

Gol Intelligent Airlines Inc.
Form 6-K
November 01, 2018

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the month of November, 2018
(Commission File No. 001-32221) ,

GOL LINHAS AÉREAS INTELIGENTES S.A.
(Exact name of registrant as specified in its charter)

GOL INTELLIGENT AIRLINES INC.
(Translation of Registrant's name into English)

Praça Comandante Linneu Gomes, Portaria 3, Prédio 24
Jd. Aeroporto
04630-000 São Paulo, São Paulo
Federative Republic of Brazil
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

Conference call connection details

3Q18 Earnings Calls Thursday, November 1, 2018

Live Webcast (www.voegol.com.br/ri)

In English

11:00 a.m. (US EDT)

12:00 p.m. (Brasília)

Phone: +1 (412) 317-5453

Code: GOL

Replay: +1 (412) 317-0088

Replay Code: 10120814

In Portuguese

1:30 p.m. (Brasília)

12:30 p.m. (US EDT)

Phone: +55 (11) 3193-1001 / +55 (11)
2820-4001

Code: GOL

Replay: +55 (11) 3193-1012

Replay Code: 7022239#

In 3Q18, Brazil's premiere airline achieves a 6% EBIT margin and grows net revenues by 8%

Operating Income for the third quarter reached R\$181 million

São Paulo, November 1, 2018 - GOL Linhas Aéreas Inteligentes S.A. ("GOL" or "Company"), (NYSE: GOL and B3: GOLL4), Brazil's #1 airline, announces its consolidated results for the third quarter of 2018 (3Q18) and for the nine months of 2018 (9M18). All information is presented in accordance with IFRS, in Brazilian Reais (R\$) and all comparisons are with the third quarter of 2017 (3Q17) and for the nine months of 2017 (9M17), unless otherwise stated.

Summary

Improved operating indicators: RPKs increased by 2.2% to 9.9 billion in 3Q18, mainly due to a 4.5% increase in the number of transported passengers. As a result of strong passenger demand and GOL's continued focus on revenue management, the Company was able to achieve (i) an average yield per passenger of 27.44 cents (R\$), an increase of 6.5% compared to 3Q17, (ii) an average load factor of 79.1%, a decrease of 1.1 p.p compared to 3Q17, and (iii) on-time performance of 92.1% in 3Q18 according to Infraero.

Strong revenue growth: the combination of higher demand and optimized pricing resulted in net revenue for the quarter of R\$2.9 billion, an increase of 8.3% compared to 3Q17. Net RASK was 23.22 cents (R\$) in 3Q18, an increase of 4.5% over 3Q17. Net PRASK increased 5.0% over 3Q17, reaching 21.70 cents (R\$). Average fare increased by 4.2% from R\$299 to R\$312. GOL's 2018 net revenue guidance is approximately R\$11.5 billion.

Controlled cost environment: due to higher jet fuel prices, total CASK in 3Q18 increased 11.5% to 21.77 cents (R\$) relative to 3Q17. On an ex-fuel basis, CASK fell by 3.4%. GOL remains the cost leader in South America for the 17th consecutive year.

Solid margins: While the average price of jet fuel increased by 3.7% in 3Q18 over 2Q18, the combination of stronger pricing, higher demand, and R\$10 million of operating results in hedging, permitted GOL's EBIT margin to reach 6.2% in 3Q18, the ninth consecutive quarter of profitable results. Operating income (EBIT) in 3Q18 was R\$180.5 million, a reduction of 44.5% compared to 3Q17 (R\$325.4 million). EBITDA margin was 12.3% in 3Q18, a decrease of 5.0 p.p. q-o-q. EBITDAR margin was 22.5% in 3Q18, down by 3.4 p.p. q-o-q over 3Q17. GOL's 2018 EBIT margin guidance is approximately 11%.

Balance sheet strengthening: While the Real depreciated 3.8% against the U.S. dollar in 3Q18

(end of period) causing a net exchange and monetary variation loss of R\$187.3 million, net debt (excluding perpetual bonds) to LTM EBITDA was 3.2x as of September 30, 2018, up versus June 30, 2018 (2.9x) and improving versus a year-ago metrics (3.4x). Total liquidity, including cash, financial investments, restricted cash and accounts receivable, totaled R\$3.0 billion, flat in comparison to June 30, 2018 and an increase by R\$871.6 million versus a year ago. The combination of GOL's operational cash flow generation of R\$460.8 million in the quarter and stable cash liquidity increased the Company's financial flexibility.

Preliminary IFRS 16: As a result of the mandatory adoption of IFRS 16 as of January 1, 2019, our preliminary valuation shows an estimate of a significant reduction in adjusted net debt, as well as an improvement in the net adjusted debt to LTM EBITDA ratio.

Guidance: GOL's 2018 and 2019 guidance is on page 17 of this document.

Management's Comments on Results

"Our team was successful in their efforts to produce solid results this third quarter. The traditional July high season was impacted by the accelerated appreciation of the US Dollar against the Real, higher jet fuel prices and a booking curve impacted by the hangover from the nationwide trucking strike that occurred in May. However, despite this adverse scenario, we remain focused on delivering the best flight experience to our clients with a differentiated, high quality product through new, modern aircraft that connect our main markets with the most convenient schedules and frequencies, while relentlessly focusing on cost efficiency", commented Paulo Kakinoff, CEO

Through dynamic yield management and flexible capacity management, shifting aircraft from our international to our domestic network, GOL was able to maximize results, as the strong dollar increased the demand for domestic flights. "GOL's response was possible due to our unique and standardized fleet of 737 aircraft," added Paulo Kakinoff, CEO.

In August, GOL received its second 737 MAX 8 aircraft, which has better fuel efficiency and range of up to 6,500 km. "Our new Boeing 737 MAX 8 aircraft, with next-gen technology, will offer customers all the convenience and comfort of GOL's flights, including in-flight internet and entertainment, eco-leather seats with ample leg room, and free on-board drinks and meals," said Kakinoff.

In September, GOL announced the expansion of international destinations, with four nonstop flights per week to Cancun Mexico, from its Brasilia hub. The initiation of flights to GOL's new destination in Mexico is scheduled for June 2019. These flights will be operated with new Boeing 737 MAX 8 aircraft that allow GOL to offer nonstop flights from Brazil to any destination in Latin America.

On November 4, GOL will initiate nonstop flights from Brasilia and Fortaleza to the international airports of Miami and Orlando. At approximately 6,079 kilometers, the Brasilia to Orlando flight will be the world's longest regular flight made with a 737. In December 2018, GOL will begin operating nonstop flights to Quito, Ecuador, with three weekly nonstops from Guarulhos International to Mariscal Sucre International. "We will be the only airline operating between Brazil and Ecuador with no stops or connections," concluded Kakinoff.

GOL remains as the Corporate Segment leader with 34.0% of tickets sales during 3Q18 and 32.3% of 9M18, according to ABRACORP. Also, GOL remains the lowest-cost airline in South America for the 17th consecutive year. With simplified and standardized fleet and the lean and productive operations GOL has a significant and sustainable competitive advantage over peers. "We remain committed to reduce our cost of debt and improve our liquidity and leverage profile. On September 30, 2018, the net debt (ex-perpetual bonds) to EBITDA LTM ratio was of 3.2x, and total liquidity was R\$3.0 billion," said Richard Lark, CFO.

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"),

fully-amortizing the total amount of R\$1.0 billion and issuing a new single series of non-convertible and unsecured debentures in the amount of R\$887.5 million, resulting in a net indebtedness reduction of R\$137.5 million. The new debentures were issued at a yield of 120.0% of the Brazilian CDI interbank rate (approximately 7.68% in BRL; this represents a substantial reduction compared to the retired debt, whose cost was of 132.0% of the Brazilian CDI) with quarterly interest payments of approximately R\$17.0 million and semi-annually principal payments of approximately R\$148.0 million (final payment to be made on September 28, 2021). "This transaction is additional deleveraging of GOL's balance sheet and better matches GLA's operating cash flow generation with the amortization of its liabilities," said Richard Lark, GOL's CFO. "The issuance reduced the Company's cost of debt and improved its credit metrics", added Richard Lark.

Also in October, the Company announced its intention to effect a corporate reorganization, including the merger of Smiles. The Reorganization seeks to ensure the long-term competitiveness of the Group, aligning the interests of all stakeholders, reinforcing capital structure, simplifying corporate governance, reducing operating, administrative and financing costs and expenses, and increasing the market liquidity for shareholders.

Operating and Financial Indicators

RPK GOL – Total	9,853	9,638	2.2%	28,180	27,334	3.1%
RPK GOL – Domestic	8,923	8,559	4.3%	25,229	24,367	3.5%
RPK GOL – International	930	1,079	-13.8%	2,951	2,967	-0.5%
ASK GOL – Total	12,458	12,015	3.7%	35,552	34,481	3.1%
ASK GOL – Domestic	11,128	10,582	5.2%	31,527	30,596	3.0%
ASK GOL – International	1,330	1,433	-7.2%	4,025	3,885	3.6%
GOL Load Factor – Total	79.1%	80.2%	-1.1 p.p	79.3%	79.3%	0.0 p.p
GOL Load Factor – Domestic	80.2%	80.9%	-0.7 p.p	80.0%	79.6%	0.4 p.p
GOL Load Factor – International	70.0%	75.3%	-5.3 p.p	73.3%	76.4%	-3.1 p.p
Average Fare (R\$)	312	299	4.2%	311	288	8.1%
Revenue Passengers - Pax on board ('000)	8,677	8,303	4.5%	24,520	23,774	3.1%
Aircraft Utilization (block hours/day)	11.8	12.3	-3.6%	11.9	12.0	-0.7%
Departures	63,918	63,761	0.2%	186,609	185,744	0.5%
Total Seats ('000)	11,177	10,667	4.8%	31,889	31,081	2.6%
Average Stage Length (km)	1,089	1,106	-1.5%	1,094	1,090	0.3%
Fuel Consumption (mm liters)	359	351	2.1%	1,038	1,015	2.3%
Full-time Employees (at period end)	15,115	15,277	-1.1%	15,115	15,277	-1.1%
Average Operating Fleet ⁵	111	109	1.7%	110	109	1.6%
On-time Departures	92.1%	95.6%	-3.5 p.p	93.2%	95.4%	-2.2 p.p
Flight Completion	98.6%	98.3%	0.3 p.p	98.5%	98.4%	0.1 p.p
Passenger Complaints (per 1000 pax)	1.59	1.38	15.1%	1.91	1.39	38.0%
Lost Baggage (per 1000 pax)	2.01	1.93	3.8%	1.97	2.02	-2.5%
Net YIELD (R\$ cents)	27.44	25.76	6.5%	27.14	25.09	8.2%
Net PRASK (R\$ cents)	21.70	20.66	5.0%	21.51	19.89	8.2%
Net RASK (R\$ cents)	23.22	22.23	4.5%	23.09	21.52	7.3%
CASK (R\$ cents)	21.77	19.52	11.5%	21.05	19.78	6.4%
CASK ex-fuel (R\$ cents)	13.24	13.70	-3.4%	13.34	13.79	-3.2%
CASK ex-fuel ⁴ (R\$ cents)	14.06	13.67	2.9%	14.13	13.79	2.5%
Breakeven Load Factor	74.1%	70.4%	3.7 p.p	72.2%	72.8%	-0.6 p.p
Average Exchange Rate ¹	3.9505	3.1640	24.9%	3.6055	3.1750	13.6%
End of period Exchange Rate ¹	4.0039	3.1680	26.4%	4.0039	3.1680	26.4%
WTI (avg. per barrel. US\$) ²	69.43	48.20	44.0%	66.79	49.36	35.3%
Price per liter Fuel (R\$) ³	2.84	1.94	45.9%	2.50	1.98	26.0%
Gulf Coast Jet Fuel (avg. per liter. US\$) ²	0.56	0.42	34.5%	0.54	0.39	36.3%

1. Source: Brazilian Central Bank; 2. Source: Bloomberg; 3. Fuel expenses excluding hedge results and PIS/COFINS credits/liters consumed; 4. Excluding results of sale and sale-leaseback transactions; 5. Average operating fleet excluding aircraft in sub-leasing and MRO. *3Q17 and 9M17 results have been restated based on IFRS 15. Certain calculations may not match with the information in the quarterly financials due to rounding.

Domestic market – GOL

GOL's domestic supply increased by 5.2% and demand increased by 4.3% in 3Q18. As a result, the Company's domestic load factor reached 80.2%, a decrease of 0.7 p.p. when compared to 3Q17. GOL transported 8.2 million domestic passengers in the quarter, an increase of 5.3% when compared with the same period in 2017. The Company is the leader in transported passengers in Brazil's domestic aviation market.

International market - GOL

GOL's international supply decreased by 7.2% and international demand decreased 13.8% in 3Q18 compared to 3Q17. The Company's international load factor in 3Q18 was 70.0%, decreasing 5.3 p.p. over 3Q17. During the quarter, GOL transported 0.4 million passengers in the international market, a decrease of 12.6% when compared to the third quarter of 2017.

Volume of Departures and Total seats - GOL

The total volume of GOL departures was 63,918, an increase of 0.2% in 3Q18 over 3Q17. The total number of seats available to the market was 11.2 million in the third quarter of 2018, an increase of 4.8% over the same period in 2017.

PRASK, Yield and RASK

Net PRASK increased by 5.0% in the quarter when compared to 3Q17, reaching 21.70 cents (R\$), driven by a growth in net passenger revenue of 8.9% in the quarter. GOL's Net RASK was 23.22 cents in (R\$) 3Q18, an increase of 4.5% over 3Q17. Net yield increased by 6.5% in 3Q18 over 3Q17, reaching 27.44 cents (R\$), driven by a 4.2% increase in GOL's average fare.

For reference, below is a comparison of passenger and ancillary (cargo and other) revenue for the quarterly periods in 2017 and 2018 in accordance with IFRS15.

Passenger	2018	22.53	20.11	21.70	-
	2017	20.21	18.63	20.66	22.17
Cargo and Other	2018	1.33	1.95	1.52	-
	2017	1.35	2.04	1.57	1.63

* Value for 4Q17 was not reviewed by the independent auditors.

Income statement in IFRS (R\$ MM)

Net operating revenues	2,892.4	2,670.6	8.3%	8,210.5	7,422.0	10.6%
Passenger	2,703.2	2,482.7	8.9%	7,648.3	6,857.7	11.5%
Cargo and Other	189.2	187.9	0.7%	562.2	564.3	-0.4%
Operating Costs and Expenses	(2,712.1)	(2,345.3)	15.6%	(7,483.2)	(6,819.2)	9.7%
Salaries, wages and benefits	(486.8)	(479.2)	1.6%	(1,381.1)	(1,274.9)	8.3%
Salaries, wages and benefits - Operations	(369.6)	(374.4)	-1.3%	(1,022.0)	(977.4)	4.6%
Salaries, wages and benefits – Other	(117.1)	(104.8)	11.8%	(359.1)	(297.5)	20.7%
Aircraft fuel	(1,063.2)	(699.3)	52.1%	(2,740.1)	(2,064.8)	32.7%
Taxes on aircraft fuel	(155.6)	(107.7)	44.5%	(412.6)	(328.5)	25.6%
Aircraft Fuel (ex-taxes)	(907.6)	(591.5)	53.4%	(2,327.6)	(1,736.3)	34.1%
Aircraft rent	(296.6)	(229.2)	29.4%	(801.0)	(712.6)	12.4%
Sales and marketing	(148.3)	(162.8)	-8.9%	(428.2)	(404.7)	5.8%
Landing fees	(186.6)	(168.5)	10.7%	(542.1)	(488.0)	11.1%
Passenger costs	(122.4)	(109.3)	12.1%	(346.0)	(324.9)	6.5%
Services Provided	(165.0)	(157.0)	5.1%	(439.6)	(432.8)	1.6%
Maintenance materials and repairs	(89.6)	(90.2)	-0.6%	(288.8)	(310.6)	-7.0%
Depreciation and amortization	(174.2)	(136.3)	27.8%	(489.8)	(361.9)	35.4%
Other	20.7	(113.6)	NM	(26.5)	(444.1)	-94.0%
Equity Income	0.2	0.1	58.9%	0.4	0.3	38.5%
Operating Result (EBIT)	180.5	325.4	-44.5%	727.6	603.0	20.7%
EBIT Margin	6.2%	12.2%	-6.0 p.p	8.9%	8.1%	0.8 p.p
Financial Results	(385.9)	28.7	NM	(1,865.0)	(496.2)	275.9%
Interest on loans	(184.7)	(168.1)	9.9%	(523.4)	(573.7)	-8.8%
Gains from financial investments	88.0	22.8	286.3%	170.9	71.7	138.5%
Exchange and monetary variations	(187.3)	242.9	NM	(1,249.3)	162.6	NM
Derivatives net results	5.3	32.2	-83.5%	(1.4)	8.2	NM
Other expenses (revenues) net	(107.2)	(101.1)	6.0%	(261.8)	(164.9)	58.7%
Income (Loss) before income taxes	(205.4)	354.1	NM	(1,137.4)	106.9	NM
Pre-tax Income Margin	-7.1%	13.3%	-20.4 p.p	-13.9%	1.4%	-15.3 p.p
Income Tax	(103.5)	136.1	NM	(222.6)	208.8	NM
Current income tax	84.0	(43.3)	NM	(7.5)	(197.7)	-96.2%
Deferred income tax	(187.5)	179.4	NM	(215.1)	406.4	NM

Net income (loss)	(308.9)	490.2	NM(1,360.0)	315.6	NM
Net Margin	-10.7%	18.4%	-29.1 p.p	-16.6%	4.3%
Minority Interest	100.4	160.4	-37.4%	227.8	300.9
Net income (loss) after minority interest	(409.2)	329.9	NM(1,587.8)	14.7	NM
Net Margin after minority interest	-14.1%	12.4%	-26.5 p.p	-19.3%	0.2%
Earnings per Share (EPS) after minority interest R\$	(1.17)	0.95	NM	(4.55)	0.04
Weighted average shares outstanding MM	348.8	347.7	0.3%	348.8	347.7
Earnings per ADS Equivalent in US\$	(0.59)	0.60	NM	(2.53)	0.03
Weighted average ADSs outstanding MM	174.4	173.9	0.3%	174.4	173.9

*3Q17 and 9M17 results have been restated based on IFRS 15. Certain calculations may not match with the information in the quarterly financials due to rounding.

Net revenue

Net revenue in 3Q18 was R\$2.9 billion, an increase of 8.3% when compared to 3Q17, with RPKs increasing by 2.2%, to 9,853 million in 3Q18. Cargo revenues, loyalty program revenues and other ancillary revenues represented R\$189.2 million in 3Q18, a 0.7% increase compared to 3Q17, mainly due to an increase in the loyalty program revenues and cargo revenue versus the year-ago quarter.

GOL's load factor decreased by 1.1 p.p. to 79.1% in the quarter, as demand growth was lower in relation to the increase in ASKs. Average fares increased by 4.2%, from R\$299 to R\$312, driving a 6.5% increase in yield. In 9M18, average fares reached R\$311, an 8.1 % increase y-o-y.

Operating expenses

Total CASK grew by 11.5% compared to 3Q17, from 19.52 cents (R\$) to 21.77 cents (R\$), mainly due to a 45.9% increase in the price per liter of jet fuel and a 24.9% depreciation of the Real against the average US Dollar. CASK ex-fuel decreased 3.4% y-o-y, supported by high fleet productivity and operational results from sale of aircraft, partially offset by an increase in aircraft rent, and higher depreciation driven by capitalized maintenance on aircraft components (including engines).

GOL's breakeven load factor increased by 3.7 p.p., reaching 74.1% vs. 70.4% in 3Q17, primarily due to operating expenses growth of 15.6% in the quarter. The breakdown of the Company's operating costs and expenses is as follows:

Salaries, wages and benefits	(486.8)	(479.2)	1.6%	(1,381.1)	(1,274.9)	8.3%
Salaries, wages and benefits - Operations	(369.6)	(374.4)	-1.3%	(1,022.0)	(977.4)	4.6%
Salaries, wages and benefits - Other	(117.1)	(104.8)	11.8%	(359.1)	(297.5)	20.7%
Aircraft fuel	(1,063.2)	(699.3)	52.1%	(2,740.1)	(2,064.8)	32.7%
Taxes on aircraft fuel	(155.6)	(107.7)	44.5%	(412.6)	(328.5)	25.6%
Aircraft Fuel (ex-taxes)	(907.6)	(591.5)	53.4%	(2,327.6)	(1,736.3)	34.1%
Aircraft rent	(296.6)	(229.2)	29.4%	(801.0)	(712.6)	12.4%
Sales and marketing	(148.3)	(162.8)	-8.9%	(428.2)	(404.7)	5.8%
Landing fees	(186.6)	(168.5)	10.7%	(542.1)	(488.0)	11.1%
Passenger costs	(122.4)	(109.3)	12.1%	(346.0)	(324.9)	6.5%
Services	(165.0)	(157.0)	5.1%	(439.6)	(432.8)	1.6%
Maintenance, materials and repairs	(89.6)	(90.2)	-0.6%	(288.8)	(310.6)	-7.0%
Depreciation and Amortization	(174.2)	(136.3)	27.8%	(489.8)	(361.9)	35.4%
Other operating expenses	20.7	(113.6)	NM	(26.5)	(444.1)	-94.0%
Total operating expenses	(2,712.1)	(2,345.3)	15.6%	(7,483.2)	(6,819.2)	9.7%
Operating expenses ex- fuel	(1,648.9)	(1,646.0)	0.2%	(4,743.1)	(4,754.4)	-0.2%
Salaries, wages and benefits	(3.91)	(3.99)	-2.0%	(3.88)	(3.70)	5.1%
Salaries, wages and benefits - Operations	(2.97)	(3.12)	-4.8%	(2.87)	(2.83)	1.4%
Salaries, wages and benefits - Other	(0.94)	(0.87)	7.8%	(1.01)	(0.86)	17.1%
Aircraft fuel	(8.53)	(5.82)	46.6%	(7.71)	(5.99)	28.7%
Taxes on aircraft fuel	(1.25)	(0.90)	39.3%	(1.16)	(0.95)	21.8%
Aircraft Fuel (ex-taxes)	(7.29)	(4.92)	48.0%	(6.55)	(5.04)	30.0%
Aircraft rent	(2.38)	(1.91)	24.8%	(2.25)	(2.07)	9.0%
Sales and marketing	(1.19)	(1.35)	-12.1%	(1.20)	(1.17)	2.6%

Landing fees	(1.50)	(1.40)	6.8%	(1.52)	(1.42)	7.8%
Passenger costs	(0.98)	(0.91)	8.1%	(0.97)	(0.94)	3.3%
Services	(1.32)	(1.31)	1.4%	(1.24)	(1.26)	-1.5%
Maintenance, materials and repairs	(0.72)	(0.75)	-4.2%	(0.81)	(0.90)	-9.8%
Depreciation and amortization	(1.40)	(1.13)	23.3%	(1.38)	(1.05)	31.3%
Other operating expenses	0.17	(0.95)	NM	(0.07)	(1.29)	-94.2%
CASK	(21.77)	(19.52)	11.5%	(21.05)	(19.78)	6.4%
CASK excluding fuel expenses	(13.24)	(13.70)	-3.4%	(13.34)	(13.79)	-3.2%

*3Q17 and 9M17 results have been restated based on IFRS 15. Certain calculations may not match with the information in the quarterly financials due to rounding.

Aircraft fuel costs per ASK increased by 46.6% compared to 3Q17 to 8.53 cents (R\$), mainly due to a 45.9% increase in the fuel price per liter, as a result of the 34.5% increase in international jet fuel prices.

Salaries, wages and benefits per ASK decreased by 2.0% to 3.91 cents (R\$) over 3Q17, primarily due to the 3.7% increase in ASKs, partially offset by labor contingency payments and annual cost of living adjustments.

Aircraft rent per ASK increased by 24.8% in relation to 3Q17, to 2.38 cents (R\$), mainly due to the 24.9% depreciation of the Real against the average US Dollar.

Sales and marketing per ASK decreased 12.1% in relation to 3Q17, to 1.19 cent (R\$), impacted by lower advertising costs in 3Q18.

Landing fees per ASK increased by 6.8% compared to 3Q17 to 1.50 cent (R\$), due to higher landing fees, navigation fees and airport parking fees.

Passenger costs per ASK increased 8.1% in relation to 3Q17, to 0.98 cent (R\$), due to increased reimbursement of tickets increased accommodation costs, and higher on board service costs.

Services per ASK costs increased by 1.4% in relation to 3Q17, to 1.32 cent (R\$), mainly due to higher contracted freight services, parcels and aircraft components, and the impact of the US dollar appreciation on international services, partially offset by the 3.7% increase in ASKs.

Maintenance materials and repairs per ASK decreased by 4.2% in relation to 3Q17, to 0.72 cent (R\$), due to higher capitalization of rotables and components (including engines) repair, and the 3.7% increase in ASKs, partially offset by higher costs from aircraft returns.

Depreciation and amortization per ASK increased 23.3% in relation to 3Q17, to 1.40 cent (R\$), due to higher capitalized maintenance on key aircraft components (including engines).

Other expenses per ASK decreased in 3Q18, mainly due to R\$103.4 million of operational results from sales of 737 aircraft during 3Q18.

Operating result

Operating income (EBIT) in the third quarter was R\$180.5 million, a decrease of 44.5% compared to the same period in 2017. 3Q18 operating margin was 6.2%, a decrease of 6.0 p.p. in relation to 3Q17. On a per available seat-kilometer basis, EBIT was 1.45 cent (R\$) in 3Q18, compared to 2.71 cents (R\$) in 3Q17 (a decrease of 46.5%).

EBITDA in 3Q18 totaled R\$354.7 million in the period, a decrease of 23.2% over 3Q17. The impact of the increase in RASK of 0.99 cent (R\$) and the increase in CASK ex-depreciation of 1.99 cent (R\$) resulted in an EBITDA per available seat-kilometer of 2.85 cents (R\$) in 3Q18, a reduction of 0.99 cent (R\$) compared to 3Q17.

EBITDAR in 3Q18 totaled R\$651.3 million in the period, a decrease of 5.7% over 3Q17. On a per available seat-kilometer basis, EBITDAR was 5.23 cents (R\$) in 3Q18, compared to 5.75 cents (R\$) in 3Q17 (a decrease of 9.1%).

Net Revenues	23.22	22.23	4.5%	23.09	21.52	7.3%
Operating Expenses	(21.77)	(19.52)	11.5%	(21.05)	(19.78)	6.4%
EBIT	1.45	2.71	-46.5%	2.05	1.75	17.0%
Depreciation and Amortization	(1.40)	(1.13)	23.3%	(1.38)	(1.05)	31.3%

Operating expenses

EBITDA	2.85	3.84	-25.9%	3.42	2.80	22.4%
EBITDA Margin	12.3%	17.3%	-5.0 p.p	14.8%	13.0%	1.8 p.p
Aircraft Rent	(2.38)	(1.91)	24.8%	(2.25)	(2.07)	9.0%
EBITDAR	5.23	5.75	-9.1%	5.68	4.87	16.7%
EBITDAR Margin	22.5%	25.9%	-3.4 p.p	24.6%	22.6%	2.0 p.p

*3Q17 and 9M17 results have been restated based on IFRS 15. Certain calculations may not match with the information in the quarterly financials due to rounding.

EBIT	180.5	325.4	-44.5%	727.6	603.0	20.7%
EBIT Margin	6.2%	12.2%	-6.0 p.p	8.9%	8.1%	0.8 p.p
EBITDA	354.7	461.7	-23.2%	1,217.4	964.9	26.2%
EBITDA Margin	12.3%	17.3%	-5.0 p.p	14.8%	13.0%	1.8 p.p
EBITDAR	651.3	690.9	-5.7%	2,018.4	1,677.5	20.3%
EBITDAR Margin	22.5%	25.9%	-3.4 p.p	24.6%	22.6%	2.0 p.p

*3Q17 and 9M17 results have been restated based on IFRS 15. Certain calculations may not match with the information in the quarterly financials due to rounding.

Net income (loss)¹	(308.9)	490.2		NM(1,360.0)	315.6	NM
(-) Income taxes	(103.5)	136.1		NM (222.6)	208.8	NM
(-) Net financial result	(385.9)	28.7		NM(1,865.0)	(496.2)	275.9%
EBIT	180.5	325.4	-44.5%	727.6	603.0	20.7%
(-) Depreciation and amortization	(174.2)	(136.3)	27.8%	(489.8)	(361.9)	35.4%
EBITDA	354.7	461.7	-23.2%	1,217.4	964.9	26.2%
(-) Aircraft rent	(296.6)	(229.2)	29.4%	(801.0)	(712.6)	12.4%
EBITDAR	651.3	690.9	-5.7%	2,018.4	1,677.4	20.3%

*In accordance with CVM Instruction 527, the Company presents the reconciliation of EBIT and EBITDA, whereby: EBIT = net income (loss) plus income and social contribution taxes and net financial result; and EBITDA = net income (loss) plus income and social contribution taxes, net financial result, and depreciation and amortization. GOL also shows the reconciliation of EBITDAR, given its importance as a specific aviation industry indicator, whereby: EBITDAR = net income (loss) plus income and social contribution taxes, the net financial result, depreciation and amortization, and aircraft operating lease expenses;

*3Q17 and 9M17 results has been restated based on IFRS 15. Certain calculations may not match with the information in the quarterly financials due to rounding.

¹ Net income (loss) before minority interest

Net financial result

Net financial expense was R\$385.9 million, an increase of R\$414.6 million compared to 3Q17. Due to the appreciation of the USD in the period, interest expense increased by R\$16.6 million versus 3Q17, to R\$184.7 million. Derivatives net results were R\$26.9 million lower than 3Q17. Exchange and monetary variations were negative of R\$187.3 million in 3Q18, compared to gains of R\$ 242.9 million in the same period of 2017.

| **Interest expense** totaled R\$184.7 million in 3Q18, an increase of 9.9% over 3Q17, mainly due to increased expenses on foreign currency debt obligations from the increase of the U.S dollar in the period.

| **Gains from financial investments** totaled R\$88.0 million in 3Q18, mainly due to gains on financial investments and investments funds.

| **Net exchange and monetary variation** totaled a loss of R\$187.3 million in 3Q18, due to the 3.8% depreciation of the Brazilian Real vs. US Dollar (final exchange rate for the period), from R\$3.86 per dollar as of June 30, 2018 to R\$4.00 per dollar as of September 30, 2018.

| **Net result of derivatives** was R\$5.3 million in 3Q18, in comparison to a result of R\$32.2 million in 3Q17.

| **Other financial expenses** totaled R\$107.2 million negative in 3Q18, in comparison to a negative R\$101.1 million in 3Q17.

Hedge results

The Company uses hedge accounting for some of its derivative instruments. In 3Q18, GOL registered a net gain of R\$15.7 million from hedge operations, a R\$5.3 million gain of which was accounted for in the Company's financial results and R\$10.4 million gain recorded in operating results.

| **Fuel:** fuel hedge operations made through derivative contracts tied to WTI resulted in an operating gain of R\$12.9 million in 3Q18.

| **Interest:** swap operations to protect the cash flow of future contracted leases, the installments of which are exposed to the volatility of the Libor rate until receiving aircraft, resulted in gains of R\$0.5 million in 3Q18.

Income taxes

Consolidated income tax in the third quarter of 2018 represented an expense of R\$103.5 million, compared to a positive deferred income taxes of R\$136.1 million in 3Q17. On July 1, 2017, Smiles S.A merged into Smiles Fidelidade S.A and, based on financial projections, recognized an income tax benefit totaling R\$193.0 million. GLA has tax credits on net loss carryforwards of approximately R\$1.9 billion. The Company (GLAI) has tax credits of R\$58.2 million, of which R\$57.0 million are related to tax loss carry forwards and R\$1.2 million related to temporary differences, with realization supported by GOL's long-term plan.

Subsidiary Smiles Fidelidade S.A.

In 3Q18, based on CPC 47 (Customer Contract Revenue) and Normative Instruction 1771 from the Brazilian Tax Authority (*Secretaria da Receita Federal*), Smiles recorded extemporaneous tax credits on the provision for mileage breakage in the amount of R\$259 million on the balance sheet and R\$59 million in income, net of tax effects, considering that taxation must occur only at the expiration of miles. Total net income was R\$212.1 million, with a net margin of 80.5%. Net revenue in 3Q18 increased by 21.1% to R\$263.3 million, compared to R\$217.5 million in 3Q17, due to the increase in redemption and breakage revenue. Operating income was R\$227.1 million and operating margin was 86.2%, an increase of 12.8 p.p. versus the year-ago period. The following table is a summary of the results of GOL's Smiles subsidiary:

Miles Accrual (ex-GOL)	24.4	20.4	19.6%	67.3	55.7	20.9%
Program Redemptions	22.9	17.1	33.9%	60.9	49.5	23.0%
Total Gross Billings	588.4	500.4	17.6%	1,649.0	1,396.0	18.1%

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Net Revenues	263.3	217.5	21.1%	708.6	664.9	6.6%
Operating Income	227.1	159.6	42.3%	541.6	504.2	7.4%
<i>Operating Margin</i>	86.2%	73.4%	12.8 p.p	76.4%	75.8%	0.6 p.p
Net Income	212.1	335.1	-36.7%	481.3	637.6	-24.5%
<i>Net Margin</i>	80.5%	154.0%	-73.5 p.p	67.9%	95.9%	-28.0 p.p

*3Q17 and 9M17 results have been restated based on IFRS 15.

Net income and Earnings per Share (EPS)

In 3Q18, net loss after minority interest was R\$409.2 million compared to net gain of R\$329.9 million during 3Q17. The 3Q18 result was impacted by the negative exchange and monetary rate variation of R\$187.3 million compared to the positive exchange and monetary variation in 3Q17 of R\$242.9 million.

Net income (loss) before exchange and monetary variations	(121.5)	247.3	NM	(110.7)	153.0	NM
Exchange and monetary variations	(187.3)	242.9	NM	(1,249.3)	162.6	NM
Net income (loss)	(308.9)	490.2	NM	(1,360.0)	315.6	NM
Minority Interest	100.4	160.4	-37.4%	227.8	300.9	-24.3%
Net income (loss) after minority interest	(409.2)	329.9	NM	(1,587.8)	14.7	NM
Weighted average shares outstanding	348.8	347.7	0.3%	348.8	347.7	0.3%
EPS in R\$ before minority interest	(0.89)	1.41	NM	(3.90)	0.91	NM
EPS in R\$ after minority interest	(1.17)	0.95	NM	(4.55)	0.04	NM
EPS in R\$ before exchange and monetary variations	(0.64)	0.25	NM	(0.97)	(0.43)	128.2%
Weighted average ADS outstanding	174.4	173.9	0.3%	174.4	173.9	0.3%
Earnings per ADS in US\$ before min. interest	(0.45)	0.89	NM	(2.16)	0.57	NM
Earnings per ADS in US\$ after min. interest	(0.59)	0.60	NM	(2.53)	0.03	NM
Earnings per ADS in US\$ before exchange and mon. var.	(0.32)	0.16	NM	(0.54)	(0.27)	100.9%

*3Q17 and 9M17 results have been restated based on IFRS 15.

Earnings per share were a negative of R\$1.17 in 3Q18 versus a positive R\$0.95 for the third quarter of 2017. The number of shares used for the calculation was 348,773,660 in 3Q18 and 347,716,938 in 3Q17, using a ratio of 35 common shares per preferred share.

Earnings per ADS were negative of US\$0.59 in 3Q18, compared to a positive of US\$0.60 for the third quarter of 2017. The weighted average number of ADSs was 174.4 million in 3Q18 and 173.9 million in 3Q17, according to the current ratio of the number of preferred shares per ADS (2:1), which came into effect in November 2017.

Cash Flow

As of September 30, 2018, total liquidity (comprised by cash, cash equivalents, short-term investments, restricted cash and accounts receivable) was R\$3.0 billion, flat in comparison to June 30, 2018 and increased by R\$871.6 million versus a year ago.

Operating activities generated R\$460.8 million in 3Q18, mainly due to operating income and actions that strengthened working capital.

Investment activities consumed a net R\$332.5 million in the quarter, mainly due to (i) capex payments (engine maintenance and pre delivery payments related to the acquisition of aircraft and intangible) totalizing R\$211.4 million and; (ii) fund investments dedicated exclusively for unsettled derivative operations, promptly convertible into cash in the amount of R\$121.1 million. Net cash flow was positive by R\$128.3 million for the quarter.

Financing activities in 3Q18 used R\$159.2 million, mainly due to loan payments of R\$111.8 million and R\$63.0 million of financial lease payments in 3Q18.

Net Income (Loss) for the Period	(308.9)	490.2	NM	(1,272.0)	-75.7%
Adjustment of Non-Cash Items	864.3	(23.0)	NM	1,362.5	-36.6%
Net Income (Loss) After Adjusting Non-Cash Items	555.5	467.2	18.9%	90.5	NM
Net Cash Provided by Operating Activities	460.8				