

Barueri, February 14, 2019 – Smiles Fidelidade S.A. (B3: SMLS3) one of the largest loyalty programs in Brazil with over 15 million members, announces today its 4Q18 and 2018 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. Percentage variations may use more decimal places for the calculations than shown in the document and are in comparison with Smiles Fidelidade S.A. numbers. The information contained in this document for the fiscal year ended at December 31<sup>st</sup>, 2017 is pro forma and contemplates the number of Smiles S.A. and Smiles Fidelidade S.A. and does not fully reflect the information of financial statements disclosed.

## Smiles Fidelidade S.A.

B3: SMLS3  
 Novo Mercado  
 Price: R\$ 47.87  
 No. of shares: 124,040,953  
 Market value: R\$ 5.9 billion  
 (close: 02/13/2019)

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

## 4Q18 Conference Call

February 15, 2019

In Portuguese and English:

(Simultaneous Translation)

11:00 a.m. (Brasília)

10:00 a.m. (US EST)

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+1 (412) 717-9224

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[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

## SMILES CONTACTS

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## Net income of R\$ 164.6 in 4Q18, growth of 33.8%

### HIGHLIGHTS

- ✓ In 2018 Miles Accrual was up 21.5% when compared to 2017, reaching the record of 103.5 billion of miles accrued.
- ✓ Gross Billings grew 19.3% in 2018 compared with 2017, reaching a new historical record of R\$ 2,276.4 million.
- ✓ Redemption miles volume totalized 85,1 billion in 2018, 25.3% higher than 2017.
- ✓ Direct redemption margin reached 41.9% in 2018, a 0.3 p.p. rise versus 2017.
- ✓ Net Revenue increased 9.8% in 2018, reaching the volume of R\$ 987.4 million.
- ✓ Net Income totaled R\$ 645.8 million in 2018, 15.1% lower than 2017.
- ✓ Excluding the non-recurring events\*\*, net income reached R\$ 587.2 million and R\$ 572.1

Main Highlights	Unit	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
Miles accrual	bi	28.9	27.1	24.0	6.6%	20.4%	103.5	85.2	21.5%
Gol	bi	2.8	2.7	2.7	3.7%	3.7%	10.1	8.3	21.7%
Banks, retail and others	bi	22.6	20.9	18.2	8.1%	24.2%	80.3	64.1	25.3%
Smiles & Money	bi	3.5	3.5	3.1	0.0%	12.9%	13.1	12.8	2.3%
Smiles' program redemptions	bi	24.2	23.0	18.4	5.2%	31.5%	85.1	67.9	25.3%
Total gross billings <sup>2</sup>	R\$ mi	627.8	588.4	511.9	6.7%	22.6%	2,276.4	1,908.1	19.3%
Total gross billings (ex-Gol) <sup>2</sup>	R\$ mi	591.4	554.5	482.1	6.7%	22.7%	2,147.6	1,824.2	17.7%
Net revenues*	R\$ mi	278.9	263.3	234.7	5.9%	18.9%	987.4	899.6	9.8%
EBITDA <sup>1</sup>	R\$ mi	205.0	231.3	149.2	(11.4%)	37.4%	759.3	661.7	14.7%
<i>EBITDA<sup>1</sup> margin</i>	%	73.5%	87.8%	63.6%	(14.3 p.p.)	9.9 p.p.	76.9%	73.6%	3.3 p.p.
Net income	R\$ mi	164.6	212.1	123.0	(22.4%)	33.8%	645.8	760.6	(15.1%)
<i>Net margin</i>	%	59.0%	80.5%	52.4%	(21.5 p.p.)	6.6 p.p.	65.4%	84.6%	(19.2 p.p.)

1. EBITDA is not an accounting measurement elaborated by the Company, reconciled with its financial statements. The EBITDA is composed by 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 Billings is not an accounting measurement and corresponds to total sales revenues for miles and the cash portion of Smiles & Money, gross of taxes. These billings may have affected the current period or will be recognized as revenue in future periods, depending on the date of redemption by the program members.

\*Considers the new accounting presentation IFRS 15

\*\* 2017-Merger of Smiles S.A. by Smiles Fidelidade S.A. (R\$188.5 million) and 2018 – tax credits (R\$ 58.6 million)

## Message from Management

Despite a series of challenges in the operating environment in 2018, we were able to deliver an excellent result supported by a robust operation.

Many uncertainties halted consumption intention, notably in the second quarter, during the truck drivers' strike which had severe impact on product delivery as well as on supply. During this period industrial production, as well as trade and services decelerated. The truckers' stoppage had an effect in prices and IPCA inflation has had the worst rate 1995. An, the decline in industrial production, inflation rose and put pressure on GDP.

Fortunately, after the transport situation has normalized the economy rebounded in the following months. But uncertainties surrounding presidential elections and the combination with international trade tensions, resulted in a strong exchange rate volatility in the period. With this landscape, the demand for travelling abroad suffered a significant drop, thereby influencing the mix of destinations and increasing the relevance of local flights demand. Coping with this, we were able to extract very good business opportunities. We speed up sale and miles redemption with greater engagement from our customers, and we also recorded a healthy growth in participants in our base.

We have maintained our focus on the business, adjusted our product offering, used our pricing strategy effectively and in tandem with opportunities, improved the visibility of air tickets offers via our smart calendar, what had an excellent 3rd quarter. And that pace of growth, coupled with excellent performance from campaigns like Black Friday and the Clube Smiles 5-year birthday, continued and was of outmost importance for us to conclude the year exceeding all our previous records. Gross billings grew sharply 22% in 4T18 compared to the same period of last year, setting a new record of R\$ 627.8 million; Miles accrued were also record and totaled 103.5 billion in 2018, and the direct redemption margin was of 41.9% in 2018, exceeding in 1.9p.p. the level of 40% initially expected.

Other important developments in the quarter were: 1) In December, we officially inaugurated the operation in Argentina to start profiting from the immense opportunities that we believe exist in that country; and 2) in november, we signed a new partnership with Fintech Nubank. Thus, we have taken another step in the direction of seeking differentiated partnerships - in this case, with a digital partner - that will also allow us to diversify our customer base, adding more young people, millenials, with consumption habits quite adherent to our strategy of being a one-stop-shop for the traveler.

We remain positive about the prospects for exploring the tourism industry sector in 2019, with the entire Smiles team committed to continue business' growth trajectory.

## Operating Performance

Operating Data <sup>1</sup>	Unit	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Members</b>	<b>bn</b>	<b>15.4</b>	<b>14.8</b>	<b>13.7</b>	<b>4.1%</b>	<b>12.4%</b>	<b>15.4</b>	<b>13.7</b>	<b>12.4%</b>
<b>Miles Accrual</b>	<b>bn</b>	<b>28.9</b>	<b>27.1</b>	<b>24,0</b>	<b>6.6%</b>	<b>20.4%</b>	<b>103.5</b>	<b>85.2</b>	<b>21.5%</b>
Gol	bn	2.8	2.7	2.7	3.7%	3.7%	10.1	8.3	21.7%
Banks, retail and others	bn	22.6	20.9	18.2	8.1%	24.2%	80.3	64.1	25.3%
Smiles & Money Gol	bn	3.5	3.5	3.1	0.0%	12.9%	13.1	12.8	2.3%
<b>Smiles' Program Redemptions</b>	<b>bn</b>	<b>24.2</b>	<b>23.0</b>	<b>18.4</b>	<b>5.2%</b>	<b>31.5%</b>	<b>85.1</b>	<b>67,9</b>	<b>25.3%</b>
Airline Redemptions	bn	22.0	21.2	16.5	3.8%	33.3%	77.7	62.2	24.9%
Non-airline	bn	2.2	1.8	1.9	22.2%	15.8%	7.4	5.7	29.8%
<b>Breakage Rate</b>	<b>%</b>	<b>17.5%</b>	<b>17.9%</b>	<b>18.5%</b>	<b>(0.4 p.p.)</b>	<b>(1.0 p.p.)</b>	<b>17.5%</b>	<b>18.5%</b>	<b>(1.0p.p.)</b>

<sup>1</sup> All relevant miles amounts are net of reimbursement. The data in this table do not reflect financial information.

**Members:** The number of program members reached 15.4 million in 4Q18, up 12.4% in comparison to 4Q17.

**Miles accrual:** In 4Q18 miles accrued increased 20.4% compared with 4Q17, mainly boosted by the 24.2% expansion in miles accrual from banks, retail and services and an increase of 12.9% of miles accrued by Smiles & Money.

**Miles redemption:** In 4Q18 miles redeemed were record, 31.5% higher than in 4Q17, and totalized 24.2 billion of miles. Miles redeemed evolution were largely explained by the 33.3% increase of airline tickets redemption, which account for around 91.0% of total miles redeemed. The burn/earn ratio was 83.6% in 4Q18, 1.0 p.p decrease compared to 3Q18.

Operating Data <sup>1</sup>	Unit	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Smiles' redemption program</b>	<b>bln</b>	<b>24.2</b>	<b>23.0</b>	<b>18.4</b>	<b>5.2%</b>	<b>31.5%</b>	<b>85.1</b>	<b>67.9</b>	<b>25.3%</b>
Gol + International Partners Tickets	bln	22.0	21.2	16.5	3.8%	33.3%	77.7	62.2	24.9%
Non-airline	bln	2.2	1.8	1.9	22.2%	15.8%	7.4	5.7	29.8%
<b>% of miles redeemed</b>									-
Gol + International Partners Tickets	%	91.0%	92.3%	89.8%	(1,3 p.p.)	1,2 p.p.	91.3%	91.6%	(0,3 p.p.)
Non-airline	%	9.0%	7.7%	10.2%	1,3 p.p.	(1,2 p.p.)	8.7%	8.4%	0,3 p.p.

<sup>1</sup> All values corresponding to miles are net of reimbursement. Segregation among different redemption types were not reviewed by auditors.

**Breakage:** The breakage rate was 17.5% this quarter from 17.9% in 3Q18.

## Financial Performance

Financial Information Summary	Unit	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Gross Billings<sup>1</sup></b>	<b>R\$ mn</b>	<b>627.8</b>	<b>588.4</b>	<b>511.9</b>	<b>6.7%</b>	<b>22.6%</b>	<b>2,276.4</b>	<b>1,908.1</b>	<b>19.3%</b>
Gol	R\$ mn	36.4	33.9	29.8	7.4%	22.1%	128.8	83.9	53.5%
ex-Gol	R\$ mn	591.4	554.5	482.1	6.7%	22.7%	2,147.6	1,824.2	17.7%

1. Gross Billings is not an accounting measurement and corresponds to total billings from the sale of miles gross of taxes. These revenues may have affected the current period or will be recognized as revenue in future periods, depending on the date of redemption by the program members.

**Gross billings:** Total gross billings climbed 22.6% in 4Q18 when compared to 4Q17's figure, mostly due to the 22.7% increase in ex-Gol miles billings. Gol's billings rose 22.1% in 4Q18 versus 4Q17, influenced by a higher demand for domestic air tickets in the period. In full year 2018, gross billings grew 19.3% compared with last year, reaching the record of R\$ 2.3 billion.

Revenue (R\$ million)*	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Revenue</b>	<b>628.1</b>	<b>591.0</b>	<b>527.3</b>	<b>6.3%</b>	<b>19.1%</b>	<b>2,232.8</b>	<b>1,990.0</b>	<b>12.2%</b>
Redemption revenue	552.1	524.2	444.6	5.3%	24.2%	1,953.7	1,683.7	16.0%
Breakage revenue	69.8	62.1	77.5	12.4%	(9.9%)	258.3	274.7	(6.0%)
Other revenues	6.2	4.7	5.2	31.9%	19.2%	20.8	31.6	(34.2%)
<b>Services Provide Cost</b>	<b>(321.0)</b>	<b>(304.1)</b>	<b>(243.7)</b>	<b>5.6%</b>	<b>31.7%</b>	<b>(1,147.3)</b>	<b>(904.6)</b>	<b>26.8%</b>
Airline tickets	(296.5)	(281.1)	(203.3)	5.5%	45.8%	(1,050.3)	(795.9)	32.0%
Diverse Products	(24.5)	(23.0)	(40.4)	6.5%	(39.4%)	(97.0)	(108.7)	(10.8%)
<b>Gross Revenue</b>	<b>306.9</b>	<b>286.9</b>	<b>283.6</b>	<b>7.0%</b>	<b>8.2%</b>	<b>1,085.5</b>	<b>1,085.3</b>	<b>0.0%</b>
Taxes and Contributions	(28.0)	(23.5)	(49.0)	19.1%	(42.9%)	(98.0)	(185.8)	(47.3%)
<b>Net Revenues</b>	<b>278.9</b>	<b>263.3</b>	<b>234.7</b>	<b>5.9%</b>	<b>18.9%</b>	<b>987.5</b>	<b>899.5</b>	<b>9.8%</b>
Operational Costs	(16.4)	(14.8)	(12.9)	10.8%	27.1%	(58.4)	(45.9)	27.2%
<b>Gross Profit</b>	<b>262.5</b>	<b>248.5</b>	<b>221.8</b>	<b>5.6%</b>	<b>18.3%</b>	<b>929.1</b>	<b>853.7</b>	<b>8.8%</b>

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

**Net revenue:** Net revenue rose 18.9% compared o 4Q17, mainly due to a higher volume of miles redeemed in this period which resulted in an increase of 24.2% of redemption revenue. Breakage revenue decreased 9.9% in 4Q18 in comparison to the same period last year, influenced by the decline of 1.0 p.p. in breakage rate. In 2018, net revenue presented an increase of 9.8% over 2017.

**Other revenues:** Other revenues were up 19.2% in comparison to 4Q17, reaching R\$ 6.2 million. This item is mainly composed of cancellation fees, incentives to sell co-branded credit cards and Gol's loyalty program management fees. In 2018, this line was 34.2% lower than 2017.

**Direct redemption margin:** in the 4Q18 direct redemption margin reached 42.5%, flat versus 3Q18 and 2.4 p.p. higher than 4Q17. In 2018, direct redemption margin reached 41.9%, a 0.3 p.p. rise when compared to 2017. The expansion of direct redemption margin in 2018 evidences our flexible pricing strategy which encourages product redemption that earn a healthy profitability for the company.

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

Redemption P&L	Redemption Results <sup>1</sup>	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)
<b>Revenue</b>	<b>&gt; Net Revenue of Redemption (b)</b>	<b>558.2</b>	<b>528.9</b>	<b>406.5</b>	<b>5.5%</b>	<b>37.3%</b>
Revenue		558.2	528.9	448.0	5.5%	24.6%
(-) Direct Taxes		-	-	(41.4)	-	-
<b>Costs of provided services</b>	<b>&gt; Redemption costs</b>	<b>(321.1)</b>	<b>(304.2)</b>	<b>(243.7)</b>	<b>5.6%</b>	<b>31.8%</b>
(-) Cost with Redemption		(321.1)	(304.2)	(262.8)	5.6%	22.2%
(+) Credits with direct taxes		-	-	19.1	-	-
<b>Gross Revenue</b>	<b>Gross result of redemption (a)</b>	<b>237.1</b>	<b>224.7</b>	<b>162.8</b>	<b>5.5%</b>	<b>45.6%</b>
(-) Interest over Spread		(21.9)	(20.8)	-	5.5%	-
<b>(=) Net Revenue</b>	<b>Net result of redemption (=a/b)</b>	<b>215.2</b>	<b>203.9</b>	<b>162.9</b>	<b>5.5%</b>	<b>32.2%</b>
<i>% Redeem direct margin</i>		42.5%	42.5%	40.1%	0,0 p.p.	2,4 p.p.

<sup>1</sup> managerial redemption results: Gross results of redemption consider other revenues related to redemption that are registered as "Other revenues".

Redemption P&L	Redemption Results <sup>1</sup>	2018	2017	2018 vs. 2017 (%)
<b>Revenue</b>	<b>&gt; Net Revenue of Redemption (b)</b>	<b>1,974.5</b>	<b>1,547.6</b>	<b>27.6%</b>
Revenue		1,974.5	1,705.3	15.8%
(-) Direct Taxes			(157.7)	-
<b>Costs of provided services</b>	<b>&gt; Redemption costs</b>	<b>(1,147.3)</b>	<b>(904.6)</b>	<b>26.8%</b>
(-) Cost with Redemption		(1,147.3)	(972.9)	17.9%
(+) Credits with direct taxes		-	68.3	-
<b>Gross Revenue</b>	<b>Gross result of redemption (a)</b>	<b>827.2</b>	<b>643.0</b>	<b>28.6%</b>
(-) Interest over Spread		(76.5)	-	-
<b>(=) Net Revenue</b>	<b>Net result of redemption (=a/b)</b>	<b>750.6</b>	<b>643.0</b>	<b>16.7%</b>
<i>% Redeem direct margin</i>		41.9%	41.6%	0.3 p.p.

<sup>1</sup> managerial redemption results: Gross results of redemption consider other revenues related to redemption that are registered as "Other revenues".

Operating Expenses (R\$ million)	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Operating Expenses</b>	<b>(62.1)</b>	<b>(21.5)</b>	<b>(76.3)</b>	<b>188.8%</b>	<b>(18.6%)</b>	<b>(187.1)</b>	<b>(203.8)</b>	<b>(8.2%)</b>
Commercial Expenses	(27.7)	(28.4)	(32.1)	(2.4%)	(13.7%)	(112.5)	(100.1)	12.4%
Administrative Expenses	(34.4)	(31.2)	(28.9)	10.3%	18.6%	(112.7)	(85.1)	32.4%
Other Expenses/ Revenues	-	38.1	(15.2)	n/a	n/a	38.1	(18.6)	n/a

**Operating expenses:** operating expenses fell 18.6% in comparison to 4Q17, mainly due to the reduction of commercial expenses impacted by the marketing expenses in the period. Operating expenses presented 188.9% increase in 4Q18 versus 3Q18, due to the extemporary fiscal credits of income tax, social contribution, PIS and COFINS related to the last 5 fiscal years recognized in 3Q18. Excluding this effect, operating expenses would present an increase of 4.2% in comparison to 3Q18. In full year 2018, commercial and administrative expenses were up 12.4% and 32.4%, respectively, versus 2017. This increase was due to: (i) a spike of R\$ 28.6 million of personal expenses mainly impacted by labor contingencies arising from the corporate reorganization (Webjet), (ii) a rise of R\$ 16.3 million in customer services expenses and (iii) an increase of R\$ 6.5 million with services expenses, mainly technology expenses related to innovation projects. Its' worth mentioning that in 2018 the international expansion project responded for expenses of about R\$ 5.6 million.

Other information (R\$ million)	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Net financial result</b>	<b>41.8</b>	<b>96.7</b>	<b>45.2</b>	<b>(56.8%)</b>	<b>(7.5%)</b>	<b>221.5</b>	<b>199.9</b>	<b>10.8%</b>
Financial expenses	(1.0)	(1.0)	(0.2)	(0.0%)	400.0%	(2.3)	(2.2)	4.5%
Financial revenues	41.4	92.2	47.8	(55.1%)	(13.4%)	220.6	205.4	7.4%
Net exchange variation	1.4	5.5	(2.4)	(74.5%)	n/a	3.2	(3.3)	(197.0%)
<b>Income tax and social Contribution</b>	<b>(77.6)</b>	<b>(111.7)</b>	<b>(67.9)</b>	<b>(30.5%)</b>	<b>14.3%</b>	<b>(317.7)</b>	<b>(89.1)</b>	<b>256.4%</b>

**Financial result:** the financial result declined 7.5% in 4Q18 versus 4Q17 figures, chiefly due to the drop of the CDI rate which was down from 9.93%p.y. to 6.40% p.y. at the end of 2018. The reduced positive exchange rate variation recorded in the 4Q18 also contributed to the lower financial result than in the 3Q18. In 2018, the rise of 10.8% in the financial result was largely due to the recognition of R\$ 53.9 million in financial revenues related to monetary correction and interest on fiscal credits calculated in 3Q18.

**Net exchange variation:** The net exchange variation recorded in the period is largely a result of the effect of foreign exchange rate variation of the accounts payable outstanding in USD, related to the cost of international ticket redemptions.

**Income tax and social contribution:** the effective income tax and social contribution was 32% in the 4Q18. In this quarter the company obtained a tax benefit of about R\$ 6.2 million from the dividends distribution in the form of IOC (Interest on Own Capital) to shareholders. In 2018, the effective income tax and social contribution was 33%.

**Net income:** Smiles Fidelidade's net income totaled R\$164.6 million in 4Q18, an expansion of 33.8% in comparison to 4Q17. In full year 2018, net income reached R\$ 645.8 million, a decline of 15.1% over 2017. Excluding the extraordinary effects of R\$ 188.5 in 2017 and R\$ 58.6 million in 2018, Smiles Fidelidade's net income reached R\$ 587.2 million in 2018 and R\$ 572.1 million in 2017, a growth of 2.6% in 2018.

**Balance of advance to suppliers:** the breakdown of the balance of advance to suppliers in the quarter is detailed in the table below:

Tranche	Contract	Data	Balance (R\$ Mn)	Rate (per year)
Tranche A	3º Contract	Feb-16	175.4	19.06%
Single tranche	4º Contract	Aug-18	308.8	7.38%
Single tranche	5º Contract	Sep-18	110.0	7.38%
Single tranche	6º Contract	Sep-18	93.5	7.38%
Tranche I	7º Contract	Sep-18	203.5	7.38%
Tranche II	7º Contract	Oct-18	253.8	7.39%
Tranche III	7º Contract	Nov-18	151.0	7.39%
<b>Total</b>			<b>1,296.1</b>	<b>8.97%</b>

## Income Statement – IFRS 15

Income statement (R\$ thousand)	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	418 vs. 4T17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Net revenues</b>	<b>278,887</b>	<b>263,348</b>	<b>234,652</b>	<b>5.9%</b>	<b>18.9%</b>	<b>987,444</b>	<b>899,576</b>	<b>9.8%</b>
<b>Operational costs</b>	<b>(16,400)</b>	<b>(14,779)</b>	<b>(12,895)</b>	<b>11.0%</b>	<b>27.2%</b>	<b>(58,386)</b>	<b>(45,917)</b>	<b>27.2%</b>
<b>Gross profit</b>	<b>262,487</b>	<b>248,569</b>	<b>221,757</b>	<b>5.6%</b>	<b>18.4%</b>	<b>929,058</b>	<b>853,659</b>	<b>8.8%</b>
<i>gross margin</i>	94.1%	94.4%	94.5%	(0.3 p.p.)	(0.4 p.p.)	94.1%	94.9%	(0.8 p.p.)
<b>Operating expenses</b>	<b>(62,082)</b>	<b>(21,491)</b>	<b>(76,122)</b>	<b>188.9%</b>	<b>(18.4%)</b>	<b>(187,089)</b>	<b>(203,859)</b>	<b>(8.2%)</b>
Selling expenses	(27,696)	(28,379)	(32,079)	(2.4%)	(13.7%)	(112,524)	(100,129)	12.4%
Administrative expenses	(34,386)	(31,218)	(28,859)	10.1%	19.2%	(112,671)	(85,111)	32.4%
Other expenses/revenues	-	38,106	(15,184)	n/a	n/a	38,106	(18,619)	(304.7%)
<b>Operating profit</b>	<b>200,405</b>	<b>227,078</b>	<b>145,635</b>	<b>(11.7%)</b>	<b>37.6%</b>	<b>741,969</b>	<b>649,800</b>	<b>14.2%</b>
<i>operating margin</i>	71.9%	86.2%	62.1%	(14.4 p.p.)	9.8 p.p.	75.1%	72.2%	0.0 p.p.
Financial income	41,807	96,681	45,211	(56.8%)	(7.5%)	221,525	199,946	10.8%
Financial revenues	41,449	92,177	47,774	(55.0%)	(13.2%)	220,628	205,431	7.4%
Financial expenses	(1,030)	(1,035)	(163)	(0.5%)	531.7%	(2,326)	(2,201)	5.7%
Exchange variation, net	1,388	5,539	(2,400)	(74.9%)	(157.8%)	3,223	(3,284)	(198.1%)
<b>EBT</b>	<b>242,213</b>	<b>323,759</b>	<b>190,846</b>	<b>(25.2%)</b>	<b>26.9%</b>	<b>963,494</b>	<b>849,746</b>	<b>13.4%</b>
Income and social contribution taxes	(77,648)	(111,653)	(67,852)	(30.5%)	14.4%	(317,652)	(89,131)	256.4%
<b>Net income</b>	<b>164,565</b>	<b>212,106</b>	<b>122,994</b>	<b>(22.4%)</b>	<b>33.8%</b>	<b>645,842</b>	<b>760,615</b>	<b>(15.1%)</b>
<i>Net margin</i>	59.0%	80.5%	52.4%	(21.5 p.p.)	6.6 p.p.	65.4%	84.6%	(19.2 p.p.)



## Balance Sheet

Balance Sheet (R\$ thousand)	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)
<b>Assets</b>	<b>2,635,128</b>	<b>2,577,469</b>	<b>2,170,911</b>	<b>2.2%</b>	<b>21.4%</b>
Current	2,365,789	2,319,738	1,901,672	2.0%	24.4%
Cash and cash equivalents	290,850	227,051	446,191	28.1%	(34.8%)
Short-term investments	384,460	519,358	221,242	(26.0%)	73.8%
Trade receivable	358,835	351,048	352,640	2.2%	1.8%
Advances to suppliers	1,158,017	946,643	866,341	22.3%	33.7%
Recoverable Taxes	153,703	251,683	-	(38.9%)	n/a
Other credits and values	19,924	23,955	15,258	(16.8%)	30.6%
Noncurrent assets	269,339	257,731	269,239	4.5%	0.0%
Deferred taxes	653	-	211,993	n/a	n/a
Judicial deposits and blocked escrows	18,002	17,834	16,943	0.9%	6.3%
Advances to suppliers	138,060	200,931	-	(31.3%)	n/a
Recoverable Taxes	69,599	-	-	n/a	n/a
Investments	-	-	-	n/a	n/a
Property, plant and equipment	2,914	2,595	2,756	12.3%	5.7%
Intangible	40,111	36,371	37,547	10.3%	6.8%
<b>Liabilities</b>	<b>2,635,128</b>	<b>2,577,469</b>	<b>2,170,911</b>	<b>2.2%</b>	<b>21.4%</b>
Current	1,347,684	1,343,994	1,096,357	0.3%	22.9%
Suppliers	128,714	139,093	145,661	(7.5%)	(11.6%)
Salaries	28,684	20,570	18,270	39.4%	57.0%
Dividends and interest on equity payable	139,453	-	101,861	n/a	36.9%
Taxes Payable	19,138	46,736	16,403	(59.1%)	16.7%
Related companies	37,288	29,109	30,394	28.1%	22.7%
Advances from customers	161,304	287,557	14,727	(43.9%)	995.3%
Deferred revenues	826,715	818,291	768,688	1.0%	7.5%
Other liabilities	6,388	2,638	353	142.2%	n/a
Noncurrent liabilities	273,214	242,418	202,835	12.7%	34.7%
Suppliers	-	-	246	n/a	(100.0%)
Provision for legal proceedings	21,114	19,088	14,385	10.6%	46.8%
Deferred revenues	194,080	198,154	188,204	(2.1%)	3.1%
Deferred taxes	57,920	25,075	-	131.0%	n/a
Other liabilities	100	101	-	(1.0%)	n/a
Shareholder's equity	1,014,230	991,057	871,719	2.3%	16.3%
Capital stock	43,767	44,874	43,104	(2.5%)	1.5%
(-) Cost of issued shares	-	-1,107	-1,107	(100.0%)	(100.0%)
Capital reserve	481,628	481,628	481,628	0.0%	0.0%
Share-based payment	1,661	850	172	95.4%	865.7%
Profit Reserve	202,703	8,621	8,621	2,251.3%	2,251.3%
Additional dividends proposed	284,471	-	339,301	n/a	(16.2%)
Retained earnings	-	456,191	-	(100.0%)	n/a

## Statement of cash flows

Statement of cash flows (R\$ thousand)	4Q18	3Q18	4Q17	4Q18 vs. 3Q18 (%)	4Q18 vs. 4Q17 (%)	2018	2017	2018 vs. 2017 (%)
<b>Net Income</b>	<b>164,565</b>	<b>212,106</b>	<b>122,994</b>	<b>(22.4%)</b>	<b>33.8%</b>	<b>645,842</b>	<b>760,615</b>	<b>(15.1%)</b>
Share-based payments	811	554	86	46.4%	843.0%	1,489	408	265.0%
Deferred income and social contribution taxes	32,193	195,295	26,195	(83.5%)	22.9%	269,219	(149,328)	(280.3%)
Provision for legal proceedings	5,202	5,043	3,403	3.2%	52.9%	18,482	11,940	54.8%
Depreciation and amortization	4,634	4,222	3,560	9.8%	30.2%	17,358	13,619	27.5%
Discounts in advance ticket purchases	(30,872)	(29,369)	(41,635)	5.1%	(25.9%)	(127,251)	(176,128)	(27.8%)
Financial restatement of income and social contribution taxes	-	-	-	n/a	n/a	-	(739)	n/a
Exchange variations, net	(366)	4,973	(1,410)	n/a	161.4%	(2,103)	(2,944)	(28.6%)
Interest and amortization of costs on loans	-	-	-	n/a	n/a	-	1,404	n/a
Reversal of (allowance for) doubtful accounts	(18)	(11)	18	63.6%	(200.0%)	(3)	65	n/a
Profit sharing	9,254	8,456	3,688	9.4%	150.9%	26,135	14,521	80.0%
Write-off of goodwill on investments	-	-	15,184	n/a	(100.0%)	-	15,184	n/a
Write-off of property, plant and equipment and intangible assets	-	-	-	n/a	n/a	95	-	n/a
Equity Results	-	-	-	n/a	n/a	-	-	n/a
Trade receivables	(7,769)	40,822	(8,846)	(119.0%)	(12.2%)	(6,068)	(184,841)	(96.7%)
Advances to suppliers	(117,631)	(432,889)	239,445	(72.8%)	(149.1%)	(302,485)	300,414	n/a
Recoverable taxes	28,381	(251,683)	-	(111.3%)	n/a	(223,302)	-	n/a
Judicial deposits and blocked escrows	(168)	(889)	(1,923)	(81.1%)	(91.3%)	(1,059)	(3,030)	(65.0%)
Other credits (obligations)	7,780	3,453	(4,005)	125.3%	n/a	1,469	(7,604)	n/a
Related-party transacitons	8,179	13,630	3,562	(40.0%)	129.6%	6,894	92,944	(92.6%)
Suppliers	(15,024)	(10,673)	3,928	40.8%	(482.5%)	(16,751)	23,598	(171.0%)
Salaries	(1,140)	270	(943)	(522.2%)	20.9%	(15,721)	(11,308)	39.0%
Advances from customers	(126,253)	235,445	(38,118)	(153.6%)	231.2%	146,577	7,588	1831.7%
Deferred revenue	4,350	5,332	(6,044)	(18.4%)	(172.0%)	63,903	(44,367)	n/a
Taxes obligations	(23,974)	73,942	38,778	(132.4%)	(161.8%)	122,684	199,409	(38.5%)
Lawsuits and labor claims	(3,176)	(3,106)	(3,051)	2.3%	4.1%	(11,753)	(9,343)	25.8%
Interest paid	-	-	-	n/a	n/a	-	(1,161)	n/a
Income and social contribution taxes paid	(6,373)	(43,419)	(40,557)	(85.3%)	(84.3%)	(126,329)	(192,500)	(34.4%)
<b>Net cash flows from (used in) operating activities</b>	<b>(67,415)</b>	<b>31,504</b>	<b>314,309</b>	<b>(314.0%)</b>	<b>(121.4%)</b>	<b>487,322</b>	<b>658,416</b>	<b>(26.0%)</b>
Acquisition of property, plant and equipment and intangible assets	(8,694)	(6,898)	(12,981)	26.0%	(33.0%)	(20,175)	(17,362)	16.2%
Short-term investments	134,898	(68,925)	(47,361)	(295.7%)	(384.8%)	(163,218)	88,500	(284.4%)
Capital Increase of Associates	-	-	-	n/a	n/a	-	-	n/a
Webjet S.A.'s absorbed cash	-	-	-	n/a	n/a	-	-	n/a
<b>Net cash flows used in investing activities</b>	<b>126,204</b>	<b>(75,823)</b>	<b>(60,342)</b>	<b>(266.4%)</b>	<b>(309.1%)</b>	<b>(183,393)</b>	<b>71,138</b>	<b>(357.8%)</b>
Loan Payment	-	-	-	n/a	n/a	-	(15,000)	(100.0%)
Capital increase for exercise of stock options	-	-	-	n/a	n/a	1,770	3,784	(53.2%)
Transaction with related parties	-	-	2,712	n/a	(100.0%)	-	19,011	(100.0%)
Future capital increase advance	-	-	-	n/a	n/a	-	4,043	(100.0%)
Cost of issued shares	-	-	237	n/a	(100.0%)	-	(1,107)	(100.0%)
Interest on equity paid and dividends paid	-	(9,088)	(12,707)	(100.0%)	(100.0%)	(462,699)	(547,040)	(15.4%)
Merged net assets	-	-	-	n/a	n/a	-	-	n/a
<b>Net cash flows from (used in) financing activities</b>	<b>-</b>	<b>(9,088)</b>	<b>(9,758)</b>	<b>(100.0%)</b>	<b>(100.0%)</b>	<b>(460,929)</b>	<b>(536,309)</b>	<b>(14.1%)</b>
Effect of exchange variation on cash and cash equivalents	5,010	(841)	(1,693)	(695.7%)	(395.9%)	1,659	(1,866)	(188.9%)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>63,799</b>	<b>(54,248)</b>	<b>242,516</b>	<b>(217.6%)</b>	<b>(73.7%)</b>	<b>(155,341)</b>	<b>191,379</b>	<b>(181.2%)</b>
Cash and cash equivalents at the beginning of the period	227,051	281,299	203,675	(19.3%)	11.5%	446,191	254,812	75.1%
<b>Cash and cash equivalents at the end of the period</b>	<b>290,850</b>	<b>227,051</b>	<b>446,191</b>	<b>28.1%</b>	<b>(34.8%)</b>	<b>290,850</b>	<b>446,191</b>	<b>(34.8%)</b>

## Business Model

Smiles started as a single loyalty program, but has evolved into its current coalition model, which features several unique characteristics that allow for the accrual and redemption of Miles from GOL flights and its international partner airlines, as well as 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; Smiles Miles being acquired through the loyalty of these customers to those businesses, and (ii) Awards redemptions by Members when they exchange their Miles for flights on 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) redeemed miles revenues, represented by tickets and awards in its network of airline, commercial and financial partners, (ii) interest income 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 customer miles loyalty program.

**Award Products** - Product or service, excluding air tickets, provided to members by a commercial partner as the result of redeeming customer loyalty program points.

**Breakage Estimate** – Miles expired and not redeemed; it may be expressed 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.