

Barueri, July 28, 2020 – Smiles Fidelidade S.A. (B3: SMLS3) one of the largest loyalty programs in Brazil with over 17 million members, announces its 2Q20 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.

OPERATIONAL AND FINANCIAL HIGHLIGHTS IN THE PERIOD

Smiles Fidelidade S.A.

B3: SMLS3
 Novo Mercado
 Share price: R\$ 14,71
 Number of shares: 124.158.953
 Market Cap: R\$ 1,82 bi
 (closing date: 07/27/2020)

www.smiles.com.br/ri

2Q20 Conference Call

July 29, 2020

In Portuguese and English:

(Simultaneous translation)

11 a.m. (Brasília time)

10 a.m. (US EST)

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[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

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 Investor Relations Officer

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- Total cash flow generation - R\$ 328,4 million in 2Q20 – despite the strong effect of the Covid-19 pandemic.
- 95% growth in air ticket issuance and 45% drop in cancellations between April and June 2020. By the end of the quarter, we had already reached about 50% of ticket issuances compared to the same period of 2019.
- Reduction of Gross Billings in the annual comparison of 53%, but with a clear upward bias throughout the quarter, with an evolution of 54.8% in the period between April and June. In June, Gross Billings reached 58% of the result recorded in the same month of 2019.
- 68.8% increase in redemptions at Shopping Smiles between April and June.
- Drop of 48.8% in operating expenses, reflecting a constant discipline with costs and a lean structure, with a stable workforce of 148 employees.
- The Direct Redemption Margin increased 10.3 p.p. to 37% in 2Q20 versus 26.7% in 1Q20.

General Information	Unit	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
<i>Participants of the program</i>	thousands	17,657	17,501	16,198	0.9%	9.0%
<i>Employees</i>	-	148	147	142	0.7%	4.2%
<i>Total gross turnover²</i>	R\$ mi	321.7	629.2	684.3	-48.9%	-53.0%
<i>Net revenues*</i>	R\$ mi	56.5	171.3	278.0	-67.0%	-79.6%
<i>EBITDA¹</i>	R\$ mi	-6.2	86.0	180.4	-107.2%	-103.4%
<i>EBITDA¹ Margin</i>	%	-11%	50.2%	64.9%	(61.2 p.p.)	(75.9 p.p.)
<i>Net income</i>	R\$ mi	-0.4	56.3	155.7	-100.7%	-100.3%
<i>Net margin</i>	%	-0.6%	32.8%	56.0%	(33.4 p.p.)	(56.6 p.p.)
<i>Net income (ex-extraordinary)**</i>	R\$ mi	-0.4	71.0	155.7	-100.6%	-100.3%
<i>Net margin</i>	%	-0.6%	36.6%	56.0%	(37.2 p.p.)	(56.6 p.p.)

1. EBITDA is not an accounting measure prepared by the Company, reconciled with its financial statements. The 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 participants.

* Considers the new IFRS 15 accounting presentation.

** Excludes the extraordinary effects of 1Q20.

Message from Management

The storm caused by the covid-19 pandemic has affected business directions across the globe. But few sectors of the economy have been as deeply challenged in recent months as travel and tourism. Traveling means having mobility, having the freedom to go anywhere, anytime. The new coronavirus has made this temporarily harder.

For a company like Smiles, this was -- and still is -- the time to show resilience. This is the time to show that we are capable of adapting to the worst-case scenario. We are doing it by placing, as we always do, the client in the core of our strategy.

The result of these efforts can be seen in the evolution of our figures throughout this difficult second quarter of 2020. Month after month, day after day, we were able to witness the improvement of a scenario that, for many, seemed apocalyptic. We continue to rely on our greatest asset -- our customer's trust -- and to be a company with strong cash flow generation. Between April and June, months that marked the critical point of the pandemic -- we managed to generate a total cash flow of R\$328.4 million.

Smiles is an extremely lean -- and fast company. In the first days of the crisis, we mobilized to solve our clients' most immediate problems. We established online cancellation for GOL flights with tax exemption and miles return, developed a page on our website with all the necessary information for cancellation and services rebooking, extended the validity of the categories until March 2022 and reinforced the assistance across 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 way and rest easy to plan their trips. At the beginning of April, 2020 we launched the "*Reserve Agora, Decida Depois*" (Book Now, Decide Later) campaign, which allows trips to be confirmed up to 60 days before the date of departure. The results have been encouraging -- we saw the number of redemption transactions accelerate between April and June 2020.

Additionally, we keep promoting our products: the cobranded card, *Clube Smiles*, as well as special offers with our partners of Shopping Smiles, our E-commerce platform, which grew 68.8% in the redemptions on this quarter. In July, we launched a new version of the co-branded card, that starts to have the brands Smiles and GOL and offer the biggest miles accrual of the market when combined with other Smiles products. Therefore, we strengthen the entire ecosystem.

As part of the chain of solidarity that emerged after the pandemic, Smiles donated 10 million miles to six NGOs working with communities strongly affected by the economic crisis. And, through *Milhas do Bem* program, it encouraged its customers to do the same: allocate part of their earned miles to help others. The donated miles are turned into food, hygiene kits and online activities. By the end of June, almost 60 million miles had been donated -- an unprecedented mark.

Our Contingency Committee established since the beginning of the crisis, continues to closely monitor information about the effects of the pandemic in Brazil and worldwide. And Smiles remains strong and committed to being the best option on the market when this is all finally over.

Subsequent events

On July 6th, 2020, Smiles announced the acquisition of R\$ 1.2 billion in tickets from GOL, with counterparts in important commercial benefits for the company for the next three years. Besides, the contractual conditions provide for the monetary adjustment at a variable rate equivalent to 115% of the CDI (while they are not used in the purchase of airline tickets). The transaction was approved by Smiles' Independent Committee, as well as by the Boards of Directors of both companies. The main conditions negotiated were:

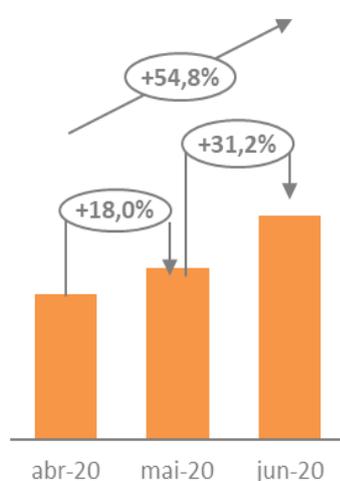
- 11% discount on the standard fare until the end of 2020 and guarantee of a substantial promotional inventory of tickets to Smiles until June 2023. These two items, together with the monetary adjustment aforementioned will represent an estimated R\$ 85 million in net present value for Smiles, equivalent to a return rate of 8.3% per year.
- Creation of a shared product, which will allow GOL clients to use Smiles miles to pay boarding fees, directly on GOL's website.
- New conditions for co-branded cards.
- Maintenance of the right to operate the Smiles Club, until 2032.

Financial Performance

Summary of Financial Information	Unit	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Gross Billings¹	R\$ mi	321.7	629.2	684.3	-48.9%	-53.0%

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.

Monthly Evolution of Gross Billings



Gross Billings: Total gross revenues in 2Q20 totalized R\$ 321.7 million versus R\$ 629.2 million in 1Q20, a decrease of 48.9%, mainly as a result of the effect of reduced air ticket sales and everything else related to travel. Consequently, this affected the forms of miles accrual such as Smiles & Money and airline partners. The lack of visibility regarding travel consumption and the lower generation of miles per dollar due to the devaluation of the exchange rate resulted in a lower volume of miles transferred from our partners. Even so, Gross Billings showed an important recovery of 54.8% between the months of June and April. In June, Gross Billings reached 58% of the result registered in the same month of 2019.

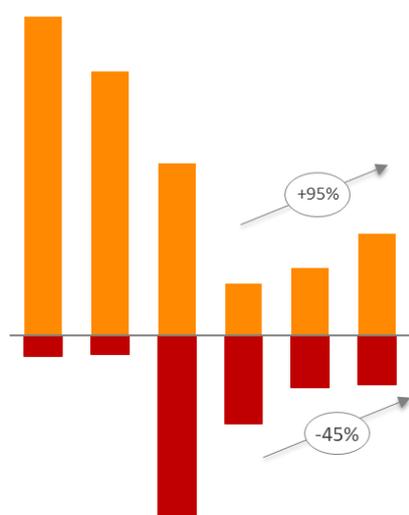
Revenues (R\$ million) *	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Revenue	112.5	474.4	651.8	(76.3%)	(82.7%)
Redemption Revenue	75.7	382.6	587.2	(80.2%)	(87.1%)
Breakage Revenue	36.4	84.0	58.4	(56.7%)	(37.7%)
Other Revenues	0.4	7.8	6.2	(94.9%)	(93.5%)
Cost of Services	(47.9)	(286.1)	(346.4)	(83.3%)	(86.2%)
Airline Tickets	21.4	(250.8)	(312.5)	(108.5%)	(106.8%)
Mixed Products	(69.3)	(35.3)	(33.9)	96.3%	104.4%
Gross Revenue	64.6	188.3	305.5	(65.7%)	(78.9%)
Taxes and Contributions	(8.0)	(16.9)	(27.5)	(52.7%)	(70.9%)
Net Revenue	56.6	171.3	278.0	(67.0%)	(79.6%)
Operating Costs	(28.1)	(24.0)	(21.2)	17.1%	33.2%
Gross Profit	28.5	147.3	256.9	(80.7%)	(88.9%)

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

Net Revenue: In 2Q20, Net Revenue fell 67% versus 1Q20 and 79.6% when compared to the same quarter last year. The Net Revenue variation in this period is substantially explained by the effects of Covid-19, with restrictions imposed on the travel and tourism sector. Redemption revenues were reduced 80% because of travel cancellations (airline tickets, hotels, car rentals, etc.). Redemptions on other products - such as Shopping Smiles - evolved in the period, increasing their representativeness, but were not able to compensate for the decrease in airline tickets.

The evolution of Net Revenue between April and June, however, clearly shows a recovery. During this period, ticket issuances grew 95% and cancellations fell 45%, as shown in the chart below:

Issued Tickets Evolution



Jan-20 Feb-20 Mar-20 Abr-20 Mai-20 Jun-20

Breakage revenues decreased 56.7% when compared to 1Q20 and 37.7% when compared to the same quarter last year. This was due to the lower volume of accruals and redemptions and some initiatives during the pandemic including the bonus miles campaigns valid for 12 months. The breakage rate in the quarter was 16.29% versus 15.78%.

Other Revenues: Other revenues totaled R\$0.4 million in 2Q20 versus R\$7.8 million in 1Q20, a decrease of 94.9% in the quarter and 93.5% compared to the same period in 2019. This item is mainly made up of cancellation fees and Gol's loyalty program management fees. During this period, this drop occurred due to the exemption from charging cancellation fees due to the pandemic.

Management Presentation (R\$ million)	Redemption Results ¹	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Revenue	> Redemption Revenue (b)	76.1	390.4	593.4	(80.5%)	(87.2%)
Revenue		76.1	390.4	593.4	(80.5%)	(87.2%)
(-) Direct Taxes						
Cost of Services	> Redemption Costs	(47.9)	(286.1)	(346.4)	(83.3%)	(86.2%)
(-) Redemption Costs		(47.9)	(286.1)	(346.4)	(83.3%)	(86.2%)
(+) Credits with Direct Taxes						
Gross Revenue	Gross Redemption Result (a)	28.2	104.3	270.0	(73.0%)	(88.6%)
(-) Interest over Spread		(2.6)	(9.6)	(22.9)	(72.9%)	(88.6%)
(=) Net Revenue	Net Redemption Result	25.6	94.6	224.2	(72.9%)	(88.6%)
% Direct Redemption Margin	=a)/(b)	37.0%	26.7%	41.6%	10.3 p.p.	(4.6 p.p.)
% Pro Forma Direct Redemption Margin	=a)/(b)	37.0%	30.7%	41.6%	6.3 p.p.	(4.6 p.p.)

1. Net result of managerial redemptions: Gross redemption revenue considers other income related to the redemption that are recorded in "Other income".

Direct Redemption Margin: The Direct Redemption Margin went up by 10.3p.p. to 37% in 2Q20 versus 26.7% in 1Q20 (or 30.7% if considered the *pro-forma* Direct Redemption Margin, adjusted by the provision for cancellations of R\$22.3 million, as disclosed in 1Q20). In comparison with the same period last year, the Direct Redemption Margin fell by 4.6 p.p. The increase in the Direct Redemption Margin in the quarter is the result of lower airline ticket redemptions due to the pandemic time and consequently lower costs. There is also the result of the strong growth in redemptions of other products such as Shopping Smiles, which offer good margins.

Operating Expenses (R\$ million)	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Operating Expenses	(42.1)	(68.8)	(82.2)	(38.8%)	(48.8%)
Selling Expenses	(19.1)	(33.3)	(35.1)	(42.6%)	(45.6%)
Administrative Expenses	(23.2)	(39.0)	(47.0)	(40.5%)	(50.6%)
Other Expenses/Revenues	0.3	3.5	-	-91.2%	-

Operating Expenses: Operating expenses in 2Q20 decreased by 38.8% when compared to 1Q20 and 48.8% compared to the same period in 2019, reflecting a constant discipline with costs and lean employee structure.

Business expenses decreased by 42.6% in the quarter due to the migration of S&M redemption transactions to 100% miles, thus generating savings in MDR card, customized marketing campaigns to customers and also the adoption of intelligent and automated call center and online (app and website) management. Administrative expenses, which are comprised of personnel, services provision, consultancy and other expenses, decreased by 40.5% in 1Q20 and 50.6% when compared to 2Q19.

Other Information (R\$ Million)	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Net Financial Result	21.3	9.9	32.9	114.1%	(35.3%)
Financial Revenues	21.9	22.6	31.3	(2.7%)	(29.9%)
Financial Expenses	(1.3)	(9.8)	(1.0)	(87.1%)	25.4%
Net Exchange Rate Variation	0.6	(2.8)	2.7	(123.2%)	(76.0%)
Income Tax & Social Contribution	(8.0)	(32.2)	(51.9)	(75.0%)	(84.5%)

Financial Result: Net financial income increased by 114.1% in 2Q20 when compared to 1Q20 and decreased by 35.3% year-on-year. The financial income increase in the quarter is due to the recovery in the performance of investment funds that were affected by the Covid-19 pandemic. If we compare 2Q20 with the same period of 2019, there was a drop in the financial income largely due to the drop in the basic interest rate from 6.50% to 2.25% p.a. in the period.

Net Exchange Rate Variation: The result of R\$0,6 million in 2Q20 versus a negative exchange variation of R\$2.8 million in 1Q20 is mainly due to the effect of the local currency fluctuation of the local currency in the item "accounts payable", denominated in US dollars and related to the cost of issuing international air tickets.

Net Income: The income for the quarter was a loss of - R\$0.4 million, compared to a profit of R\$56.3 million in 1Q20 and R\$155.7 million in the same period of 2019. Excluding extraordinary effects in 1Q20, net Income fell by 100.6% in the quarter and by 100.2% versus the same period of the previous year.

Balance of Advances to Suppliers: The balance breakdown of "Advance to Suppliers" in the quarter is shown in the table below:

Agreement	Tranche	Date	Balance (06/30/2020)	Rate (p.a.)
8th Agreement	Single Tranche	Apr-19	77.6	7.39%
9th Agreement	Single Tranche	Jun-19	90.4	7.39%
10th Agreement	Single Tranche	Aug-19	115.8	7.39%
11th Agreement	Single Tranche	Sep-19	218.0	6.21%
12th Agreement	Single Tranche	Dec-19	245.3	5.66%
13th Agreement	Single Tranche	Mar-20	314.7	4.79%
14th Agreement	Single Tranche	Mar-20	117.5	4.79%
Total			1,179.3	5.86%

Income Statement - IFRS

Income Statement (R\$ Million)	2Q20	2Q19	1Q20	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Net Revenue	56.6	278.0	171.3	-67.0%	-79.7%
Cost of Services	-28.1	-21.1	-24.0	16.9%	33.2%
Gross Profit	28.5	256.9	147.3	-80.7%	-88.9%
<i>Gross Margin</i>	<i>50.0%</i>	<i>92.4%</i>	<i>86.0%</i>	<i>-36.0 p.p.</i>	<i>-42.4 p.p.</i>
Operating Expenses	-42.1	-82.2	-68.8	-38.8%	-48.8%
Selling Expenses	-19.2	-35.2	-33.3	-42.3%	-45.5%
Administrative Expenses	-23.3	-47.0	-39.1	-40.4%	-50.6%
Other Expenses/Revenues	0.3	-	3.5	-91.2%	-
Operating Profit	-13.6	174.7	78.5	-117.4%	-107.8%
Operating Margin	24.1%	62.8%	45.8%	-69.9 p.p.	-86.9 p.p.
Net Financial Result	21.3	33.0	10.0	114.1%	-35.3%
Financial Revenues	22.0	31.3	22.6	-2.7%	-29.9%
Financial Expenses	-1.3	-1.0	-9.9	-87.1%	25.4%
Net Exchange Rate Change	0.6	2.7	-2.8	-123.2%	-76.0%
EBIT	7.7	207.7	88.5	-91.3%	-96.3%
Income Tax and Social Contribution	-8.1	-51.9	-32.2	-75.0%	-84.5%
Net Income	-0.4	155.7	56.3	-100.6%	-100.2%
Net Margin	-0.6%	56.0%	32.8%	-33.4 p.p.	-56.60 p.p.

Balance Sheet

Balance Sheet (R\$ Million)	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Assets	3.217,7	3.035,4	2.476,6	6.0%	29.9%
Current Assets	2.456,4	2.485,0	2.383,7	(1.2%)	3.10%
Cash and Cash Equivalents	112,8	110,8	14,4	1.8%	683.9%
Financial Investments	1.374,3	1.047,5	763,8	31.2%	79.9%
Accounts Receivable	289,2	427,3	461,8	(32.3%)	(37.4%)
Advances to Suppliers	562,4	789,3	981,2	(28.8%)	(42.7%)
Taxes and Contributions	82,4	59,8	90,9	37.9%	(9.4%)
Other Credits and Amounts	35,4	50,3	49,0	(29.7%)	(27.8%)
Non-current Assets	761,2	550,4	92,9	38.3%	719.5%
Judicial Deposits	25,1	18,2	18,5	37.3%	35.4%
Deferred Taxes	-	3,5	-	-	-
Advances to Suppliers	618,8	393,6	-	57.2%	-
Taxes and Contributions Recoverable	47,6	76,5	29,9	(37,8%)	59,2%
Property, Plant & Equipment	-	-	-	-	-
Intangible Assets	51,8	54,2	39,2	(4,4%)	32,3%
Liabilities	3.217,7	3.035,4	2.476,6	6,0%	29,9%
Current Liabilities	1.466,0	1.359,0	1.126,8	7,9%	30,1%
Suppliers	98,6	105,6	135,7	(6,6%)	(27,3%)
Labor Law Obligations	14,4	9,6	13,2	50,2%	9,2%
Dividends and IOE Payable	103,7	103,7	-	-0,0%	-
Income Tax and Social Contribution Payable	-	-1,1	13,2	-	-
Taxes and Contributions Collectable	5,3	2,3	9,3	128,2%	(42,8%)
Obligations with Related Companies	3,9	6,2	26,3	(37,4%)	(85,2%)
Advances from Clients	8,1	12,2	11,4	(33,8%)	(29,2%)
Deferred Revenue	1.229,7	1.118,8	911,7	9,9%	34,9%

Other Liabilities	2,2	1,8	6,0	24.3%	(63.1%)
Non-current Liabilities	489,9	414,5	337,9	18.2%	45.0%
Provisions for Lawsuits	28	29,1	25,0	(3.3%)	12.7%
Deferred Revenue	300	218,2	217,4	37.3%	37.8%
Deferred Taxes	160,8	165,5	93,1	(2.9%)	72.7%
Other Liabilities	1,3	1,7	2,5	(19.2%)	(45.7%)
Shareholders' Equity	1.261,8	1.262,0	1.011,9	(0,0%)	24.7%
Share Capital	254,6	254,6	254,6	0,0%	0,0%
Capital Reserves	277,6	277,0	271,6	0.2%	2.2%

Cash Flow Statement

Statement of Cash Flows	2Q20	1Q20	2Q19	2Q20 vs. 1Q20 (%)	2Q20 vs. 2Q19 (%)
Net Profit	(350)	56,252	155,718	-100,6%	-100,2%
Share-Based Payments	597	598	774	-0,2%	-22,9%
Deferred Taxes	(1,525)	9,366	16,088	-116,3%	-109,5%
Provision for Tax, Civil and Labor Lawsuits	4,435	5,239	4,022	-15,3%	10,3%
Depreciation and Amortization	7,385	7,497	5,753	-1,5%	28,4%
Discounts Obtained	(16,373)	(14,482)	(18,384)	13,1%	-10,9%
Cash and Foreign Exchange Variations, Net	7,609	(5,323)	1,086	-242,9%	600,6%
Variations in financial investments	(459)	(5,323)	-	-91,4%	0,0%
Other Labor Provisions	5,243	(1)	3,989	-524400,0%	31,4%
Provision for Profit Sharing	-	4,021	-	-100,0%	0,0%
Sale of fixed assets	-	-	138	0,0%	-100,0%
Other provisions	(1,005)	(103)	247	875,7%	-506,9%
Accounts Receivable	138,983	66,073	(105,881)	110,3%	-231,3%
Advances to Suppliers	18,228	(196,614)	101,151	-109,3%	-82,0%
Taxes Recoverable	6,319	6,302	13,829	0,3%	-54,3%
Other Credits/Obligations	(4,130)	(17,402)	(11,120)	-76,3%	-62,9%
Suppliers	(11,374)	(9,260)	8,616	22,8%	-232,0%
Labor Law Obligations	(421)	(12,586)	(10,073)	-96,7%	-95,8%
Advances from Clients	(3,919)	486	(37,083)	-906,4%	-89,4%
Deferred Revenue	192,385	160,546	38,348	19,8%	401,7%
Tax Obligations	4,184	18,409	28,629	-77,3%	-85,4%
Lawsuits	(5,403)	(3,114)	(1,919)	73,5%	181,6%
Credits with Related Parties	1,573	(22,681)	1,176	-106,9%	33,8%
Income Tax and Social Contribution Paid	(82)	(26,428)	(32,515)	-99,7%	-99,7%
Court Deposits and Blocks	(6,814)	(1,682)	(241)	305,1%	2727,4%
Net Operating Cash Flow	335,086	19,790	162,348	1593,2%	106,4%
Acquisition of fixed and intangible assets	(4,607)	(13,087)	(3,287)	-64,8%	40,2%
Financial Investment	(245,964)	(241,810)	(409,252)	1,7%	-39,9%
Investing Activities cash flow	(250,571)	(254,897)	(412,539)	-1,7%	-39,3%
Dividends Paid	-	-	(408,350)	0,0%	-100,0%
Interest on Shareholders' Equity and Dividends	-	(29,816)	(16,074)	-100,0%	-100,0%
Net Cash from Financing Activities	-	(29,816)	(424,424)	-100,0%	-100,0%
Effects of Exchange Rate Change on Cash and Cash Equivalents	(2,121)	2,212	483	-195,9%	-539,1%
Net Cash Increase	82,394	(262,711)	(674,132)	-131,4%	-112,2%
Cash and Cash Equivalents at the Beginning of the Period	30,458	287,846	688,573	-89,4%	-95,6%
Cash and Cash Equivalents at the End of the Period	112,852	25,135	14,441	349,0%	681,5%

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 airlines partners, 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 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.