

Individual and consolidated quarterly information

Smiles Fidelidade S.A.

June 30, 2020

with review report of independent auditors

Smiles Fidelidade S.A.

Individual and consolidated quarterly information form (ITR) June 30, 2020

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Comments on performance

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 March 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.

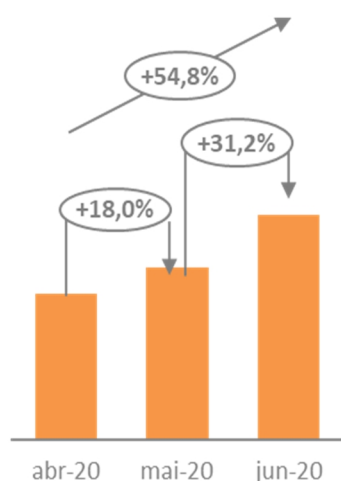
Our Contingency Committee established since the beginning of the crisis, continues to closely monitor information about the effects of the pandemic in Brazil and worldwide. And Smiles remains strong and committed to being the best option on the market when this is all finally over.

Financial performance

| Summary of Financial Information | Unit | 2Q20 | 1Q20 | 2Q19 | 2Q20 vs. 1Q20 (%) | 2Q20 vs. 2Q19 (%) |
|----------------------------------|--------|-------|-------|-------|-------------------|-------------------|
| Gross Billings ¹ | 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 totaled 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.

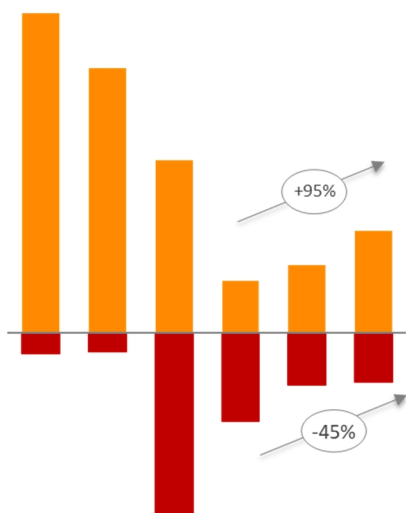
| Revenues (R\$ million) * | 2Q20 | 1Q20 | 2Q19 | 2Q20 vs. 1Q20 (%) | 2Q20 vs. 2Q19 (%) |
|--------------------------|--------|---------|---------|-------------------|-------------------|
| Revenue | 112.5 | 474.4 | 651.8 | (76.3%) | (82.7%) |
| Redemption Revenue | 75.7 | 382.6 | 587.2 | (80.2%) | (87.1%) |
| 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%) |

* Managerial table in order to demonstrate revenues and costs related to 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 (R\$ million) | Presentation | 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 | - | -91.22% | - |

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\$ MM) | 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 non-recurring 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% |

Audit Committee's Report

Smiles Fidelidade S.A.'s Audit Committee, in compliance with its legal and statutory obligations, has reviewed the individual and consolidated quarterly information for the period ended June 30, 2020. Based on the procedures we have undertaken and the information and explanations we received during the period, and taking into account the independent auditors' review report issued by Grant Thornton Auditores Independentes on July 28, 2020, we consider that these documents are fit to be submitted for consideration by the Board of Directors.

Barueri, July 28, 2020.

Constantino de Oliveira Junior
Member of the Audit Committee

Leonardo Porciuncula Gomes Pereira
Member of the Audit Committee

Natan Szuster
Member of the Audit Committee

Declaration of the officers on the individual and consolidated quarterly information

In compliance with the provisions of CVM Instruction 480/09, the Executive Board declares that it has discussed, reviewed and approved the individual and consolidated quarterly information form - ITR for the period ended June 30, 2020.

Barueri, July 28, 2020.

André Fehlauer
Chief Executive Officer

Hugo Reis de Assumpção
Chief Financial and Investor Relations Officer

Murilo Cintra Grassi
Statutory Officer

Declaration of the officers on the independent auditors' report

In compliance with the provisions of CVM Instruction 480/09, the Executive Board declares that it has discussed, reviewed and approved the opinion expressed in the independent auditors' report issued by Grant Thornton Auditores Independentes, on their review of the individual and consolidated quarterly information form - ITR for the period ended June 30, 2020.

Barueri, July 28, 2020.

André Fehlauer
Chief Executive Officer

Hugo Reis de Assumpção
Chief Financial and Investor Relations Officer

Murilo Cintra Grassi
Statutory Officer

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor's report on review of interim financial information

**Grant Thornton Auditores
Independentes**

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andar Itaim Bibi, São Paulo (SP) Brasil

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Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Gol Linhas Aéreas Inteligentes S.A. ("the Company"), comprised in the Quarterly Information Form for the quarter ended June 30, 2020, comprising the balance sheets as of June 30, 2020 and the respective statements of income and of comprehensive income for the three and six-month periods then ended, and of changes in shareholders' equity and of cash flows for the period of six months then ended, including the footnotes.

Management is responsible for the preparation of the individual interim financial information in accordance with the NBC TG 21 – Interim Financial Reporting and of the consolidated interim financial information in accordance with the NBC TG 21 and with the international standard IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB), such as for the presentation of these information in accordance with the standards issued by the Brazilian Exchange Securities Commission, applicable to the preparation of interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Review scope

We conducted our review in accordance with the Brazilian and International standards on reviews of interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). The review of interim information consists of making inquiries, primarily of persons responsible for the financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the audit standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information form referred to above has not been prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of interim financial information, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Emphasis of matter

Relevant uncertainty about going concern

We draw attention to Note 1, which mentions that the individual and consolidated interim financial information were prepared on the assumption of going concern. As described in the aforementioned note, the Company suffered recurring losses in operations and has a deficiency in net capital which, together with other events and conditions, indicates the existence of relevant uncertainty that may raise significant doubt as to its ability to continue as a going concern. Management's plans regarding these matters are described in Notes 1 and 39. The individual and consolidated interim financial information do not include any adjustments that may arise from the result of this uncertainty. Our conclusion is not qualified in relation to this matter.

Other matters

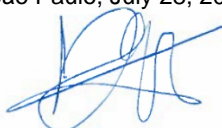
Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the period of three months ended March 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to the same review procedures in conjunction with the review of the Company's interim financial information in the order to conclude they are reconciliated to the interim financial information and to the accounting records, as applicable, and whether the structure and content are in accordance with the criteria established in the NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Audit and review of figures corresponding to the comparative year and period

The audit of the individual and consolidated financial statements for the year ended December 31, 2019 and the review of the individual and consolidated interim financial information for the three and six-month periods ended June 30, 2019 were conducted under the responsibility of other independent auditor, which issued an audit report and a review report thereon, without qualifications, on February 28, 2020 and July 31, 2019, respectively.

São Paulo, July 28, 2020



Daniel Gomes Maranhão Junior
Assurance Partner

Grant Thornton Auditores Independentes



Statements of financial position

As of June 30, 2020 and December 31, 2019
(In thousands of Brazilian reais - R\$)

| | | Parent Company | | Consolidated | |
|-------------------------------------|------|----------------|------------|--------------|------------|
| Assets | Note | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Current | | | | | |
| Cash and cash equivalents | 6 | 102,059 | 275,033 | 112,848 | 287,846 |
| Financial investments | 7 | 1,374,290 | 886,069 | 1,374,302 | 886,069 |
| Trade receivables | 8 | 287,412 | 491,326 | 289,200 | 493,022 |
| Advances to suppliers | 9 | 561,676 | 971,601 | 562,353 | 971,788 |
| Recoverable taxes and contributions | 10 | 60,044 | 93,694 | 63,372 | 93,939 |
| Other credits and amounts | | 31,569 | 30,965 | 35,352 | 30,784 |
| Total current assets | | 2,417,050 | 2,748,688 | 2,437,427 | 2,763,448 |
| Noncurrent | | | | | |
| Deferred taxes | 11 | - | - | - | 2,905 |
| Judicial deposits | 12 | 25,061 | 16,565 | 25,061 | 16,565 |
| Advances to suppliers | 9 | 618,761 | - | 618,761 | - |
| Recoverable taxes and contributions | 10 | 66,606 | 48,660 | 66,606 | 48,660 |
| Other credits and amounts | | 13,986 | - | 13,986 | - |
| Investments | 13 | 1,040 | 1,990 | - | - |
| Property, plant and equipment | 14 | 3,832 | 4,603 | 3,973 | 4,770 |
| Intangible assets | 15 | 51,844 | 48,235 | 51,844 | 48,235 |
| Total noncurrent assets | | 781,130 | 120,053 | 780,231 | 121,135 |
| Total assets | | 3,198,180 | 2,868,741 | 3,217,658 | 2,884,583 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statements of financial position

As of June 30, 2020 and December 31, 2019
(In thousands of Brazilian reais - R\$)

| | | Parent Company | | Consolidated | |
|---|------|----------------|------------|--------------|------------|
| Liabilities | Note | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Current | | | | | |
| Suppliers | 16 | 91,419 | 107,648 | 98,637 | 116,766 |
| Labor obligations | | 12,934 | 16,883 | 14,429 | 18,172 |
| Dividends and interest on shareholders' equity | 17 | 103,682 | 133,498 | 103,682 | 133,498 |
| Income tax and social contribution payable | | - | 3,700 | - | 3,796 |
| Taxes and contributions payable | | 5,266 | 5,332 | 5,324 | 5,445 |
| Related companies | 23,1 | 8,443 | 29,038 | 3,889 | 23,611 |
| Advances from customers | 18 | 4,864 | 9,411 | 8,073 | 11,706 |
| Deferred revenues | 19 | 1,212,818 | 996,962 | 1,229,710 | 1,003,768 |
| Other Liabilities | | 2,064 | 3,222 | 2,212 | 4,772 |
| Total current liabilities | | 1.441.490 | 1.305.694 | 1.465.956 | 1.321.534 |
| Noncurrent | | | | | |
| Provisions for tax, civil and labor contingencies | 20 | 28,113 | 26,987 | 28,144 | 26,987 |
| Deferred revenues | 19 | 299,618 | 172,629 | 299,618 | 172,629 |
| Provision for Investment Losses | 13 | 5,022 | - | - | - |
| Deferred taxes | 11 | 160,753 | 156,133 | 160,756 | 156,135 |
| Other Liabilities | | 1,337 | 1,963 | 1,337 | 1,963 |
| Total noncurrent liabilities | | 494,843 | 357,712 | 489,855 | 357,714 |
| Equity | | | | | |
| Capital stock | 21,1 | 254,610 | 254,610 | 254,610 | 254,610 |
| Capital reserves | | 277,615 | 276,420 | 277,615 | 276,420 |
| Profit reserves | | 674,243 | 472,743 | 674,243 | 472,743 |
| Equity valuation adjustments | | (523) | 62 | (523) | 62 |
| Additional dividend proposed | | - | 201,500 | - | 201,500 |
| Retained earnings for the period | | 55,902 | - | 55,902 | - |
| Total equity | | 1,261,847 | 1,205,335 | 1,261,847 | 1,205,335 |
| Total liabilities and equity | | 3,198,180 | 2,868,741 | 3,217,658 | 2,884,583 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statements of operations

Periods ended June 30, 2020 and 2019

(In thousands of Brazilian reais - R\$, except basic and diluted earnings per share)

| | | Parent Company | | | |
|---|------|--------------------------|------------|------------------------|------------|
| | | Three-month period ended | | Six-month period ended | |
| | Note | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Gross profit | | | | | |
| Net Revenue | 25 | 56,068 | 276,641 | 225,216 | 516,504 |
| Operating costs | 26 | (28,142) | (20,850) | (51,938) | (37,878) |
| Total gross profit | | 27,926 | 255,791 | 173,278 | 478,626 |
| Operating expenses | | | | | |
| Selling expenses | | (20,021) | (34,784) | (50,780) | (62,858) |
| Administrative Expenses | | (20,854) | (43,988) | (57,516) | (74,209) |
| Other revenue, net | | 173 | - | 3,669 | 914 |
| Total operating expenses | 26 | (40,702) | (78,772) | (104,627) | (136,153) |
| Equity income result | 13 | (4,491) | (2,424) | (5,818) | (2,256) |
| Operating profit (loss) before financial income and taxes | | (17,267) | 174,595 | 62,833 | 340,217 |
| Financial income (expenses) | | | | | |
| Financial revenues | | 21,944 | 31,341 | 44,507 | 66,249 |
| Financial expenses | | (1,069) | (981) | (10,616) | (1,843) |
| Exchange rate variation, net | | 864 | 2,577 | (3,891) | 2,585 |
| Total financial income (expenses) | 27 | 21,739 | 32,937 | 30,000 | 66,991 |
| Income before income and social contribution taxes | | 4,472 | 207,532 | 92,833 | 407,208 |
| Income and social contribution taxes | | | | | |
| Current | | (9,568) | (35,726) | (32,311) | (73,464) |
| Deferred | | 4,746 | (16,088) | (4,620) | (36,112) |
| Total income and social contribution taxes | 11,3 | (4,822) | (51,814) | (36,931) | (109,576) |
| Net income (losses) for the period | | (350) | 155,718 | 55,902 | 297,632 |
| Basic earnings (losses) per share | 24 | (0.003) | 1.254 | 0.450 | 2.398 |
| Diluted earnings (losses) per share | 24 | (0.003) | 1.254 | 0.450 | 2.398 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statements of operations

Periods ended June 30, 2020 and 2019

(In thousands of Brazilian reais - R\$, except basic and diluted earnings per share)

| | | Consolidated | | | |
|---|------|--------------------------|------------|------------------------|------------|
| | | Three-month period ended | | Six-month period ended | |
| | Note | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Gross profit | | | | | |
| Net Revenue | 25 | 56,558 | 277,963 | 227,889 | 518,530 |
| Operating costs | 26 | (28,051) | (21,067) | (52,053) | (38,291) |
| Total gross profit | | 28,507 | 256,896 | 175,836 | 480,239 |
| Operating expenses | | | | | |
| Selling expenses | | (19,184) | (35,194) | (52,442) | (63,361) |
| Administrative Expenses | | (23,259) | (47,040) | (62,312) | (77,441) |
| Other revenue, net | | 307 | - | 3,803 | 914 |
| Total operating expenses | 26 | (42,136) | (82,234) | (110,951) | (139,888) |
| Operating profit (loss) before financial income and taxes | | (13,629) | 174,662 | 64,885 | 340,351 |
| Financial income (expenses) | | | | | |
| Financial revenues | | 21,975 | 31,341 | 44,566 | 66,249 |
| Financial expenses | | (1,274) | (1,016) | (11,126) | (1,878) |
| Exchange rate variation, net | | 642 | 2,672 | (2,130) | 2,692 |
| Total financial income (expenses) | 27 | 21,343 | 32,997 | 31,310 | 67,063 |
| Income before income and social contribution taxes | | 7,714 | 207,659 | 96,195 | 407,414 |
| Income and social contribution taxes | | | | | |
| Current | | (9,589) | (35,853) | (32,452) | (73,670) |
| Deferred | | 1,525 | (16,088) | (7,841) | (36,112) |
| Total income and social contribution taxes | 11,3 | (8,064) | (51,941) | (40,293) | (109,782) |
| Net income (losses) for the period | | (350) | 155,718 | 55,902 | 297,632 |
| Basic earnings (losses) per share | 24 | (0.003) | 1.254 | 0.450 | 2.398 |
| Diluted earnings (losses) per share | 24 | (0.003) | 1.254 | 0.450 | 2.398 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statements of comprehensive income

Periods ended June 30, 2020 and 2019
(In thousands of Brazilian reais - R\$)

| | Parent Company and Consolidated | | | |
|--|---------------------------------|------------|------------------------|------------|
| | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Net income (losses) for the period | (350) | 155,718 | 55,902 | 297,632 |
| Other comprehensive income | (374) | - | (585) | - |
| Total comprehensive income (loss) for the period | (724) | 155,718 | 55,317 | 297,632 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statements of changes in equity

Periods ended June 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

| | Parent Company and Consolidated | | | | | | | |
|---|---------------------------------|-----------------|----------------------|----------------|--------------------------|-------------------------------|-------------------|-----------|
| | Capital reserve | | | Profit reserve | | Additional proposed dividends | Retained earnings | Total |
| | Capital stock | Capital reserve | Share-based payments | Legal reserve | Profit reserves retained | | | |
| Balances as of December 31, 2018 | 43,767 | 481,628 | 1,661 | 8,975 | 193,728 | (284,471) | - | 1.014.230 |
| Net income for the period | - | - | - | - | - | - | 297,632 | 297,632 |
| Total comprehensive income (loss) for the period | - | - | - | - | - | - | 297,632 | 297,632 |
| Adjustment of initial adoption of accounting standard – CPC 06 (R2) (IFRS 16), net of tax effects (*) | - | - | - | - | - | - | (541) | (541) |
| Capital increase | 210,000 | (210,000) | - | - | - | - | - | - |
| Capital increase for exercise of stock options | 843 | - | - | - | - | - | - | 843 |
| Share-based compensation | - | - | 1,585 | - | - | - | - | 1,585 |
| Additional dividends paid | - | - | - | - | - | (284,471) | - | (284,471) |
| Interest on equity distributed | - | - | - | - | - | - | (17,408) | (17,408) |
| Balances as of June 30, 2019 | 254,610 | 271,628 | 3,246 | 8,975 | 193,728 | - | 279,683 | 1.011.870 |

(*) On January 1, 2019, the Company adopted CPC 06 (R2) – “Leases”, which resulted in an initial adjustment to retained earnings of R\$541.

| | Note | Parent Company and Consolidated | | | | | | | | Total |
|--|------|---------------------------------|----------------------|------------------------|-----------------|--------------------------|----------------------------|-------------------------------|-------------------|-----------|
| | | Capital reserve | | | Profit reserves | | Other comprehensive income | Additional proposed dividends | Retained earnings | |
| | | Capital stock | Share-based payments | Other capital reserves | Legal reserve | Profit reserves retained | | | | |
| Balances as of December 31, 2019 | | 254,610 | 4,792 | 271,628 | 40,311 | 432,432 | 62 | 201,500 | - | 1.205.335 |
| Exchange variation on foreign investments | | - | - | - | - | - | (585) | - | - | (585) |
| Net income for the period | | - | - | - | - | - | - | - | 55,902 | 55,902 |
| Total comprehensive income (loss) for the period | | - | - | - | - | - | (585) | - | 55,902 | 55,317 |
| Profit reserves retained | | - | - | - | - | 201,500 | - | (201,500) | - | - |
| Share-based compensation | 22 | - | 1,195 | - | - | - | - | - | - | 1,195 |
| Balances as of June 30, 2020 | | 254,610 | 5,987 | 2.71.628 | 40,311 | 633,932 | (523) | - | 55,902 | 1.261.847 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statement of cash flows

Periods ended June 30, 2020 and 2019
(In thousands of Brazilian reais - R\$)

| | Parent Company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Net income for the period | 55,902 | 297,632 | 55,902 | 297,632 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Share-based compensation | 1,195 | 1,585 | 1,195 | 1,585 |
| Deferred income and social contribution taxes | 4,620 | 36,112 | 7,841 | 36,112 |
| Provision for tax, civil and labor risks | 9,643 | 8,359 | 9,674 | 8,359 |
| Depreciation and amortization | 14,856 | 10,779 | 14,882 | 11,187 |
| Discounts in advance ticket purchases | (30,855) | (40,709) | (30,855) | (40,709) |
| Foreign exchange variations, net | (1,283) | (534) | 2,286 | (221) |
| Variation in short-term investments | (459) | - | (459) | - |
| Allowance for (reversal of) doubtful accounts | (5) | 20 | (5) | 20 |
| Provision for labor obligations | 9,055 | 6,878 | 9,264 | 7,600 |
| Write-off of property, plant and equipment and intangible assets | - | 138 | - | 138 |
| Equity in net income of subsidiaries | 5,818 | 2,256 | - | - |
| Other adjustments | (638) | 247 | (1,108) | 247 |
| Adjusted net income | 67,849 | 322,763 | 68,617 | 321,950 |
| Changes in operating assets and liabilities | | | | |
| Trade receivables | 203,952 | (102,099) | 205,056 | (102,917) |
| Advances to suppliers | (177,981) | 355,604 | (178,386) | 355,604 |
| Recoverable taxes | 15,704 | 80,208 | 12,621 | 79,889 |
| Judicial deposits and blocked escrows | (8,496) | (512) | (8,496) | (512) |
| Other assets (liabilities) | (16,166) | (26,987) | (21,532) | (31,116) |
| Transactions with related companies | (20,595) | (6,676) | (21,108) | (11,016) |
| Suppliers | (15,363) | (1,144) | (20,634) | 6,441 |
| Labor obligations | (13,004) | (23,614) | (13,007) | (23,074) |
| Advances from customers | (4,547) | (149,895) | (3,433) | (149,895) |
| Deferred Revenue | 342,845 | 104,263 | 352,931 | 108,247 |
| Taxes | 22,566 | 56,236 | 22,593 | 56,422 |
| Tax, civil and labor lawsuits | (8,517) | (4,492) | (8,517) | (4,492) |
| Income tax and social contribution | (26,332) | (53,943) | (26,510) | (54,074) |
| Net cash generated in operating activities | 361,915 | 549,712 | 360,195 | 551,457 |
| Investing activities | | | | |
| Acquisition of fixed and intangible assets | (17,694) | (8,925) | (17,694) | (9,808) |
| Short-term investments, net | (487,762) | (97,468) | (487,774) | (379,384) |
| Capital increase in investee | - | (5,588) | - | - |
| Net cash used in investing activities | (505,456) | (111,981) | (505,468) | (389,192) |
| Financing activities | | | | |
| Capital increase for exercise of stock options | - | 843 | - | 843 |
| Dividends paid | - | (408,350) | - | (408,350) |
| Interest on equity paid, net of taxes | (29,816) | (31,924) | (29,816) | (31,924) |
| Net cash used in financing activities | (29,816) | (439,431) | (29,816) | (439,431) |
| Effect of exchange variation on cash and cash equivalents | 383 | 712 | 91 | 712 |
| Net increase (decrease) in cash and cash equivalents | (172,974) | (988) | (174,998) | (276,454) |
| Cash and cash equivalents at the beginning of the period | 275,033 | 8,371 | 287,846 | 290,850 |
| Cash and cash equivalents at the end of the period | 102,059 | 7,383 | 112,848 | 14,396 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



Statements of value added

Periods ended June 30, 2020 and 2019
(In thousands of Brazilian reais - R\$)

| | Parent Company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Revenues | | | | |
| Mileage redemption and breakage | 241,886 | 555,073 | 244,614 | 557,194 |
| Other operating revenues | 8,245 | 13,052 | 8,247 | 13,059 |
| (Additions to) and reversals of the allowance for doubtful accounts | 5 | (20) | 5 | (20) |
| Inputs acquired from third parties | | | | |
| Materials, energy, outsourced services and others | (74,383) | (74,628) | (76,119) | (75,877) |
| Sales and advertising | (31,514) | (35,563) | (33,164) | (36,023) |
| Gross value added | 144,239 | 457,914 | 143,583 | 458,333 |
| Retentions | | | | |
| Depreciation and amortization | (14,856) | (10,779) | (14,882) | (11,187) |
| Net value added produced by the Company | 129,383 | 447,135 | 128,701 | 447,146 |
| Value added received by transfer | | | | |
| Equity income result | (5,818) | (2,256) | - | - |
| Financial revenues | 44,507 | 78,695 | 44,566 | 78,888 |
| Total value added to distribute | 168,072 | 523,574 | 173,267 | 526,034 |
| Distribution of value added | | | | |
| Direct compensation | 29,345 | 41,328 | 30,940 | 42,924 |
| Benefits | 4,484 | 2,796 | 4,597 | 2,825 |
| Revenues from government entities (a) | 1,143 | 2,190 | 1,143 | 2,190 |
| Personnel | 34,972 | 46,314 | 36,680 | 47,939 |
| Federal | 62,382 | 171,003 | 66,269 | 171,456 |
| Municipal | 313 | 225 | 334 | 259 |
| Taxes, charges and contributions | 62,695 | 171,228 | 66,603 | 171,715 |
| Interest | 14,400 | 8,281 | 13,091 | 8,402 |
| Rent | 103 | 119 | 933 | 346 |
| Other | - | - | 58 | - |
| Remuneration of third-party capital | 14,503 | 8,400 | 14,082 | 8,748 |
| Interest on equity | - | 17,408 | - | 17,408 |
| Retained profit | 55,902 | 280,224 | 55,902 | 280,224 |
| Remuneration of own capital | 55,902 | 297,632 | 55,902 | 297,632 |
| Total value added distributed | 168,072 | 523,574 | 173,267 | 526,034 |

The accompanying notes are an integral part of the individual and consolidated financial statements.



1. General information

Smiles Fidelidade S.A. ("Smiles Fidelidade" or "Company"), formerly Webjet Participações S.A., was incorporated on January 8, 2003 and initially operated as a low-cost airline company headquartered in Rio de Janeiro. On October 3, 2011, Gol Linhas Aéreas S.A. ("GLA") acquired the Company's total shares and, in November 2012, the process to discontinue the Webjet brand and end its operating activities began.

The Extraordinary Shareholders' Meeting of July 1, 2017 approved the merger of Smiles S.A. by the Company, a subsidiary that, until that date, was controlled by Gol Linhas Aéreas Inteligentes S.A. ("GLAI"), which indirectly controlled the Company through its subsidiary GLA. The shareholders of Smiles S.A. ("Absorbed Company") also approved the above-mentioned merger at the Extraordinary Shareholders' Meeting of June 30, 2017. As a result of this merger, all of Smiles S.A.'s assets, rights and obligations were transferred to the Company. As a result, Smiles S.A.'s equity was fully absorbed by the Company, whose control was transferred from GLA to GLAI.

After the merger, the Company's main purpose was altered in order to reflect the necessary activities to manage the Smiles Customer Loyalty Program ("Smiles Program"), mainly including:

- (a) develop and manage the loyalty program;
- (b) sell redemption rights of awards; and
- (c) create and manage an individual and corporate database.

Within the scope of the Smiles Program, the miles issued are mainly sold to (a) GLA, which delivers them to passengers members of the Smiles Program; (b) financial institutions that deliver them to their customers; (c) retail and entertainment customers; (d) airline partners; and (e) individuals.

The Company is headquartered at Alameda Rio Negro, 585, Edifício Padauri, Bloco B, 2º Andar, Alphaville, Industrial, in the city of Barueri, state of São Paulo, Brazil.

The Company's shares are traded on B3 S.A. - Brasil, Bolsa, Balcão ("B3"). The Company adopts corporate governance practices in compliance with the Novo Mercado listing regulations, which, among other provisions, expand shareholders' rights and improve the quality of the information provided.

In the normal course of business, between 85% and 90% of the miles are exchanged for products offered by GLA (airline tickets, upgrades, baggage handling, etc.), therefore, Smiles is highly dependent on this related party for the continuity of its business. GLA's financial statements for the year ended December 31, 2019, issued on June 29, 2020, include an emphasis of matter paragraph about uncertainties regarding the continuity of its business as a result of the economic effects arising from the crisis triggered by the COVID-19 pandemic.

1.1 Actions and impacts caused by the COVID-19 pandemic

The COVID-19 pandemic, considered by the World Health Organization as a "public health emergency of international concern", has rapidly spread throughout the world, causing significant ruptures in the global economic activity and leading to an unprecedented crisis.

This crisis has greatly increased uncertainties in the macroeconomic scenario and caused Brazil to record a 9.73% drop in GDP in April, with a 1.31% recovery in May. Gross domestic product is expected to drop 6.1% in 2020, according to the Focus Report issued by the Central Bank of Brazil on July 13, 2020, mainly due to weak external demand and an abrupt decline in economic activity as a result of measures to contain the virus.



Notes to the financial statements

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

The measures taken by the country to reduce the speed of propagation and dissemination of the disease included social distancing recommendations, travel restrictions and the closing of borders. As a result, the airline, travel and tourism industries were the first and most affected segments in relation to their operations and results.

In order to face this highly disruptive scenario, the Company created a special committee, which is composed of its entire management team, with the purpose of not only monitoring this issue and establishing financial and operational strategies, but also defining the Company's role in society, using all the resources at its disposal.

The Company's priority is to take measures to maintain people's health and well-being. Accordingly, as of the second half of March, all of the Company's employees began working from home. The employees are being constantly monitored by the Company's leadership and human resources department.

With the purpose of improving services to members of the Smiles Program at a time of high attendance demand and great uncertainty, the Company created specific communication channels related to coronavirus, which are continually updated. The Company reinforced its Customer Service team and prioritized the most urgent cases. This team's focus is to help customers reorganize their airline tickets, hotel rooms and car rentals, with flexible conditions for changing their future travel. We have also improved our digital channels by implementing the online self-service cancellation, free of charge, which is available on Smiles Fidelidade's website and app, as well as online chat services for customers that have eligible GOL airline tickets.

As the Company believes that there is no definite end date for this crisis and that it will inevitably impact its customers' travel plans, it has announced an extension to the validity of the program's categories. The Company chose not to consider the current year as a basis for requalification for the next year, given that the analysis for the downgrade of categories would consider the accrual of miles from segments flown between January and December 2020. This measure grants customers more time in their category, with all the benefits it includes.

In the social sphere, as a contribution to and in recognition of those who are fighting COVID-19 on the front lines, the Company, in partnership with GLA, began awarding miles to healthcare workers who travel across Brazil to provide medical assistance to patients. For every GOL segment that is traveled free of charge, the traveler receives 1,000 miles. Until June 30, 2020, 226,800 miles were awarded, which did not have any material financial impacts on the quarterly information.

In order to mitigate the negative impacts of the crisis caused by the COVID-19 pandemic, Smiles Fidelidade launched a series of incentive initiatives so that members may exchange their miles for products offered by other partners, mainly retailers, through Shopping Smiles.

It is important to note that, on June 30, 2020, the Company maintained its liquidity position, sufficient for, among other purposes and safely: (i) investing in projects, initiatives and opportunities that contribute to the effective execution and improvement of the lines business and the ecosystem in which the Company operates; (ii) defend the Company's market position; (iii) creating value for the Company and its shareholders; (iv) invest in possible opportunities for airline tickets acquisition and other services related to passenger transportation; and (v) implementing new commercial projects.

Unfortunately, like all other business organizations, the Company is unable to foresee the duration of the pandemic and the extent of the impacts caused by it on future business, results and cash generation. That being said, the Company's priority will continue to be people's health and well-being. We will closely follow WHO guidelines, as we have done up to now, as part of our commitment to do everything within our reach to withstand this period of turmoil in the best possible way.

1.1.1 Impacts of the crisis caused by COVID-19 on the individual and consolidated quarterly information

In the process of preparing this quarterly information, the following aspects were considered in the evaluation of the impacts caused by the economic crisis triggered by the COVID-19 pandemic, and the adjustments recorded are presented in detail below:

| | | Parent Company and Consolidated | | |
|---------------------------------|-----|---------------------------------|--------------|------------|
| | | Three months | Three months | Six Months |
| | | 06/30/2020 | 03/31/2020 | 06/30/2020 |
| Statements of operations | | | | |
| Provision for cancellations | (a) | - | (22,271) | (22,271) |
| Loss on short-term investments | (b) | (514) | (8,629) | (9,143) |

| | | Parent Company and Consolidated | |
|--|-----|---------------------------------|------------|
| | | 06/30/2020 | |
| | | Current | Noncurrent |
| Statement of financial position - reclassifications | | | |
| Advances to suppliers | (c) | (515,912) | 515,912 |
| Recoverable taxes and contributions | (c) | (21,954) | 21,954 |

| | | Parent Company and Consolidated | |
|---|-----|---------------------------------|-----------------------|
| | | 06/30/2020 | |
| | | Proposed dividends | Reserve for expansion |
| Statement of changes in equity - reclassifications | | | |
| Proposed dividends | (d) | (201,500) | 201,500 |

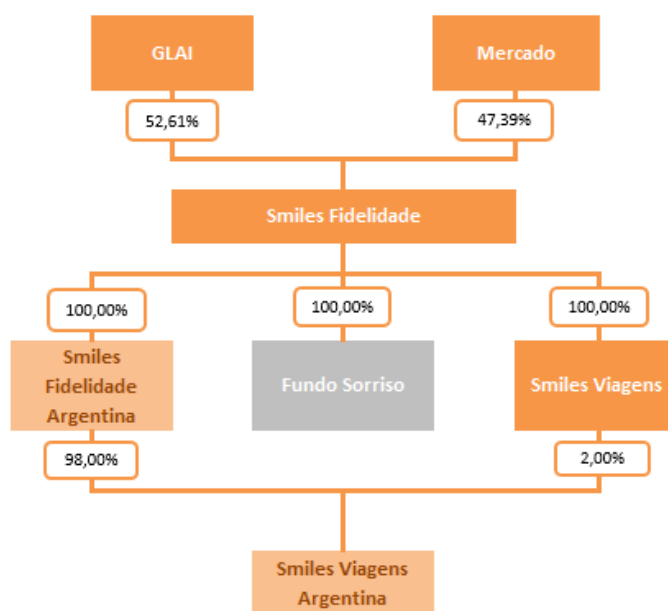
- (a) Being at the center of one of the industries that were most affected by the crisis as a result of the pandemic, Smiles Fidelidade's operations and results were predictably impacted. The main impact was the decline in the volume of accrued miles exchanged by the members of the Smiles program, mainly for airline tickets, hotel rooms and car rentals. The Company also recorded higher-than-usual cancellations of exchanges carried out in previous months. As a result, a provision for cancellations in the amount of R\$22,271 was recorded in the first quarter. This provision has been monitored, and it was considered sufficient to cover such losses and maintained as at June 30, 2020. Management assessed that the receipt of accounts receivable balances will not be impacted due to the COVID-19 pandemic.
- (b) Although management has adhered to the Company's investment policy, the abrupt changes in macroeconomic indices, including the SELIC rate cuts carried out by the Federal Government, caused the Company to record unusual losses in its financial investments related to investments in sovereign fixed income funds pegged to the SELIC rate, as well as in private fixed income funds with immediate liquidity and high-quality credit.
- (c) Expected realization of assets recoverable taxes and advances to suppliers was reassessed considering the most recent information available and reflected in the Company's business plans, and, consequently, the Company made said reclassifications, since it expects a reduction in revenues to be earned over the next twelve months.
- (d) As a result of the COVID-19 pandemic and in order to strengthen cash position, the proposed allocation of the profit/loss for the year ended December 31, 2019 was changed by the Company: the distribution was cancelled and the amounts were retained as a profit reserves retained. The new proposal for the allocation of the profit/loss will be submitted for approval by the annual shareholders' meeting to be held on July 31, 2020.

1.2 Compliance program

In 2016, Brazilian tax authorities questioned the parent company, GLAI, regarding certain payments to companies owned by politically exposed persons in Brazil. GLAI carried out an internal investigation and hired legal counsels from the United States and Brazil to conduct an independent investigation in order to fully clarify the facts. The investigation was concluded in April 2017 and showed that additional irregular payments were made to politically exposed persons. None of the amounts paid was significant (individually or jointly) in terms of cash flow, and none of the current employees, representatives or members of the Board of Directors of GLAI and its subsidiaries was aware of any illegal purpose from the transactions identified, or of any illegal benefit for GLAI and its subsidiaries arising from the operations object of the investigation. The Company did not identify any impacts resulting from this issue that may affect its operations and the individual and consolidated quarterly information.

2. Corporate Structure

As at June 30, 2020, the Company's ownership structure was as follows:



| Entity | Date of constitution | Location | Main activity | Type | % equity interest | |
|---------------------------------|----------------------|-----------|------------------------|------------------|-------------------|------------|
| | | | | | 06/30/2020 | 12/31/2019 |
| Subsidiaries | | | | | | |
| Fundo Sorriso (a) | 07/14/2014 | Brazil | Investment Fund | Direct control | 100.0% | 100.0% |
| Smiles Viagens | 08/10/2017 | Brazil | Travel agency | Direct control | 100.0% | 100.0% |
| Smiles Fidelidade Argentina (b) | 11/07/2018 | Argentina | Smiles loyalty program | Direct control | 100.0% | 100.0% |
| Smiles Viagens Argentina (b) | 11/20/2018 | Argentina | Travel agency | Indirect control | 100.0% | 100.0% |

(a) "Sorriso" is an exclusive investment fund, and the Company consolidates this fund's assets and liabilities in its consolidated quarterly information, pursuant to CVM Instructions 247/1996 and 408/2004.

(b) Companies whose functional currency is the Argentine peso.

2.1. Corporate reorganization plan

On December 9, 2019, through a Material Fact, the Company and parent company, GLAI, disclosed the plans for a corporate reorganization whose main purpose was to ensure the long-term competitiveness of the Group ("GOL") by aligning the interests of all stakeholders; reinforcing a combined capital structure; streamlining the corporate governance of the companies; reducing operating, administrative and financing costs and expenses; and increasing the market liquidity for all of GLAI's shareholders, through the merger of the Company into GLA.

On March 13, 2020, the Company and its parent company, GLAI, announced through a Material Fact, that, due to extraordinary events in the domestic and international markets as a result of the COVID-19 pandemic and its structuring impacts on the aviation industry, they cancelled the proposed corporate reorganization presented on December 9, 2019.

3. Message from Management, basis of preparation and presentation of the individual and consolidated quarterly information

The individual and consolidated quarterly information form corresponds to the interim financial statements and thus has been prepared in accordance with technical pronouncement CPC21 (R1) – "*Demonstração intermediária*", approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM"), equivalent to IAS 34 – "Interim Financial Reporting", an integral part of the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

The individual and consolidated quarterly information form (ITR) was prepared using the Brazilian real ("R\$") as the functional and presentation currency. Figures are expressed in thousands of Brazilian reais, except when otherwise indicated. The items disclosed in foreign currencies are duly identified, when applicable.

The preparation of the Company's individual and consolidated quarterly information requires Management to make judgments, use estimates and adopt assumptions affecting the stated amounts of revenues, expenses, assets and liabilities. However, the uncertainty inherent in these judgments, assumptions and estimates could give rise to results that require a material adjustment of the book value of certain assets and liabilities in future reporting years.

The Company continually reviews its judgments, estimates and assumptions.

When preparing this individual and consolidated quarterly information form, Management used disclosure criteria, taking into consideration regulatory aspects and the relevance of the transactions to understand the changes in the Company's economic and financial position and its performance since the end of the fiscal year ended December 31, 2019, as well as the restatement of relevant information included in the annual financial statements disclosed on February 18, 2020. There were no changes to the methodologies adopted to prepare the estimates used by the Company in the period ended June 30, 2020.

Management confirms that all the material information related to this individual and consolidated quarterly information form is being demonstrated and corresponds to the information used by Management in the development of its business management activities.

The individual and consolidated quarterly information was prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value, when applicable, and investments measured using the equity method in the parent company.



Notes to the financial statements

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

4. Approval of the individual and consolidated quarterly information (ITR)

This individual and consolidated quarterly information form (ITR) was assessed and authorized for issue at the Board of Directors' meeting of July 28, 2020.

5. Summary of significant accounting practices

The individual and consolidated quarterly information presented herein has been prepared based on the policies, accounting practices and methods to calculate estimates adopted in the preparation of the annual financial statements for the year ended December 31, 2019, where they were presented in detail.

5.1. New accounting standards and pronouncements adopted in the current year

There were no new standards or interpretations adopted in the six-month period ended June 30, 2020.

5.2. New accounting standards and pronouncements not yet adopted

According to Management, there are no other standards and interpretations issued and not yet adopted that may have a significant impact on the result or equity disclosed by the Company.

6. Cash and cash equivalents

| | Weighted average rate (p.a.) | Parent Company | | Consolidated | |
|------------------------|------------------------------|----------------|----------------|----------------|----------------|
| | | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Local currency | - | 3,150 | 273,612 | 3,769 | 275,181 |
| Foreign currency | - | 2,013 | 984 | 11,176 | 12,228 |
| Cash and bank deposits | | 5,163 | 274,596 | 14,945 | 287,409 |
| Private bonds | 101.0% of CDI | 96,896 | 437 | 97,903 | 437 |
| Cash equivalents | | 96,896 | 437 | 97,903 | 437 |
| Total | | 102,059 | 275,033 | 112,848 | 287,846 |

7. Short-term investments

| | Weighted average rate (p.a.) | Parent Company | | Consolidated | |
|------------------|---------------------------------|----------------|------------|--------------|------------|
| | | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Local currency | | | | | |
| Investment funds | 93.4% of CDI | 1,351,258 | 859,744 | 1,351,270 | 859,744 |
| Government bonds | 98.1% of CDI | 23,032 | 26,325 | 23,032 | 26,325 |
| Total | | 1.374.290 | 886,069 | 1.374.302 | 886,069 |



Notes to the financial statements

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

8. Trade receivables

| | Parent Company | | Consolidated | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Local currency | | | | |
| Credit card administrators | 190,798 | 334,500 | 190,798 | 334,807 |
| Non-airline partners | 93,003 | 113,533 | 93,609 | 114,132 |
| Airline partner companies (*) | 2,606 | 34,986 | 2,606 | 34,986 |
| Total local currency | 286,407 | 483,019 | 287,013 | 483,925 |
| Foreign currency | | | | |
| Credit card administrators | - | - | 1,182 | 790 |
| Non-airline partners | 1,014 | 8,321 | 1,014 | 8,321 |
| Total foreign currency | 1,014 | 8,321 | 2,196 | 9,111 |
| Total | 287,421 | 491,340 | 289,209 | 493,036 |
| Allowance for doubtful accounts | (9) | (14) | (9) | (14) |
| Total trade receivables | 287,412 | 491,326 | 289,200 | 493,022 |

(*) Of the total, R\$1,491 (R\$32,271 as of December 31, 2019) refers to miles sold to GLA and R\$1,115 (R\$1,415 as of December 31, 2019) refers to the letter of indemnity agreement. There are no amounts related to of Smiles program management fees from GLA (R\$1,300 as of December 31, 2019), pursuant to the operating agreement described in Note 23.1.

The aging list of trade receivables is as follows:

| | Parent Company | | Consolidated | |
|------------------------|----------------|----------------|----------------|----------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| To be due | | | | |
| Up to 30 days | 137,453 | 235,098 | 136,885 | 233,762 |
| 31 to 60 days | 67,049 | 98,656 | 69,359 | 100,016 |
| 61 to 90 days | 23,392 | 37,653 | 23,393 | 39,237 |
| from 91 to 180 days | 39,851 | 68,992 | 39,896 | 69,036 |
| 181 to 360 days | 19,645 | 50,755 | 19,645 | 50,799 |
| Over 360 days | 22 | 169 | 22 | 169 |
| Total to be due | 287,412 | 491,323 | 289,200 | 493,019 |
| Overdue | | | | |
| 31 to 60 days | - | 2 | - | 2 |
| 61 to 90 days | - | 1 | - | 1 |
| Total overdue | - | 3 | - | 3 |
| Total | 287,412 | 491,326 | 289,200 | 493,022 |

| | Parent Company and Consolidated | |
|--|---------------------------------|-------------|
| | 06/30/2020 | 12/31/2019 |
| Balance of the allowance for doubtful accounts at the beginning of the period | (14) | (9) |
| (Additions) reversals | 5 | (5) |
| Balance of the allowance for doubtful accounts at the end of the period | (9) | (14) |

9. Advances to suppliers

| | Parent Company | | Consolidated | |
|--------------------------|------------------|----------------|------------------|----------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Advance ticket purchases | 1,179,319 | 970,899 | 1,179,319 | 970,899 |
| Other advances | 1,118 | 702 | 1,795 | 889 |
| Total | 1,180,437 | 971,601 | 1,181,114 | 971,788 |
| Current | 561,676 | 971,601 | 562,353 | 971,788 |
| Noncurrent | 618,761 | - | 618,761 | - |

The Company had advance ticket purchase agreements with GLA. Pursuant to the agreement entered into between the Company and the party, on the outstanding balance, the Company received a weighted average remuneration of 5.86% p.a. as of June 30, 2020. (6.71% p.a. as of December 31, 2019), with a counter entry recorded in financial income under "discounts obtained". The reasons for reclassifying the balance are detailed in note 1.1.1 above.

During the six-month period ended June 30, 2020, the Company recorded the following advance payments and/or uses of outstanding advances to suppliers with GLA:

| | Parent Company and Consolidated |
|--|---------------------------------|
| Advance ticket purchases | |
| Balance at the beginning of the period | 970,899 |
| Disbursement related to an agreement entered into on 3/03/2020 | 310,055 |
| Disbursement related to an agreement entered into on 3/10/2020 | 115,908 |
| Discounts obtained | 30,855 |
| Airline tickets acquired | (248,398) |
| Balance at the end of the period | 1,179,319 |

10. Recoverable taxes and contributions

| | Parent Company | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Prepaid income and social contribution taxes | 74,274 | 80,012 | 74,274 | 80,012 |
| Social Integration Program Tax on Revenue (PIS) and Social Security Financing Tax on Revenue (COFINS) | 52,328 | 62,333 | 52,328 | 62,333 |
| Value added tax – IVA | - | - | 2,275 | 84 |
| Other | 48 | 9 | 1,101 | 170 |
| Total | 126,650 | 142,354 | 129,978 | 142,599 |
| Current | 60,044 | 93,694 | 63,372 | 93,939 |
| Noncurrent | 66,606 | 48,660 | 66,606 | 48,660 |



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Period ended June 30, 2020

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11. Deferred taxes

11.1. Breakdown of deferred taxes

| | Parent Company | | Consolidated | |
|--|------------------|------------------|------------------|------------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Income tax losses ^(*) | - | - | - | 2,905 |
| Temporary differences | | | | |
| Provision for accounts payable and other provisions | 40,810 | 39,800 | 40,807 | 39,800 |
| Breakage provision | (201,812) | (196,206) | (201,812) | (196,206) |
| Right of use | 249 | 273 | 249 | 273 |
| Other | - | - | - | (2) |
| Total deferred income and social contribution tax liabilities | (160,753) | (156,133) | (160,756) | (153,230) |
| Deferred tax assets | - | - | - | 2,905 |
| Deferred tax liabilities | (160,753) | (156,133) | (160,756) | (156,135) |

^(*) In the light of the current economic scenario in Argentina, the Company has decided to write off the deferred tax assets of its Argentine subsidiary.

The Company's Management considers that deferred income and social contribution taxes on temporary differences recognized as of June 30, 2020 will be realized in proportion to the realization of the respective provisions, given the taxable income history and future prospects.

11.2. Changes in deferred taxes

| | Parent Company | | |
|--|------------------|----------------|------------------|
| | 12/31/2019 | Result | 06/30/2020 |
| Temporary differences | | | |
| Provision for accounts payable and other provisions | 39,800 | 1,010 | 40,810 |
| Breakage provision | (196,206) | (5,606) | (201,812) |
| Right of use | 273 | (24) | 249 |
| Total deferred income and social contribution tax liabilities | (156,133) | (4,620) | (160,753) |



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Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

| | Consolidated | | | |
|--|------------------|----------------|------------------------|------------------|
| | 12/31/2019 | Result | Exchange variation (*) | 06/30/2020 |
| Income tax losses | 2,905 | (3,217) | 312 | - |
| Temporary differences | | | | |
| Provision for accounts payable and other provisions | 39,800 | 1,010 | (3) | 40,807 |
| Breakage provision | (196,206) | (5,606) | - | (201,812) |
| Right of use | 273 | (24) | | 249 |
| Other | (2) | (4) | 6 | - |
| Total deferred income and social contribution tax liabilities | (153,230) | (7,841) | 315 | (160,756) |
| Total deferred tax assets | 2,905 | (3,217) | 312 | - |
| Total deferred tax liabilities | (156,135) | (4,624) | 3 | (160,756) |

(*) Exchange variation recognized in other comprehensive income.

11.3. Reconciliation of nominal and effective income tax and social contribution rates

| | Parent Company | | | |
|---|--------------------------|-----------------|------------------------|------------------|
| | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Income before income and social contribution taxes | 4,472 | 207,532 | 92,833 | 407,208 |
| Combined nominal tax rate | 34% | 34% | 34% | 34% |
| Income and social contribution tax credits at the combined tax rate | (1,520) | (70,561) | (31,563) | (138,451) |
| Adjustments to calculate the effective tax rate | | | | |
| Non-deductible expenses | (1,822) | (858) | (3,051) | (2,258) |
| Equity in net income of subsidiaries | (1,527) | (824) | (1,978) | (767) |
| Tax benefit of interest on equity | - | - | - | 5,919 |
| Incentive reserve | 42 | 1,622 | 83 | 2,005 |
| Reversal of provision for loss on investment | - | - | - | 5,162 |
| Extemporaneous tax credits | - | 18,801 | - | 18,801 |
| Other | 5 | 6 | (422) | 13 |
| Income and social contribution taxes | (4,822) | (51,814) | (36,931) | (109,576) |
| Current income and social contribution taxes | (9,568) | (35,726) | (32,311) | (73,464) |
| Deferred income and social contribution taxes | 4,746 | (16,088) | (4,620) | (36,112) |
| Effective tax rate | 107.8% | 25.97% | 39.78% | 26.91% |

| | Consolidated | | | |
|---|--------------------------|------------|------------------------|------------|
| | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Income before income and social contribution taxes | 7,714 | 207,659 | 96,195 | 407,414 |
| Combined nominal tax rate | 34% | 34% | 34% | 34% |
| Income and social contribution tax credits at the combined tax rate | (2,623) | (70,604) | (32,706) | (138,521) |
| Adjustments to calculate the effective tax rate | | | | |
| Non-deductible expenses | (1,823) | (858) | (3,052) | (2,258) |
| Difference of tax rate on the result of subsidiaries | (3,486) | (964) | (4,030) | (964) |
| Tax benefit of interest on equity | - | - | - | 5,919 |
| Incentive reserve | 42 | 1,622 | 83 | 2,005 |
| Reversal of provision for loss on investment | - | - | - | 5,162 |
| Extemporaneous tax credits | - | 18,801 | - | 18,801 |
| Other | (174) | 62 | (588) | 74 |
| Income and social contribution taxes | (8,064) | (51,941) | (40,293) | (109,782) |
| Current income and social contribution taxes | (9,589) | (35,853) | (32,452) | (73,670) |
| Deferred income and social contribution taxes | 1,525 | (16,088) | (7,841) | (36,112) |
| Effective tax rate | 104.55% | 25.01% | 41.89% | 26.95% |

12. Judicial deposits

The Company's judicial deposits and blocked escrows represent guarantees of lawsuits related to civil, labor and tax claims deposited in escrow until the resolution of the related claims.

| | Parent Company and Consolidated | |
|-------|---------------------------------|------------|
| | 06/30/2020 | 12/31/2019 |
| Tax | 8,678 | 8,557 |
| Labor | 12,504 | 5,931 |
| Civil | 3,879 | 2,077 |
| Total | 25,061 | 16,565 |

13. Investments

Information related to the Company's investments is as follows:

| | Smiles Viagens | Smiles Fidelidade Argentina |
|---|----------------|-----------------------------|
| Information as of June 30, 2020 | | |
| Total number of shares | 40,000 | - |
| Capital stock | 40 | 7,529 |
| Exchange variation on foreign investments | (1) | (90) |
| Profit Reserves | 1,288 | - |
| Accumulated profit (loss) | (287) | (12,461) |
| Equity | 1,040 | (5,022) |
| Net income (loss) for the period | (287) | (5,531) |



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Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

| | Smiles Viagens | Smiles Fidelidade Argentina |
|--|----------------|-----------------------------|
| Information as of December 31, 2019 | | |
| Total number of shares | 40,000 | - |
| Capital stock | 40 | 7,530 |
| Exchange variation on foreign investments | - | 62 |
| Profit Reserves | 1,288 | - |
| Accumulated profit (loss) | - | (6,930) |
| Equity | (1,328) | 662 |
| Net income (loss) for the period | 1,069 | (6,930) |

The investment changes are as follows:

| | Smiles Viagens | Smiles Fidelidade Argentina | Total |
|------------------------------------|----------------|-----------------------------|----------------|
| Balances as of December 31, 2019 | (1,328) | 662 | 1,990 |
| Currency translation adjustments | (1) | (153) | (154) |
| Equity income result | (287) | (5,531) | (5,818) |
| Balance as of June 30, 2020 | 1,040 | (5,022) | (3,982) |

| | Smiles Viagens | Smiles Fidelidade Argentina | Total |
|------------------------------------|----------------|-----------------------------|--------------|
| Balance as of December 31, 2018 | 526 | - | 526 |
| Payment of capital | - | 5,588 | 5,588 |
| Currency translation adjustments | - | 210 | 210 |
| Equity income result | 580 | (2,836) | (2,256) |
| Balance as of June 30, 2019 | 1,106 | 2,962 | 4,068 |

14. Property, plant and equipment

The balances of and changes in intangible assets are as follows:

| | | Parent Company | | |
|--------------------------------------|------------------------------|----------------|-----------|------------|
| | Weighted average rate (p.a.) | 12/31/2019 | Additions | 06/30/2020 |
| Property, plant and equipment in use | | | | |
| Cost | | | | |
| Vehicles | - | 533 | - | 533 |
| Machinery and equipment | - | 70 | - | 70 |
| Furniture and fixtures | - | 397 | - | 397 |
| Computers and peripherals | - | 1,598 | 26 | 1,624 |
| Communication equipment | - | 6 | - | 6 |
| Leasehold improvements | - | 1,968 | - | 1,968 |
| Third-party leasehold – right of use | - | 3,151 | - | 3,151 |
| Works in progress | - | 381 | | 381 |
| | | 8,104 | 26 | 8,130 |
| Depreciation | | | | |
| Vehicles | 20.00% | (189) | (53) | (242) |
| Machinery and equipment | 10.00% | (30) | (4) | (34) |
| Furniture and fixtures | 10.00% | (147) | (20) | (167) |
| Computers and peripherals | 20.00% | (814) | (151) | (965) |
| Communication equipment | 10.00% | (2) | (1) | (3) |
| Leasehold improvements | 22.64% | (1,464) | (97) | (1,561) |
| Third-party leasehold – right of use | 29.87% | (855) | (471) | (1,326) |
| | | (3,501) | (797) | (4,298) |
| Total property, plant and equipment | | 4,603 | (771) | 3,832 |

| | | Consolidated | | |
|--------------------------------------|---------------------------------|--------------|-----------|------------|
| | Weighted average rate (p.a.) | 12/31/2019 | Additions | 06/30/2020 |
| Property, plant and equipment in use | | | | |
| Cost | | | | |
| Vehicles | - | 533 | - | 533 |
| Machinery and equipment | - | 89 | - | 89 |
| Furniture and fixtures | - | 399 | - | 399 |
| Computers and peripherals | - | 1,783 | 26 | 1,809 |
| Communication equipment | - | 6 | - | 6 |
| Leasehold improvements | - | 1,968 | - | 1,968 |
| Third-party leasehold – right of use | - | 3,151 | - | 3,151 |
| Works in progress | - | 381 | - | 381 |
| | | 8,310 | 26 | 8,336 |
| Depreciation | | | | |
| Vehicles | 20.00% | (190) | (53) | (243) |
| Machinery and equipment | 10.00% | (34) | (4) | (38) |
| Furniture and fixtures | 10.00% | (147) | (20) | (167) |
| Computers and peripherals | 20.00% | (847) | (177) | (1,024) |
| Communication equipment | 10.00% | (2) | (1) | (3) |
| Leasehold improvements | 22.64% | (1,465) | (97) | (1,562) |
| Third-party leasehold – right of use | 29.87% | (855) | (471) | (1,326) |
| | | (3,540) | (823) | (4,363) |
| Total property, plant and equipment | | 4,770 | (797) | 3,973 |

15. Intangible assets

The balances of and changes in intangible assets are as follows:

| | | Parent Company | | | |
|-------------------------|------------------------------------|----------------|-----------|------------|------------|
| | Weighted average rate (p.a.) | 12/31/2019 | Additions | Write-offs | 06/30/2020 |
| Cost | | | | | |
| License of use | - | 88,058 | 17,668 | (36,307) | 69,419 |
| Other | - | 10,000 | - | - | 10,000 |
| Total | | 98,058 | 17,668 | (36,307) | 79,419 |
| Amortization | | | | | |
| License of use | 38.57% | (45,657) | (13,059) | 36,307 | (22,409) |
| Other | 20.00% | (4,166) | (1,000) | - | (5,166) |
| Total | | (49,823) | (14,059) | 36,307 | (27,575) |
| Total intangible assets | | 48,235 | 3,609 | - | 51,844 |

| | | Consolidated | | | |
|-------------------------|------------------------------------|--------------|-----------|------------|------------|
| | Weighted average rate (p.a.) | 12/31/2019 | Additions | Write-offs | 06/30/2020 |
| Cost | | | | | |
| License of use | - | 88,842 | 17,668 | (37,091) | 69,419 |
| Other | - | 10,000 | - | - | 10,000 |
| Total | | 98,842 | 17,668 | (37,091) | 79,419 |
| Amortization | | | | | |
| License of use | 38.57% | (46,441) | (13,059) | 37,091 | (22,409) |
| Other | 20.00% | (4,166) | (1,000) | - | (5,166) |
| Total | | (50,607) | (14,059) | 37,091 | (27,575) |
| Total intangible assets | | 48,235 | 3,609 | - | 51,844 |

16. Suppliers

| | Parent Company | | Consolidated | |
|--------------------|----------------|----------------|---------------|----------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Local currency (*) | 82,693 | 17,369 | 82,808 | 17,236 |
| Foreign currency | 8,726 | 90,279 | 15,829 | 99,530 |
| Total | 91,419 | 107,648 | 98,637 | 116,766 |

(*) As of June 30, 2020, R\$7,932 in the parent company and R\$7,962 in the consolidated (R\$6,222 in the parent company and R\$6,283 in the consolidated as of December 31, 2019) correspond to administrative services, pursuant to Note 23.1.



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Period ended June 30, 2020

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17. Dividends and interest on equity

| | Parent Company and Consolidated | |
|----------------------------|---------------------------------|----------------|
| | 06/30/2020 | 12/31/2019 |
| Dividends payable | 103,682 | 103,682 |
| Interest on equity payable | - | 29,816 |
| Total | 103,682 | 133,498 |

18. Advances from customers

| | Parent Company | | Consolidated | |
|-------------------|----------------|--------------|--------------|---------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Multiple partners | 1,473 | 334 | 2,137 | 334 |
| Banks | 3,391 | 9,077 | 5,936 | 11,372 |
| Total | 4,864 | 9,411 | 8,073 | 11,706 |

Advances from customers related to advance sales of miles are recognized under "Deferred revenues" as miles are credited to the accounts of Smiles Program members.

19. Deferred revenues

| | Parent Company | | Consolidated | |
|-----------------|------------------|------------------|------------------|------------------|
| | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Mileage program | 2,104,757 | 1,744,902 | 2,143,416 | 1,751,708 |
| Other | 1,245 | 1,764 | 1,245 | 1,764 |
| Breakage | (593,566) | (577,075) | (615,333) | (577,075) |
| Total | 1,512,436 | 1,169,591 | 1,529,328 | 1,176,397 |
| Current | 1,212,818 | 996,962 | 1,229,710 | 1,003,768 |
| Noncurrent | 299,618 | 172,629 | 299,618 | 172,629 |

Miles issued are initially recorded as deferred revenue and subsequently recognized as revenue in the income statement as they are redeemed by the members of the Smiles Program, net of direct costs associated with the goods and services provided.

Breakage reflects revenue recognized on the date the member is entitled to the miles and represents an estimate of miles issued that will not be redeemed, i.e. miles that are expected to expire without being used, pursuant to CPC 47, equivalent to IFRS 15.

20. Provisions for tax, civil and labor risks

The Company and its subsidiaries are party to certain tax, labor and civil lawsuits deriving from the normal course of their business.

The Company classifies the chances of losses in lawsuits as "probable", "possible" or "remote". The provision recorded for these lawsuits is calculated by the Company's Management, based on its legal counsels' analysis, and reasonably reflects estimated probable losses.

Details regarding relevant lawsuits were presented in the financial statements of December 31, 2019.



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The Company's Management believes that the provision for tax, labor and civil risks, recorded in accordance with CPC 25 – "*Provisões, Passivos Contingentes e Ativos Contingentes*" ("Provisions, Contingent Liabilities and Contingent Assets"), is sufficient to cover any losses on administrative and legal proceedings.

Changes in provisions for tax, labor and civil risks in the period ended June 30, 2020, are as follows:

| | Parent Company | | | |
|-------|----------------|-----------|------------------------|------------|
| | 12/31/2019 | Additions | Payments and reversals | 06/30/2020 |
| Tax | 566 | - | - | 566 |
| Labor | 24,449 | 8,366 | (7,557) | 25,258 |
| Civil | 1,972 | 1,277 | (960) | 2,289 |
| Total | 26,987 | 9,643 | (8,517) | 28,113 |

| | Consolidated | | | |
|-------|--------------|-----------|------------------------|------------|
| | 12/31/2019 | Additions | Payments and reversals | 06/30/2020 |
| Tax | 566 | - | - | 566 |
| Labor | 24,449 | 8,366 | (7,557) | 25,258 |
| Civil | 1,972 | 1,308 | (960) | 2,320 |
| Total | 26,987 | 9,674 | (8,517) | 28,144 |

The Company has lawsuits whose likelihood of loss is assessed by Management and its legal counsels as possible and, therefore, no provision was recorded.

The position of possible contingencies is presented below:

| | Parent Company and Consolidated | |
|-------|---------------------------------|------------|
| | 06/30/2020 | 12/31/2019 |
| Tax | 138,258 | 136,252 |
| Labor | 14,568 | 21,883 |
| Civil | 1,153 | 1,157 |
| Total | 153,979 | 159,292 |

21. Equity

21.1. Capital stock

As of June 30, 2020, the subscribed and paid-up capital stock totaled R\$255,717 (R\$255,717 as of December 31, 2019), corresponding to 124,158,953 (124,158,953 as of December 31, 2019) book-entry, registered common shares with no par value, reduced by the cost of issued shares in the amount of R\$1,107 (R\$1,107 as of December 31, 2019).

The authorized capital stock as of June 30, 2020, and December 31, 2019, amounted to 139,999,999 common shares.

The Company's shareholding structure is as follows:

| | 06/30/2020 | 12/31/2019 |
|-------------------------------------|------------|------------|
| Gol Linhas Aéreas Inteligentes S.A. | 52.61% | 52.61% |
| Other (Market) | 47.39% | 47.39% |
| Total | 100.00% | 100.00% |



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Period ended June 30, 2020

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21.2. Dividends and interest on equity

In December 2019, the Company approved the distribution of interest on equity in the amount of R\$50,962, of which R\$17,408 was paid in advance on April 15, 2019, and R\$33,554 was paid on January 17, 2020.

As mentioned in note 1.1.1 above, as a result of the COVID-19 pandemic and in order to strengthen the Company's cash position, the proposed allocation of the profit/loss for the year ended December 31, 2019, was changed: the distribution of R\$201,500 was cancelled and the amounts were retained as a profit reserves retained. The new proposal for the allocation of the profit/loss will be submitted for approval by the annual shareholders' meeting to be held on July 31, 2020.

22. Share-based payments

The plans granted and their conditions, pricing models and valuation assumptions adopted have been disclosed in detail in the financial statements for the year ended December 31, 2019, and did not change during the six-month period ended June 30, 2020.

There were no changes to options outstanding in the six-month period ended June 30, 2020.

During the period ended June 30, 2020, the Company recorded R\$1,195 in equity related to share-based payments with a counter entry in the statement of income under "Personnel Expenses" (R\$1,585 in the six-month period ended June 30, 2019).

Additionally, management and employees are granted an additional bonus paid through cash, referenced to Company shares, as a way to enhance these executives' productivity and commitment to the results. As of June 30, 2020, the obligation balance was R\$1,502 (R\$6,079 as of December 31, 2019) recognized under "Salaries", in the amount equivalent to 89,374 Company shares. In the period, the Company recognized the same amount under "Personnel" (R\$2,532 in the period ended June 30, 2019) related to the granting of said right.



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Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

23. Transactions with related parties

23.1. Related-party balances and transactions

| | | Parent Company | | Consolidated | |
|--|------------------|----------------|------------|--------------|------------|
| Counterparty | | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Assets | | | | | |
| Trade receivables | | | | | |
| Miles sold | GLA | 1,491 | 32,271 | 1,491 | 32,271 |
| Management fees | GLA | - | 1,300 | - | 1,300 |
| Letter of indemnity agreement | GLA | 1,115 | 1,415 | 1,115 | 1,415 |
| Total | | 2,606 | 34,986 | 2,606 | 34,986 |
| Dividends receivable | | | | | |
| Dividends receivable | Smiles Viagens | 267 | 267 | - | - |
| Advances to suppliers | | | | | |
| Advance ticket purchases | GLA | 1,179,319 | 970,899 | 1,179,319 | 970,899 |
| Total assets | | 1,182,192 | 1,006,152 | 1,181,925 | 1,005,885 |
| Liabilities | | | | | |
| Suppliers | | | | | |
| Administrative services | GLA | 7,932 | 6,222 | 7,962 | 6,283 |
| Total | | 7,932 | 6,222 | 7,962 | 6,283 |
| Dividends and interest on equity | | | | | |
| Dividends and interest on equity payable | GLAI | 54,544 | 69,548 | 54,544 | 69,548 |
| Total | | 54,544 | 69,548 | 54,544 | 69,548 |
| Obligations to related companies | | | | | |
| Local currency: | | | | | |
| On-lending | Smiles Viagens | 67 | 1,867 | - | - |
| On-lending | GLA | 3,007 | 34,458 | 3,007 | 34,529 |
| Foreign currency: | | | | | |
| On-lending | GLA | 882 | (10,918) | 882 | (10,918) |
| On-lending | Smiles Argentina | 4,487 | 3,631 | - | - |
| Total | | 8,443 | 29,038 | 3,889 | 23,611 |
| Total liabilities | | 71,186 | 105,075 | 66,395 | 99,371 |



Notes to the financial statements

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

| | Counterparty | Parent Company | | | |
|-----------------------------------|--------------|--------------------------|------------|------------------------|------------|
| | | Three-month period ended | | Six-month period ended | |
| | | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Revenues | | | | | |
| Other operating revenues | | | | | |
| Management fees | GLA | - | 1,867 | 2,544 | 4,268 |
| Total revenues | | - | 1,867 | 2,544 | 4,268 |
| Expenses | | | | | |
| Selling expenses | | | | | |
| Administrative services | GLA | (6,163) | (5,945) | (13,110) | (12,104) |
| Administrative expenses | | | | | |
| Administrative services | GLA | (2,142) | (2,464) | (4,104) | (4,622) |
| Letter of indemnity agreement | GLA | - | (386) | - | 2,068 |
| Total expenses | | (8,305) | (8,795) | (17,214) | (14,658) |
| Financial income (expenses) | | | | | |
| Financial income | | | | | |
| Discounts obtained | GLA | 16,373 | 18,384 | 30,855 | 40,709 |
| Total financial income (expenses) | | 16,373 | 18,384 | 30,855 | 40,709 |

| | Counterparty | Consolidated | | | |
|-----------------------------------|--------------|--------------------------|------------|------------------------|------------|
| | | Three-month period ended | | Six-month period ended | |
| | | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Revenues | | | | | |
| Other operating revenues | | | | | |
| Management fees | GLA | - | 1,867 | 2,544 | 4,268 |
| Total revenues | | - | 1,867 | 2,544 | 4,268 |
| Expenses | | | | | |
| Selling expenses | | | | | |
| Administrative services | GLA | (6,163) | (5,945) | (13,110) | (12,104) |
| Administrative expenses | | | | | |
| Administrative services | GLA | (2,199) | (2,558) | (4,161) | (4,809) |
| Letter of indemnity agreement | GLA | - | (386) | - | 2,068 |
| Total expenses | | (8,362) | (8,889) | (17,271) | (14,845) |
| Financial income (expenses) | | | | | |
| Financial income | | | | | |
| Discounts obtained | GLA | 16,373 | 18,384 | 30,855 | 40,709 |
| Total financial income (expenses) | | 16,373 | 18,384 | 30,855 | 40,709 |



Notes to the financial statements

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

23.2. Remuneration of key management personnel

| | Parent Company and Consolidated | | | |
|---|---------------------------------|---------------|---------------------------------------|---------------|
| | Three-month period ended | | Six-month period ended ⁽²⁾ | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Salaries, bonus and benefits ⁽¹⁾ | 3,311 | 8,897 | 6,757 | 16,973 |
| Payroll charges | 217 | 3,355 | 635 | 3,752 |
| Share-based compensation | 1,038 | 773 | 2,020 | 1,584 |
| Total | 4,566 | 13,025 | 9,412 | 22,309 |

(1) Includes compensation of the Board of Directors, the Audit Committee and the Fiscal Council.

(2) In the first half of 2019, severance payments were made. In the first quarter of 2020, one of the executives resigned.

| | Parent Company and Consolidated | |
|--------------------------|---------------------------------|------------|
| | 06/30/2020 | 06/30/2019 |
| Number of members | | |
| Board of Directors | 7 | 7 |
| Statutory officers | 3 | 2 |
| Non-statutory officers | 2 | 3 |
| Fiscal Council | 3 | 3 |
| Total | 15 | 15 |

24. Earnings (loss) per share

| | Parent Company and Consolidated | | | |
|--|---------------------------------|------------|------------------------|------------|
| | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Numerator | | | | |
| Net income for the period | (350) | 155,718 | 55,902 | 297,632 |
| Denominator | | | | |
| Weighted average number of outstanding shares | | | | |
| (in thousands) | 124,159 | 124,159 | 124,159 | 124,113 |
| Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands) | 124,159 | 124,159 | 124,159 | 124,113 |
| Basic earnings per share | (0.003) | 1.254 | 0.450 | 2.398 |
| Diluted earnings per share | (0.003) | 1.254 | 0.450 | 2.398 |

For the periods ended June 30, 2020 and 2019, the stock option plans had a market price lower than the out of money prices; therefore, they did not have a dilutive effect and were not considered in the total amount of outstanding shares.



Notes to the individual and consolidated quarterly information form - ITR

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

25. Revenue

| | Parent Company | | | | Consolidated | | | |
|--|--------------------------|------------|------------------------|------------|--------------------------|------------|------------------------|------------|
| | Three-month period ended | | Six-month period ended | | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Revenue from the redemption of miles (a) | 27,711 | 239,426 | 122,581 | 442,698 | 27,710 | 240,802 | 124,177 | 444,819 |
| Revenue from breakage and expired miles | 35,973 | 58,445 | 119,305 | 112,375 | 36,432 | 58,445 | 120,437 | 112,375 |
| Other operating revenue (b) | 421 | 6,235 | 8,245 | 13,052 | 458 | 6,242 | 8,247 | 13,059 |
| Gross revenue | 64,105 | 304,106 | 250,131 | 568,125 | 64,600 | 305,489 | 252,861 | 570,253 |
| Related tax | (8,037) | (27,465) | (24,915) | (51,621) | (8,042) | (27,526) | (24,972) | (51,723) |
| Net revenue | 56,068 | 276,641 | 225,216 | 516,504 | 56,558 | 277,963 | 227,889 | 518,530 |

(a) Net revenue from costs incurred in the acquisition of goods or services from third parties delivered to members of the Smiles program.

(b) Of the total amount, R\$2,544 refers to Smiles Program management fees charged from GLA for the six-month period ended June 30, 2020 (R\$1,867 and R\$4,268 for the quarter and the six-month period ended June 30, 2019, respectively), as described in Note 23.1.



Notes to the individual and consolidated quarterly information form - ITR

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

26. Operating costs and selling and administrative expenses

| | Parent Company | | | | Consolidated | | | |
|--------------------------------------|--------------------------|-----------------|------------------------|------------------|--------------------------|------------------|------------------------|------------------|
| | Three-month period ended | | Six-month period ended | | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Operating costs | | | | | | | | |
| IT services | (21,253) | (15,535) | (37,659) | (27,541) | (21,162) | (15,554) | (37,773) | (27,560) |
| Depreciation and amortization | (6,472) | (4,675) | (13,059) | (9,064) | (6,472) | (4,871) | (13,059) | (9,456) |
| Other operating costs, net | (417) | (640) | (1,220) | (1,273) | (417) | (642) | (1,221) | (1,275) |
| Total operating costs | (28,142) | (20,850) | (51,938) | (37,878) | (28,051) | (21,067) | (52,053) | (38,291) |
| Selling expenses | | | | | | | | |
| Personnel | (3,652) | (5,738) | (7,211) | (9,087) | (3,652) | (5,782) | (7,211) | (9,131) |
| Call center ^(a) | (7,690) | (9,267) | (17,679) | (18,188) | (7,702) | (9,174) | (17,691) | (18,188) |
| Sales and advertising | (8,679) | (19,779) | (25,890) | (35,583) | (7,830) | (20,238) | (27,540) | (36,042) |
| Total selling expenses | (20,021) | (34,784) | (50,780) | (62,858) | (19,184) | (35,194) | (52,442) | (63,361) |
| Administrative expenses | | | | | | | | |
| Personnel | (11,885) | (24,877) | (30,928) | (43,156) | (13,201) | (26,632) | (33,096) | (44,911) |
| IT services | (1,255) | (4,763) | (6,331) | (10,079) | (1,877) | (4,821) | (7,163) | (10,148) |
| Services provided ^(b) | (7,134) | (11,428) | (17,651) | (18,573) | (7,279) | (12,367) | (18,580) | (19,647) |
| Depreciation and amortization | (899) | (868) | (1,797) | (1,715) | (913) | (882) | (1,823) | (1,731) |
| Other administrative expenses, net | 319 | (2,052) | (809) | (686) | 11 | (2,338) | (1,650) | (1,004) |
| Total administrative expenses | (20,854) | (43,988) | (57,516) | (74,209) | (23,259) | (47,040) | (62,312) | (77,441) |
| Other operating expenses, net | | | | | | | | |
| Other operating expenses, net | 173 | - | 3,669 | 914 | 307 | - | 3,803 | 914 |
| Total other, net | 173 | - | 3,669 | 914 | 307 | - | 3,803 | 914 |
| Total | (68,844) | (99,622) | (156,565) | (174,031) | (70,187) | (103,301) | (163,004) | (178,179) |

(a) Parent Company and Consolidated: of total selling expenses, R\$6,163 and R\$13,110 for the quarter and the six-month period ended June 30, 2020, respectively (R\$5,945 and R\$12,104 for the quarter and the six-month period ended June 30, 2019, respectively), refer to shared services between the Company and GLA (for more information, see note 23.1).

(b) Parent Company: of total administrative expenses, R\$2,142 and R\$4,104 for the quarter and the six-month period ended June 30, 2020, respectively (R\$2,464 and R\$4,622 for the quarter and the six-month period ended June 30, 2019, respectively), refer to shared services between the Company and GLA (for more information, see note 23.1). Consolidated: Of total administrative expenses, R\$2,199 and R\$4,161 for the quarter and the six-month period ended June 30, 2020, respectively (R\$2,558 and R\$4,809 for the quarter and the six-month period ended June 30, 2019, respectively), refer to shared services between the Company and GLA (for more information, see note 23.1).



Notes to the individual and consolidated quarterly information form - ITR

Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

27. Financial income (expenses)

| | Parent Company | | | | Consolidated | | | |
|------------------------------------|--------------------------|---------------|------------------------|----------------|--------------------------|----------------|------------------------|----------------|
| | Three-month period ended | | Six-month period ended | | Three-month period ended | | Six-month period ended | |
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Financial revenues | | | | | | | | |
| Discounts obtained (a) | 16,373 | 18,384 | 30,855 | 40,709 | 16,373 | 18,384 | 30,855 | 40,709 |
| Income from short-term investments | 5,897 | 11,764 | 14,205 | 23,742 | 5,929 | 11,764 | 14,265 | 23,742 |
| (-) Taxes on financial income | (1,081) | (1,549) | (2,246) | (3,310) | (1,081) | (1,549) | (2,246) | (3,310) |
| Other revenues | 755 | 2,742 | 1,693 | 5,108 | 754 | 2,742 | 1,692 | 5,108 |
| Total financial income | 21,944 | 31,341 | 44,507 | 66,249 | 21,975 | 31,341 | 44,566 | 66,249 |
| Financial expenses | | | | | | | | |
| Interest | (28) | (66) | (102) | (109) | (233) | (103) | (554) | (146) |
| Taxes on financial operations | (5) | (62) | (107) | (113) | (5) | (62) | (107) | (113) |
| Loss on short-term investments | (514) | (95) | (9,143) | (106) | (514) | (95) | (9,143) | (106) |
| Other expenses | (522) | (758) | (1,264) | (1,515) | (522) | (756) | (1,322) | (1,513) |
| Total financial expenses | (1,069) | (981) | (10,616) | (1,843) | (1,274) | (1,016) | (11,126) | (1,878) |
| Exchange variation, net | 864 | 2,577 | (3,891) | 2,585 | 642 | 2,672 | (2,130) | 2,692 |
| Total | 21,739 | 32,937 | 30,000 | 66,991 | 21,343 | 32,997 | 31,310 | 67,063 |

(a) These amounts refer to advance ticket purchases pursuant to the agreement entered into with GLA.



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Period ended June 30, 2020

(In thousands of Brazilian reais - R\$, except when otherwise indicated)

28. Financial instruments

In the normal course of its business, the Company is exposed to credit, liquidity and market risks, which are actively managed by the Finance and Audit Committee ("CAF"), pursuant to this committee's regulations. The details regarding the way the Company manages risks have been widely presented in the financial statements for the year ended December 31, 2019. Since then, there has been no changes.

28.1. Breakdown of financial instruments by category

The Company's financial instruments recorded in the statement of financial position as of June 30, 2020, and December 31, 2019, are shown below:

| | | Parent Company | | | |
|------------------------|------------------|---|------------|--------------------|------------|
| | | Measured at fair value through profit or loss | | Amortized cost (*) | |
| | Fair value level | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Assets | | | | | |
| Cash and bank deposits | Level 1 | 5,163 | 274,596 | - | - |
| Cash equivalents | Level 2 | 96,896 | 437 | - | - |
| Financial investments | Level 2 | 1,374,290 | 886,069 | - | - |
| Trade receivables | | - | - | 287,412 | 491,326 |
| Other receivables | | - | - | 45,555 | 30,965 |
| Liabilities | | | | | |
| Suppliers | | - | - | (91,419) | (107,648) |
| Related companies | | - | - | (8,443) | (29,038) |
| Other liabilities | | - | - | (3,401) | (5,185) |

| | | Consolidated | | | |
|------------------------|------------------|---|------------|--------------------|------------|
| | | Measured at fair value through profit or loss | | Amortized cost (*) | |
| | Fair value level | 06/30/2020 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Assets | | | | | |
| Cash and bank deposits | Level 1 | 19,945 | 287,409 | - | - |
| Cash equivalents | Level 2 | 97,903 | 437 | - | - |
| Financial investments | Level 2 | 1,374,302 | 886,069 | - | - |
| Trade receivables | | - | - | 289,200 | 493,022 |
| Other receivables | | - | - | 49,338 | 30,784 |
| Liabilities | | | | | |
| Suppliers | | - | - | (98,637) | (116,766) |
| Related companies | | - | - | (3,889) | (23,611) |
| Other liabilities | | - | - | (3,549) | (6,735) |

(*) As it refers to credits and obligations involving private institutions in which, in case of early settlement, there are no substantial alterations in the amounts recognized, the fair values are approximately the same as book values due to the short-term maturities of these assets and liabilities.

28.2. Interest rate risk

Interest rate risk is the risk through which the Company may suffer economic losses from changes in interest rates affecting its assets and liabilities. The Company's results are exposed to interest rate variations on interest income from cash and cash equivalents and short-term investments.

The Company's Risk Policy does not limit exposure to different interest rates and does not establish limits between fixed or floating rates. However, the Company is continually monitoring market interest rates, mainly to assess the appropriate level of return of its short-term investments.

The sensitivity analysis of the Company's assets and liabilities to fluctuations in interest rates is presented in Note 28.8.

28.3. Foreign currency risk

Foreign currency risk refers to foreign currency exchange variations that may lead to unexpected losses for the Company, resulting in a reduction in assets and/or an increase in liabilities.

The Company has a small number of operations denominated in foreign currency, mainly represented by ticket purchases with peer airlines, trade receivables from peer airlines and cash equivalents.

Assets and liabilities denominated in foreign currency as of June 30, 2020, and December 31, 2019, are presented below:

| | Parent Company | | Consolidated | |
|---|-----------------|-----------------|--------------|-----------------|
| | 06/30/202 | 12/31/2019 | 06/30/2020 | 12/31/2019 |
| Cash and cash equivalents | 2,013 | 984 | 11,176 | 12,228 |
| Trade receivables | 1,014 | 8,321 | 2,196 | 9,111 |
| Recoverable taxes | - | - | 3,327 | 426 |
| Other credits and amounts | - | - | 16 | 84 |
| Foreign currency suppliers | (8,726) | (90,279) | (15,829) | (99,530) |
| Related parties | (5,369) | 7,287 | (882) | 10,918 |
| Other payables | - | - | (24) | (17) |
| Total foreign currency exposure R\$ | (11,068) | (73,687) | (20) | (66,780) |
| Total foreign currency exposure converted into US\$ | (2,021) | (18,281) | (4) | (16,568) |
| Exchange rate (R\$/US\$) | 5.4760 | 4.0307 | 5.4760 | 4.0307 |

As of June 30, 2020, the Company adopted the R\$5.4760/US\$1.00 exchange rate, corresponding to the month's closing rate announced by the Central Bank of Brazil as probable scenario. The table below shows the sensitivity analysis and the effect on profit or loss of exchange rate fluctuations in the exposed amount at the end of the period:

| | Parent Company | | Consolidated |
|---|----------------|----------|------------------|
| | Rate | | Liabilities, net |
| Amounts exposed to the risk of appreciation of the U.S. dollar (R\$ 5.476/US\$1.00) | 5.4760 | (11,068) | (20) |
| Possible adverse scenario (+25%) | 6.8450 | (2,767) | (5) |
| Remote adverse scenario (+50%) | 8.2140 | (5,534) | (10) |
| Possible favorable scenario (-25%) | 4.1070 | 2,767 | 5 |
| Remote favorable scenario (-50%) | 2.7380 | 5,534 | 10 |



28.4. Credit risk

Credit risk is inherent in the Company's operating and financing activities, mainly represented by cash and cash equivalents, short-term investments, trade receivables and advances to suppliers.

Financial assets classified as cash, cash equivalents and short-term investments are deposited with counterparties rated investment grade or higher by S&P or Moody's (between AAA and AA+), pursuant to risk management policies. The Company concentrates more than 10% of its total financial assets in financial institutions whose rating is similar to or more favorable than that of the Company.

The trade receivables balance mainly consists of amounts not yet due from the main credit card operators, whose credit risk is similar to or lower than that of the Company, as well as trade receivables from airline and non-airline partners. The Company uses a provisioning matrix for the constitution of an expected loss provision for the entire life of the asset, in which it considers historical data in determining the expected loss for the duration of the contract, by segmenting the receivables portfolio into groups that have the same behavior and according to the maturity dates. The credits considered as definitive losses are written off according to an individual analysis that considers the maturity and the amount outstanding.

The balance of advances to suppliers is monitored on a quarterly basis and presented to the Finance and Audit Committee. Until the end of the reported period, advances to related parties included in the balance as of June 30, 2020, received a unanimous favorable opinion from said Committee.

28.5. Liquidity risk

The Company is exposed to two different types of liquidity risk: market liquidity risk and cash flow liquidity risk. The former is related to current market prices and varies based on the type of assets and the markets in which they are traded. Cash flow liquidity risk, on the other hand, is related to difficulties in meeting our contracted operating obligations at the maturity dates.

In order to manage liquidity risk, the Company invests its surplus funds in liquid assets, mainly fixed income investment funds and CDBs.

The Company significantly depends on GLA and financial institutions, which, jointly, represent almost all of its revenue and turnover sources. A possible reduction in sales of miles to any of its main partners or the termination of business relations may have a significant adverse impact on the Company's results.

The schedule of disbursements for payment of suppliers and obligations to related companies is of up to six months.

28.6. Capital management

The Company is committed to maintaining its liquidity at high levels, as well as ensuring its ability to continue as a going concern, providing its shareholders with a strong capital base and other related parties with the return of benefits. Available funds are sufficient to meet the current requirements.

As of June 30, 2020, the Company did not have financial leverage as it did not have relevant debt instruments.

28.7. Sensitivity analysis

The sensitivity analysis of financial instruments has been prepared in accordance with CVM Instruction 475/08 in order to estimate the impact on fair value of financial instruments traded by the Company in three scenarios for each risk variable: the most likely scenario in the Company's assessment; a 25% deterioration (possible adverse scenario) in the risk variable; a 50% deterioration (remote adverse scenario).

As the estimates are based on statistical simplifications, they do not necessarily reflect amounts to be stated in the next financial statements. The use of different methodologies and/or assumptions may have a material effect on the estimates presented.

In addition, the Company must include in its sensitivity analysis of financial instruments risks that may directly or indirectly generate material losses, considering the following elements, pursuant to CVM Instruction 475/08:

- The probable scenario is the scenario expected by the Company's Management and corroborated by an external independent source;
- The possible adverse scenario assumes a 25% deterioration in the main risk variable that determines the fair value of financial instruments; and
- The remote adverse scenario assumes a 50% deterioration in the main risk variable that determines the fair value of financial instruments.

The probable scenario adopted by the Company is represented by market levels remaining unchanged.

Based on the Company's analysis, the financial instruments exposed to the risk of change in interest rate are short-term investments in CDBs and investment funds, classified as cash equivalents and short-term investments. The Company assessed its non-derivative financial instruments, considering the impact of fluctuations in interest rates on the exposed amounts as of June 30, 2020. The exposed amounts and interest rate fluctuation scenarios, and their respective effect on the Company's result, are as follows:

| | Parent Company | | |
|---|------------------|------------------------|--------------------------|
| | Cash equivalents | Short-term investments | Advance ticket purchases |
| Amounts exposed to risk of variation in the CDI rate (2.15% p.a.) | 96,896 | 1,374,290 | 1,179,319 |
| Possible adverse scenario (-25%) | (521) | (7,387) | (6,339) |
| Remote adverse scenario (-50%) | (1,042) | (14,774) | (12,678) |
| Possible favorable scenario (+25%) | 521 | 7,387 | 6,339 |
| Remote favorable scenario (+50%) | 1,042 | 14,774 | 12,678 |

| | Consolidated | | |
|---|------------------|------------------------|--------------------------|
| | Cash equivalents | Short-term investments | Advance ticket purchases |
| Amounts exposed to risk of variation in the CDI rate (2.15% p.a.) | 97,903 | 1,374,302 | 1,179,319 |
| Possible adverse scenario (-25%) | (526) | (7,387) | (6,339) |
| Remote adverse scenario (-50%) | (1,052) | (14,774) | (12,678) |
| Possible favorable scenario (+25%) | 526 | 7,387 | 6,339 |
| Remote favorable scenario (+50%) | 1,052 | 14,774 | 12,678 |



29. Non-cash transactions

| | Parent Company | | Consolidated | |
|--|----------------|------------|--------------|------------|
| | 06/30/2020 | 06/30/2019 | 06/30/2020 | 06/30/2019 |
| Increase in property, plant and equipment through leases | - | 368 | - | 368 |
| Exchange variation on foreign investments | (431) | - | - | - |
| Withholding income tax on interest on equity | 3.738 | - | 3.738 | - |

30. Insurance

As of June 30, 2020, the main insurance coverage, by nature, in relation to maximum indemnifiable amounts, was as follows:

| Type | 06/30/2020 |
|--|------------|
| Rent insurance (Rio Negro - Alphaville complex) | 1,318 |
| D&O liability insurance | 100,000 |
| Fire insurance (Property insurance Rio Negro - Alphaville complex) | 12,747 |

The insurance coverage was considered sufficient by the Company's Management.

31. Subsequent events

On July 5, 2020, the Company's Board of Directors approved the commercial transaction between the Company and GLA, with GLAI as an intervening party, whereby, upon signing the Advance Ticket Purchase Agreement ("Advance Ticket Purchase Agreement"), the Company has acquired credits from GLA for the future acquisition of air tickets issued by GLA, pursuant to the conditions contractually agreed, with certain benefits and commercial conditions being granted to Smiles. The total Transaction amount is R\$1,200,000, which was fully disbursed by Smiles to GLA on July 6, 2020. The Transaction's credit balance, while it is not used in the acquisition of air tickets pursuant the new negotiated commercial conditions, will be remunerated according to an annual interest rate equivalent to 115% of the CDI (Interbank Deposit Certificate), which will apply to the amount of the credit from the date it is transferred to GLA to its effective redemption.

Only the economic value generated by the commercial benefits quantified above and the rate that will pay the balance of credits, it is estimated that the Transaction will generate a return equivalent to 8.3% pa, considering the current projected CDI curve, which can be significantly improved when considering the size of the other conditions negotiated with GLA, according to the communication on the transaction between related parties filed by the Company on July 15, 2020.