

3Q20 Earnings Release

Barueri, October 27, 2020 – Smiles Fidelidade S.A. (B3: SMLS3), one of Brazil's largest alliance programs, with over 17 million registered participants, is announcing its results for 3Q20. The financial and operational information in this report refer to the consolidated results of Smiles Fidelidade S.A. and are shown in IFRS in Reais (R\$), unless otherwise indicated. The percentage variances may use more decimal places for the calculation than shown in the document, and they are compared to the figures of Smiles Fidelidade S.A.

Smiles Fidelidade S.A.

B3: SMLS3
 Novo Mercado segment
 Price: R\$ 17.65
 No. of shares: 124.158.953
 Market value: R\$ 2.1 bi
 (close of business: 10/26/2020)

www.smiles.com.br/ri

3Q20 Conference Call

October 28, 2020

In Portuguese and English
 (Simultaneous Translation)

11:00 am (Brasília Time)

10:00 am (US EST)

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Webcast (Portuguese)

Webcast (English)

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OPERATIONAL AND FINANCIAL HIGHLIGHTS OF THE PERIOD

Total cash generation - R\$ 219.5 million in 3Q20 and R\$ 992.2 million in 9M20.

Total gross invoicing for 3Q20 stood at R\$ 450.4 million, an increase of 40% over 2Q20, reflecting the strong recovery in the period. In spite of the drop of 27.9% in the accumulated comparison of 9M20 with 9M19, this indicator amounted to R\$ 1,401.3 million and, in the month of September/20, had already reached 90% of the volume registered in the same month of 2019, notably the pre-pandemic period.

Net income grew by 136.7% in the quarter, from R\$ 56.6 million in 2Q20, to R\$ 133.9 million in 3Q20, in line with the strong recovery in the gross margin, which stood at 84.2% in 3Q20 and 79.8% in 9M20, against 93.1% and 92.8%, respectively in comparison with the same periods of 2019.

Earned miles stood at 20.1 billion in 3Q20, while redemptions amounted to 16.7 billion miles, representing a Burn/Earn Ratio of 83.2%. The highlight in the month of September/20 was that earned miles were 4% higher than the volume of earned miles in the same month of the previous year.

Net income of R\$ 40.1 million in 3Q20, reverting the loss of R\$ 0.3 million recorded in 2Q20.

	Unit.	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Operating Highlights									
Earned Miles	millions	20.085	13.789	45,7%	26.513	-24,2%	60.471	86.064	-29,7%
Redeemed Miles	millions	16.703	3.049	447,8%	26.186	-36,2%	37.613	74.794	-49,7%
Burn/Earn Ratio	%	83,2%	22,1%	6105 bps	98,8%	-1560 bps	62,2%	86,9%	-2471 bps
Total Gross Revenue	R\$ mil	450.410	321.746	40,0%	633.683	-28,9%	1.401.310	1.944.612	-27,9%
Participants in the Program	thousands	17.935	17.657	1,6%	16.540	8,4%			
Awards Redeemed	thousands	1.255	353	255,8%	1.662	-24,5%	2.725	4.781	-43,0%
Financial Highlights									
Total Cash Generation	R\$ mil	219.492	328.813	-33,2%	486.471	-54,9%	992.244	1.218.413	-18,6%
Operating Cash Generation	R\$ mil	195.593	307.470	-36,4%	457.010	-57,2%	937.035	1.121.889	-16,5%
Net Revenue	R\$ mil	133.862	56.558	136,7%	279.330	-52,1%	361.751	797.860	-54,7%
Gross Profit	R\$ mil	112.742	28.507	295,5%	259.949	-56,6%	288.578	740.188	-61,0%
Gross Margin	%	84,2%	50,4%	3382 bps	93,1%	-884 bps	79,8%	92,8%	-1300 bps
Operating Profit / Loss	R\$ mil	55.273	-13.629	N.M.	198.654	-72,2%	120.158	539.005	-77,7%
Operating Margin	%	41,3%	-24,1%	6539 bps	71,1%	-2983 bps	33,2%	67,6%	-3434 bps
EBITDA	R\$ mil	62.044	-6.244	N.M.	205.830	-69,9%	141.811	557.368	-74,6%
EBITDA Margin	%	46,3%	-11,0%	5739 bps	73,7%	-2734 bps	39,2%	69,9%	-3066 bps
Net Profit / Loss	R\$ mil	50.232	-350	N.M.	149.557	-66,4%	106.134	447.189	-76,3%
Net Margin	%	37,5%	-0,6%	3814 bps	53,5%	-1602 bps	29,3%	56,0%	-2671 bps
ROE Last 12 Months	%	23,1%	32,6%	-955 bps	57,5%	-3444 bps			
Annualized ROE	%	15,7%	-0,1%	1578 bps	55,0%	-3937 bps	11,3%	54,8%	-4351 bps
Earnings / Loss per Share	R\$	0,405	-0,003	N.M.	1,205	-66,4%	0,855	3,603	-76,3%

Message from the Management

Few sectors of the economy were as badly affected by the greatest pandemic in a century than travel and tourism. The necessary isolation closed borders, postponed holiday plans and prevented the mobility that is the feature of the globalized economy. The seriousness of this scenario led Smiles to adapt quickly and to bolster its business strategy founded on digital interaction and providing clients with a service par excellence. Thanks to this, we ended the second quarter with a significant advance in our financial and operating results. This evolution was consolidated in this third quarter which we are now reporting to our stakeholders.

Our indicators show that the recovery is firmly established – an important indication for Smiles and for the Brazilian economy, which is on the move again. The number of miles redeemed in the period was four times greater than in the second quarter. Earned miles grew by more than 25%, in comparison with the previous three months. These and other results enabled Smiles to record in the third quarter of 2020 invoicing of R\$ 450 million and net income of R\$ 50 million.

The partial resumption of economic activity only partly explains these good results. Today, Smiles has the most complete traveler services platform on the Brazilian market. Even in the face of the temporary restrictions imposed by Covid-19, we bent to our task so that our clients could have, and continue to have, access to the best airline partners. During this third quarter, Smiles closed agreements with Air Europe and Ethiopian Airlines. This has added more than 90 international destinations to our portfolio. American Airlines, the company with which Smiles announced a partnership in early 2020, has become – in a very short space of time – our main similar partner in spite of the pandemic.

As tradition dictates, in September we held the Clube Smiles Day, a proprietary date with special offers for the most loyal Smiles clients. The result exceeded our wildest expectations. The number of those joining was 15 times greater than in early April. In five days, more than 74,000 airline tickets were issued for GOL flights.

More offerings, more technology and excellent service are reflected in what is the most important indicator for a services company: customer satisfaction. Between July and September, our NPS was 30% up on the second quarter.

Besides working day after day to captivate clients, our team is absolutely committed to a robust financial strategy that perpetuates every aspect of the company while providing sustainability. Even during this most challenging of years, Smiles generated cash of R\$ 992 million between January and September. And cash, especially in times of crisis, is still king.

These results have encouraged us not only to increase the number of campaigns and actions, but also to launch the evolution of our brand positioning -- "Seeing the world starts here" – already present on the site, the app, the social networks and on all Smiles communications.

We know that the months ahead will present huge challenges. We will remain vigilant and increasingly dedicated to making Smiles the best option for our clients and a company which our employees, shareholders and investors can be proud of.

Miles Earned and Redeemed: Earned miles in 3Q20 showed growth of 45.7% in relation to 2Q20, and a drop of 24.2% over the same period of the previous year. We also experienced a decline in accumulated figures for the 9-month period, of the order of 29.7%. Redemptions behaved in a similar manner to the accumulated figures in the period-over-period comparison, but with stronger variances between the periods: an increase of 447.8% between 3Q20 and 2Q20, and reductions of 36.2% over 3Q19 and 49.7% in the accumulated figures for the first 9 months of the year. The Burn/Earn Rate was 83.2% in 3Q20 and 62.2% in the 9M20.

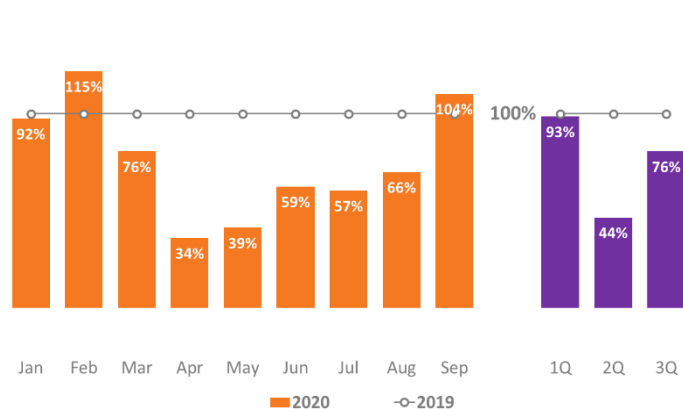
Earned and Redeemed Miles	Unit.	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Earned Miles	millions	20.085	13.789	45,7%	26.513	-24,2%	60.471	86.064	-29,7%
Redeemed Miles	millions	16.703	3.049	447,8%	26.186	-36,2%	37.613	74.794	-49,7%
Burn/Earn Ratio	%	83,2%	22,1%	6105 bps	98,8%	-1560 bps	62,2%	86,9%	-2471 bps

The more pronounced variance in miles redeemed between 3Q20 and 2Q20 can be explained by the extremely low comparative base in the previous quarter and by the constant recovery of these indicators between May and September of this year, worthy of note being the volume of miles earned in the month of September, which surpassed the accumulated figure for the same month of 2019 by 4%.

The following charts illustrate the volumes of miles earned and redeemed in comparison with the same period of 2019.

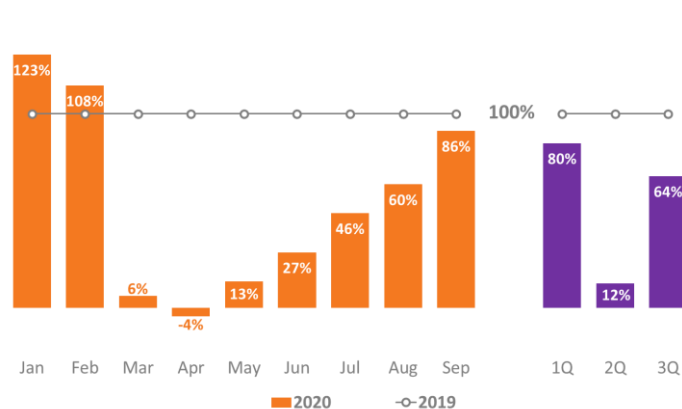
EARNED MILES

Total



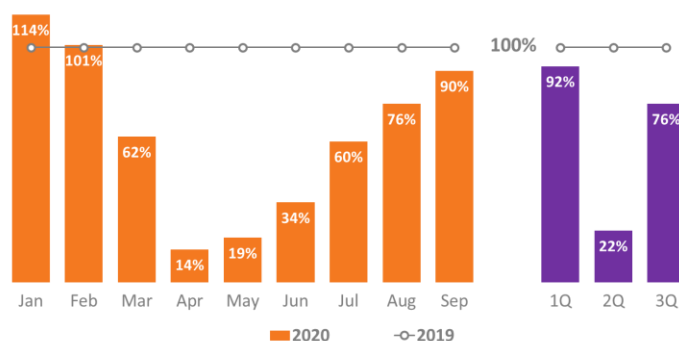
REDEEMED MILES

Total



Gross Invoicing: Gross invoicing in 3Q20 stood at R\$ 450.4 million, against R\$ 321.7 million in 2Q20 and R\$ 633.6 million in 3Q19, an increase of 40.0% and a reduction of 28.9%, respectively. The increase over 2Q20 and the reduction in comparison with 3Q19 is primarily the result of higher volumes of earned miles arising from the recovery in the pace of operations beginning in May/20 and, furthermore, the positive effect of the increase in gross ticket sales (see chart below) and the revenues resulting from the redemption of miles arising from Smiles & Money sales, as well as subscriptions to the Clube Smiles. On the other hand, the exchange rate devaluation and the economic downturn, especially in the tourism sector, led to a lower volume of earned miles originating with our partners.

GROSS AIR TICKET SALES

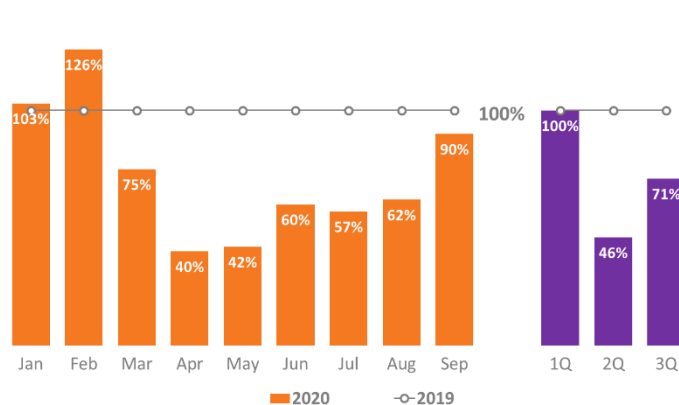


	Unit.	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Total Gross Invoicing	R\$ mil	450,410	321,746	40.0%	633,683	-28.9%	1,401,310	1,944,612	-27.9%

The chart below compares invoicing for the months and quarters of 2020 with the same periods of 2019.

TOTAL EARNINGS

R\$

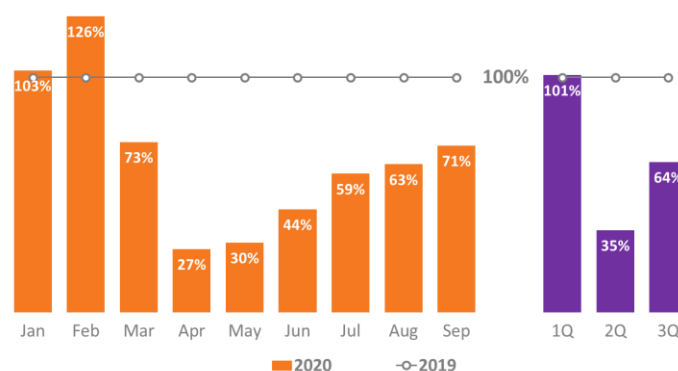


Participants: The program attained 17.9 million participants in 3Q20, representing growth of 1.6% compared to 2Q20 and 8.4% over 3Q19.

	Unit.	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19
Participants in the Program	thousands	17,935	17,657	1.6%	16,540	8.4%

One can also see a constant reaction in the volume of new registrations in the program since May/20, as shown in the chart below, which compares the number of new registrations with the same periods of 2019.

NEW REGISTERS SMILES



Rewards Redeemed: The number of rewards redeemed stood at 1,255 thousand in 3Q20, 255.8% higher than redemptions in 2Q20. Although the total amounts are less than those registered in the same periods of 2019, worthy of note is the growth in non-airline rewards redeemed in the same periods, also exceeding in 9M20 the figures for 9M19 and, taking total amounts, this indicator also reflects a constant reaction since May/20, insofar as on a monthly basis, the total volume redeemed in September/20 has already exceeded the total volume of February/20, the month preceding the outbreak of the COVID-19 pandemic.

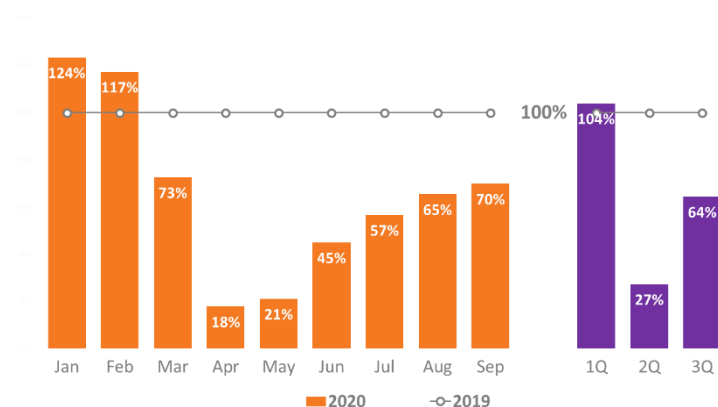
	Unit.	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Awards Redeemed	thousands	1,255	3,353	255.8%	1,662	-24.5%	2,725	4,781	-43.0%
Airline Tickets (GOL and Partners)	thousands	783	23	3304.3%	1,215	-35.6%	1,595	3,670	-56.5%
Other products and services	thousands	472	330	43.0%	447	5.6%	1,130	1,111	1.7%

Clube Smiles: The volume of new memberships follows the same trajectory of recovery as the operational indicators observed since May/20. Worthy of note is the performance in September/20, which was boosted by the third edition of Clube Smiles day, a promotional campaign for members that took place between September 17 and 21 and which recorded a record number of new members in 2020.

The chart below shows this trajectory, comparing the volume of new members of Clube Smiles with the same periods of 2019.

NEW MEMBERSHIP OF CLUBE SMILES

Total



The faster growth in the number of new members of Clube Smiles as of June/20 was positively affected by the rollout of the campaign intended for co-branded credit card holders who, when joining Clube Smiles, would increase the conversion rate of miles per dollar spent with their cards.

Financial performance

Cash generation: In 3Q20, Cash generation stood at R\$ 219.5 million, 33.2% lower than in 2Q20. The reduction is the result of the average receivables period of 45 days. Thus, the receipts for 2Q20 reflect the bills in the 45 days preceding the onset of the pandemic and its effects, while 3Q20 did not fully absorb the recovery in invoicing shown above. This mismatch between invoicing and receipts can be better seen in the accounts receivable line item in the consolidated assets, which rose by 28.3% in 3Q20 against 2Q20, equivalent to R\$ 81.9 million as per the table below.

Assets (R\$ mil)	3Q20	2Q20	3Q20 vs. 2Q20	Nominal Var.
Current				
Accounts receivable	371,104	289,2	28.3%	81,904

The table below exemplifies the how the cash generation was calculated:

		3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Cash and cash equivalents (beginning of the period)		112,848	110,817	1.8%	14,396	683.9%	287,846	290,850	-1.0%
Financial investments (beginning of the period)		1,374,302	1,047,520	31.2%	763,844	79.9%	886,069	384,460	130.5%
Total	(a)	1,487,150	1,158,337	28.4%	778,240	91.1%	1,173,915	675,310	73.8%
Advances to suppliers	(b)	1,200,000	-	N.M	317	278.6%	1,625,962	501,920	223.9%
Interest on own capital and dividends	(c)	-	-	N.M	-	N.M	33,555	444,082	-92.4%
Cash and cash equivalents (end of the period)		111,670	112,848	-1.0%	20,980	432.3%	111,670	20,980	432.3%
Financial investments (end of the period)		394,972	1,374,302	-71.3%	926,741	-57.4%	394,972	926,741	-57.4%
Total	(d)	506,642	1,487,150	-65.9%	947,721	-46.5%	506,642	947,721	-46.5%
Total Cash Generation	(e)=- (a)+(b)+(c)+(d)	219,492	328,813	-33.2%	486,471	-54.9%	992,244	1,218,413	-18.6%
Financial Revenues	(f)	23,899	21,343	12.0%	29,461	-18.9%	55,209	96,524	-42.8%
Operating Cash Generation	(e)-(f)	195,593	307,470	-36.4%	457,010	-57.2%	937,035	1,121,889	-16.5%

Balance of Advances to Suppliers: The composition and evolution of the balance of “advances to suppliers” in the quarter is shown in the table below:

Agreement	Tranche	Date	Balance 3Q20	Balance 2Q20	3Q20 vs. 2Q20	Rate (a.a.)
8th Agreement	Single Tranche	apr-19	-	77.6	N.M	7.39%
9th Agreement	Single Tranche	jun-19	-	90.4	N.M.	7.39%
10th Agreement	Single Tranche	aug-19	109.3	115.8	-5.6%	7.39%
11th Agreement	Single Tranche	sep-19	221.4	218.0	1.5%	6.21%
12th Agreement	Single Tranche	dec-19	248.8	245.3	1.4%	5.66%
13th Agreement	Single Tranche	mar-20	318.5	314.7	1.2%	4.79%
14th Agreement	Single Tranche	mar-20	119.0	117.5	1.3%	4.79%
15th Agreement	Single Tranche	jul-20	1,206.6	-	N.M	2.19%
Total			2,223.6	1,179.3	88.5%	
Weighted average rate			3.74%	5.86%	-212 bps	

Deferred Income: In 3Q20, deferred income amounted to R\$ 1,566.2 million, 1.8% up on 2Q20, remaining practically stable. When compared to the quarter ended September/19, there was a significant increase of around 42%, when the balance was R\$ 1,095.6.

Worthy of note in this increase was the direct impact of the covid-19 pandemic, which made travelling impossible for a long period of time and, consequently, postponed the redemption of miles for this purpose. In spite of the higher volume of miles redeemed through Shopping Smiles, this increase did not offset the effect of the mentioned reduction in redemptions. This increase in the balance of deferred income is a positive indication of the potential generation of results in future years.

	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19
Mileage program	2,136,618	2,143,416	-0.3%	1,655,770	29.0%
Others	1,111	1,245	-10.8%	1,897	-41.4%
<i>Breakage</i>	-581,533	-615,333	-5.5%	-562,078	3.5%
Total	1,556,196	1,529,328	1.8%	1,095,589	42.0%
Current	1,248,026	1,229,710	1.5%	916,007	36.2%
Noncurrent	308,170	399,618	2.9%	179,582	71.3%

Net Revenue: On 3Q20, net revenue showed growth of 136.7% in comparison with 2Q20, reaching R\$ 133.9 million and R\$ 56.6 million, respectively. When compared to the same period of last year, there was a reduction of 52.1%. In accumulated terms for the first nine months of the year, the variance was negative by 54.7%, recording R\$ 361.8 million in 9M20.

Revenues from the redemption of miles showed a strong increase in 3Q20 over 2Q20, of 310.9%, while breakage revenues remained practically stable, with a negative variance of only 1.7%. The significant increase in revenues in the quarter reflects the rapid recovery of the operating scenario as described above and the slight reduction in revenues from expired miles, the decline in the breakage rate from 16.3% in 2Q20, to 15.5% in 3Q20.

	3Q20	3Q19	3Q20 vs. 3Q19	2Q20	3Q20 vs. 2Q20	9M20	9M19	9M20 vs. 9M19
Revenue from the redemption of miles	113,864	27,710	310.9%	223,026	-48.9%	238,041	667,845	-64.4%
Revenue from <i>breakage</i> and expired miles	35,807	36,432	-1.7%	75,998	-52.9%	156,244	188,373	-17.1%
Other operating revenue	1,979	458	332.1%	5,881	-66.3%	10,226	18,940	-46.0%
Gross revenue	151,650	64,600	134.8%	304,905	-50.3%	404,511	875,158	-53.8%
Related tax	-17,788	-8,042	121.2%	-25,575	-30.4%	-42,760	-77,298	-44.7%
Net revenue	133,862	56,558	136.7%	279,330	-52.1%	361,751	797,860	-54.7%

The evolution of net revenue between July and September clearly shows a recovery reflected in the volume of tickets issued. The balance of tickets issued but not yet availed at the end of 3Q20 was 520.6 thousand.

Other Revenues: Other Revenues amounted to R\$ 2.0 million in 3Q20 against R\$ 0.4 million in 2Q20, an increase proportional to the revenue from miles redeemed in the quarter, and a decline of 66.3% compared to the same period of 2019. This line item is primarily composed of cancellation fees and the management fee of the GOL loyalty program. When compared to the same period of the previous year, the decline was due to the exemption from cancellation fees charged, on account of the pandemic.

Direct Redemption Margin: The Direct Redemption Margin declined by 691 basis points to 30.1% in 3Q20 against 37% in 2Q20. When compared to the same periods of last year, the margin showed a drop of 829 basis points in the quarter and 1130 basis points in the nine-month accumulated figure.

The reduction in the Direct Redemption margin in 3Q20 when compared to 2Q20 is the result of the higher volume of redemptions and cancellations, while in comparison with the periods of 2019, the differences are due to the effects of the pandemic and the revision of the transfer price.

Management Presentation	Redemption Results ¹	3Q20	3Q19	3Q20 vs. 3Q19	2Q20	3Q20 vs. 2Q20	9M20	9M19	9M20 vs. 9M19
Revenue	> Redemption Revenue (b)	384.6	596.0	-35.5%	76.1	405.4%	851.5	1,696.9	-49.8%
Cost of Services	> Redemption Costs	-268.8	-367.1	-26.8%	-47.9	461.2%	-602.8	-1,010.1	-40.3%
Gross Revenue	Gross Redemption Result (a)	115.8	228.9	-49.4%	29.2	310.6%	248.3	686.8	-63.9%
(-) Interest over Spread		-10.7	-21.2	-49.5%	-2.6	311.5%	-23.0	-63.5	-63.9%
(=) Net Revenue	Net Redemption Result	105.1	207.7	-49.4%	25.6	310.5%	225.3	623.3	-63.9%
% Direct Redemption Margin	=(a)/(b)	30.1%	38.4%	-829 bps	37.0%	-691 bps	29.2%	40.5%	-1130 bps

Operating Expenses: Operating Expenses in 3Q20 rose by 7.5% when compared with 2Q20, and declined by 6.2% in comparison with the same period in 2019, with a decline of 16.3% in the accumulated variation for the year.

The main nominal variations in expenses, notably sales and personnel expenses reflect directly in the comparative reductions of the periods analyzed, with the exception of the quarterly comparison with 2Q20 on account of the higher personnel expenses arising from the provision made in that quarter. The lower selling expenses are directly linked to the slowdown in economic activity arising from the COVID-19 pandemic, and the personnel expenses, to the restructuring of the company's headcount.

Operating Expenses (R\$ Mil)	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Personnel	-3,745	-3,466	8.0%	-3,350	11.8%	-10,956	-12,481	-12.2%
Call center	-8,920	-8,771	1.7%	9,140	-2.4%	-26,611	-27,328	-2.6%
Sales and advertising	-12,604	-14,936	-15.6%	-18,783	-32.9%	-40,144	-54,825	-26.8%
Selling Expenses	-25,269	-27,173	-7.0%	-31,273	-19.2%	-77,711	-94,634	-17.9%
Personnel	-12,907	-20,189	-36.1%	-16,497	-21.8%	-46,003	-61,408	-25.1%
IT services	-6,709	454	1377.8%	-3,786	77.2%	-13,872	-13,934	-0.4%
Services provided	-12,193	-6,387	90.9%	-9,643	26.4%	-30,773	-29,290	5.1%
Depreciation and amortization	-	931	-	892	4.4%	-	725	-
Other, net	114	-1,764	-106.5%	629	-81.9%	-1,535	376	308.2%
Administrative Expenses	-32,626	-29,686	9.9%	-30,022	8.7%	-94,938	-107,464	-11.7%
Other, net	425	3,378	-87.4%	-	N.M.	4	915	362.1%
Total Operating Expenses	-57,470	-53,481	7.5%	-61,295	-6.2%	-168,421	-201,183	-16.3%

In the quarter, total operating expenses accounted for 42.9% of net income, and in 9M20, 46.8%. The increase in relation to the same periods of 2019 is directly related to the drop in revenue, already explained in detail above, as there was a reduction of around 6.2% and 16.3%, respectively, in total expenses for the periods.

	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Net Revenue	133,862	56,558	136.7%	279,330	-52.1%	361,751	797,860	-54.7%
Total Operating Expenses	-57,469	-42,136	36.4%	-61,295	-6.2%	-168,421	-201,183	-16.3%
Operating Expenses / Net Revenue (%)	42.9%	74.5%	-3157 bps	21.9%	2099 bps	46.6%	25.2%	2134 bps

Financial Result: The Financial Result was R\$ 23.9 million in 3Q20, up by 12.0% in comparison with 3Q19. In the accumulated nine-month period, the decline was 42.8%, reaching R\$ 55.2 million.

In the quarter, the increase in relation to 2Q20 was due to the 39.3% higher discounts obtained as a result of the contractual terms on advance purchases of tickets. When compared to the equivalent period of 2019, the reduction arose from the lower average cash balance and the reduction in the average SELIC-linked remuneration rate on liquid funds in 2020.

Furthermore, the accumulated balance for the nine months of 2020 was affected in 1Q20 by losses arising from money market investments, with debt instruments having been marked to market in March/20 at the onset of the pandemic.

Financial Result (R\$ mil)	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Financial revenues								
Discounts obtained	22,856	16,373	39.6%	17,371	31.6%	53,711	58,080	-7.5%
Income from short-term investments	1,768	5,929	-70.2%	13,839	-87.2%	16,033	37,581	-57.3%
(-) Taxes on financial income	-1,176	-1,081	8.8%	-1,567	-25.0%	-3,422	-4,877	-29.8%
Other revenues	490	754	-35.0%	1,731	-71.7%	2,182	6,839	-68.1%
Total financial income	23,938	21,975	8.9%	31,374	-23.7%	68,504	97,623	-29.8%
Financial expenses								
Interest	-498	-233	113.7%	-48	937.5%	-1,052	-194	442.3%
Taxes on financial operations	-3,000	-5,000	-40.0%	-	-	-110	-113	-2.7%
Loss on short-term investments	-209	-514	-59.3%	-1	20800.0%	-9,352	-107	8640.2%
Other expenses	-90	-522	-82.8%	-761	-88.2%	-1,412	-2,274	-37.9%
Total financial expenses	-800	-1,274	-37.2%	-810	-1.2%	-11,926	-2,688	343.7%
Exchange variation, net	761	642	19%	-1,103	-169.0%	-1,369	1,589	-186%
Total	23,899	21,343	12.0%	29,461	-18.9%	55,209	96,524	-42.8%

EBITDA: In 3Q20, our EBITDA stood at R\$ 62.0 million, with an EBITDA Margin of 46.3%, reversing the negative result of R\$ 6.2 million in 2Q20. In the accumulated figure for the nine months of the year, the amount was R\$ 141.8 million, with a margin of 39.2% against R\$ 557.4 million and a margin of 69.9% in the same period of 2019.

The variances in all comparisons are directly linked to the net income for the periods previously described in detail.

	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Earnings before income tax and social contribution								
	79,172	7,714	926.3%	228,115	-65.3%	175,367	635,529	-72.4%
(-) Financial revenues	23,938	21,975	8.9%	31,374	-23.7%	68,504	97,623	-29.8%
(-) Financial expenses	- 800,000	-1,274,000	-37.2%	- 810,000	-1.2%	- 11,926	- 2,688	343.7%
(-) Net exchange rate change	761,000	642,000	18.5%	- 1,103	-169.0%	- 1,369	1,589	-186.2%
(+) Depreciation and amortization	6,771	7,385	-8.3%	7,176	-5.6%	21,653	18,363,000	17.9%
EBITDA	62,044	- 6,244	N.M.	205,830	-69.9%	141,811	557,368	-74.6%
Net Revenue	133,862	56,558	136.7%	279,330	-52.1%	361,751	797,860	-54.7%
EBITDA Margin (%)	46.3%	-11.0%	5739 bps	73.7%	-2734 bps	39.2%	69.9%	-3066 bps

Net Income: The result for the quarter was a Net Income of R\$ 50.2 million, against a loss of R\$ 0.4 million in 2Q20 and R\$ 149.6 million in the same period of 2019. In the accumulated figure for the year, Net Income stood at R\$ 106.1 million, 76.3% lower than in the period from January to September 2019.

	3Q20	2Q20	3Q20 vs. 3Q19	3Q19	3Q20 vs. 2Q20	9M20	9M19	9M20 vs. 9M19
Net Income for the Period	50,232	- 350	N.M.	149,557	-66.4%	106,134	447,189	-76.3%
Net revenue	133,862	56,558	136.7%	279,330	-52.1%	361,751	797,860	-54.7%
Net Margin	37.5%	-0.6%	3814 bps	53.5%	-1602 bps	29.3%	56.0%	-2671 bps
ROAE Last 12 Months	23.1%	32.6%	-955 bps	57.5%	-3444 bps			
ROAE Annualized	15.7%	-0.1%	1578 bps	55.0%	-3937 bps	11.3%	54.8%	-4351 bps

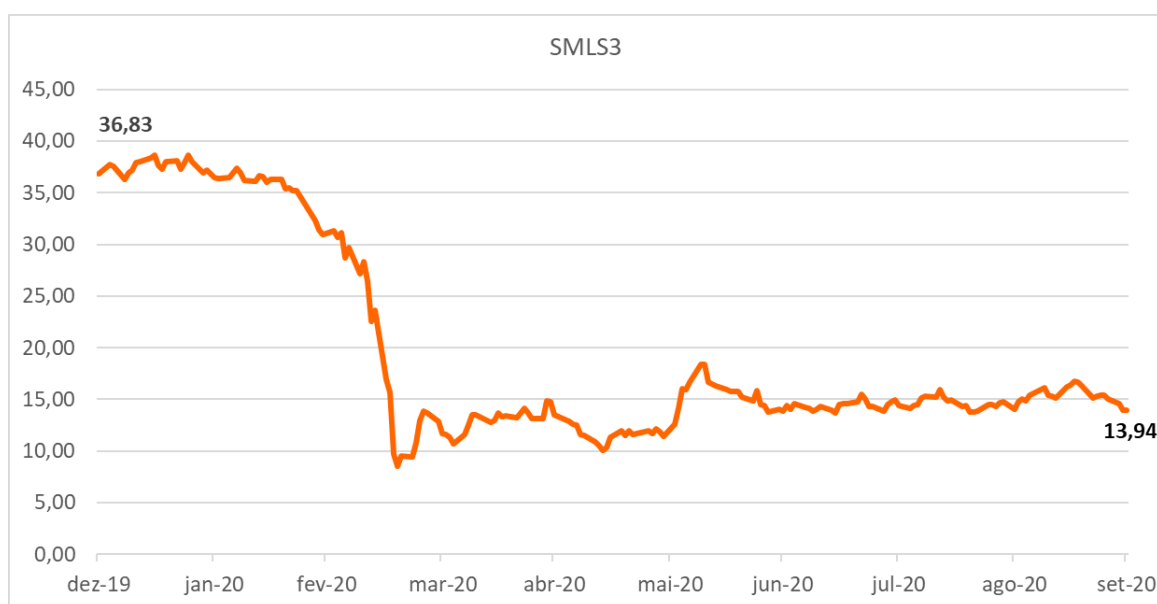
Capital Markets

In 3Q20, the shares of Smiles showed an average daily trading volume (ADTV) of R\$27.5 million, amounting to 398.0 thousand trades, ending with a price of R\$ 13.94 with the variance adjusted for income of 0.4%.

In the table below, we show the same indicators segmented by quarter and the accumulated figure for 2020.

	Price Var. (%)	ADTV (R\$ thou)	Trades (Units)
1Q20	(68.3%)	33,952	343,081
2Q20	19.1%	36,693	502,929
3Q20	0.4%	27,542	398,035
9M20	(62.1%)	32,625	1,244,045

The following chart illustrates the evolution of the closing price of the Smiles common shares on B3, adjusted for income.



Milhas do Bem program

The Milhas do Bem program is a Smiles initiative created in 2017 to foster solidarity among people through the donation of miles that are converted to financial resources for selected institutions and initiatives in the fields of education and health.

For every mile donated by the program participants, Smiles donates an equal number of miles which, since the beginning, has reached a total of 164.8 million miles donated.

Statement of Income – IFRS

Income Statement (R\$ mil)	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Net revenue	133,862	56,558	136.7%	279,330	-52.1%	361,751	797,860	-54.7%
Operating expenses	- 21,120	- 28,051	-24.7%	- 19,381	9.0%	- 73,173	- 57,672	26.9%
Gross profit	112,742	28,507	295.5%	259,949	-56.6%	288,578	740,188	-61.0%
Selling expenses	- 25,269	- 19,184	31.7%	- 31,273	-19.2%	- 77,711	- 94,634	-17.9%
Administrative expenses	- 32,625	- 23,259	40.3%	- 30,022	8.7%	- 94,937	- 107,464	-11.7%
Other expenses, revenues	425	307	38.4%	-	N.M.	4,228	915	362.1%
Total Operating Expenses	- 57,469	- 42,136	36.4%	- 61,295	-6.2%	- 168,420	- 201,183	-16.3%
Operating profit / loss before financial result and taxes	55,273	- 13,629		198,654	-72.2%	120,158	539,005	-77.7%
Financial revenues	23,938	21,975	8.9%	31,374	-23.7%	68,504	97,623	-29.8%
Financial expenses	- 800	- 1,274	-37.2%	- 810	-1.2%	- 11,926	- 2,688	343.7%
Net exchange rate change	761	642	18.5%	- 1,103	-169.0%	- 1,369	1,589	-186.2%
Financial Revenues	23,899	21,343	12.0%	29,461	-18.9%	55,209	96,524	-42.8%
EBIT	79,172	7,714		228,115	-65.3%	175,367	635,529	-72.4%
Current income tax and social contribution	- 42,802	- 9,589	346.4%	- 49,051	-12.7%	- 75,254	- 122,721	-38.7%
Deferred income tax and social contribution	13,862	1,525	809.0%	- 29,507	-147.0%	6,021	- 65,619	-109.2%
Total Income Tax and Social Contribution	- 28,940	- 8,064	258.9%	- 78,558	-63.2%	- 69,233	- 188,340	-63.2%
Net Profit	50,232	- 350	-14452.0%	149,557	-66.4%	106,134	447,189	-76.3%
Earnings per share (R\$)	0.405	-0.003	-13600.0%	1.205	-66.4%	0.855	3.603,000	-76.3%

Balance Sheet

Assets (R\$ mil)	3Q20	3Q19	3Q20 vs. 3Q19	2Q20	3Q20 vs. 2Q20
Current					
Cash and cash equivalents	111,670	20,980	432.3%	112.848	-1.0%
Financial investments	394,972	926,741	-57.4%	1.374.302	-71.3%
Trades receivables	371,104	434,910	-14.7%	289.200	28.3%
Advances to suppliers	1,109,594	1,015,914	9.2%	562.353	97.3%
Recoverable taxes and contributions	67,506	114,726	-41.2%	63.372	6.5%
Other credits and amounts	26,410	44,570	-40.7%	35.352	-25.3%
Total Current Assets	2,081,256	2,557,841	-18.6%	2.437.427	-14.6%
Noncurrent					
Judicial deposits	25,943	16,294	59.2%	25.061	3.5%
Advances to suppliers	1,114,782	-	N.M.	618.761	80.2%
Recoverable taxes and contributions	48,343	6,208	678.7%	66.606	-27.4%
Other credits and amounts	13,771	-	N.M.	13.986	-1.5%
Property, plant and equipment	3,706	5,121	-27.6%	3.973	-6.7%
Intangible assets	54,268	44,886	20.9%	51.844	4.7%
Total Noncurrent Assets	1,260,813	72,509	1638.8%	780.231	61.6%
Total Assets	3,342,069	2,630,350	27.1%	3.217.658	3.9%

Liabilities (R\$ mil)	3Q20	3Q19	3Q20 vs. 3Q19	2Q20	3Q20 vs. 2Q20
Current					
Suppliers	115,358	137,354	-16.0%	98.637	17.0%
Labor obligations	17,617	16,607	6.1%	14,429	22.1%
Dividends and interests on shareholders' equity	103,682	-	N.M.	103,682	0.0%
Income tax and social contribution payable	25,451	26,974	-5.6%	5,324	378.0%
Obligations with related companies	13,984	24,689	-43.4%	3,889	259.6%
Advances from customers	15,662	10,746	45.7%	8,073	94.0%
Deferred revenue	1,248,026	916,007	36.2%	1,229,710	1.5%
Other liabilities	6,871	4,592	49.6%	2,212	210.6%
Total Current Liabilities	1,546,651	1,136,969	36.0%	1,465,956	5.5%
Noncurrent					
Provisions for lawsuits	26,386	26,999	-2.3%	28,144	-6.2%
Deferred revenues	308,170	179,582	71.6%	299,618	2.9%
Deferred taxes	146,894	122,609	19.8%	160,756	-8.6%
Other liabilities	1,146	2,259	-49.3%	1,337	-14.3%
Total Non-current Liabilities	482,596	331,449	45.6%	489,855	-1.5%
Shareholders' Equity					
Share capital	254,610	254,610	0.0%	254,610	0.0%
Capital reserves	278,213	271,628	2.4%	277,615	0.2%
Profit reserves	674,243	202,703	232.6%	674,243	0.0%
Equity valuation adjustments	- 378	- 268	41.0%	- 523	-27.7%
Share-based compensation	-	4,018	-100.0%	-	0.0%
Retained earnings for the period	106,134	429,241	-75.3%	55,902	89.9%
Total Shareholders' Equity	1,312,822	1,161,932	0,130	1,261,847	4.0%
Total Liabilities and Shareholders' Equity	3,342,069	2,630,350	0,271	3,217,658	3.9%

Statement of Cash Flow

Cash Flow Statement (R\$ mil)	3Q20	2Q20	3Q20 vs. 2Q20	3Q19	3Q20 vs. 3Q19	9M20	9M19	9M20 vs. 9M19
Net profit	40,085	- 350	-11552.9%	149,557	-73.2%	95,987	447,189	- 0,785
Adjustments to reconcile net profit to cash generated by operating activities								
Share-based compensation	598	597	0.2%	772	-22.5%	1,793	2,357	-23.9%
Deferred income tax and social contribution	- 19,090	- 1,525	1151.8%	29,507	-164.7%	- 11,249	65,619	-117.1%
Provision for tax, civil and labor lawsuits	2,433	4,435	-45.1%	5,556	-56.2%	12,107	13,915	-13.0%
Depreciation and amortization	6,771	7,385	-8.3%	7,176	-5.6%	21,653	18,363	0,179
Discounts obtained on advance ticket purchases	- 22,856	- 16,373	39.6%	- 17,371	31.6%	- 53,711	- 58,080	-7.5%
Net exchange rate change	953	7,609	-87.5%	3,635	-73.8%	3,239	3,414	-5.1%
Variations in financial investments	- 6,222	- 458	1258.5%	-	-	-	6,681	-
Constitution (reversal) of provision for expected losses with credits	4,000	- 4,026	-100.1%	- 3	-233.3%	- 1	-	-105.9%
Labor provisions	3,636	9,264	-60.8%	6,926	-47.5%	12,900	14,526	-11.2%
Retirement of fixed and intangible assets	-	-	-	171,000	-100.0%	126	309	-59.2%
Equity equivalence	-	-	-	-	-	-	-	-
Other provisions	353	- 1,105	-131.9%	- 619,000	-157.0%	- 755,000	- 372	103.0%
Adjusted net profit	6,791	5,553	22.3%	185,307	-96.3%	75,408	507,257	-85.1%
Variations in operating assets and liabilities								
Accounts receivable	- 83,753	138,983	-160.3%	27,049	-409.6%	121,303	- 75,868	-259.9%
Advances to suppliers	- 1,020,486	18,228	-5698.5%	- 17,361	5778.0%	- 1,198,872	338,243	-454.4%
Taxes recoverable	14,153	6,319	124.0%	22,479	-37.0%	26,774	102,368	-73.8%
Judicial deposits and blocks	- 882	- 6,814	-87.1%	2,220	-139.7%	- 9,378	1,708	-649.1%
Other credits (liabilities)	11,535	1,149	903.9%	3,235	256.6%	- 9,997	- 27,881	-64.1%
Transactions with related companies	11,881	- 3,706	-420.6%	- 1,583	-850.5%	- 9,227	- 12,599	-26.8%
Suppliers	18,620	- 11,374	-263.7%	- 1,006	-1950.9%	- 2,014	5,435	-137.1%
Labor law obligations	- 576	- 421	36.8%	- 3,529	-83.7%	- 13,583	- 26,603	-48.9%
Advances from clients	7,161	- 3,919	-282.7%	- 663	-1180.1%	3,728	- 150,558	-102.5%
Deferred revenue	42,920	192,385	-77.7%	- 33,453	-228.3%	395,851	74,794	429.3%
Tax obligations	41,880	4,184	901.0%	46,086	-9.1%	64,473	102,508	-37.1%
Lawsuits	- 4,191	- 5,403	-22.4%	- 3,538	18.5%	- 12,708	- 8,030	58.3%
Income tax and social contribution	- 21,761	- 82	26437.8%	- 41,657	-47.8%	- 48,271	- 95,731	-49.6%
Net operating cash flow	- 976,708	335,082	-391.5%	183,586	-632.0%	- 616,513	735,043	-183.9%
Investment activities								
Acquisition of fixed and intangible assets	- 8,773	- 4,607	90.4%	- 12,693	-30.9%	- 26,467	- 22,501	17.6%
Financial investments, net	985,551	- 245,964	-500.7%	- 162,877	-705.1%	497,777	- 542,261	-191.8%
Capital increase in investee	-	-	-	-	-	-	-	-
Investment activities cash flow	976,778	250,571	289.8%	- 175,570	-656.3%	471,310	- 564,762	-183.5%
Financing activities								
Capital increase through exercise of stock options	-	-	-	-	-	-	843	-
Dividends paid	-	-	-	-	-	-	- 408,350	-
Interest on shareholders' equity and dividends paid	-	-	-	-	-	- 29,816	- 31,924	-6.6%
Financing activities cash flow	-	-	-	-	-	- 29,816	- 439,431	-93.2%
Effects of exchange rate change on cash and cash equivalents	- 1,248	- 2,121	-41.2%	- 1,432	-	- 1,157	- 720	60.7%
Net cash and cash equivalents increase (decrease)	- 1,178	82,390	-101.4%	6,584	- 1,000	- 176,176	- 269,870	-34.7%
Cash and cash equivalents at the beginning of the period	-	-	-	-	-	287,846	290,850	-1.0%
Cash and cash equivalents at the end of the period	- 1,178	82,390	-101.4%	6,584	- 1,000	111,670	20,980	432.3%

Business Model

Smiles began its business as an individual loyalty program, but has evolved towards the current model, becoming an alliance model with several peculiar characteristics that allow the accumulation and redemption of miles on flights by GOL and its international airline partners, as well as the leading Brazilian commercial banks, including co-branded cards issued by Bradesco, Banco do Brasil and Santander, in addition to an extensive network of retail partners. The current model operates through (i) the miles earned by the participant when purchasing GOL airline tickets or those of other partner airlines, or products and services of commercial and financial partners who acquire these miles from Smiles as a means of obtaining their clients' loyalty and (ii) the redemption of rewards by participants when they exchange their miles for airline tickets of GOL and other partner airline companies or also for products and services from commercial and financial partners.

The company's main sources of revenue come from (i) revenues from redeemed miles, represented by tickets and rewards through its network of airline, commercial and financial partners, (ii) revenue from interest earned between the dates when miles are earned and redeemed and (iii) breakage revenue, in the event these miles expire before they are redeemed.

Glossary

Burn/earn ratio - The ratio of the redeemed miles to earned miles for a given period.

Estimated breakage – The estimate of unredeemed miles to expire, which can be expressed as a number of miles, an amount in Reais or as a percentage of the miles issued, as applicable to the context.

Free float - Shares held by minority shareholders.

Miles – The redemption entitlement of the participants in the Smiles program commercialized with commercial partners.

Rewards – Products or services delivered to the participant by a commercial partner, resulting from the redemption by the participant of miles in client loyalty programs.

Reward products – Products or services delivered to the participant by a commercial partner, resulting from the redemption by the participant of miles in client loyalty programs, other than airline tickets

Smiles Program – Alliance program for several companies, including GOL Linhas Aéreas Inteligentes S.A.

Smiles & Money – Method for redeeming airline tickets or products by which it is possible to combine money and miles.

This notification may contain forward-looking estimates for the business, the operating and financial results, and the growth prospects for Smiles. These are only projections and, as such, are based solely on the expectations of the management of Smiles. These future positions depend substantially on external factors, in addition to the risks presented in the disclosure documents filed by Smiles, and are therefore subject to change without prior notice. The company's non-accounting information has not been reviewed by the independent auditors. Some amounts in the report may differ from those in the financial statements because of rounding.