

1Q21 Earnings Release

Barueri, April 26, 2021 – Smiles Fidelidade S.A. (B3: SMLS3), one of the largest frequent-flyer programs in Brazil with over 18 million members, announces its 1Q21 results. The financial and operational information in this report refers to the consolidated income (expenses) of Smiles Fidelidade S.A. and is presented in accordance with IFRS and in Brazilian reais (R\$), except when indicated otherwise. The percentage changes may use more decimal places for the calculation than those shown in the document and are compared with the numbers of Smiles Fidelidade S.A.

Smiles Fidelidade S.A.

B3: SMLS3
 Novo Mercado
 Share Price: R\$21.72
 Number of Shares: 124,158,953
 Market Cap: R\$2.5 bi
 (close: April 23, 2021)

ri.smiles.com.br

1Q21 Conference Call

April 27, 2021

In Portuguese and English:

(Simultaneous Translation)

11:00 a.m. (Brasília time)

10:00

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Password: Smiles

[Webcast \(Portuguese\)](#)

[Webcast \(English\)](#)

SMILES CONTACTS

Hugo Assumpção

Chief Financial Officer and
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Finance and Investor
 Relations Manager

Mariana Vargas

Investor Relations Specialist

Message From Management

We started 2021 with a new chapter in Smiles' history: GOL's incorporation. From now on, together, Smiles and Gol will bring the most value from several operational synergies, create new opportunities, even more significant and strategic in the turbulent seas of a market deeply affected by the Covid-19 pandemic.

Unfortunately, after an upward trend, with indicators improving every month, the second wave was a new blow to the segment and made us, once again, adjust the operation to ensure the best possible experience for our customers in a scenario of drastic flight reduction and, therefore, directly affecting our indicators.

In parallel to this, Smiles has shown its strength and recorded about 6% growth in 1Q21 X 1Q20, totaling 18.5 million members. The GOL Smiles co-branded credit card, relaunched last year, also continues bringing great results, with a 9.6% increase in the active customer base compared 1Q 2020.

In operation, while our members are unable to safely fulfill the dream of traveling, we expand the opportunities for them to accumulate or redeem miles in the most convenient way and adapted to the moment. Shopping Smiles, our marketplace, remains with special offers drawn up with our retail partners to offer consumers even more benefits to redeem or accumulate their miles. In March, gross sales result (GMW), which is our main indicator, was nearly three times higher over March 2020. Over 40% of Smiles customer base has already made at least one purchase on our marketplace.

For those who needed to postpone their plans, we expanded our service channels and implemented, still in the pilot phase, the service via WhatsApp to reschedule flights, offering practicality and convenience to our customers. Another well-accepted feature was *Meu Bonus Vip*, for Smiles Club's members, which now allows transferring credit card points with up to 50% bonus - without relying on sales and with advantages according to the chosen plan.

We know we still have a long way to go, but we trust that the company's new phase will start another successful journey, with Smiles' preserved competitive advantages, leveraging new businesses and new opportunities, bringing together the strengths and value of both companies - Smiles and GOL - further intensifying the ecosystem and partnerships. We will be stronger to face our market's competitive challenges, capturing the entire business value.

To all those who, over the past eight years, have believed in Smiles' proposal and ability to make it happen, thank you very much.

Highlights

	Unit.	1Q21	4Q20	1Q21 vs. 4Q20	1Q20	1Q21 vs. 1Q20
Operating Highlights						
Earned Miles	milhões	19,738	25,104	-21.4% ▼	26,597	-25.8% ▼
Redeemed Miles	milhões	13,976	19,952	-30.0% ▼	17,860	-21.7% ▼
Burn/Earn Ratio	%	70.8%	79.5%	-10.9% ▼	67.2%	5.4% ▲
Total Gross Revenue	R\$ mil	441,959	558,679	-20.9% ▼	629,154	-29.8% ▼
Participants in the Program	milhares	18,526	18,220	1.7% ▲	17,501	5.9% ▲
Awards Redeemed	milhares	937	1,322	-29.1% ▼	1,117	-16.1% ▼
Financial Highlights						
		1,639,895	1,576,121	4.0% ▲	1,336,943	22.7% ▲
Net Revenue	R\$ mil	151,117	211,165	-28.4% ▼	171,331	-11.8% ▼
Gross Profit	R\$ mil	126,308	185,260	-31.8% ▼	147,329	-14.3% ▼
Gross Margin	%	83.6%	87.7%	-4.7% ▼	86.0%	-2.8% ▼
Operating Profit / Loss	R\$ mil	58,860	90,095	-34.7% ▼	78,514	-25.0% ▼
Operating Margin	%	38.9%	42.7%	-8.7% ▼	45.8%	-15.0% ▼
EBITDA	R\$ mil	67,173	97,019	-30.8% ▼	86,011	-21.9% ▼
EBITDA Margin	%	44.5%	45.9%	-3.3% ▼	50.2%	-11.5% ▼
Net Profit / Loss	R\$ mil	47,707	89,823	-46.9% ▼	56,252	-15.2% ▼
Net Margin	%	31.6%	42.5%	-25.8% ▼	32.8%	-3.8% ▼
ROE Last 12 Months	%	15.4%	15.3%	0.5% ▲	46.8%	-67.1% ▼
Annualized ROE	%	17.0%	27.0%	-37.1% ▼	18.2%	-7.0% ▼
Earnings / Loss per Share	R\$	0.380	0.723	-47.5% ▼	0.450	-15.6% ▼

Income Statement - IFRS

Income Statement (R\$ mil)	1Q21	4Q20	1Q21 vs. 4Q20	1Q20	1Q21 vs. 1Q20
Net revenue	151,117	211,165	-28.4% ▼	171,331	-11.8% ▼
Operating expenses	- 24,809	- 25,905	-4.2% ▲	- 24,002	3.4% ▼
Gross profit	126,308	185,260	-31.8% ▼	147,329	-14.3% ▼
Selling expenses	- 29,774	- 30,901	-3.6% ▲	- 33,258	-10.5% ▲
Administrative expenses	- 41,073	- 64,779	-36.6% ▲	- 39,053	5.2% ▼
Other expenses, revenues	3,399	515	560.0% ▲	3,496	-2.8% ▼
Total Operating Expenses	- 67,448	- 95,165	-29.1% ▲	- 68,815	-2.0% ▲
Operating profit / loss before financial result and taxes	58,860	90,095	-34.7% ▼	78,514	-25.0% ▼
Financial revenues	19,873	20,999	-5.4% ▼	22,591	-12.0% ▼
Financial expenses	- 328	- 1,369	-76.0% ▲	- 9,852	-96.7% ▲
Net exchange rate change	- 2,150	3,418	-162.9% ▼	- 2,772	-22.4% ▼
Financial Revenues	17,395	23,048	-24.5% ▼	9,967	74.5% ▲
EBIT	76,255	113,143	-32.6% ▼	88,481	-13.8% ▼
Current income tax and social contribution	- 28,819	- 13,706	110.3% ▼	- 22,863	26.1% ▲
Deferred income tax and social contribution	271	- 9,614	-102.8% ▼	- 9,366	-102.9% ▼
Total Income Tax and Social Contribution	- 28,548	- 23,320	22.4% ▼	- 32,229	-11.4% ▼
Net Profit	47,707	89,823	-46.9% ▼	56,252	-15.2% ▼
Earnings per share (R\$)	0.380	0.723	-47.5% ▼	0.450	-15.6% ▼

Balance Sheet

Assets (R\$ mil)	1Q21	4Q20	1Q21 vs. 4Q20	1Q20	1Q21 vs. 1Q20
Current					
Cash and cash equivalents	118,506	111,892	5.9% ▲	30,458	289.1% ▲
Financial investments	531,932	623,256	-14.7% ▼	1,127,879	-52.8% ▼
Trades receivables	337,470	401,148	-15.9% ▼	427,317	-21.0% ▼
Advances to suppliers	779,699	1,224,919	-36.3% ▼	609,328	28.0% ▲
Recoverable taxes and contributions	83,673	77,978	7.3% ▲	59,756	40.0% ▲
Other credits and amounts	25,791	14,645	76.1% ▲	50,274	-48.7% ▼
Total Current Assets	1,877,071	2,453,838	-23.5% ▼	2,305,012	-18.6% ▼
Noncurrent					
Advances to suppliers	1,422,617	787,264	80.7% ▲	573,556	148.0% ▲
Recoverable taxes and contributions	7,782	21,749	-64.2% ▼	76,541	-89.8% ▼
Deferred Taxes	74	71	4.2% ▲	3,484	-97.9% ▼
Judicial deposits	30,229	26,909	12.3% ▲	18,247	65.7% ▲
Other credits and amounts	13,658	12,635	8.1% ▲	-	N.M. ▬
Property, plant and equipment	2,978	3,202	-7.0% ▼	4,364	-31.8% ▼
Intangible assets	61,439	56,416	8.9% ▲	54,231	13.3% ▲
Total Noncurrent Assets	1,538,777	908,246	69.4% ▲	730,423	110.7% ▲
Total Assets	3,415,848	3,362,084	1.6% ▲	3,035,435	12.5% ▲
Liabilities (R\$ mil)					
Current					
Suppliers	136,012	136,757	-0.5% ▼	105,556	28.9% ▲
Labor obligations	10,783	28,785	-62.5% ▼	9,607	12.2% ▲
Dividends and interests on shareholders' equity	500,000	47,259	958.0% ▲	103,682	382.2% ▲
Income tax and social contribution payable	7,743	2,479	212.3% ▲	1,222	533.6% ▲
Advances from customers	13,838	12,927	7.0% ▲	12,192	13.5% ▲
Deferred revenue	1,304,294	1,253,217	4.1% ▲	1,118,756	16.6% ▲
Obligations with related companies	21,867	15,683	39.4% ▲	6,209	252.2% ▲
Other liabilities	2,219	5,072	-56.3% ▼	1,780	24.7% ▲
Total Current Liabilities	1,996,756	1,502,179	32.9% ▲	1,359,004	46.9% ▲
Noncurrent					
Deferred revenues	335,601	322,904	3.9% ▲	218,187	53.8% ▲
Provisions for lawsuits	28,578	29,556	-3.3% ▼	29,112	-1.8% ▼
Deferred taxes	156,044	156,312	-0.2% ▼	165,503	-5.7% ▼
Other liabilities	467	805	-42.0% ▼	1,655	-71.8% ▼
Total Non-current Liabilities	520,690	509,577	2.2% ▲	414,457	25.6% ▲
Shareholders' Equity					
Share capital	254,610	254,610	0.0% ▬	254,610	0.0% ▬
Capital reserves	279,145	278,809	0.1% ▲	277,018	0.8% ▲
Profit reserves	316,254	816,254	-61.3% ▼	472,743	-33.1% ▼
Equity valuation adjustments	686	655	4.7% ▲	149	-560.4% ▼
Share-based compensation	-	-	N.M. ▬	201,500	N.M. ▬
Retained earnings for the period	47,707	-	N.M. ▬	56,252	-15.2% ▼
Total Shareholders' Equity	898,402	1,350,328	-33.5% ▼	1,261,974	-28.8% ▼
Total Liabilities and Shareholders' Equity	3,415,848	3,362,084	1.6% ▲	3,035,435	12.5% ▲

Cash Flow Statements

Cash Flow Statement (R\$ mil)	1Q21	4Q20	1Q21 vs. 4Q20	1Q20	1Q21 vs. 1Q20
Net profit	47,707	99,970	-52.3% ▼	56,252	-15.2% ▼
Adjustments to reconcile net profit to cash generated by operating activities					
Share-based compensation	336	596	-43.6% ▼	598	-43.8% ▼
Deferred income tax and social contribution	- 271	14,842	-101.8% ▼	9,366	-102.9% ▼
Provision for tax, civil and labor lawsuits	1,924	5,233	-63.2% ▼	5,239	-63.3% ▼
Depreciation and amortization	8,313	6,924	20.1% ▲	7,497	10.9% ▲
Discounts obtained on advance ticket purchases	- 15,952	- 18,381	-13.2% ▼	- 14,482	10.2% ▲
Net exchange rate change	2,792	- 3,964	-170.4% ▼	- 5,323	-152.5% ▼
Variations in financial investments	- 4,413	- 2,975	48.3% ▲	-	N.M. ▬
Constitution (reversal) of provision for expected losses with credits	- 13	-	N.M. ▬	- 1	1200.0% ▲
Labor provisions	4,912	14,369	-65.8% ▼	4,021	22.2% ▲
Retirement of fixed and intangible assets	170	-	N.M. ▬	-	N.M. ▬
Equity equivalence	-	-	N.M. ▬	-	N.M. ▬
Other provisions	160	1,899	-91.6% ▼	- 103	-255.3% ▼
Adjusted net profit	45,665	118,513	-61.5% ▼	63,064	-27.6% ▼
Variations in operating assets and liabilities					
Accounts receivable	63,734	- 28,840	-321.0% ▼	66,073	-3.5% ▼
Advances to suppliers	- 174,181	230,565	-175.5% ▼	- 196,614	-11.4% ▼
Taxes recoverable	8,276	5,138	61.1% ▲	6,302	31.3% ▲
Judicial deposits and blocks	- 3,319	- 966	243.6% ▲	- 1,682	97.3% ▲
Other credits (liabilities)	- 17,155	28,030	-161.2% ▼	- 22,681	-24.4% ▼
Transactions with related companies	6,163	1,623	279.7% ▲	- 17,402	-135.4% ▼
Suppliers	- 1,451	19,818	-107.3% ▼	- 9,260	-84.3% ▼
Labor law obligations	- 22,920	- 2,969	672.0% ▲	- 12,586	82.1% ▲
Advances from clients	28,770	13,518	112.8% ▲	18,409	56.3% ▲
Deferred revenue	907	- 2,322	-139.1% ▼	486	86.6% ▲
Tax obligations	63,702	4,422	1340.6% ▲	160,546	-60.3% ▼
Lawsuits	- 2,964	- 2,821	5.1% ▲	- 3,114	-4.8% ▼
Income tax and social contribution	- 23,506	- 43,169	-45.5% ▼	- 26,428	-11.1% ▼
Net operating cash flow	- 28,279	340,540	-108.3% ▼	25,113	-212.6% ▼
Investment activities					
Acquisition of fixed and intangible assets	95,736	- 225,845	-142.4% ▼	- 241,810	-139.6% ▼
Financial investments, net	-	-	N.M. ▬	-	N.M. ▬
Capital increase in investee	- 13,282	- 8,704	52.6% ▲	- 13,087	1.5% ▲
Investment activities cash flow	82,454	- 234,549	-135.2% ▼	- 254,897	-132.3% ▼
Financing activities					
Lease Payments	- 405	- 1,538	-73.7% ▼	-	N.M. ▬
Capital increase through exercise of stock options	-	-	N.M. ▬	-	N.M. ▬
Dividends paid	- 7	- 103,676	-100.0% ▼	-	N.M. ▬
Interest on shareholders' equity and dividends paid	- 47,252	1	N.M. ▬	- 29,816	58.5% ▲
Financing activities cash flow	- 47,664	- 105,213	-54.7% ▼	- 29,816	59.9% ▲
Effects of exchange rate change on cash and cash equivalents	103	2,398	-95.7% ▼	2,212	-95.3% ▼
Net cash and cash equivalents increase (decrease)	6,614	222	2879.3% ▲	- 257,388	-102.6% ▼
Cash and cash equivalents at the beginning of the period	111,892	-	N.M. ▬	287,846	-61.1% ▼
Cash and cash equivalents at the end of the period	118,506	111,892	5.9% ▲	30,458	289.1% ▲

Business Model

Smiles started as a single frequent-flyer program but has evolved into its current coalition model, which features several unique characteristics that allow for the accrual and redemption of miles from GOL flights and its international partner airlines, as well as Brazil's leading commercial banks, including co-branded cards issued by Bradesco, Banco do Brasil and Santander, and a vast network of retail partners. The current model works through (i) the accrual of miles by members when they purchase airline tickets with GOL or other partner airlines or products and services from business and financial partners; Smiles miles being acquired through the frequent-flyer of these customers to those businesses, and (ii) award redemptions by members when they exchange their miles for flights on GOL and other partner airlines or products and services offered by commercial and financial partners.

Our primary sources of revenues come from (i) redeemed miles revenues, represented by tickets and awards in our network of airline, commercial and financial partners, (ii) interest income between the date the miles were accrued and the date they were redeemed, and (iii) breakage revenues if issued miles expire without being redeemed.

Glossary

The ratio between the number of redeemed and accrued miles in each period.

Breakage Estimate: Miles expired and not redeemed; it may be expressed as a number of miles, an amount in Reais or a percentage of miles issued, depending on the context.

Free Float: Shares owned by non-controlling shareholders.

Miles: The redemption rights of Smiles Program members sold to commercial partners.

Products or services provided to members by a commercial partner resulting from redeeming the customer's frequent-flyer miles.

Reward Products: Product or service, excluding air tickets, provided to members by a commercial partner from redeeming the customer's frequent-flyer miles.

Smiles Program: A coalition program for several companies, including GOL Linhas Aéreas Inteligentes S.A.

Smiles & Money: A means of redeeming air tickets or products by combining money and miles.

This release may contain forward-looking statements related to business prospects, estimates of operating and financial results, and growth prospects for Smiles. These are merely projections and, as such, are based exclusively on management's expectations for Smiles. Such forward-looking statements substantially depend on external factors and risks presented in Smiles' disclosure documents and are therefore subject to change without notice. Independent auditors did not review the Company's non-financial information. Some of the report's figures may differ from the statements