

Barueri, February 18, 2019 – Smiles Fidelidade S.A. (B3: SMLS3) one of the largest loyalty programs in Brazil with over 16 million members, announces its 4Q19 and 2019 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 Reais (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\$38.40
 Number of Shares: 124,158,953
 Market Cap: R\$4.8 bi
 (closing date: February 17, 2019)

www.smiles.com.br/ri

4Q19 Conference Call

February 19, 2020

In Portuguese and English:

(Simultaneous translation)

11 a.m. (Brasília time)

10 a.m. (US EST)

Phone: +55 (11) 3181-8565 or

+1 (412) 717-9627

Password: Smiles

[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

Gross billings reach R\$2.6 billion in 2019

HIGHLIGHTS

- Total gross billings reached R\$666.8 million in 4Q19, up by 6.2% vs. 4Q18. In the year, gross billings totaled R\$2.6 billion, up by 14.7% over 2018.
- Net Revenue totaled R\$253.3 million in 4Q19, down by 9.3% in the quarter and by 9.2% vs. 4Q18.
- The Direct Redemption Margin reached 35.6% in 4Q19 vs. 38.4% in 3Q19 and 42.5% in 4Q18.
- Net Income totaled R\$179.5 million in 4Q19 vs. R\$149.6 million over 3Q19. In the year, Net Income reached R\$ 626.7 million, a 3% decline over 2018.
- Excluding Non-Recurring Effects**, Net Income totaled R\$ 142.8 million and R\$ 590.0 million in 4Q19 and 2019, respectively.

Main Highlights	Unit	4Q19	3Q19	4Q18	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)	2019	2018	2019 vs. 2018 (%)
Total Gross Turnover ²	R\$ mm	666.8	633.7	627.8	5.2%	6.2%	2,611	2,276	14.7%
Net Revenue*	R\$ mm	253.3	279.3	278.9	(9.3%)	(9.2%)	1,051	988	6.4%
EBITDA ¹	R\$ mm	235.4	205.8	205.0	14.4%	14.8%	792.7	759.3	4.4%
<i>EBITDA Margin¹</i>	%	92.9%	73.7%	73.5%	19,2 p.p.	19,4 p.p.	75.4%	76.9%	(1.5 p.p.)
Net Income (NI)	R\$ mm	179.5	149.6	164.6	20.0%	9.1%	626.7	645.8	(3.0%)
<i>Net Margin</i>	%	70.9%	53.6%	59.0%	17,3 p.p.	11,9 p.p.	59.6%	65.4%	(5.8 p.p.)
Non-Recurring NI**	R\$ mm	142.8	149.6	164.6	-4.5%	-13.2%	590.0	587.2	0.5%
<i>Net Margin</i>	%	56.4%	53.6%	59.0%	2.8 p.p.	(2.6 p.p.)	56.13%	59.5%	(3.4 p.p.)

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

2. Gross Turnover is not an accounting measure and corresponds to the total turnover with 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 the moment in which they are redeemed by the program's participant.

*Considers the new IFRS 15 accounting presentation.

**Excludes the extraordinary effects of 2018 and 2019.

SMILES CONTACTS

Andre Fehlauer

CEO and Investor Relations
 Director

Maria Laura Pessoa

Head of Investor Relations

ri@smiles.com.br

Message from the Management

2019 was a particularly intense year - but very positive for Smiles' history.

We celebrated our 25-year anniversary, in a scenario with transformations and growing competition in our industry.

We saw major competitors in the segment intensify their promotional campaigns to accumulate miles and give discounts in the redemption price of awards. We also had to deal with Gol's increased yields and occupancy rate, which is our main partner. We are also experiencing the effects of the increase in international flights - a phenomenon motivated by the exchange rate and which ended up discouraging the redemption of miles for trips outside Brazil.

Despite these challenges, our highly flexible business model - together with the use of different communication channels, the diversification of the mix of awards for redemption and the dynamic redemption pricing - made it possible to deliver to our investors the results initially estimated by the company's management. Amidst the possible turbulence, we were able to keep our innovative DNA, focused on always evolving our products and providing the best experience for our customers.

Thanks to this relationship between the company and its customers, in 2019, Smiles reached 17 million members in its program. We were born 25 years ago, and we remain as a consumer-centric company, with the strategy to build partnerships and create products that - whenever possible - anticipate the needs and desires of our clients.

The focus on the consumer is the driver for key moves made in the last year, such as the beginning of partnerships with digital banks and fintechs, such as Nubank and C6 Bank. Our co-branded credit card was also fully reformulated and reinforced with new advantages and benefits, in line with the changes in consumption habits. At the same time, we had an intense launching schedule, especially in Smiles Club - Club 20,000 and Club 25,000 are the best examples.

The work done by the Smiles team throughout 2019 made it possible to close the year with financial and operational improvements. Net revenue grew 6.4% compared to 2018. There was also a consistent increase in gross billings, despite the pace compatible with an increasingly competitive market.

In 2020, our team will continue to work hard, to innovate and to seek results. In a light, fast and committed way. After all, for 25 years, this is Smiles way of being.

Financial Performance

Summary of Financial Information	Unit	4Q19	3Q19	4Q18	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)	2019	2018	2019 vs. 2018 (%)
Gross Billings ¹	R\$ mm	666.8	633.7	627.8	5.2%	6.2%	2,611	2,276	14.7%

1. Gross Turnover is not an accounting measure and corresponds to the total turnover with 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 the moment in which they are redeemed by the program's participant.

Gross Billings: Total Gross Billings reached R\$2.6 billion in 2019, up by 14.7% over 2018. In the quarter, gross billings reached R\$666.8 million, a healthy evolution of 5.2% vs. 3Q19 and 6.4% YoY. The growth, albeit at a lower level when compared to recent years, was healthy and showed an increase in mile price.

Revenue (R\$ million) *	4Q19	3Q19	4Q18	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)	2019	2018	2019 vs. 2018 (%)
Revenue	647.6	672.0	628.0	(3.6%)	3.1%	2,533.0	2,232.8	13.4%
Redemption Revenue	568.5	590.1	552.7	(3.7%)	2.9%	2,246.5	1,953.7	15.0%
Breakage Revenue	73.6	76.0	69.8	(3.1%)	5.5%	262.0	258.3	1.4%
Other Revenues	5.5	5.9	5.5	-6.1%	0.7%	24.5	20.8	17.8%
Cost of Services	(369.4)	(367.1)	321.1)	0.6%	15.1%	(1,379.5)	(1,147.3)	20.2%
Airline Tickets	(331.8)	(325.8)	(296.6)	1.8%	11.9%	(1,240.5)	(1,050.3)	18.1%
Mixed Products	(37.6)	(41.3)	(24.5)	(8.9%)	53.6%	(139.1)	(97.0)	43.4%
Gross Revenue	278.2	304.9	306.9	(8.7%)	-9.3%	1,153.5	1,085.5	6.3%
Taxes and Contributions	(25.0)	(25.6)	(28.0)	(2.3%)	(10.6%)	(102.3)	(98.0)	4.4%
Net Revenue	253.2	279.3	278.9	(9.3%)	(9.2%)	1,051.1	987.5	6.4%
Operating Costs	(15.8)	(19.4)	(16.4)	(18.7%)	(3.8%)	(73.5)	(58.4)	25.8%
Gross Profit	237.4	259.9	262.5	(8.6%)	(9.5%)	977.7	929.1	5.2%

*Management table to show the income and the costs related to the redemption.

Net Revenue: Net revenue fell 9.3% versus 3Q19 and 9.2% when compared to the same quarter last year. In 4Q19, the decrease was a consequence of lower redemption revenues, down by 3.7% over 3Q19 and breakage revenue, combined with higher airfare costs (resulting from a mix with a higher share of tickets in commercial fares). In addition, the rise in costs of other products also reflects increased sales of other products of the Traveler's Universe, special seats and boarding fees, with an improvement in the website allowing these products to be chosen in the check-out, shortly after the redemption of air tickets.

Other Revenues: Other revenues totaled R\$5.5 million in 4Q19, in line when compared to 4Q18. In full-year 2019, they totaled R\$24.5 million, up by 17.8% over 2018. This item is mainly made up of cancellation fees and management fees of Gol's loyalty program.

Direct Redemption Margin: Direct Redemption Margin reached 35.6% in 4Q19, down by 6.9 p.p. vs. 4Q18, and reached 39.3% at the end of 2019, down by 2.8 p.p. over 2018.

The direct redemption margin is not an accounting measure and it's calculated using only management revenues and costs directly related to miles redemptions, as shown in the table below:

Management Presentation (R\$ million)	Redemption Results ¹	4Q19	3Q19	4Q18	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)
Revenue	> Redemption Revenue (b)	574.1	596	558.2	(3.7%)	2.8%
Revenue		574.1	596	558.2	(3.7%)	2.8%
(-) Direct Taxes						
Cost of Services	> Redemption Costs	(369.43)	(367.1)	(321.1)	0.6%	15.1%
(-) Costs with Redemption		(369.43)	(367.1)	(321.1)	0.6%	15.1%
(+) Credits with Direct Taxes						
Gross Revenue	Gross Redemption Result (a)	204.6	228.9	237.1	(10.6%)	(13.7%)
(-) Interest over Spread		(18.9)	(21.2)	(21.9)	(10.8%)	(13.7%)
(=) Net Revenue	Net Redemption Result	185.7	207.7	215.2	(10.6%)	(13.7%)
<i>% Direct Redemption Margin</i>	<i>=(a)/(b)</i>	35.6%	38.4%	42.5%	(2.8%)	(6.9 p.p.)

Management Presentation (R\$ million)	Redemption Results ¹	2019	2018	2019 vs. 2018 (%)
Revenue	> Redemption Revenue (b)	2,271.0	1,974.5	15.0%
Revenue		2,271.0	1,974.5	15.0%
(-) Direct Taxes				
Cost of Services	> Redemption Costs	(1,379.5)	(1,147.3)	20.2%
(-) Costs with Redemption		(1,379.5)	(1,147.3)	20.2%
(+) Credits with Direct Taxes				
Gross Revenue	Gross Redemption Result (a)	891.5	827.2	7.8%
(-) Interest over Spread		(82.5)	(76.5)	7.8%
(=) Net Revenue	Net Redemption Result	809.0	750.7	7.8%
<i>% Direct Redemption Margin</i>	<i>=(a)/(b)</i>	39.3%	41.9%	(2.6 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)	4Q19	3Q19	4Q18	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)	2019	2018	2019 vs. 2018 (%)
Operating Expenses	(10.6)	(62.1)	(62.1)	(82.87%)	17.1%	(211.8)	(187.1)	13.2%
Selling Expenses	(33.3)	(31.3)	(27.7)	6.51%	120.3%	(127.9)	(112.5)	13.7%
Administrative Expenses	(23.9)	(30.0)	(34.4)	(20.25%)	69.6%	(131.4)	(112.7)	16.6%
Other Expenses/Revenues	46.6	-	-	n/a	n/a	47.5	38.1	24.7%

Operating Expenses: Operating Expenses fell by 82.9% vs. 3Q19 but increased by 17.1% when compared to the same quarter last year. The operating expenses are made up mainly of administrative expenses related to consulting and hiring of external advisors.

In 2019, Selling and Administrative Expenses grew 13.7% and 16.6% versus 2018. Operating Expenses in 4Q19, and consequently in 2019, had a positive impact (recorded in other operating expenses/revenues) from the recognition of credits from inputs spent in the last 5 years, previously characterized as an administrative expense.

Other Information (R\$ MM)	4Q19	3Q19	4Q18	4Q19 vs. 3T18 (%)	4Q19 vs. 4Q18 (%)	2019	2018	2019 vs. 2018 (%)
Net Financial Result	29,327	29,461	41,807	(0.5%)	(29.9%)	125,851	221,525	(43.2%)
Financial Revenues	27,832	31,374	41,449	(11.3%)	(32.9%)	125,455	220,628	(43.1%)
Financial Expenses	(1,585)	(810)	(1,030)	95.7%	53.9%	(4,273)	(2,326)	83.7%
Exchange Rate Variation	3,080	(1,103)	1,388	(379.2%)	121.9%	4,669	3,223	44.9%
Income Tax & Social Contribution	(76,629)	(78,558)	(77,648)	(2.5%)	(1.3%)	(264,969)	(317,652)	(16.6%)

Financial Result: The net financial result fell by 29.9% vs. 4Q18 and 43.2% YoY. The decrease is mainly due to the 50-bps decrease in the basic interest rate in the quarter to 4.5% p.a. (and the 200-bps in the year from 6.5% p.a. to 4.5% p.a.), and the amortization of tranches of prepaid purchases of airline tickets with Gol, considering that the previous tranches had higher compensation than the tranches consumed in this quarter. It should be noted that the comparison with 2018 is affected by the recognition of R\$53.9 million as a financial revenue due to the cash and interest restatement on tax credits ascertained in 3Q18.

Net Exchange Rate Variation: The positive result of R\$3.1 million in exchange rate change is mainly due to the effect of the local currency fluctuation in “accounts payable”, denominated in US dollars and related to the cost to issue international air tickets.

Income Tax and Social Contribution: In 4Q19, the effective Income Tax and CSLL rate totaled 30%, due to the tax benefit of the distribution of earnings to shareholders through Interest on Shareholders’ Equity of around R\$11.9 million. In 2019, the effective rate totaled 30%.

Net Income: Smiles Fidelidade S.A. reached a net income of R\$179.5 million in the quarter, down by 9.1% vs. 4Q18. In 2019, net income reached R\$626.7 million, down by 3.0% over 2018. Excluding the net effect of non-recurring

events, which generated a result of R\$58.6 million in 2018 and R\$36.7 million in 2019, the net income of Smiles Fidelidade S.A. totaled R\$590.0 million in 2019 and R\$587.2 million in 2018.

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

Agreement	Tranche	Date	Balance 12/31/2019	Rate (p.a.)
7 th Agreement	Tranche II	Oct-18	52.7	7.39%
7 th Agreement	Tranche III	Nov-18	162.2	7.39%
8 th Agreement	Single Tranche	Apr-19	106.4	7.39%
9 th Agreement	Single Tranche	Jun-19	87.3	7.39%
10 th Agreement	Single Tranche	Aug-19	111.9	7.39%
11 th Agreement	Single Tranche	Sep-19	211.6	6.21%
12 th Agreement	Single Tranche	Sep-19	238.8	5.66%
Total			970.9	6.71%

Income Statement – IFRS 15

Income Statement (R\$ '000)	4Q19	3Q19	4Q18	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)	2019	2018	2019 vs. 2018 (%)
Net Revenue	253,264	279,330	278,888	(9.3%)	(9.2%)	1,051,124	987,444	6.4%
Cost of Services	(15,794)	(19,381)	(16,400)	(18.5%)	(3.7%)	(73,466)	(58,386)	25.8%
Gross Profit	237,470	259,949	262,488	(8.6%)	(9.5%)	977,658	929,058	5.2%
<i>Gross Margin</i>	93.8%	93.1%	94.1%	0.7 p.p.	(0.4 p.p.)	93.0%	94.1%	(1.1 p.p.)
Operating Expenses	(10,632)	(61,295)	(62,082)	(82.7%)	(82.9%)	(211,815)	(187,089)	13.2%
Selling Expenses	(33,309)	(31,273)	(27,696)	6.5%	20.3%	(127,943)	(112,524)	13.7%
Administrative Expenses	(23,943)	(30,022)	(34,386)	(20.2%)	(30.4%)	(131,407)	(112,671)	16.6%
Other Expenses/Revenues	46,620	-	-	n.a.	n.a.	47,535	38,106	24.7%
Operating Profit	226,838	198,654	200,406	14.2%	13.19%	765,843	741,969	3.2%
<i>Operating Margin</i>	89.6%	71.1%	71.9%	18.4 p.p.	17.7 p.p.	72.9%	75.1%	(2.3 p.p.)
Net Financial Result	29,327	29,461	41,807	(0.5%)	(29.9%)	125,851	221,525	(43.2%)
Financial Revenues	27,832	31,374	41,449	(11.3%)	(32.9%)	125,455	220,628	(43.1%)
Financial Expenses	(1,585)	(810)	(1,030)	95.7%	53.9%	(4,273)	(2,326)	83.7%
Exchange Rate Change	3,080	(1,103)	1,388	(379.2%)	121.9%	4,669	3,223	44.9%
EBIT	256,165	228,115	242,213	12.3%	5.8%	891,694	963,494	(7.5%)
Income Tax and Social Contribution	(76,629)	(78,558)	(77,648)	-2.46%	-1.3%	(264,969)	(317,652)	(16.6%)
Net Income	179,536	149,557	164,565	20.0%	9.1%	626,725	645,842	(3.0%)
Net Margin	70.9%	53.5%	59.0%	17.3 p.p.	11.9 p.p.	59.6%	65.4%	(5.8 p.p.)

Balance Sheet

Balance Sheetanço Patrimonial (R\$ '000)	4T19	3T19	4T18	4T19 vs. 3T19 (%)	4T19 vs. 4T18 (%)
Assets	2.884.583	2.630.350	2.635.128	9,7%	9,5%
Current Assets	2.763.448	2.557.841	2.365.789	8,0%	16,8%
Cash and Cash Equivalents	287.846	20.980	290.850	1272,0%	-1,0%
Financial Investments	886.069	926.741	384.460	-4,4%	130,5%
Accounts Receivable	493.022	434.910	358.835	13,4%	37,4%
Prepayment to Suppliers	971.788	1.015.914	1.158.017	-4,3%	-16,1%
Taxes and Contributions	93.939	114.726	153.703	-18,1%	-38,9%
Other Credits and Amounts	30.784	44.570	19.924	-30,9%	54,5%
Noncurrent	121.135	72.509	269.339	67,1%	-55,0%
Court Deposits	2.905	-	653	n.a.	344,9%
Deferred Taxes	16.565	16.294	18.002	1,7%	-8,0%
Prepayment to Suppliers	-	-	138.060	n.a.	n.a.
Taxes and Contributions Recoverable	48.660	6.208	69.599	683,8%	-30,1%
Property, Plant & Equipment	4.770	5.121	2.914	-6,9%	63,7%
Intangible Assets	48.235	44.886	40.111	7,5%	20,3%
Liabilities	2.884.583	2.630.350	2.635.128	9,7%	9,5%
Current Liabilities	1.321.534	1.136.969	1.347.684	16,2%	-1,9%
Suppliers	116.766	137.354	128.714	-15,0%	-9,3%
Labor Law Obligations	18.172	16.607	28.684	9,4%	-36,6%
Dividends and ISE Payable	133.498	-	139.453	n.a.	-4,3%
Income Tax and Social Contribution Payable	3.796	18.635	6.170	-79,6%	-38,5%
Taxes and Contributions Collectable	5.445	8.339	12.968	-34,7%	-58,0%
Obligations with Related Companies	23.611	24.689	37.288	-4,4%	-36,7%
Prepayment from Clients	11.706	10.746	161.304	8,9%	-92,7%
Deferred Revenue	1.003.768	916.007	826.715	9,6%	21,4%
Other Liabilities	4.772	4.592	6.388	3,9%	-25,3%
Noncurrent	357.714	331.449	273.214	7,9%	30,9%
Provisions for Lawsuits	26.987	26.999	21.114	0,0%	27,8%
Deferred Revenue	172.629	179.582	194.080	-3,9%	-11,1%
Deferred Taxes	156.135	122.609	57.920	27,3%	169,6%
Other Liabilities	1.963	2.259	100	-13,1%	1863,0%
Shareholders' Equity	1.205.335	1.161.932	1.014.230	3,7%	18,8%
Share Capital	254.610	254.610	43.767	0,0%	481,7%
Capital Reserves	271.628	271.628	481.628	0,0%	-43,6%
Share-Based Payments	4792	4.018	1.661	19,3%	188,5%
Profit Reserves	472.743	202.703	202.703	133,2%	133,2%
Equity Valuation Adjustments	62	(268)	-	-123,1%	n.a.
Additional Dividend Proposed	201.500	-	284.471	n.a.	-29,2%
Accumulated Profit	-	429.241	-	n.a.	n.a.

Statement of Cash Flows

Statement of Cash Flows	4Q19	4Q18	3Q19	4Q19 vs. 3Q19 (%)	4Q19 vs. 4Q18 (%)	2018	2019	2019 vs. 2018 (%)
Net Income	179,536	164,565	149,557	20.0%	9.1%	645,842	626,725	-3.0%
Share-Based Payments	774	811	772	0.3%	-4.6%	1,489	3,131	110.3%
Deferred Taxes	30,565	32,193	29,507	3.6%	-5.1%	269,219	96,184	-64.3%
Provision for Lawsuits	2,095	5,202	5,556	-62.3%	-59.7%	18,482	16,010	-13.4%
Depreciation and Amortization	8,506	4,634	7,176	18.5%	83.6%	17,358	26,869	54.8%
Discounts Obtained	(16,080)	(30,872)	(17,371)	-7.4%	-47.9%	(127,252)	(74,160)	-41.7%
Cash and Foreign Exchange Changes, Net	(1,985)	(366)	3,635	-154.6%	442.3%	(2,103)	1,429	-168.0%
Provision for Doubtful Debts	(12)	(18)	(3)	300.0%	-33.3%	(3)	5	-266.7%
Provision for Profit Sharing	1,981	9,254	6,926	-71.4%	-78.6%	26,135	16,507	-36.8%
Sale of Property, Plant & Equipment	-171	-	171	-200.0%	0.0%	95	138	45.3%
Other Provisions	(62)	-	(619)	-90.0%	0.0%	-	(434)	0.0%
Accounts Receivable	(58,408)	(7,769)	27,049	-315.9%	651.8%	(6,068)	(134,276)	2112.9%
Prepayment to Suppliers	60,206	(117,631)	(17,361)	-446.8%	-151.2%	(302,484)	398,449	-231.7%
Taxes Recoverable	(21,665)	28,381	22,479	0.0%	0.0%	(223,302)	80,703	0.0%
Other Credits/Obligations	14,204	7,780	3,235	-196.4%	-176.3%	1,469	(13,068)	-136.1%
Suppliers	(17,374)	(15,024)	(1,006)	339.1%	82.6%	(16,751)	(12,548)	-989.6%
Labor Law Obligations	(416)	(1,140)	(3,529)	1627.0%	15.6%	(15,721)	(27,019)	-25.1%
Prepayment from Clients	960	(126,253)	(663)	0.0%	0.0%	146,577	(149,598)	0.0%
Deferred Revenue	80,808	4,350	(33,453)	-88.2%	-63.5%	63,903	155,602	71.9%
Tax Obligations	30,974	(23,974)	46,086	-244.8%	-100.8%	122,684	133,482	-202.1%
Provision for Lawsuits	(2,107)	(3,176)	(3,538)	-341.6%	1757.7%	(11,753)	(10,137)	143.5%
Credits with Related Companies	(1,492)	8,179	(1,583)	-32.8%	-229.2%	6,894	(14,091)	8.8%
Income Tax and Social Contribution Paid	(53,446)	(6,373)	(41,657)	-40.4%	-33.7%	(126,329)	(149,177)	-13.7%
Court Deposits and Blocks	(271)	(168)	2,220	-5.7%	-118.2%	(1,059)	1,437	-304.4%
Net Cash Flow from Operating Activities	237,120	67,415	183,586	28.3%	738.6%	487,322	972,163	18.1%
Acquisition of Property, Plant & Equipment and Intangible Assets	(11,335)	(8,694)	(12,693)	-112.2%	61.3%	(20,175)	(33,836)	-235.7%
Financial Investment	40,654	134,898	(162,877)	0.0%	0.0%	(163,218)	(501,607)	0.0%
Net Cash Flow used in Investing Activities	29,319	126,204	(175,570)	29.2%	251.7%	(183,393)	(535,443)	99.5%
Capital Increase	-	-	-	-	-	1,770	843	-
Interest on Shareholders' Equity & Dividends Paid	999	-	-	-11%	30.4%	(462,699)	(439,275)	67.7%
Net Cash from Financing Activities	999	-	-	-125%	-69.9%	(460,929)	(438,432)	207.3%
Effects of Exchange Rate Change on Cash and Cash Equivalents	(572)	5,010	(1,432)	0%	0.0%	1,659	(1,292)	0.0%
Net Cash Increase	266,866	63,799	6,584	0%	0.0%	(155,341)	(3,004)	-52.4%
Cash & Cash Equivalents at the Beginning of the Period	20,980	227,051	14,396	0%	0.0%	446,191	290,850	-52.4%
Cash and Cash Equivalents at the End of the Period	287,846	290,850	20,980	0%	0.0%	290,850	287,846	-5.1%

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 accumulation of Miles by the Participants 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 the Participants 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 with 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 accumulated and the date they on which they were redeemed, and (iii) revenues with breakage, if the miles issued expire without being redeemed.

Glossary

Burn/Earn Ratio - The ratio between the number of miles redeemed and miles accumulated in a given period.

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

Free Float - Shares owned by non-controlling shareholders.

Miles - The redemption rights of Participants of Smiles Program sold to commercial partners.

Awards - Products or services provided to Participants by a commercial partner as the result of the Participant redeeming Miles from the customer loyalty programs.

Award Products - Product or service, excluding air tickets, provided to Participants by a commercial partner as a result of the Participant redeeming Miles from the customer loyalty programs.

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

Smiles & Money - Method to redeem air tickets or products by combining cash and miles.

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.