

**Barueri, April 28, 2020 – Smiles Fidelidade S.A. (B3: SMLS3)**, one of the largest loyalty programs in Brazil with over 17 million members, announces its 1Q20 results. The financial and operational information in this report refers to the consolidated results of Smiles Fidelidade S.A. and is presented in accordance with IFRS and in Brazilian Reals (R\$), except when indicated otherwise. Percentages may use more decimal places for the calculations than shown in the document and are in comparison with the numbers of Smiles Fidelidade S.A.

## Smiles Fidelidade S.A.

B3: SMLS3  
 Novo Mercado  
 Share Price: R\$13.90  
 Number of Shares: 124,158,953  
 Market Cap: R\$1.7 bi  
 (closing date: April 27, 2020)

[www.smiles.com.br/ri](http://www.smiles.com.br/ri)

## 1Q20 Conference Call

April 29, 2020

In Portuguese and English:

(Simultaneous translation)

11:00 a.m. (Brasília time)

10:00 a.m. (US EST)

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 webcast (Portuguese)

[webcast \(English\)](#)

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## Gross billings reached R\$629.2 million in 1Q20

### HIGHLIGHTS

- Total gross billings reached R\$629.2 million in 1Q20 versus R\$626.6 million in 1Q19, a slight increase of 0.4%.
- Net Revenue totaled R\$171.3 million in 1Q20 versus R\$253.3 million in 4Q19, down by 32.4% in the quarter and by 28.8% compared to 1Q19.
- The Direct Redemption Margin reached 26.7% in 1Q20 versus 35.6% in 4Q19, a reduction of 8.9 p.p. If we compare with the same quarter of 2019, the margin had a contraction of 14.8 p.p.
- Net Income totaled R\$56.3 million in 1Q20 compared to R\$179.5 million in 4Q19 and R\$141.9 million in the same period of 2019. Excluding non-recurring effects in 1Q20 and 4Q19, Net Income fell by 50.3% in the quarter and by 50% versus the same period of the previous year.

Main Highlights	Unit	1Q20	4Q19	1Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
Total Gross Turnover <sup>2</sup>	R\$ mi	629.2	666.8	626.6	-5.6%	0.4%
Net Revenue*	R\$ mi	171.3	253.3	240.6	-32.4%	-28.8%
EBITDA <sup>1</sup>	R\$ mi	86.0	235.4	171.1	-63.6%	-49.7%
<i>EBITDA Margin<sup>1</sup></i>	%	50.2%	92.9%	71.1%	(42.7 p.p.)	(20.9 p.p.)
Net Income	R\$ mi	56.3	179.5	141.9	-68.6%	-60.3%
<i>Net Margin</i>	%	32.8%	70.9%	59.0%	(38.1 p.p.)	(26.1 p.p.)
Non-Recurring Net Income**	R\$ mi	71.0	142.8	141.9	-50.3%	-50.0%
<i>Net Margin</i>	%	36.6%	56.4%	59.0%	(19.8 p.p.)	(22.4 p.p.)

1. EBITDA is not an accounting measure prepared by the Company, reconciled with its financial statements. EBITDA is composed by the net income attributable to the Company's shareholders, added by net financial result, income tax and social contribution, and expenses related to depreciation and amortization.

2. Gross Turnover is not an accounting measure and corresponds to the total turnover from the sale of miles and the cash payment of Smiles & Money, gross of taxes. The turnover may have affected the current period or will be recognized as revenue in future periods, depending on when they are redeemed by the program's member.

\*Considers the new IFRS 15 accounting presentation.

## Message from Management

After a challenging, intense and positive 2019, the Smiles team entered 2020 full of expectations and energy. And we had a very good start. The Company's performance in January and February was in line with the projected scenario for the year. However, March came and with it the major turmoil caused by the COVID-19 pandemic, an absolutely unpredictable event, a black swan and historic event that changed people's lives, companies' day-to-day activities and priorities – and continues to do so at the time of writing. This is no different for Smiles. Since the first reports that COVID-19 would become a global problem, we started to calibrate our parameters and rethink our operation.

The situation required management agility. Since the beginning of the crisis, we have installed a Contingency Committee that has been closely monitoring information about the effects of the pandemic in Brazil and worldwide. We have dramatically accelerated our digital transformation process, already underway. Within a few days, all of our employees started working from home. Therefore, we ensured, first of all, the health and safety of the team, we kept the Company operations without interruptions and made our contribution to the control of COVID-19.

This is a unique moment in history, which leads to doubts and anxieties about the most different aspects of people's lives. Planning a trip is usually planning a dream. And dreams have been interrupted. For this reason, we must pay special attention to the movements and needs of our customers, shifting all our focus towards a package of initiatives that include the implementation of online cancellation for Gol flights with no fees and reimbursement of miles, the setting up of a page on Smiles' website with all the necessary information for canceling and rebooking services, extending the validity of the Smiles Program categories until March 2022, and reinforcing customer service in all channels.

While our customers are unable to fulfill their dream of traveling, we have expanded the opportunities for them to use their miles in other convenient ways, adapted to the current situation and to the changes in consumption habits. We want them to take advantage of product offerings and other ways to redeem their miles or be assured that they can plan their trips now and enjoy them when all this is over. Within this context, we launched the "Book Now, Decide Later" campaign, which ensures that customers can plan everything now and confirm their trips up to 60 days before the departure date. All these initiatives demonstrate Smiles' concern with safety and prioritize the interests of our customers.

At Smiles, we believe that all companies have a responsibility towards society. We are committed to fulfilling our mission by protecting our employees, thinking about the well-being and convenience of our customers and making a more significant contribution to society. We recognize the huge role of health professionals, who are at the frontlines in the fight against the Coronavirus. For this reason, we joined a Gol Linhas Aéreas project: health professionals who travel around Brazil to provide care for infected patients, flying Gol, will receive 1,000 Smiles miles each way. Recently, Localiza, one of the largest car rental companies in Brazil, also joined us to contribute towards this initiative. Health professionals will also be able to travel for free using Localiza cars and will earn extra miles each way. It is our way of saying thanks.

At such a challenging time, we continue to focus on our operation. Expenses and investments are being, as always, constantly evaluated. The first quarter of 2020 financial statements show that our balance sheet and liquidity structure remain healthy. We have a solid cash position (R\$1.2 billion) and a lean cost structure, with a workforce of 147 productive and efficient employees.

Smiles is not – and could never be – an island. We are integrated into a system that is being challenged daily by an unusual and large-scale event. But we believe that with innovation, dedication, caution and responsibility towards our stakeholders and the whole of society, we will go through the pandemic and emerge from this challenge stronger and more unified when sunny days return.

## Financial Performance

Summary of Financial Information	Unit	1Q20	4Q19	1Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Gross Billings<sup>1</sup></b>	R\$ mi	629.2	666.8	626.6	-5.6%	0.4%

1. Gross Turnover is not an accounting measure and corresponds to the total turnover from the sale of miles, gross of taxes. The turnover may have affected the current period or will be recognized as revenue in future periods, depending on when they are redeemed by the program's member.

**Gross Billings:** Gross Billings reached R\$629.2 million in 1Q20 versus R\$666.8 million in 4Q19, down by 5.6%, mainly due to the effects of the pandemic and the impact on accumulation from air tickets and partners in the Traveler's Universe. Compared to the same quarter last year, Gross Billings grew by 0.4%.

Revenue (R\$ million)*	1Q20	4Q19	1Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Revenue</b>	<b>474.4</b>	<b>647.7</b>	<b>561.4</b>	<b>(26.8%)</b>	<b>(15.5%)</b>
Redemption Revenue	382.6	568.5	500.7	(32.7%)	(23.6%)
Breakage Revenue	84.0	73.6	53.9	14.1%	55.8%
Other Revenues	7.8	5.5	6.8	41.8%	14.7%
<b>Cost of Services</b>	<b>(286.1)</b>	<b>(369.4)</b>	<b>(296.7)</b>	<b>(22.6%)</b>	<b>(3.6%)</b>
Airline Tickets	(250.8)	(331.8)	(270.4)	(24.4%)	(7.2%)
Mixed Products	(35.3)	(37.6)	(26.3)	(6.1%)	34.2%
<b>Gross Revenue</b>	<b>188.3</b>	<b>278.3</b>	<b>264.8</b>	<b>(32.3%)</b>	<b>(28.9%)</b>
Taxes and Contributions	(16.9)	(25)	(24.2)	(32.4%)	(30.0%)
<b>Net Revenue</b>	<b>171.3</b>	<b>253.3</b>	<b>240.6</b>	<b>(32.4%)</b>	<b>(28.8%)</b>
Operating Costs	(24.0)	(15.8)	(17.2)	51.9%	39.5%
<b>Gross Profit</b>	<b>147.3</b>	<b>237.5</b>	<b>223.4</b>	<b>(38.0%)</b>	<b>(34.0%)</b>

\*Managerial table in order to demonstrate revenues and costs related to redemption.

**Net Revenue:** Net Revenue fell 32.4% versus 4Q19 and 28.8% when compared to the same quarter last year. The variation in Net Revenue in the period can be explained by the following effects: 1) Transfer Pricing Readjustment of 41% in the standard fare effective since January 2020, resulting in an increase in airfare costs; 2) lower airline redemption revenue, due to the cancellation of trips (airline tickets, hotels, car rentals, etc.), led by insecurity brought on by the COVID-19 pandemic, and; 3) provision for future cancellations in the amount of R\$22.3 million, due to the uncertainties in the provision of services by partners caused by COVID-19. Redemptions in other products (Shopping Smiles, for example) showed a healthy evolution in the period, but due to the lower representativeness compared to airline tickets, they did not offset this impact.

Breakage revenue was higher in the period when compared to 4Q19 and 1Q19. However, the breakage rate remained stable at 15.8%, reflecting the mile price recovery strategy adopted since 2Q19.

**Other Revenues:** Other revenues totaled R\$7.8 million in 1Q20 versus R\$5.5 million in 4Q19, an increase of 41.8% in the quarter and 14.7% compared to the same period in 2019. This item is mainly made up of cancellation fees and Gol's loyalty program management fees.

**Direct Redemption Margin:** Direct Redemption Margin reached 26.7% in 1Q20 versus 35.6% in 4Q19, down by 8.9 p.p. in the quarter and 14.8 p.p. compared to the same period in 2019. The drop in the direct redemption margin in 1Q20 was mainly due to: 1) lower airline redemption revenue, 2) readjustment in the cost of airline tickets with a standard fare (Transfer Pricing) and 3) impact of the provision for future cancellations in the amount of R\$22.3 million, due to the uncertainties in the provision of services by our partners caused by COVID-19, as determined in the accounting standard. (For more details on the topic, please see note 1.1. of the Financial Statements, "Actions and impacts caused by the COVID-19 pandemic").

Excluding the impact of the R\$22.3 million provision reducing Net Revenue, Direct Redemption Margin would have reached 30.7% in 1Q20.

Management Presentation (R\$ million)	Redemption Results <sup>1</sup>	1Q20	4Q19	1Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Revenue</b>	<b>&gt; Redemption Revenue (b)</b>	<b>390.4</b>	<b>574.1</b>	<b>507.5</b>	<b>(32.0%)</b>	<b>(23.1%)</b>
Revenue		390.4	574.1	507.5	(32.0%)	(23.1%)
(-) Direct Taxes						
<b>Cost of Services</b>	<b>&gt; Redemption Costs</b>	<b>(286.1)</b>	<b>(369.4)</b>	<b>(296.7)</b>	<b>(22.5%)</b>	<b>(3.5%)</b>
(-) Redemption Costs		(286.1)	(369.4)	(296.7)	(22.5%)	(3.5%)
(+) Credits with Direct Taxes						
<b>Gross Revenue</b>	<b>Gross Redemption Result (a)</b>	<b>104.3</b>	<b>204.6</b>	<b>210.8</b>	<b>(49.1%)</b>	<b>(50.5%)</b>
(-) Interest over Spread		(9.6)	(18.9)	(19.5)	(49.0%)	(50.6%)
<b>(=) Net Revenue</b>	<b>Net Redemption Result</b>	<b>94.6</b>	<b>185.7</b>	<b>191.3</b>	<b>(49.1%)</b>	<b>(50.5%)</b>
% Direct Redemption Margin	= <i>(a)</i> / <i>(b)</i>	26.7%	35.6%	41.5%	(8.9 p.p.)	(14.8 p.p.)
% Pro Forma Direct Redemption Margin	= <i>(a)</i> / <i>(b)</i>	30.7%	35.6%	41.5%	(4.9 p.p.)	(10.8 p.p.)

1. Net Result of Management Redemptions: Gross redemption results includes other revenues related to redemption that are recorded as "Other Revenues".

Operating Expenses (R\$ million)	1Q20	4Q19	1Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Operating Expenses</b>	<b>(68.8)</b>	<b>(10.6)</b>	<b>(57.7)</b>	<b>549.1%</b>	<b>19.2%</b>
Selling Expenses	(33.3)	(33.3)	(28.2)	0.00%	18.1%
Administrative Expenses	(39.0)	(23.9)	(30.4)	63.2%	28.3%
Other Expenses/Revenues	3.5	46.6	0.9	-92.5%	288.9%

**Operating Expenses:** Operating expenses in 1Q20 showed a significant increase when compared to 4Q19 and grew by 19.2% versus 1Q19. However, excluding the non-recurring impact of R\$46.6 million recorded in 4Q19 (arising from the recognition of credits from inputs spent in the last 5 years, previously registered as administrative expense), operating expenses in the quarter would have increased 20.3%.

The increase was mainly due to administrative expenses, which grew by 63.2% in the quarter and by 28.3% versus 1Q19, and included the hiring of consultants, basically external financial and legal advisors in relation to the corporate reorganization process. Selling expenses remained relatively stable in the quarter, but increased by 18.1% compared to 1Q19, as a result of spending on infrastructure at Smiles Argentina and marketing campaigns related to the Smiles Credit Card Cobranded product.

Other Information (R\$ MM)	1Q20	1Q19	4Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Net Financial Result</b>	<b>9,967</b>	<b>34,066</b>	<b>29,327</b>	<b>(66.0%)</b>	<b>(70.7%)</b>
Financial Revenues	22,591	34,908	27,832	(18.8%)	(35.3%)
Financial Expenses	(9,852)	(862)	(1,585)	521.6%	1042.9%
Net Exchange Rate Variation	(2,772)	20	3,080	(190.0%)	(13960.0%)
<b>Income Tax &amp; Social Contribution</b>	<b>(32,229)</b>	<b>(57,841)</b>	<b>(76,629)</b>	<b>(57.9%)</b>	<b>(44.3%)</b>

**Financial Result:** The net financial result fell by 66.0% versus 4Q19 and 70.7% YoY. The decrease in the quarter is mainly due to the impact on the performance of investment funds in the period of the outbreak of the COVID-19 pandemic, leading to a reassessment of activity and growth estimates to significantly negative numbers. In addition, the financial result fell due to the 50-bps decrease in the basic interest rate in the quarter to 3.75% p.a., and the lower compensation of tranches of prepaid purchases of airline tickets with Gol consumed in the quarter, which include lower rates compared to previous tranches.

**Net Exchange Rate Variation:** The negative result of R\$2,772 million in 1Q20 versus R\$3,080 million in 4Q19 from exchange rate variations is mainly due to the effect of the local currency fluctuation in “accounts payable”, denominated in US dollars and related to the cost of issuing international air tickets.

**Income Tax and Social Contribution:** In 1Q20, the effective Income Tax and Social Contribution rate was 36.4% versus 30.0% in 4Q19.

**Net Income:** Net Income totaled R\$56.3 million in 1Q20 compared to R\$179.5 million in 4Q19 and R\$141.9 million in the same period of 2019. Excluding non-recurring effects in 1Q20 and 4Q19, Net Income showed a reduction of 50.3% in the quarter and 50% when compared to the same period of the previous year.

**Balance of Advances to Suppliers:** The breakdown of the balance of “advances to suppliers” in the quarter is detailed in the following table:

Contract	Tranche	Date	Balance (03/31/2020)	Rate (p.a.)
8 <sup>th</sup> Contract	Single Tranche	Apr-19	88.0	7.39%
9 <sup>th</sup> Contract	Single Tranche	Jun-19	88.8	7.39%
10 <sup>th</sup> Contract	Single Tranche	Aug-19	113.8	7.39%
11 <sup>th</sup> Contract	Single Tranche	Sep-19	214.8	6.21%
12 <sup>th</sup> Contract	Single Tranche	Dec-19	242.1	5.66%
13 <sup>th</sup> Contract	Single Tranche	Mar-20	311.2	4.79%
14 <sup>th</sup> Contract	Single Tranche	Mar-20	116.2	4.79%
<b>Total</b>			<b>1,175.0</b>	<b>5.87%</b>

## Income Statement – IFRS 15

Income Statement (R\$ '000)	1Q20	1Q19	4Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Net Revenue</b>	<b>171,331</b>	<b>240,567</b>	<b>253,264</b>	<b>-32.4%</b>	<b>-28.8%</b>
<b>Cost of Services</b>	<b>-24,002</b>	<b>-17,224</b>	<b>(15,794)</b>	<b>52.0%</b>	<b>39.4%</b>
<b>Gross Profit</b>	<b>147,329</b>	<b>223,343</b>	<b>237,470</b>	<b>-38.0%</b>	<b>-34.0%</b>
<i>Gross Margin</i>	<i>86.0%</i>	<i>92.8%</i>	<i>93.8%</i>	<i>-7.91 p.p.</i>	<i>-6.8 p.p.</i>
<b>Operating Expenses</b>	<b>(68,815)</b>	<b>(57,654)</b>	<b>(10,632)</b>	<b>547.2%</b>	<b>19.4%</b>
Selling Expenses	(33,258)	(28,167)	(33,309)	-0.2%	18.1%
Administrative Expenses	(39,053)	(30,401)	(23,943)	63.1%	28.5%
Other Expenses/Revenues	3,496	914	46,620	-92.5%	282.5%
<b>Operating Profit</b>	<b>78,514</b>	<b>165,689</b>	<b>226,838</b>	<b>-65.4%</b>	<b>-52.6%</b>
<i>Operating Margin</i>	<i>45.8%</i>	<i>68.9%</i>	<i>89.6%</i>	<i>-43.8 p.p.</i>	<i>-23.1 p.p.</i>
<b>Net Financial Result</b>	<b>9,967</b>	<b>34,066</b>	<b>29,327</b>	<b>-66.0%</b>	<b>-70.7%</b>
Financial Revenues	22,591	34,908	27,832	-18.8%	-35.3%
Financial Expenses	-9,852	-862	(1,585)	521.6%	1042.9%
Net Exchange Rate Change	-2,772	20	3,080	-190.0%	-13960.0%
<b>EBIT</b>	<b>88,481</b>	<b>199,755</b>	<b>256,165</b>	<b>-65.5%</b>	<b>-55.7%</b>
Income Tax and Social Contribution	-32,229	-57,841	(76,629)	-57.9%	-44.3%
<b>Net Income</b>	<b>56,252</b>	<b>141,914</b>	<b>179,536</b>	<b>-68.7%</b>	<b>-60.4%</b>
Net Margin	32.8%	59.0%	70.9%	-38.1 p.p.	-26.2 p.p.

## Balance Sheet

Balance Sheet (R\$ '000)	1Q20	1Q19	4Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Assets</b>	<b>3,035,435</b>	<b>2,717,120</b>	<b>2,884,583</b>	<b>5.23%</b>	<b>11.72%</b>
<b>Current Assets</b>	<b>2,485,012</b>	<b>2,580,489</b>	<b>2,763,448</b>	<b>-10.08%</b>	<b>-3.70%</b>
Cash and Cash Equivalents	110,817	688,573	287,846	-61.50%	-83.91%
Financial Investments	1,047,520	354,592	886,069	18.22%	195.42%
Accounts Receivable	427,317	355,836	493,022	-13.33%	20.09%
Advances to Suppliers	789,328	1,063,949	971,788	-18.78%	-25.81%
Taxes and Contributions	59,756	85,590	93,939	-36.39%	-30.18%
Other Credits and Amounts	50,274	31,949	30,784	63.31%	57.36%
<b>Non-current Assets</b>	<b>550,423</b>	<b>136,631</b>	<b>121,135</b>	<b>354.39%</b>	<b>302.85%</b>
Judicial Deposits	18,247	18,273	16,565	10.15%	-0.14%
Deferred Taxes	3,484	-	2,905	19.93%	n.m.
Advances to Suppliers	393,556	-	-	-	n.m.
Investments	-	-	-	-	n.m.
Taxes and Contributions Recoverable	76,541	71,652	48,660	57.30%	6.82%
Property, Plant & Equipment	4,364	5,287	4,770	-8.51%	-17.46%
Intangible Assets	54,231	136,631	48,235	12.43%	-60.31%
<b>Liabilities</b>	<b>3,035,435</b>	<b>2,717,120</b>	<b>2,884,583</b>	<b>5.23%</b>	<b>11.72%</b>
<b>Current Liabilities</b>	<b>1,359,004</b>	<b>1,255,934</b>	<b>1,321,534</b>	<b>2.84%</b>	<b>8.21%</b>
Suppliers	105,556	125,715	116,766	-9.60%	-16.04%
Labor Law Obligations	9,607	19,294	18,172	-47.13%	-50.21%
Dividends and IOE Payable	103,682	139,229	133,498	-22.33%	-25.53%
Income Tax and Social Contribution Payable	-1,111	-	3,796	-129.27%	-
Taxes and Contributions Collectable	2,333	26,931	5,445	-57.15%	-91.34%
Obligations with Related Companies	6,209	17,292	23,611	-73.70%	-64.09%
Advances from Clients	12,192	48,492	11,706	4.15%	-74.86%
Deferred Revenue	1,118,756	871,997	1,003,768	11.46%	28.30%
Other Liabilities	1,780	6,984	4,772	-62.70%	-74.51%
<b>Non-current Liabilities</b>	<b>414,457</b>	<b>321,337</b>	<b>357,714</b>	<b>15.86%</b>	<b>28.98%</b>
Provisions for Lawsuits	29,112	22,878	26,987	7.87%	27.25%
Deferred Revenue	218,187	218,697	172,629	26.39%	-0.23%
Deferred Taxes	165,503	77,013	156,135	6.00%	114.90%
Other Liabilities	1,655	2,749	1,963	-15.69%	-39.80%
<b>Shareholders' Equity</b>	<b>1,261,974</b>	<b>1,139,849</b>	<b>1,205,335</b>	<b>4.70%</b>	<b>10.71%</b>
Share Capital	254,610	254,610	254,610	0.00%	0.00%
Capital Reserves	277,018	271,628	749,163	-63.02%	1.98%



## Cash Flow Statement

Statement of Cash Flows	1Q20	1Q19	4Q19	1Q20 vs. 4Q19 (%)	1Q20 vs. 1Q19 (%)
<b>Net Profit</b>	<b>56.252</b>	<b>141.914</b>	<b>179.536</b>	<b>-69%</b>	<b>-60%</b>
Share-based Payments	598	811	774	-23%	-26%
Deferred taxes	9.366	20.024	30.565	-69%	-53%
Provisions for judicial deposits	5.239	4.337	2.095	150%	21%
Depreciation and amortization	7.497	5.434	8.506	-12%	38%
Obtained Discounts	(14.482)	(22.325)	(16.080)	-10%	-35%
Exchange and monetary variations, net	(5.323)	(1.307)	(1.985)	168%	307%
Interest on loans	-	-	-	0%	0%
Financial restatement of income and social contribution taxes	-	-	-	0%	0%
Effect of transactions between shareholders	-	-	-	0%	0%
Allowance for doubtful accounts	(1)	35	(12)	-92%	-103%
Provision for profit sharing and results	4.021	3.611	1.981	103%	11%
Sale of fixed asset	-	-	(171)	-100%	0%
Equity in subsidiaries	-	-	-	0%	0%
Netpoints	-	-	-	0%	0%
Affiliate equity changes	-	-	-	0%	0%
Other provisions	(103)	-	(62)	66%	0%
Accounts receivable	66.073	2.964	(58.408)	-213%	2129%
Advances to suppliers	(196.614)	254.453	60.206	-427%	-177%
Prepaid expenses	-	-	-	0%	0%
Recoverable taxes	6.302	66.060	(21.665)	-129%	-90%
Other credits	(17.402)	(19.996)	14.204	-223%	-13%
Suppliers	(9.260)	(2.175)	(17.374)	-47%	326%
Law suits and labor claims	-	-	-	0%	0%
Salaries, Wages and Benefits	(12.586)	(13.001)	(416)	2925%	-3%
Advances from Customers	486	(112.812)	960	-49%	-100%
Deferred Revenue	160.546	69.899	80.808	99%	130%
Taxes Payable	18.409	27.793	30.974	-41%	-34%
Provision for Lawsuits	(3.114)	(2.573)	(2.107)	48%	21%
Related-party transactions	(22.681)	(12.192)	(1.492)	1420%	86%
Income tax and social contributions paid	(26.428)	(21.559)	(53.446)	-51%	23%
Judicial deposits and blocked escrows	(1.682)	(271)	(271)	521%	521%
Interest paid	-	-	-	0%	0%
<b>Net operating cash flow</b>	<b>25.113</b>	<b>389.124</b>	<b>237.120</b>	<b>-89%</b>	<b>-94%</b>
Acquisition of fixed assets	(13.087)	(6.521)	(11.335)	15%	101%
Financial investments	(241.810)	29.868	40.654	-695%	-910%
Restricted Cash	-	-	-	0%	0%
Advance for future capital increase	-	-	-	0%	0%
Incorporated cash from Webjet	-	-	-	0%	0%
<b>Investing activities cash flow</b>	<b>(254.897)</b>	<b>23.347</b>	<b>29.319</b>	<b>-969%</b>	<b>-1192%</b>
Capital Stock	-	843	-	0%	-100%
Capital Increase - Stock Option	-	843	-	0%	-100%
Capital Reduction	-	-	-	0%	0%
Advances for Future Capital Increase	-	-	-	0%	0%
Loans Funding	-	-	-	0%	0%
(-) Cost of share/debenture issuance	-	-	-	0%	0%
Interest on Loans	-	-	-	0%	0%
Distributed Dividends	(29.816)	(16.074)	999	-3085%	85%
Loan Payment	-	-	-	0%	0%
Net assets incorporated	-	-	-	0%	0%
Transactions with related parties	-	-	-	0%	0%
<b>Net cash flow used in investment activities</b>	<b>(29.816)</b>	<b>(15.231)</b>	<b>999</b>	<b>-3085%</b>	<b>96%</b>
Effects from the change in the fx rate over cash and cash equivalents	2.212	483	(572)	-487%	358%
<b>Net Cash Flow</b>	<b>(257.388)</b>	<b>397.723</b>	<b>266.866</b>	<b>-196%</b>	<b>-165%</b>
Begin of period cash position	287.846	290.850	20.980	1272%	-1%
<b>End of period cash position</b>	<b>30.458</b>	<b>688.573</b>	<b>287.846</b>	<b>-89%</b>	<b>-96%</b>

## Business Model

Smiles started as an individual loyalty program and evolved into its current coalition model, which features several unique characteristics that allow the accumulation and redemption of Miles from GOL's flights and flights with its international partner airlines, as well as with Brazil's main commercial banks, including co-branded cards issued by Bradesco, Banco do Brasil and Santander, and a wide network of retail partners. The current model works through (i) the accrual of Miles by Members when they purchase airline tickets with GOL or other partner airlines, or products and services from Business and Financial Partners, who acquire these Smiles Miles with the purpose to build the clients' loyalty, and (ii) redemptions of Awards by Members when they exchange their Miles for flights with GOL and other partner airlines, or for products and services offered by Commercial and Financial Partners.

The main sources of our revenues come from (i) revenues from redeemed miles, represented by tickets and awards from its network of airline, commercial and financial partners, (ii) income from interests between the date the miles were accrued and the date they were redeemed, and (iii) breakage revenues, if issued miles expire without being redeemed.

## Glossary

**Awards** – Products or services provided to Members by a commercial partner as the result of redeeming Miles from the customer loyalty programs.

**Award products** – Product or service, excluding air tickets, provided to Members by a commercial partner as a result of redeeming Miles from the customer loyalty programs.

**Breakage estimate** – Miles expired and not redeemed, which may be shown as a number of miles, an amount in Brazilian reais or as a percentage of miles issued, depending on the context.

**Burn/earn ratio** – The ratio between the number of redeemed and accrued miles in a given period.

**Free float** – Shares owned by non-controlling shareholders.

**Miles** – The redemption rights of Smiles Program Members sold to commercial partners.

**Smiles & Money** – A means of issuing air tickets by combining money and miles.

**Smiles Program** – A multi-loyalty program for several companies, including GOL Linhas Aéreas Inteligentes S.A.

This release may contain forward-looking statements related to business prospects, estimates of operating and financial results, and growth prospects for Smiles. These are merely projections and, as such, are based exclusively on management's expectations for Smiles. Such forward-looking statements depend, substantially, on external factors and risks presented in the disclosure documents filed by Smiles, and are, therefore, subject to change without notice. Independent auditors did not review the Company's non-financial information. Some values from this report may differ from the financial statements due to rounding.