

Barueri, July 30, 2019 – Smiles Fidelidade S.A. (B3: SMLS3) one of the largest loyalty programs in Brazil with over 16 million members, announces its 2Q19 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. 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.

Smiles Fidelidade S.A.

B3: SMLS3

Novo Mercado

Price: R\$ 37.28

No. of shares: 124,158,953

Market value: R\$ 4.6 billion

(close: 07/29/2019)

www.smiles.com.br/ri

2Q19 Conference Call

July 31, 2019

In Portuguese and English:

(Simultaneous Translation)

11:00 a.m. (Brasília)

10:00 a.m. (US EST)

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Net Income in 2Q19 climbs 36.4% versus 2Q18

HIGHLIGHTS

- ✔ Total Gross Billings amounted to R\$ 684.3 million in 2Q19, an increase of 23.9% compared to 2Q18.
- ✔ Redemption Revenue was up by 33.7% versus 2Q18.
- ✔ Direct Redemption Margin reached 41.6% in 2Q19, up by 0.5 p.p. versus the same period of 2018.
- ✔ Net Income reached R\$ 155.7 million, a growth of 36.4% compared to 2Q18.

Main Highlights	Unit	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Total gross billings ²	R\$ mi	684.3	626.3	552.4	9.3%	23.9%
Net revenues*	R\$ mi	278.0	240.6	198.1	15.5%	40.3%
EBITDA ¹	R\$ mi	180.4	171.1	134.9	5.4%	33.7%
<i>EBITDA¹ margin</i>	%	64.9%	71.1%	68.1%	(6.2 p.p.)	(3.2 p.p.)
Net income	R\$ mi	155.7	141.9	114.2	9.7%	36.4%
<i>Net margin</i>	%	56.0%	59.0%	57.6%	(3.0 p.p.)	(1.6 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

Message from Management

The second quarter of 2Q19 proved challenging for our industry, as it suffered the effects from the end of operations of one of the largest Brazilian airlines. This effect resulted in an increase in the load factor rate of our main airline commercial partner, Gol Linhas Aéreas S.A., naturally changing the mix of airline tickets which Smiles buys to reward its customers.

The macroeconomic scenario is also very challenging, with the main concern being the several revisions in GDP growth (which went from 2.5% at the beginning of the year to 0.6%) posing a major challenge for the Company, since it is the macroeconomic indicator that most affects our business.

Despite the challenges in the local economic scenario, Smiles' resilient and highly flexible business model continued its healthy growth pace of 23.9% in total gross billings, when compared to the same quarter of 2018. This result reflects a strategy focused on increasing customer engagement, which contributes for consolidating our leading position in the Brazilian loyalty industry. The strong growth in gross billings, the change in the mix of air tickets, the pricing strategy of awards and a good work of our CRM team also enabled an expansion in the results, preserving the direct redemption margin similar to the Company's historical levels.

We announced two new airline partners, TAAG and Air Europa, in the quarter, increasing the number of airline partners to 20, bolstering our leading position in the offer of flights to Europe and Africa and reinforcing our commitment to diversify our business. In addition, we have strengthened our relationship with South African Airways and travelers are now entitled to earn Smiles miles when flying with this partner. We also signed a partnership with Gray Line Brasil, the largest provider of sightseeing tours on the planet. Gray Line offers 2,500 products in all continents. As a result, Smiles further expands the options of entertainment products and travel solutions, becoming an even more complete platform for the traveler's journey.

In Argentina, the operation evolves every quarter, with a team fully dedicated to meeting the needs of the local market. During this period, we started to offer the Smiles Club and Miles Purchase products, and in July, we initiated actions focused on engagement with local partner banks.

We remain committed to developing new products and in investing to improve our customer experience. Thus, we reaffirm our commitment to consolidate Smiles as the most innovative platform for products and services in Brazil for the complete journey of the traveler.

This quarter, our family had 142 enthusiastic employees who have one common goal: turn miles into smiles.

Operating Performance

Operating Data ¹	Unit	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Members	mn	16.2	15.7	14.6	2.9%	11.2%
Breakage Rate	%	16.3%	16.8%	18.3%	(0.5 p.p.)	(2.0 p.p.)

¹ The data in this table do not reflect financial information.

Members: The number of program members reached 16.2 million in 2Q19, up 11.2% in comparison to 2Q18.

Breakage: The breakage rate was 16.3% this quarter from 16.8% in 1Q19 and 18.3% in 2Q18.

Operating Data ¹	Unit	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
% of miles redeemed						
Gol + International Partners Tickets	%	90.9%	91.0%	90.1%	(0.1 p.p.)	0.8 p.p.
Non-airline	%	9.1%	9.0%	9.9%	0.1 p.p.	(0.8 p.p.)

¹ Segregation among different redemption types were not reviewed by auditors.

Financial Performance

Financial Information Summary	Unit	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Gross Billings¹	R\$ mn	684.3	626.3	552.4	9.3%	23.9%

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 23.9% in 2Q19 compared to 2Q18's figure, mostly due to both our commercial partners and clients' engagement.

Revenue (R\$ million) *	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Revenue	651.8	561.4	480.1	16.1%	35.8%
Redemption revenue	587.2	500.7	439.3	17.3%	33.7%
Breakage revenue	58.4	53.9	35.8	8.4%	63.2%
Other revenues	6.2	6.8	5.0	(8.5%)	24.1%
Services Provide Cost	(346.4)	(296.7)	(261.6)	16.8%	32.4%
Airline tickets	(312.5)	(270.4)	(237.1)	15.6%	31.8%
Diverse Products	(33.8)	(26.3)	(24.5)	28.9%	38.4%
Gross Revenue	305.5	264.7	218.6	15.4%	39.8%
Taxes and Contributions	(27.5)	(24.2)	(20.4)	13.8%	34.6%
Net Revenues	278.0	240.5	198.1	15.6%	40.3%
Operational Costs	(21.1)	(17.2)	(14.6)	22.3%	44.1%
Gross Profit	256.9	223.3	183.5	15.0%	40.0%

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

Net revenue: Net revenue was up 40.3% in 2Q19 compared to 2Q18, because of the expansion in both redemption and breakage revenues that grew 33.7% and 63.2%, respectively. Redemption revenue increment reflects a strong demand for airline tickets.

Other revenues: Other revenues were up 24.1% in comparison to 2Q18, reaching R\$ 6.2 million. This item is mainly composed by cancellation fees and Gol's loyalty program management fees.

Direct redemption margin: The direct redemption margin reached 41.6% in 2Q19, an increase of 0.1 p.p. related to 1Q19 and of 0.5 p.p. in comparison to the same period the last year.

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 (R\$ million)	Redemption Results ¹	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Revenue	> Net Revenue of Redemption (b)	593.4	507.5	444.3	16.9%	33.5%
Revenue		593.4	507.5	444.3	16.9%	33.5%
(-) Direct Taxes		-	-	-	-	-
Costs of provided services	> Redemption costs	(346.4)	(296.7)	(261.6)	16.8%	32.4%
(-) Cost with Redemption		(346.4)	(296.7)	(261.6)	16.8%	32.4%
(+) Credits with direct taxes		-	-	-	-	-
Gross Revenue	Gross result of redemption (a)	247.0	210.8	182.8	17.2%	35.2%
(-) Interest over Spread		(22.9)	(19.5)	(16.9)	17.2%	-
(=) Net Revenue	Net result of redemption	224.2	191.3	165.8	17.2%	35.2%
% Direct Redemption Margin	(=a/b)	41.6%	41.5%	41.1%	0.1 p.p.	0.5 p.p.

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

Operating Expenses (R\$ million)	2Q19	1Q19	2Q18	2Q19 vs. 1Q18 (%)	2Q19 vs. 2Q18 (%)
Operating Expenses	(82.2)	(57.7)	(53.0)	42.6%	55.1%
Commercial Expenses	(35.2)	(28.2)	(28.7)	24.9%	22.6%
Administrative Expenses	(47.0)	(30.4)	(24.3)	54.7%	93.3%
Other Expenses/ Revenues	-	0.9	-	n/a	n/a

Operating expenses: operating expenses rose 55.1% compared to 2Q18, mainly due to the rise of administrative expenses. This increase is a consequence of higher expenses with consulting and external advisors fees.

Other information (R\$ million)	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Net financial result	33.0	34.0	38.1	(3.1%)	(13.3%)
Financial expenses	(1.0)	(0.9)	(0.1)	17.9%	669.7%
Financial revenues	31.3	34.9	42.3	(10.2%)	(25.9%)
Net exchange variation	2.7	0.0	(0.4)	n/a	(165.3%)
Income tax and social Contribution	(51.9)	(57.8)	(54.4)	(10.2%)	(4.5%)

Financial result: the net financial result declined 13.3% in 2Q19 in comparison to 2Q18 figures, chiefly due to the amortization of tranches related to the advanced purchase of air tickets with Gol that yielded a higher rate than the tranches that are still being consumed.

Net exchange variation: the exchange rate variation result is mainly caused by the effect of the local currency fluctuation in the *accounts payable* heading denominated in dollars and is related to the cost of issuing international air tickets.

Income tax and social contribution: in this quarter, the Company reviewed its income tax and Social contribution basis from previous periods. As a result of this revision, the effective tax rate was 25,0%.

Net income: Smiles Fidelidade's net income totaled R\$155.7 million in 2Q19, a 36.4% rise in comparison to 2Q18.

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

Tranche	Contract	Data	Balance (R\$ Mn)	Rate (per year)
Single tranche	5º Contract	Sep-18	67.8	7.38%
Single tranche	6º Contract	Sep-18	96.8	7.38%
Tranche I	7º Contract	Sep-18	210.7	7.38%
Tranche II	7º Contract	Oct-18	262.8	7.39%
Tranche III	7º Contract	Nov-18	156.4	7.39%
Tranche I	8º Contract	Apr-19	102.5	7.39%
Tranche I	9º Contract	Jun-19	84.1	7.39%
Total			981.2	7.39%

Income Statement – IFRS 15

Income statement (R\$ thousand)	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Net revenues	277,963	240,567	198,125	15.5%	40.3%
Operational costs	(21,067)	(17,224)	(14,622)	22.3%	44.1%
Gross profit	256,896	223,343	183,503	15.0%	40.0%
<i>gross margin</i>	92.4%	92.8%	92.6%	(0.4 p.p.)	(0.2 p.p.)
Operating expenses	(82,234)	(57,654)	(53,029)	42.6%	55.1%
Selling expenses	(35,194)	(28,167)	(28,695)	24.9%	22.6%
Administrative expenses	(47,040)	(30,401)	(24,334)	54.7%	93.3%
Other expenses/revenues	-	914	-	n/a	n/a
Operating profit	174,662	165,689	130,474	5.4%	33.9%
<i>operating margin</i>	62.8%	68.9%	65.9%	(6.0 p.p.)	(3.0 p.p.)
Financial income	32,997	34,066	38,071	(3.1%)	(13.3%)
Financial revenues	31,341	34,908	42,298	(10.2%)	(25.9%)
Financial expenses	(1,016)	(862)	(132)	17.9%	669.7%
Exchange variation, net	2,672	20	(4,095)	n/a	(165.3%)
EBT	207,659	199,755	168,545	4.0%	23.2%
Income and social contribution taxes	(51,941)	(57,841)	(54,387)	(10.2%)	(4.5%)
Net income	155,718	141,914	114,158	9.7%	36.4%
<i>Net margin</i>	56.0%	59.0%	57.6%	(3.0 p.p.)	(1.6 p.p.)

Balance Sheet

Balance Sheet (R\$ thousand)	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Assets	2,476,578	2,717,120	2,058,860	(8.9%)	20.3%
Current	2,383,694	2,580,489	1,835,193	(7.6%)	29.9%
Cash and cash equivalents	14,396	688,573	281,299	(97.9%)	94.9%
Short-term investments	763,844	354,592	450,433	115.4%	69.6%
Trade receivable	461,780	355,836	391,858	29.8%	17.8%
Advances to suppliers	981,182	1,063,949	685,316	(7.8%)	43.2%
Recoverable current Taxes	22,617	-	-	n/a	n/a
Recoverable Taxes	90,896	85,590	-	6.2%	n/a
Other credits and values	48,979	31,949	26,287	53.3%	86.3%
Noncurrent assets	92,884	136,631	223,667	(32.0%)	(58.5%)
Judicial deposits and blocked escrows	18,514	18,273	16,945	1.3%	9.3%
Deferred taxes	-	-	170,220	n/a	n/a
Recoverable Taxes	29,900	71,652	-	(58.3%)	n/a
Property, plant and equipment	5,293	5,287	2,783	0.1%	90.2%
Intangible	39,177	41,419	33,719	(5.4%)	16.2%
Liabilities	2,476,578	2,717,120	2,058,860	(8.9%)	20.3%
Current	1,126,799	1,255,934	1,057,723	(10.3%)	6.5%
Suppliers	135,694	125,715	145,844	7.9%	(7.0%)
Salaries	13,210	19,294	11,844	(31.5%)	11.5%
Dividends and interest on equity payable	-	139,229	9,089	(100.0%)	(100.0%)
Current tax obligations	13,231	-	-	n/a	n/a
Taxes Payable	9,314	-	-	n/a	n/a
Tax Obligations	-	26,931	16,213	(100.0%)	(100.0%)
Related companies	26,272	17,292	15,479	51.9%	69.7%
Advances from customers	11,409	48,492	52,112	(76.5%)	(78.1%)
Deferred revenues	911,676	871,997	805,558	4.6%	13.2%
Other liabilities	5,993	6,984	1,584	(14.2%)	278.3%
Noncurrent liabilities	337,909	321,337	222,740	5.2%	51.7%
Provision for legal proceedings	24,981	22,878	17,151	9.2%	45.7%
Deferred revenues	217,366	218,697	205,555	(0.6%)	5.7%
Deferred taxes	93,102	77,013	-	20.9%	n/a
Other liabilities	2,460	2,749	34	(10.5%)	n/a
Shareholder's equity	1,011,870	1,139,849	778,397	(11.2%)	30.0%
Capital stock	254,610	254,610	44,874	0.0%	467.4%
Capital To Subscribe	-	-	-	n/a	n/a
(-) Cost of issued shares	-	-	(1,107)	n/a	(100.0%)
Capital reserve	271,628	271,628	481,628	0.0%	(43.6%)
Profit Reserve	202,703	202,703	8,621	0.0%	n/a
Additional dividends proposed	-	284,471	-	(100.0%)	n/a
Share-based payment	3,246	2,472	296	31.3%	996.6%
Retained earnings	279,683	123,965	244,085	125.6%	14.6%

Statement of cash flows

Statement of cash flows (R\$ thousand)	2Q19	1Q19	2Q18	2Q19 vs. 1Q19 (%)	2Q19 vs. 2Q18 (%)
Net Income	155,718	141,914	114,158	9.7%	36.4%
Share-based payments	774	811	38	(4.6%)	n/a
Deferred income and social contribution taxes	16,088	20,024	16,440	(19.7%)	(2.1%)
Provision for legal proceedings	4,022	4,337	3,071	(7.3%)	31.0%
Depreciation and amortization	5,753	5,434	4,421	5.9%	30.1%
Discounts in advance ticket purchases	(18,384)	(22,325)	(32,921)	(17.7%)	(44.2%)
Exchange variations, net	1,086	(1,307)	(4,124)	(183.1%)	(126.3%)
Reversal of (allowance for) doubtful accounts	(15)	35	16	(142.9%)	(193.8%)
Profit sharing	3,989	3,611	3,054	10.5%	30.6%
Write-off of property, plant and equipment and intangible assets	138	-	95	n/a	45.3%
Other Provisions	247	-	-	n/a	n/a
Trade receivables	(105,881)	2,964	(13,779)	n/a	668.4%
Advances to suppliers	101,151	254,453	219,058	(60.2%)	(53.8%)
Recoverable taxes	13,829	66,060	2,346	(79.1%)	489.5%
Other credits (obligations)	(18,924)	(12,192)	(1,461)	55.2%	n/a
Suppliers	8,616	(2,175)	18,939	(496.1%)	(54.5%)
Salaries	(10,073)	(13,001)	357	(22.5%)	n/a
Advances from customers	(37,083)	(112,812)	(23,028)	(67.1%)	61.0%
Deferred revenue	38,348	69,899	76,531	(45.1%)	(49.9%)
Taxes obligations	28,629	27,793	22,658	3.0%	26.4%
Lawsuits and labor claims	(1,919)	(2,573)	(1,694)	(25.4%)	13.3%
Related-party transactions	8,980	(19,996)	(10,188)	(144.9%)	(188.1%)
Income and social contribution taxes paid	(32,515)	(21,559)	(39,211)	50.8%	(17.1%)
Judicial deposits and blocked escrows	(241)	(271)	(270)	(11.1%)	(10,7%)
Interests Paid	-	-	-	n/a	n/a
Net cash flows from (used in) operating activities	162,333	389,124	354,506	(58.3%)	(54.2%)
Acquisition of property, plant and equipment and intangible assets	(3,287)	(6,521)	(1,418)	(49.6%)	131.8%
Short-term investments	(409,252)	29,868	91,217	n/a	n/a
Net cash flows used in investing activities	(412,539)	23,347	89,799	n/a	n/a
Share Capital	-	843	-	(100.0%)	n/a
Capital Increase	-	843	-	(100.0%)	n/a
Capital Decrease	-	-	-	n/a	n/a
Interest on equity paid and dividends paid	(424,200)	(16,074)	(451,042)	n/a	(6.0%)
Net cash flows from (used in) financing activities	(424,200)	(15,231)	(451,042)	n/a	(6.0%)
Effect of exchange variation on cash and cash equivalents	229	483	(3,062)	(52.6%)	(107.5%)
Net increase (decrease) in cash and cash equivalents	(674,177)	397,723	(9,799)	(269.5%)	n/a
Cash and cash equivalents at the beginning of the period	688,573	290,850	291,098	136.7%	136.5%
Cash and cash equivalents at the end of the period	14,396	688,573	281,299	(97.9%)	94.9%

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.