structure. So the fixed cost dilution is even more evident, as is more important the fuel savings.

So that is how we approach it. It is real on these two angles. One is that, the productivity in the absolute lowest fixed cost possible, and then a huge focus as well on the fuel management from an operating perspective to make sure that we are squeezing every milli-cent out of that.

Those two components ducktail very nicely with the MAX coming in. The MAX is kind of like the perfect machine for us to operate that in terms of how we operate in our network. That is probably why a year ago we think about 95% of the day is those items that we are always working on optimizing that current projects, medium-term projects, always focused on that. That is basically our real house, and that is where we think we excel, and it is the source of our competitive advantage.

**Savi Syth:**

OK. That is helpful. And just on that, is the payroll taxes reversed, is that not a meaningful impact as we kind of think about the cost side?

**Richard Lark:**

On the payroll tax, that has been on the docket for a while, for that potentially to be reversed. Keep in mind that it has an impact on revenues, as well as costs, and there is a net effect.

**Paulo Kakinoff:**

Actually, today you are not going to have it, but if the government has said they would like for you to analyze the possibility of having a more comprehensive plan, involving more companies and sectors that should be in a more stricter way.



At the moment, we are not considering anything, because the fiscal situation in Brazil is pretty critical, and we cannot assume that incentive will be available anytime soon.

**Richard Lark:**

Every year we budget that it is going to go away. The guidance we provide, every year we budget that it is going to go away. And when we say it will go away, it has an impact both on net revenues as well as the costs. The costs go up, but then the net revenues will also go up a bit, because of how it works.

So that net effect is in our guidance, but I would say it is a 50-50 chance this year that it goes away or does not, but it is not in the 1H19, for sure definitely in the back half.

**Savi Syth**

Got it. And just a quick longer-term question, as your balance sheet improves, can you give us a more strategic view on financing? Is there a right mix of operating lease versus debt finance of aircraft right now? Or is it more heavily weighted towards operating leases? I was wondering if that would change over time.

**Richard Lark:**

We are changing a bit. In the first cycle, which was the 80 aircraft we did of NGs, which started arriving here in 2006, and that cycle is basically finishing now, we had a policy of 50-50, sale and leaseback and finance lease. And the concept there is the flexibility to get out of operating lease aircraft. In our first phase it was higher than the finance leases. And that was evident in our 2015, 2016 downsizing.

As you know, in a six-month period we were able to reduce 29 aircraft, nine of them were finance leases and 20 of them were operating leases. So we are able to get together with our leasing companies and make a quick adjustment. That flexibility is a little bit higher in an operating lease contract than a finance lease.

Having said that, in this next cycle, which will happen over the next ten years, which started in 2018, we are going to have 135 MAXs. Our plan is to do 60% finance lease and 40% operating lease over the course of the cycle. So that would be roughly 70 to 80 finance leased aircraft over the next seven to ten years.

And probably, Savi, in the third cycle, which will be 10 years from now, whenever the new version of the Boeing 737 comes out, we will probably be going to something like 80-20, 80% finance lease, 20% operating lease.

But it is a little bit of our ownership mentality here, where we would like to take ownership of the aircraft. Because some companies do not take ownership at all, including some of our competitors, or the opposite, which is all ownership, like you might see in Ryanair or Southwest, where they have a 90% plus level of finance leases.

We are still growing into having the majority of the fleet owned, and I think the MAX period for us will be that transition. But the 2018, 2019 orders, as you see, were sale and leasebacks, and part of that reflects the other component where we like to have our foot in both market, so we can take advantage of the supply and demand factors for aircraft in both markets.



In other words, this is a robust demand in the sale and leaseback market, we can make money in that market, and when not, then we can always count on the finance lease mechanisms, which have export credit guarantees and other mechanisms which are becoming more diverse in this next cycle, and then we can have that kind of backstop. So we like to take advantage of the supply and demand in both markets, which happen over a longer cycle than in the day-to-day of just the pure airline transportation business.

It is another part of our business, it has a different dynamic, more of a long-term. And we think that, in the way we have done it in the policy of a part finance leased, part operating lease, having been able to create a lot of long-term value, and been able to unlock it when we have needed to unlock it, and we are done with all the dispositions of the NG portfolio. We will have realized around US\$500 million of gains on that part of the business, which came at a very important part of the cycle for us in kind of the trough of the Brazilian airline cycle, which was 2016, 2017.

What I would like to say is that. That part of our business provide some nice downside protection for the business, for creditors, as well as shareholders when we need to tap into it. But it does take a long-cycle to build that up, finishing the cycle and the NG, starting the cycle on the MAXs. So that will continue to be an interesting component of the business over the cycle.

I realize it does create some challenges to try to project and predict it, because we are taking advantage of the market. In 2016, 2017, 2018, 2019, a lot of our profits have come out of that and then we will probably have a period of 2020, 2021, 2022, where the majority of the profits will not be coming from that all, it should be coming from the core demand in the airline transportation business.

And then, when we get to the other end of the cycle, kind of 2025, 2026, 2027, we will have built out some substantial equity in the MAX portfolio, and at that point in time, if I am talking to you on the phone, we will probably having a similar conversation about what we are doing with the equity gains built up in the portfolio then. So it does create some challenges for those who are looking at our business with more of a short-term focus.

**Savi Syth:**

That is very helpful. Thank you.

**Rogério Araujo, UBS:**

Good afternoon. Thank you very much for taking my questions. I have a couple. The first one is a follow-up on your 2019 guidance. If we exclude the sale and leaseback gains, and also the maintenance expenses that are one-offs, your guidance implies a 6.5 p.p. margin increase year-over-year, and in our calculation this would imply between 6% and 7% yield expansion year-over-year for 2019. My question is, does it make sense, our calculations? And if GOL is expecting a significant expansion in ticket fares this year, if this is related somehow to Avianca Brazil's current situation or to a demand improvement. How do you see your future bookings? This is my first question regarding yields implied in your guidance for 2019. Thank you.

**Paulo Kakinoff:**

Rogério, actually it is a mix of all the things you have just mentioned. We have a more benign market, we have some shift considered already from Avianca Brazil to ourselves, and the economy is

recovering faster than other segments in our specific segment. You have also a higher penetration, a higher market share in the business segment, which gives us higher fares in comparison to last year.

So, definitely we are positive and more bullish regarding the market, and mainly our performance, which might be benefited by the Avianca Brazil effect. But also, a considerable portion of that enhanced the performance comes from our own sales structure, revenue management strategy, and mainly the product, which has been considered by the business travelers as more attractive than any other player.

**Richard Lark:**

Rogério, when you compare the 2018 numbers to the 2019, the guidance numbers we are presenting now for 2019 are in IFRS16 and there is about a 5 p.p. in the new methodology. On page 16 of the release, we provided a table, which shows the difference between 2018 as reported and what it would look like in IFRS16, and it is about a 5 p.p. change on the operating margin.

For example, the 2018 pro forma EBIT margin in IFRS16 was 17.6%, and our guidance for 2019 is 18% in the same methodology. So there is not a whole lot of increment there in the 2018 to 2019. You have the transitions right now because that is how all the reporting is doing.

But yes, you are right, we are seeing this, and we are assuming yield and RASK growth 2 p.p. or 3 p.p. above inflation. A big source of that is coming out of the underlying demand and the supply-demand balances, which is allowing us to continue to expand yields above inflation. And then, also some of the effects I mentioned in the answer to Savi's question, which is the increase in the productivity that we are seeing in there.

The second main driver there, in the margin expansion, is the increasing utilization, the MAXs coming into the fleet, and the better productivity we are getting on the fixed costs. All of that is kind of driving that slight increase in the margin.

But, at the end of the day, when you exclude extraordinary effects and so on, it is like a two point increase in margin, apples-to-apples, 2019 over 2018.

**Rogério Araujo:**

Let me go through this again, sorry. If you exclude sale and leaseback, and if you also adjust it for the IFRS16, this would be about 7 p.p. increase year-over-year, is that correct?

**Richard Lark:**

No, it is not correct. I think what you are mentioning there, when you talk about the asset management part of our business, the net effect on 2018 is about R\$350 million. So that is about 3 p.p. of margin. That is the number if you wanted to back it out. You could back out 3 p.p. of margin from 2019 if you wanted to do that.

But we manage one business, and that is how we manage the business. As I was saying, how we get to the margin is a function of how we manage all of our businesses, and we have a lot of flexibility on how we can manage those.



So, yes, if you wanted to exclude the number from 2018 related to the asset management part of our business, it is a little over 3 p.p. of margin. That is a number that you should use to maybe make your calculations in the context of 2019, the real growth and margin.

**Rogério Araujo:**

OK. Sounds good. I am going to be happy if you can discuss this later.

**Richard Lark:**

No problem at all.

**Rogério Araujo:**

Thank you. So the second point is the financeable CAPEX, if you include that into your guidance for CAPEX, how much would it be in 2019, and maybe 2020? Including financeable CAPEX, how much would it be in 2019, 2020? Thank you.

**Richard Lark:**

Including financial CAPEX? I did not follow you on that. Sorry.

**Rogério Araujo:**

If you include 100% of the CAPEX, including the aircraft that you were going to receive and do financial leases, if you include everything, how much would be total investments in 2019? That is the question. Thank you.

**Richard Lark:**

In 2019, we do not have any financial leases. All of our 2019 deliveries are sale and leaseback. I am just trying to understand your question. I did not follow your question, Rogério.

**Rogério Araujo:**

You said that your CAPEX guidance for 2019 and 2020 does not include CAPEX for acquisition of new aircraft.

**Richard Lark:**

OK, I got you. I understood what you said. What I was trying to say is that, in the first part of our orders, that CAPEX there is what we call operational CAPEX, or maintenance CAPEX, product CAPEX, that is the number we are guiding there. The decision on the fleet financing, you will know that when we do it.

For example, if we end up doing some finance leases on the back end of 2020. We have basically made decisions on all of our aircraft deliveries until the 2Q20. When we do that, for example, if we were to announce a finance lease package for a number of aircraft, five aircraft, then that would create an aircraft CAPEX, which would then be financed with secured and unsecured financing. We have not made the decisions on those yet. So, no decision on that in those 2019 or 2020 numbers.



If you just take the PDP component, as if we were to go between half and a 100% of our deliveries in an individual year in a finance lease format, that is anywhere from US\$50 million to US\$75 million of outflows for PDPs. But keep in mind that how we do the financing on the aircraft, it basically gets to pretty close to 100% LTV.

The aircraft CAPEX is enormous, it is in the billions, over the life of our order, and it is 100% finance. You would see a number for CAPEX coming in through the aircraft acquisition, but it is all 100% finance, with secured and unsecured financing. So it does not generate any cash outflow for us.

So the way we are providing the guidance is that you can understand the underlying CAPEX that is required for the airline operations business, but it really does not relate to the aircraft financing cycle.

Also, because we have not made any decisions yet with respect to finance leases. We do expect to make these decisions between now and September, so I think by September of this year we will provide some visibility on what 2020 and 2021 will be looking like from an aircraft acquisition perspective. But right now, we have not made any decisions on that.

So it is hard for me to guide on that, because we can also end up in a format where we keep doing sale and leasebacks for 2020 and 2021, in which case none of this would flow through that line item. But it is all a 100% financeable, with low cost sources of funds. Generally, in the secured component of our aircraft financing, we are getting 12-year money at 45% cost of funds, all in, and then we complement that with a little bit of unsecured financing, which ends up having a blended cost of kind of 5% to 6%, with an average maturity of around ten years.

It is a very well organized finance part of that business, which does not generate any pressure on our liquidity management in the business.

**Rogério Araujo:**

Thanks very much.

**Petr Grishchenko, Barclays:**

Good afternoon, and thanks for taking my questions. I guess I wanted to follow-up first on Avianca discussion. There are some conflicting reports on what could happen to Avianca capacity, particularly related to slots in some major airports. Maybe if you could outline a kind of scenario, how you think the market could evolve if Azul or LATAM capture this capacity.

**Paulo Kakinoff:**

Actually, I would not like to speculate on possible scenarios, because we are talking on a competitor which is fighting to go through this situation, and we have no intention to speculate on the scenarios, because we would not like to drive the public opinion nowhere. We will follow what is going on and try to understand how the market will naturally accommodate around this situation, because actually, nobody knows.

I mentioned before that there is this legal dispute, and Brazil has a quite robust legal system, but unfortunately, at this moment, this lack of visibility of clarity raised several speculations regarding the slots and possible outcomes in the most congestion airport.



I think that those were the last where Avianca Brazil would give up on it is current footprint. I mean that we would possibly see a much lower capacity of Avianca Brazil in the market before they would give up on the slots that would significantly change the landscape in the airline segment in Brazil.

**Richard Lark:**

In the January data, Petr, which is public, ABB had a reduction of domestic ASK of 7% to 10%, negative, a reduction, and that company had been growing at around 12% run rate on domestic ASK increase. If you take the delta on that versus expectations, it is almost a 20% reduction in the run rate capacity growth of that company. And that is just based on the traffic data, the public data that is out through January, so that might be one way for you to think about how that can be impacting the overall supply-demand in the market.

As Kakinoff said before, we are not changing our domestic capacity plans for this year. We do have the flexibility, because we operate one aircraft type on one unified network, so we can shift capacity between domestic and international, and we are always working to maximize the overall profitability of The network, with a capital T, The network, one network, including the international. One asset, if you will. So we can adjust capacity based on where we can get the best profitability on the allocation of our aircraft over the full network.

We have a lot of flexibility to do that, but we also do not see in the market anybody changing their capacity plans based on what is going on. Having said that, we are experiencing now a phenomenon that we have not seen. Maybe we have to go back to 2010 to have an excess demand environment, which is what we are living in now. But that also relates to the overall airline cycle, which has nothing to do with the comings and goings of anyone individually.

Remember that as well, we are also dealing with the demand environment. It is the most powerful component that is found. The capacity environment is helping, and we have been working very hard over the last three years to get to where we are in capacity, and we feel like we are in a good position with the combination of the market, as well as fleet plan to flex around whatever is going to come our way over the next year or so.

**Petr Grishchenko:**

Got it. Very helpful. Second question, I appreciate your comments on financing, they were very helpful, but looking at your amortization schedule for this year, it looks fairly smooth. Is there any expectation that you could access either international or local DCM this year?

**Richard Lark:**

We have already done everything we wanted to do on unsecured debt. Most of our work going forward is going to be on secured debt. Having said that, we are running an airline and we are always going to look at where we can opportunistically improve our balance sheet, but anything we would have to do would have to have a lower cost of capital than the liabilities already in our balance sheet, or it would have to have more of a component, which would improve our credit ratios.

Right now we do not see anything in the international unsecured debt market that would meet that. As you know, also Brazilian interest rates now are record lows. The issue is the tenure, it is hard for a company like us in the domestic market to raise money beyond three years, but money is available to us today in the Brazilian market at around 7%. Some of the stuff that we are looking at tends to be



more on the shorter end, on the working capital, but it is starting to become more optimization on the pure debt side than structural, because our 2025 maturity basically covers us.

So, everything we want to do relates to aircraft acquisition. And we have been using that to clean up everything we can in the liability management side. The only thing we have left over is the 2022 as we have a call in January next year, and then the term loan, which we plan to amortize in August of 2020.

But of course, we will always look at things opportunistically as a way to either improve our capital structure, equitize our balance sheet or improve our credit ratios in line with our ultimate objective to get back to double BB- credit ratio.

**Petr Grishchenko:**

Perfect. Thanks a lot, and best of luck to you guys.

**Operator:**

Excuse me, this concludes 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:**

I would like to thank you all, and incentivize whoever is considering to come to the Brazilian Carnival. We still have quite attractive fares to the biggest party of those. So have a nice holiday. Thanks so much for your attention. Bye.

**Richard Lark:**

*Bom Carnaval.*

**Operator**

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

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