

Rating Action: Moody's upgrades Gol's ratings to Ba3, outlook stable

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Approximately USD 425 million of debt securities affected

Sao Paulo, July 14, 2010 -- Moody's Investors Service raised its Corporate Family and senior unsecured ratings for Gol Linhas Aereas Inteligentes S.A. ("Gol") and Gol Finance to Ba3 from B1 reflecting improved operating performance and financial flexibility especially following the recent debt issuance. The ratings outlook is stable.

Ratings upgraded with a stable outlook:

Issuer: Gol Finance

- 7.5% USD 225 million senior unsecured notes due 2017: Ba3

- 8.75% USD 200 million senior unsecured perpetual notes: Ba3

Issuer: Gol Linhas Aereas Inteligentes S.A.

- Corporate Family Rating: Ba3

"The ratings upgrade reflects the company's continued commitment to improve its financial flexibility which was again demonstrated by yesterday's successful USD 300 million placement of unsecured debt securities due 2020 as well as the progress the company has made in reaching the targets for a potential upgrade which we outlined in our last rating action" said Moody's Senior Vice President, Philippe Goossens. Specifically, Gol has continued to show improvement in its operating margin and its leverage has been reduced to less than 6.0 times Debt to EBITDA (5.8 times in the LTM ended in March 2010). With the recent note offering the company has refinanced all upcoming funded debt maturities through 2012. Its liquidity, as measured by unrestricted cash and short term investments, now exceeds 40% of unadjusted debt (46% as of March 2010). Our action today also incorporates our expectation that the company will achieve Retained Cash Flow ("RCF") to Net Debt of 15% (13.4% in the LTM ended in March 2010) by sometime next year.

"The Ba3 rating now fully embodies the unique position in which Gol finds itself of operating in a country with enviable growth prospects at a time of considerable concern about the economic prospects of the developed world but also to be able to reap the benefits, for the time being, of a domestic market which while encouraging new competition, provides significant benefits to the two incumbents due largely to existing capacity constraints in the nation's infrastructure" commented the Moody's analyst. The prospect of being able to host in 2014 and 2016 two world class sporting events and the tremendous investments that will be required to develop the country's pre-salt oil deposits provides Brazil with the potential to partially mitigate a potential slowdown in its key export markets such as China.

The stable outlook reflects our forward looking view that the company will continue to implement a number of initiatives which it has announced since last year with the objective of continuing to improve the company's operational and financial performance. Notable are the company's ongoing efforts to attract more leisure travelers from the more traditional bus mode of transportation, its focus on optimizing returns from its existing route network rather than the pursuit of market share, the ongoing standardization of its fleet built on the Boeing 737 NG platform, the further enhancement of its virtual global network through strategic code share and loyalty program integration agreements with well positioned international carriers and the pursuit of selective ancillary business opportunities such as its cargo operations and nascent e-commerce platform. We also expect the management team to continue to implement the lessons learned from the challenged acquisition of Varig and remain committed to its current attractive business model of being a low cost operator focused predominantly on providing short haul flights centered around the six main Brazilian airports of Congonhas, Confins, Curitiba, Brasilia, Santos Dumont and Galeao.

Following today's rating action we deem it unlikely that ratings would experience upward pressure over the near-to-medium term. However, we would view as positive sustained deleveraging of the company's balance sheet to below 4.0 times on a gross debt basis (5.8 times in the LTM ended in March 2010), retained cash flow to net debt of between 25-35% (13.4% in the LTM ended in March 2010), EBIT to interest coverage approaching 4 times (1.7 times in the LTM ended in March 2010) and additional improvements in its financial flexibility.

On the other hand, downward pressure on Gol's ratings or rating outlook could occur if liquidity deteriorates such that cash and short term investments fell below 30% of total unadjusted debt (46% as of March 2010) for two consecutive quarters or if gross leverage stayed above 6.5 times (5.8 times in the LTM ended in March 2010) persistently due to a combination of high fuel prices, a weaker real or increased competition in the duopolistic Brazilian airline market. A major departure from the company's current business model would also be viewed as a negative development and potentially result in a negative rating or change in our rating outlook.

Moody's last rating action on Gol Finance and Gol Linhas Aereas Inteligentes S.A. occurred on November 26, 2009 when we revised our outlook to positive from negative.

The principal methodology used in rating Gol was Moody's Global Passenger Airlines rating methodology (March 2009), which can be found at www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Gol Linhas Aereas Inteligentes S.A. ("Gol"), a Brazilian low-cost carrier ("LCC") provides passenger airline service to all Brazil's major cities and a growing number of destinations across South America.

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