Parent Company and Consolidated Financial Statements

Smiles Fidelidade S.A.

December 31, 2020
with Independent Auditor's Report

Smiles Fidelidade S.A.

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December 31, 2020

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Management Report

Business model

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

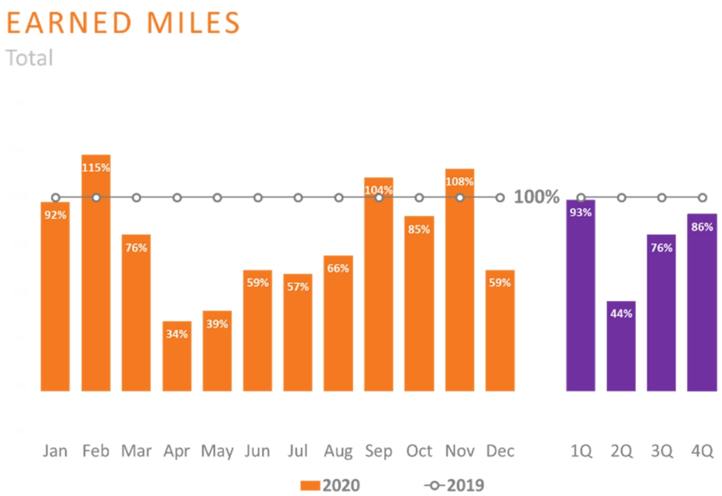
The main sources of our revenues come from (i) redeemed miles revenues, represented by tickets and awards in its network of airline, commercial and financial partners, (ii) revenues from short-term investments, and (iii) breakage revenues if issued miles expire without being redeemed.

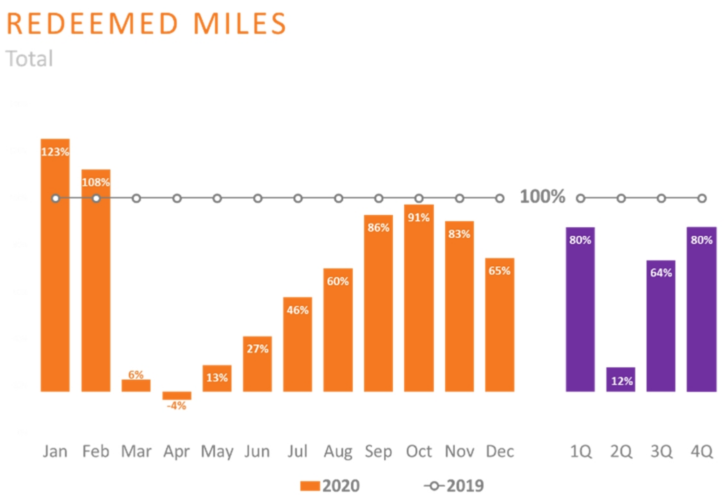
Operating Performance

Miles Accumulated and Redeemed: Miles accumulated in 4Q20 grew by 25.0% over 3Q20, fell by 13.9% year over year (YoY) and fell by 25.7% in the last twelve months (LTM). Redemptions behaved similarly in the periodic comparison: up by 19.5% in 4Q20 vs. 3Q20 and fell by 19.7% over 4Q19 and 42.2% in LTM 2020. The Burn/Earn rate reached 79.5% in 4Q20 and 67.3% in LTM 2020.

Earned and Redeemed Miles	Unit.	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Earned Miles	millions	25,104	20,085	25.0%	29,172	-13.9%	85,575	115,237	-25.7%
Redeemed Miles	millions	19,952	16,703	19.5%	24,843	-19.7%	57,565	99,638	-42.2%
Burn/Earn Ratio	%	79.5%	83.2%	-368 bps	85.2%	-568 bps	67.3%	86.5%	-1920 bps

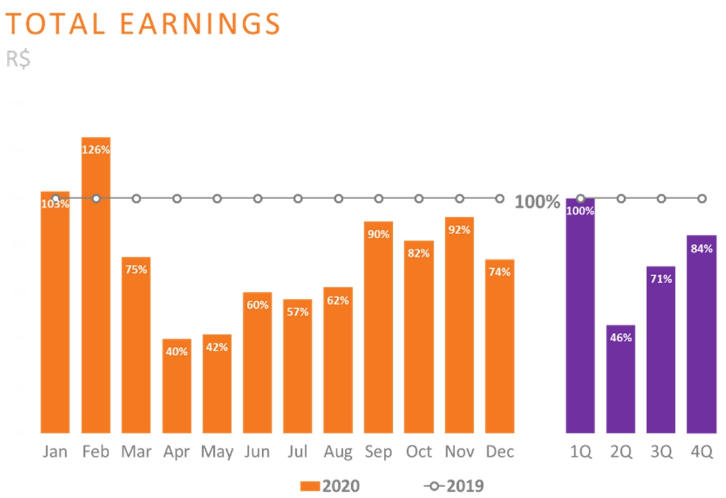
The chart below shows the number of miles accumulated and redeemed compared to the same periods in 2019.



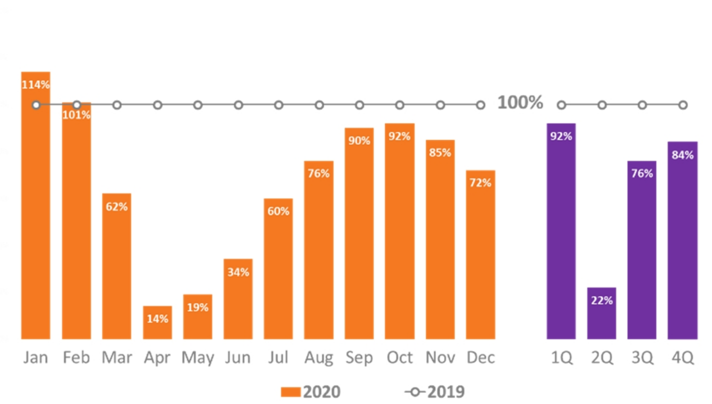


Gross Invoicing: Gross invoicing in 4Q20 totaled R$558.7 million, compared to R$450.4 million in 3Q20 and R$666.8 million in 4Q19, up by 24% and down by 16.2%, respectively. Despite the resumption of operations, the positive effect of the increase in gross ticket sales (see chart below) was not able to neutralize the impacts of foreign exchange rate devaluation and the economic downturn, especially in the tourism industry, resulting in a lower volume of miles accumulated from our partners, leading to reduced results year-on-year.

	Unit.	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Total Gross Invoicing	R$ mil	558,679	450,410	24.0%	666,818	-16.2%	1,959,989	2,611,350	-24.9%



GROSS AIR TICKET SALES



Participants: The program reached 18.2 million participants in 4Q20, up by 1.6% over 3Q20 and 7.8% YoY.

	Unit.	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19
Participants in the Program	thousands	18,220	17,935	1.6%	16,900	7.8%

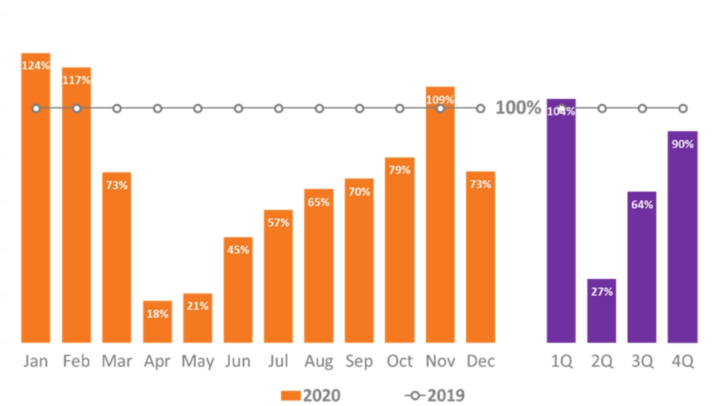
Rewards Redeemed: The number of items redeemed on the entire platform totaled 1.3 million in 4Q20, up by 5.3% over 3Q20. Considering the total figures, this indicator has also shown a constant reaction since May 2020. Monthly, the total redeemed in September 2020 has already exceeded the total in February 2020, the month before the Covid-19 pandemic started.

	Unit.	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Awards Redeemed	thousands	1,322	1,255	5.3%	1,578	-16.3%	4,046	6,360	-36.4%
Airline Tickets (GOL and Partners)	thousands	880	783	12.4%	1,143	-23.0%	2,475	4,813	-48.6%
Other products and services	thousands	442	472	-6.4%	435	1.6%	1,572	1,547	1.6%

Clube Smiles: The volume of adhesions to Clube Smiles follows the same recovery trend of operational indicators observed as of May 2020. The performance in November 2020 stands out, driven by the actions of our Smiles Friday. The chart below shows this trend, comparing the volume of adhesions to Clube Smiles to the same periods in 2019.

NEW MEMBERSHIP OF CLUBE SMILES

Total



The quicker increase in the number of adhesions to Clube Smiles since June 2020 was positively affected by launching the campaign focused on co-branded credit cardholders who, when joining Smiles Club, increased the miles conversion rate per dollar spent on their cards.

Financial Performance

Cash Generation: In 4Q20, total cash generation reached R$332.2 million, up by 51.3% over 3Q20. The recovery stems from the faster business resumption, as already shown in previous items.

The following table exemplifies the cash generation calculation, which includes the amounts held in financial investments and excludes disbursements resulting from the advance purchase of tickets, dividends and interest on equity:

Pro-forma		4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Cash and cash equivalents (beginning of the period)		111,670	112,848	-1.0%	20,980	432.3%	287,846	290,850	-1.0%
Financial investments (beginning of the period)		394,972	1,374,302	-71.3%	926,741	-57.4%	886,069	384,460	130.5%
Total	(a)	506,642	1,487,150	-65.9%	947,721	-46.%	1,173,915	675,31	73.8%
Advance Purchase of Tickets	(b)	-	1,200,000	N.M	238,096	-100.0%	1,625,962	740,016	119.7%
Interest on own capital and dividends	(c)	103,682	-	N.M	-	N.M	137,237	444,082	-69.1%
Cash and cash equivalents (end of the period)		111,892	111,670	0.2%	287,846	-61.1%	111,892	287,846	-61.1%
Financial investments (end of the period)		623,256	394,972	57.8%	886,069	-29.7%	623,256	886,069	-2.7%
Total	(d)	735,148	506,642	45.1%	11,73,915	-37.,4%	735,148	1,173.915	-37.4%
Total Cash Generation	(e)=-(a)+(b)+(c)+(d)	332,188	219,492	51.3%	464,290	-28.5%	1,324,432	1,682,703	-2.3%
Financial Revenues	(f)	16,883	23,899	-29.4%	29,327	-42.4%	72,092	125,851	-42.7%
Operating Cash Generation	(e)-(f)	315,305	195,593	61.2%	434,963	-27.5%	1,252,34	1,556,852	-19.6%

Balance of Advance Purchase of Tickets: The composition and evolution of the balance of advance purchase of tickets, classified in the group "advance to suppliers", is shown in the table below:

Agreement	Tranche	Date	Balance 4Q20
11th Agreement	Single Tranche	sep-19	103.9
12th Agreement	Single Tranche	dec-19	252.3
13th Agreement	Single Tranche	mar-20	322.3
14th Agreement	Single Tranche	mar-20	120.4
15th Agreement	Single Tranche	jul-20	1,213,1
Total			2,011,9

Deferred Revenues: In 4Q20, deferred revenue totaled R$1.6 billion, up by 1.3% over 3Q20, virtually stable. Compared to the quarter ended in December 2019 (deferred revenue totaling R$1.2 billion), there was a substantial increase of around 34.0%.

It should be noted that this increase results directly from the Covid-19 pandemic, which made it impossible to travel for an extended period and, therefore, postponed the redemption of miles for this purpose. Despite the increased volume of miles redeemed through Shopping Smiles, this increase did not neutralize this restraint's effect on redemptions.

This increase in the balance of deferred revenue positively indicates the potential to generate income in future fiscal years.

	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19
Mileage program	2,181,762	2,136,618	2.1%	1,751,708	24.6%
Others	977	1,111	-12.1%	1,764	-44.6%
Breakage	-606,618	-581,533	4.3%	-577,075	5.1%
Total	1,576,121	1,556,196	1.3%	1,176,397	34.0%
Current	1,253,217	1,248,026	0.4%	1,003,768	24.9%
Noncurrent	322,904	308,170	4.8%	172,629	87.1%

Net Revenue: In 4Q20, net revenue increased by 57.7% over 3Q20, reaching R$211.2 million versus R$133.9 million in the previous period. Year-on-year, net revenue fell by 16.6%. In the LTM of the year, net revenue fell by 45.5%, reaching R$572.9 million in 2020.

Revenues from miles redeemed increased by 39.4% in 4Q20 vs. 3Q20, while breakage revenues increased sharply, up by 92.7% growth.

	4Q20	4Q19	4Q20 vs. 4Q19	3Q20	4Q20 vs. 3Q20	2020	2019	2020 vs. 2019
Revenue from the redemption of miles	158,753	113,864	39.4%	199,110	-20.3%	396,794	866,955	-54.2%
Revenue from *breakage* and expired miles	69,017	35,807	92.7%	73,637	-6.3%	225,261	262,010	-14.0%
Other operating revenue	1,189	1,979	-39.9%	5,535	-78.5%	11,415	24,475	-53.4%
Gross revenue	228,959	151,650	51.0%	278,282	-17.7%	633,470	1,153,440	-45.1%
Related tax	-17,794	-17,788	0.0%	-25,018	-28.9%	-60,554	-102,316	-40.8%
Net revenue	211,165	133,862	57.7%	253,264	-16.6%	572,916	1,051,124	-45.5%

Other Revenues: Other revenues totaled R$1.2 million in 4Q20 versus R$2.0 million in 3Q20, down by 39.9% over 3Q20 and 78.5% YoY. This item includes mainly cancellation fees and an administration fee of GOL's loyalty program. The drop YoY was due to the exemption from collecting ticket cancellation fees due to the pandemic.

Direct Redemption Margin: The Direct Redemption Margin recovered 336 basis points, reaching 33.5% in 4Q20 versus 30.1% in 3Q20. Year-on-year, the margin fell by 217 base points in the quarter and 854 basis points in the LTM.

The increase in the Direct Redemption Margin in 4Q20 vs. 3Q20 is due to the pricing strategy. In contrast, the comparisons with the periods of 2019, the differences are due to the pandemic and the revision of the transfer price.

Management Presentation	Redemption Results[1]	4T20	4T19	4T20 vs. 4T19	3T20	4T20 vs. 3T20	2020	2019	2020 vs. 2019
Revenue	> Redemption Revenue (b)	477,8	574,1	-16.8%	384,6	24.2%	1,328,9	2,271,0	-41.5%
Cost of Services	> Redemption Costs	-317,8	-369,4	-14.0%	-268,8	18.2%	-920,7	-1,379,5	-33.3%
Gross Revenue	Gross Redemption Result (a)	159,9	204,6	-21.8%	115,8	38.1%	408,2	891,4	-54.2%
(-) Interest over Spread		-14,8	-18,9	-21.8%	-10,7	38.1%	-37,8	-82,5	-54.2%
(=) Net Revenue	Net Redemption Result	145,1	185,7	-21.8%	105,1	38.1%	370,4	809,0	-54.2%
% Direct Redemption Margin	=(a)/(b)	33.5%	35.6%	-217 bps	30.1%	336 bps	30.7%	39.3%	-854 bps

Operating Expenses: Operating expenses increased by 65.6% in 4Q20 compared to the previous quarter, due to the increase in administrative expenses with IT services and services provided. The increase in these expenses is the result of continued investments in the technology and information sector aiming at the accelerated resumption of the company in a post-pandemic moment, in addition to efforts to maintain the home-office structure for 100% of our employees.

Operating Expenses (R$ Mil)	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Personnel	- 4,339	- 3,745	15.9%	- 3,641	19.2%	- 15,295	- 16,122	-5.1%
Call center	- 9,481	- 8,920	6.4%	- 10,931	-13.3%	- 36,092	- 38,259	-5.7%
Sales and advertising	- 17,081	- 12,604	35.5%	- 18,737	-8.8%	- 57,225	- 73,562	-22.2%
Selling Expenses	- 30,901	- 25,269	22.3%	- 33,309	-7.2%	- 108,612	- 127,943	-15.1%
Personnel	- 29,146	- 12,907	125.8%	- 13,729	112.3%	- 75,149	- 75,137	0.0%
IT services	- 12,913	- 6,709	92.5%	- 6,035	114.0%	- 26,785	- 19,969	34.1%
Services provided	- 17,792	- 12,193	45.9%	- 3,255	446.6%	- 48,565	- 32,545	49.2%
Depreciation and amortization	- 922	- 931	-1.0%	- 1,091	-15.5%	- 3,677	- 3,547	3.7%
Other, net	- 4,005	114	-3613.2%	167	-2498.2%	- 5,540	- 209	2550.7%
Administrative Expenses	- 64,778	- 32,625	98.6%	- 23,943	170.6%	- 159,716	- 131,407	21.5%
Other, net	515	425	21.2%	46,620	-98.9%	4,743	47,535	-90.0%
Total Operating Expenses	- 95,164	- 57,469	65.6%	- 10,632	795.1%	- 263,585	- 211,815	24.4%

Total operating expenses represented 45.1% of net revenue in the quarter and 46.0% in LTM 2020. The increase observed compared to the same periods in 2019 is directly due to the rise in expenses already detailed above.

	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Net Revenue	211,165	133,862	57.7%	253,264	-16.6%	572,916	1,051,124	-45.5%
Total Operating Expenses	- 95,164	- 57,469	65.6%	-10,632	795.1%	-263,585	-211,815	24.4%
Operating Expenses / Net Revenue (%)	45.1%	42.9%	213 bps	4.2%	4087 bps	46.0%	20.2%	2586 bps

Financial Result: The financial result totaled R$23.0 million in 4Q20, down by 3.6% over 3Q20 and 21.4% over 4Q19. In LTM, the financial result fell by 37.8%, reaching R$78.3 million.

Financial Result (R$ mil)	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Financial revenues								
Discounts obtained	18,381	22,856	-19.6%	16,080	14.3%	72,092	74,160	-2.8%
Income from short-term investments	3,233	1,768	82.9%	11,785	-72.6%	19,266	49,366	-61.0%
(-) Taxes on financial income	-1,016	-1,176	-13.6%	-1,371	-25.9%	-4,438	-6,248	-29.0%
Other revenues	401	490	-18.2%	1,338	-70.0%	2,583	8,177	-68.4%
Total financial income	20,999	23,938	-12.3%	27,832	-24.6%	89,503	125,455	-28.7%
Financial expenses								
Interest	-409	-498	-17.9%	-342	19.6%	-1,461	-536	172.6%
Taxes on financial operations	-97	-3	3133.3%	-152	-36.2%	-207	-265	-21.9%
Loss on short-term investments	-33	-209	-84.2%	-8	312.5%	-9,385	-115	8060.9%
Other expenses	-830	-90	822.2%	-1083	-23.4%	-2,242	-3,357	-33.2%
Total financial expenses	-1,369	-800	71.1%	-1585	-13.6%	-13,295	-4,273	211.1%
Exchange variation, net	3,418	761	349%	3.080	11.0%	2,049	4,669	-56.1%
Total	23,048	23,899	-3.6%	29.327	-21.4%	78,257	125,851	-37.8%

EBITDA: In 4Q20, EBITDA totaled R$97.0 million over R$62.0 million in 3Q20. The EBITDA margin changed slightly when compared to the previous period: 45.9% versus 46.3%. In LTM, EBITDA totaled R$238.8 million, with a margin of 41.7%.

	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	3Q20 vs. 3Q19	2020	2019	2020 vs. 2019
Earnings before income tax and social contribution	113,143	79,172	42.9%	256,165	-55.8%	288,510	891,694	-67.6%
(-) Financial revenues	20,999	23,938	-12.3%	27,832	-24.6%	89,503	125,455	-28.7%
(-) Financial expenses	- 1.369	- 800	71.1%	- 1,585	-13.6%	- 13,295	- 4,273	211.1%
(-) Net exchange rate change	3,418	761	349.1%	3,080	11.0%	2,049	4,669	-56.1%
(+) Depreciation and amortization	6,924	6,771	2.3%	8,506	-18.6%	28,577	26,869	6.4%
EBITDA	97,019	62,044	56.4%	235,344	-58.8%	238,830	792,712	-69.9%
Net Revenue	211,165	133,862	57.7%	253,264	-16.6%	572,976	1,051,124	-45.5%
EBITDA Margin (%)	45.9%	46.3%	-40 bps	92.9%	-4698 bps	41.7%	75.4%	-3373 bps

Net Income: The result for the quarter was a net income of R$89.8 million, a significant increase of 78.8% compared to 3Q20.

	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Net Income for the Period	89,823	50,232	78.8%	179,536	-50.0%	195,957	626,725	-68.7%
Net revenue	211,165	133,862	57.7%	253,264	-16.6%	572,916	1,051,124	-45.5%
Net Margin	42.5%	37.5%	501 bps	70.9%	-2835 bps	34.2%	59.6%	-2542 bps
ROAE Last 12 Months	15.3%	23.0%	-770 bps	56.6%	-4131 bps			
ROAE Annualized	27.0%	15.6%	1137 bps	60.7%	-3369 bps			

Capital Market and Corporate Governance

Capital Market:

In 2020, Smiles' shares (SMLS3) were present on all of B3's trading sessions, reaching an average daily traded volume of R$32.6 million. Smiles' market capitalization was R$2.9 billion as of December 31, 2020.

Corporate Governance:

Smiles is constantly seeking to be transparent in its relations with stakeholders and shareholders, especially with regards to information related to its management and performance principles.

Smiles has a Code of Ethics, available on its IR website (www.smiles.com.br/ri), as well as an Ethics Committee, composed of the heads of the Human Resources, Legal, Internal Audit and Compliance areas. The Committee reports directly to Smiles' Chief Executive Officer and holds regular meetings, as well as being responsible for the assessment of possible violations to the Code of Ethics and answering ethical questions and dilemmas, in order to promote employees' commitment to the Code through lectures and awareness events.

Shareholders' Compensation

According to Smiles' Bylaws, shareholders are entitled to mandatory minimum dividends of 25% of annual adjusted net income in accordance with article 202 of Brazilian Corporation Law (11638/2007).

In January 2020, Smiles paid interest on equity, net of retained taxes, in the amount of 29.8 million, and in December 2020 paid dividends in the amount of R$103.6 million, both referring to year ended in December 31, 2020. In November 2020, Smiles deliberated the distribution of interest on equity, paid on January 29, 2021, in the gross amount of R$53.9 million, equivalent to R$0.434 per common share.

Employees

Smiles Fidelidade recognizes the contribution of its efficient and lean team – which totaled 162 – to the Company's performance, thus rewarding its employees' work with a competitive compensation based on meritocracy. In addition, the Company encourages its staff's training and professional development.

Social and Environmental Responsibility

Given that Smiles does not have any industrial process and its loyalty process is entirely electronic, both for the accrual and the redemption of miles, the Company uses an insignificant amount of physical materials.

It is worth mentioning that nowadays airline tickets can be issued electronically, including through specific platforms for mobile devices.

In 2017, Smiles launched the Milhas do Bem project. The purpose of this project is to change lives by supporting social programs in the education, sports, entrepreneurship, management and governance areas. Smiles contribute with the same number of miles donated by passengers participating in the Smiles Program, i.e. if the passenger donates 10 miles, Smiles donate another 10 miles that are converted into financial resources for selected institutions and initiatives. In 2020, more than 60 million miles were donated by customers.

Relationship with Independent Auditors

With regards to contracting services not related to the external audit from the independent auditors, the Company follows principles that preserve their independence. These principles consist, in accordance with internationally accepted standards, of: (a) shall not audit their own work, (b) shall not perform management activities for their client and (c) shall not legally represent their client's interests.

Pursuant to item III, article 2 of CVM Instruction 381/03, the Company's official procedure for contracting other professional services that are not related to the external audit is to consult its Audit and Finance Committee in order to make sure that these other services will not affect the auditors' independence and objectivity, which are necessary for the independent audit services. The Company also requests formal statements from these same auditors regarding their independence when carrying out services that are not related to the audit.

The Company announces that its independent auditors, Grant Thornton Auditores Independentes ("GT"), did not provide services other than those related to the audit in the fiscal year ended December 31, 2020.

Arbitration Chamber

Smiles, its shareholders, Management and members of the Fiscal Council undertake to settle by means of arbitration proceedings any and all corporate conflicts before the Market Arbitration Chamber, pursuant to Article 42 of the Company's Bylaws.

Glossary

Burn/Earn Ratio - The ratio between the number of redeemed and accrued miles in a given period.

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

Free Float - Shares owned by non-controlling shareholders.

Miles - The redemption rights of Smiles Program's Members sold to Commercial Partners.

Awards - Products or services to Members by a commercial partner from redeeming the Member's Miles in the Frequent-Flyer Program.

Product Awards - Products or services, not air tickets, to Members by a commercial partner from redeeming the Member’s Miles in the Frequent-Flyer Program.

Smiles Program - A multi-loyalty program for several companies, including GOL Linhas Aéreas Inteligentes S.A.

Smiles & Money - Method to issue air tickets by combining money and miles.

This Management Report may have forward-looking statements related to business prospects, estimates on operating and financial income (expenses), and growth prospects for Smiles. These are merely forecasts 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 the disclosure documents filed by Smiles, and are, therefore, subject to change without notice. The Company's non-accounting information has not been audited or reviewed by the independent auditors.

Company discloses so-called non-GAAP financial measures, which could be different of financial statements, since are not recognized under IFRS or another GAAP. The Company’s management believes that disclosure of non-GAAP measures provides useful information to investors, financial analysts, and the public in their review of its performance. However, these non-GAAP items do not have standardized meanings and may not be directly comparable to similarly-titled items adopted by other companies. Financial statements users should not take decisions based on non-GAAP measures as a substitute for the GAAP measures.

Audit and Finance Committee’s Report

The Audit and Finance Committee of Smiles Fidelidade S.A., exercising the attributions vested in it, has reviewed the financial statements for the fiscal year ended on December 31, 2020. Based on the procedures undertaken, the information and explanations received during the fiscal year, and considering the report issued by the independent auditor Grant Thornton Auditores Independentes, from March 08, 2021, our opinion is that these documents can be submitted to the assessment of the Board of Directors.

Barueri, March 08, 2021.

Constantino de Oliveira Junior
Member of the Audit Committee

André Coji
Member of the Audit Committee

Natan Szuster
Member of the Audit Committee

Fiscal Council's Report

The Fiscal Council of Smiles Fidelidade S.A. ("Company"), under its assignments and in compliance with the legal and statutory provisions, evaluated (a) the Company' Statements of Financial Position of December 31, 2020, as well as the accounts of the Company's Management, the Management Report and the Parent Company and Consolidated Financial Statements of the Company, with the notes and report from the Company's independent auditors, Grant Thornton Auditores Independentes, for the fiscal year ended on December 31, 2020; (b) the proposed capital budget for the fiscal years 2021 to 2024; and (c) the allocation of the net income for the fiscal year 2020, *ad referendum* of the Annual Shareholders' Meeting of the Company.

Based on the assessments, the information provided and the explanations received, and also considering the Independent Auditors' Report on the Financial Statements, presented without reservations, issued by the Independent Auditors on March 08, 2021, the Fiscal Council issues a favorable opinion that the documents mentioned in items "a" and "b" above can be assessed by the Annual Shareholders' Meeting.

Also based on the assessments and explanations provided by the Company's management, the members of the Fiscal Council unanimously concluded (a) that they have nothing against (i) the Management Proposal for the allocation of the Company's income (expenses) for the fiscal year of 2020; and (ii) the proposal for the distribution of dividends by the Board of Directors; and that the supporting documents for the above proposals, in all relevant aspects, can be assessed by the Annual Shareholders' Meeting of the Company.

Barueri, March 08, 2021.

Ricardo Magalhães Gomes
Member of the Fiscal Council

Renato Chiodaro
Member of the Fiscal Council

Valdenise dos Santos Menezes
Member of the Fiscal Council

Management’s Statement on the Parent Company and Consolidated Financial Statements

In compliance with CVM Instruction 480/09, the Executive Board states that its has discussed, reviewed and approved the parent company and consolidated financial statements for the fiscal year ended December 31, 2020.

Barueri, March 08, 2021.

André Fehlauer
Chief Executive Officer

Hugo Reis de Assumpção
Chief Financial Officer and Investor Relations Officer

Management's Statement on the Independent Auditors' Report

In compliance with CVM Instruction 480/09, the Executive officers declare that they have discussed, reviewed and approved the opinion expressed in the report of independent auditors, Grant Thornton Auditores Independentes, which assessed the parent company and consolidated financial statements for the fiscal year ended on December 31, 2020.

Barueri, March 08, 2021.

André Fehlauer
Chief Executive Officer

Hugo Reis de Assumpção
Chief Financial Officer and Investor Relations 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 the individual and consolidated financial statements

Grant Thornton Auditores Independentes

Av. Eng. Luís Carlos Berrini, 105 - 12º andar Itaim Bibi, São Paulo (SP) Brasil

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To the Shareholders, Directors and Management of
Smiles Fidelidade S.A.
Barueri – SP

Opinion

We have audited the accompanying individual and consolidated financial statements of Smiles Fidelidade S.A. (the "Company"), identified as parent and consolidated, respectively, which comprise the statement of financial position as of December 31, 2020 and the respective statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Smiles Fidelidade S.A. as of December 31, 2020, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Related-party transactions

We draw attention to the fact that a substantial part of the Company's purchases of air tickets and sales of mileage is conducted with a related party, as described in Notes 9 and 23 to these individual and consolidated financial statements. Therefore, the individual and consolidated financial statements referred to above should be read within this context. Our opinion is not qualified regarding this matter.

Corporate reorganization plan

We draw attention to Note 2.1 to the individual and consolidated financial statements, which mentions that, on December 7, 2020, Gol Linhas Aéreas Inteligentes S.A. ("GLAI") submitted to the Company's Board of Directors a proposal to merge shares involving its subsidiaries, which resolved to call an Extraordinary Shareholders Meeting to be held on March 15, 2021 for the shareholders to examine and resolve on the Merger Agreement that establishes the corporate reorganization conditions (according to the Material Fact Notices disclosed by GLAI on December 7, 2020, January 18, 2021 and February 12, 2021). Under the reorganization process, the shares issued by the Company are planned to be merged by Gol Linhas Aéreas S.A. ("GLA") and the shares issued by GLA will be merged by the parent company GLAI, resulting in GLAI becoming the holder of all shares issued by the Company and, thus, the Company's share base being migrated to GLAI. Our opinion is not qualified regarding this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit in the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole and in forming our opinion on such individual and consolidated financial statements, and, therefore, we do not provide a separate opinion on these matters.

1. Recognition and measurement of mileage breakage revenue (Notes 5.17.2, 19 and 25)

Why the matter was determined to be a key audit matter

The measurement and recognition of breakage revenues are based on the estimate of mileage issued that is unlikely to be used or redeemed by clients through the expiry date, and are recognized in revenues from expired mileage breakage revenues. The measurement and recognition of expired mileage breakage revenues require a high degree of judgment by the Company's management, considering uncertainty related to the assumptions used in determining the mileage expected to expire based on the historical behavior of expired mileage, which has historically been recorded in accordance with the Company's program policy, which varies according to each client's category and entitled benefits. Changes in the assumptions used to determined mileage expected to expire (and highly likely to expire) may significantly impact the breakage revenue recognized in the individual and consolidated statements.

How the matter was addressed in our audit

Our audit procedures included, among others:

- Evaluation of the assumptions relating to the expected mileage that will expire used to determine the amount of the estimated expired mileage breakage revenue to be recognized, comparing the assumptions used to the historical expired mileage data by client;
- Documental tests, on a sampling basis, to evaluate whether the base of accumulated miles, used in determining mileage expected to expire and that are highly likely to expire, is aligned and in accordance with the category and benefits the client is entitled to under the Company's program policy;
- Evaluation if the individual and consolidated financial statements consider relevant information.

Based on the findings from the auditing procedures described above, we considered the balance of breakage revenue and expired mileage, and related disclosures, acceptable, in the context of the individual and consolidated financial statements taken as a whole.

2. Recognition and measurement of mileage redemption revenue (Notes 5.17.1, 19 and 25)

Why the matter was determined to be a key audit matter

Revenue from the redemption of mileage issued and accumulated is initially recorded as deferred revenue and recognized in profit or loss as mileage is redeemed by the loyalty program members. The recognition of revenue from mileage redemption is highly dependent on information systems and the respective controls relating to the mileage accumulation and redemption process so that revenue may be recognized when mileage is actually redeemed by the loyalty program members.

How the matter was addressed in our audit

Our audit procedures included, among others:

- Documental tests, on a sampling basis, over the changes in accumulated and redeemed mileage in 2020, in order to evaluate the effective redemptions and respective mileage accumulation;
- Evaluation of the reconciliations of trade receivables made by the Company by matching them to the account balances as of the respective reporting date;
- Confirmation balances of trade receivables with the credit card management companies that the Company had a relationship with during the year and to non-air partners (the later, on a sampling basis) by matching the account balances on the respective reporting date;
- Evaluation, through a sample of agreements with partners, whether the unit value of the redeemed mileage used to recognize and measure revenue is in accordance with the provisions under the agreements;
- Evaluation if the individual and consolidated financial statements consider relevant information.

Based on the findings from the auditing procedures described above, we considered the balance of mileage redemption revenue, and related disclosures, acceptable, in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2020, prepared under the responsibility of the Company's management and presented as supplemental information for IFRS purposes, have been subject to auditing procedures which were performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Audit of the corresponding figures to the comparative year

The examination of the individual and consolidated financial statement as of December 31, 2019, whose corresponding figures are presented for comparison purposes, was conducted under the responsibility of another independent auditor, which issued an audit report thereon dated February 18, 2020 without modifications (containing an emphasis-of-matter paragraph regarding the matter discussed in the "Emphasis of matter – Corporate reorganization plan" section).

Other information accompanying the individual and consolidated financial statements and auditor's report thereon

The Company's Management is responsible for this other information that is included in the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise, appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with the Company's and its subsidiaries' governance are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we may have identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements for the current year and are, therefore, the key audit matters. We describe these matters in our audit report, unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 8, 2021

Daniel Gomes Maranhão Junior
Assurance Partner

Grant Thornton Auditores Independentes

(In thousands of Brazilian Reais - R$)

		Parent Company		Consolidated	
Assets	Note	2020	2019	2020	2019
Current					
Cash and cash equivalents	6	103,444	275,033	111,892	287,846
Financial investments	7	619,088	886,069	623,256	886,069
Trade receivables	8	398,109	491,326	401,148	493,022
Advances to suppliers	9	1,225,031	971,601	1,224,919	971,788
Taxes to recover	10	76,838	93,694	77,978	93,939
Other credits		14,796	30,965	14,645	30,784
Total current assets		2,437,306	2,748,688	2,453,838	2,763,448
Noncurrent					
Advances to suppliers	9	787,264	-	787,264	-
Taxes to recover	10	21,749	48,660	21,749	48,660
Deferred taxes	11	-	-	71	2,905
Court deposits	12	26,565	16,565	26,909	16,565
Other credits		12,635	-	12,635	-
Investments	13	-	1,990	-	-
Property, plant and equipment	14	3,025	4,603	3,202	4,770
Intangible assets	15	56,416	48,235	56,416	48,235
Total noncurrent assets		907,654	120,053	908,246	121,135
Total assets		3,344,960	2,868,741	3,362,084	2,884,583

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

(In thousands of Brazilian Reais - R$)

		Parent Company		Consolidated	
Liabilities	Note	2020	2019	2020	2019
Current					
Suppliers	16	126,658	107,648	136,757	116,766
Labor obligations		26,850	16,883	28,785	18,172
Dividends and interest on shareholders' equity	17	47,259	133,498	47,259	133,498
Taxes to collect		2,333	9,032	2,479	9,241
Advances from customers	18	11,574	9,411	12,927	11,706
Deferred revenues	19	1,231,073	996,962	1,253,217	1,003,768
Obligations to related companies	23	21,249	29,038	15,683	23,611
Other liabilities		5,704	3,222	5,072	4,772
Total current liabilities		1,472,700	1,305,694	1,502,179	1,321,534
Noncurrent					
Deferred revenues	19	322,904	172,629	322,904	172,629
Provisions	20	29,503	26,987	29,556	26,987
Deferred taxes	11	156,312	156,133	156,312	156,135
Provision for investment losses	13	12,408	-	-	-
Other liabilities		805	1,963	805	1,963
Total noncurrent liabilities		521,932	357,712	509,577	357,714
Shareholders' equity	21				
Share capital		254,610	254,610	254,610	254,610
Capital reserves		278,809	276,420	278,809	276,420
Profit reserves		816,254	472,743	816,254	472,743
Equity valuation adjustments		655	62	655	62
Additional dividend proposed		-	201,500	-	201,500
Total shareholders' equity		1,350,328	1,205,335	1,350,328	1,205,335
Total liabilities and shareholders' equity		3,344,960	2,868,741	3,362,084	2,884,583

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

Profit and Loss Statements

Fiscal Year ended on December 31, 2020 and 2019
(In thousands of Brazilian reais - R$, except basic/diluted earnings per share)

		Parent Company		Consolidated	
	Note	2020	2019	2020	2019
Net revenue	25	567,984	1,046,264	572,916	1,051,124
Operating costs	26	(98,369)	(72,547)	(99,078)	(73,466)
Gross Profit		469,615	973,717	473,838	977,658
Operating expenses					
Selling expenses		(103,081)	(119,467)	(108,612)	(127,943)
Administrative expenses		(146,449)	(126,736)	(159,716)	(131,407)
Other revenues, net		4,313	47,535	4,743	47,535
Total operating expenses	26	(245,217)	(198,668)	(263,585)	(211,815)
Equity results	13	(15,900)	(5,861)	-	-
Operating income before financial income (expenses) and taxes		208,498	769,188	210,253	765,843
Financial income (expenses)					
Financial income		89,203	125,444	89,503	125,455
Financial expenses		(11,327)	(3,626)	(13,295)	(4,273)
Exchange rate change, net		(1,389)	2,322	2,049	4,669
Total financial income (expenses)	27	76,487	124,140	78,257	125,851
Income before income taxes		284,985	893,328	288,510	891,694
Income taxes					
Current		(88,635)	(167,459)	(88,960)	(168,785)
Deferred		(393)	(99,144)	(3,593)	(96,184)
Total income taxes	11	(89,028)	(266,603)	(92,553)	(264,969)
Net income for the year		195,957	626,725	195,957	626,725
Basic earnings per share	24	1.58	5.05	1.58	5.05
Diluted earnings per share	24	1.58	5.05	1.58	5.05

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

	Parent Company and Consolidated	
	2020	2019
Net income for the year	195,957	626,725
Exchange rate change on foreign investments	1,010	62
Actuarial losses from post-employment benefits, net of income taxes	(417)	-
Total comprehensive income (expenses) for the year	196,550	626,787

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

Statements of Changes in Shareholders' Equity

Fiscal Year ended on December 31, 2020 and 2019

(In thousands of Brazilian Reais - R$)

	Note	Parent Company and Consolidated								
			Capital reserves		Profit reserves					
	Note	Share capital	Capital reserve	Share-based compensation	Legal reserve	Expansion reserves	Other comprehensive income (expenses)	Additional dividends proposed	Retained earnings	Total
Balances on December 31, 2018		43,767	481,628	1,661	8,975	193,728	-	284,471	-	1,014,230
Exchange rate change on foreign investments		-	-	-	-	-	62	-	-	62
Net Income for the year		-	-	-	-	-	-	-	626,725	626,725
Total comprehensive income (expenses) for the year		-	-	-	-	-	62	-	626,725	626,787
Adjustment of initial adoption of accounting standard – CPC 06 (R2) (IFRS 16), net of tax effects (*)		-	-	-	-	-	-	-	(541)	(541)
Capital increase	21.1	210,000	(210,000)	-	-	-	-	-	-	-
Capital increase due to stock options exercised	21.1	843	-	-	-	-	-	-	-	843
Share-based compensation	22	-	-	3,131	-	-	-	-	-	3,131
Recognition of reserves		-	-	-	31,336	238,704	-		(270,040)	-
Additional dividends paid	21.2	-	-	-	-	-	-	(284,471)	-	(284,471)
Minimum dividends distributed	21.2	-	-	-	-	-	-	-	(103,682)	(103,682)
Additional dividends proposed	21.2	-	-	-	-	-	-	201,500	(201,500)	-
Interest on shareholders' equity distributed	21.2	-	-	-	-	-	-	-	(50,962)	(50,962)
Balances on December 31, 2019		254,610	271,628	4,792	40,311	432,432	62	201,500	-	1,205,335

(*) 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									
			Capital Reserves		Profit Reserves		Equity Valuation Adjustments				
	Note	Share capital	Other capital reserves	Share-based compensation	Legal reserve	Expansion reserves	Other comprehensive income (expenses)	Post-employment benefit	Additional dividends proposed	Retained earnings	Total
Balances on December 31, 2019		254,610	271,628	4,792	40,311	432,432	62	-	201,500	-	1,205,335
Other comprehensive income (expenses), net		-	-	-	-	-	1,010	(417)	-	-	593
Net income for the year		-	-	-	-	-	-	-	-	195,957	195,957
Total comprehensive income (expenses) for the year		-	-	-	-	-	1,010	(417)	-	195,957	196,550
Recognition of profit reserve		-	-	-	-	201,500	-	-	(201,500)	-	-
Share-based compensation	22	-	-	2,389	-	-	-	-	-	-	2,389
Interest on shareholders' equity distributed	21.2	-	-	-	-	-	-	-	-	(53,946)	(53,946)
Recognition of reserves		-	-	-	9,798	132,213	-	-	-	(142,011)	-
Balances on December 31, 2020		254,610	271,628	7,181	50,109	766,145	1,072	(417)	-	-	1,350,328

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

Statement of Cash Flows

Fiscal Year ended on December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Net income for the year	195,957	626,725	195,957	626,725
Adjustments to reconcile the net income to cash generated from operating activities				
Share-based compensation	2,389	3,131	2,389	3,131
Deferred income taxes	393	99,144	3,593	96,184
Provision for legal proceedings	17,287	16,010	17,340	16,010
Depreciation and amortization	28,523	26,049	28,577	26,869
Discounts in advance ticket purchases	(72,092)	(74,160)	(72,092)	(74,160)
Exchange rate change, net	1,389	851	(725)	1,429
Changes in financial investments	(9,458)	-	(9,656)	-
Allowance for (reversal of) provision for doubtful accounts	(1)	5	(1)	5
Provision for labor obligations	25,687	17,153	27,269	16,507
Write-off of property, plant and equipment and intangible assets	262	138	262	138
Equity results	15,900	5,861	-	-
Other provisions	11	(490)	1,144	(434)
Adjusted net income	206,247	720,417	194,057	712,404
Changes in operating assets and liabilities				
Trade receivables	93,943	(132,580)	92,463	(134,276)
Advances to suppliers	(968,602)	398,636	(968,307)	398,449
Taxes to recover	43,767	80,948	42,852	80,703
Court deposits	(10,000)	1,437	(10,344)	1,437
Other credits (obligations)	6,219	(9,816)	4,003	(14,091)
Transactions with related companies	(7,789)	(10,033)	(7,604)	(13,677)
Suppliers	16,083	(24,822)	17,804	(11,939)
Labor obligations	(15,720)	(28,954)	(16,552)	(27,019)
Advances from customers	2,163	(151,893)	1,406	(149,598)
Deferred revenue	384,386	148,796	400,273	155,602
Taxes to collect	77,852	133,026	77,991	133,482
Provision for legal proceedings	(15,529)	(10,137)	(15,529)	(10,137)
Income tax and social contribution paid	(91,245)	(148,846)	(91,440)	(149,177)
Net cash flows from (used in) operating activities	(278,225)	966,179	(278,927)	972,163
Investing Activities				
Acquisition of property, plant and equipment and intangible assets	(35,107)	(32,891)	(35,171)	(33,836)
Financial investments, net	276,439	(219,884)	271,932	(501,607)
Capital increase in subsidiary	-	(7,530)	-	-
Net cash from (used in) investing activities	241,332	(260,305)	236,761	(535,443)
Financing activities				
Lease payments	(1,538)	-	(1,538)	-
Capital increase due to stock options exercised	-	843	-	843
Interest on shareholders' equity paid, net of taxes	(29,815)	(30,925)	(29,815)	(30,925)
Dividends paid	(103,676)	(408,350)	(103,676)	(408,350)
Net cash flows used in financing activities	(135,029)	(438,432)	(135,029)	(438,432)
Effect of exchange rate change on cash and cash equivalents	333	(780)	1,241	(1,292)
Net (decrease) increase in cash and cash equivalents	(171,589)	266,662	(175,954)	(3,004)
Cash and cash equivalents at the beginning of the year	275,033	8,371	287,846	290,850
Cash and cash equivalents at the end of the year	103,444	275,033	111,892	287,846

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

Statement of Value Added

Fiscal Year ended on December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Revenues				
Mileage redemption and breakage	616,958	1,123,998	622,055	1,128,965
Other operating revenues	11,506	24,365	11,415	24,475
Allowance for doubtful accounts	1	(5)	1	(5)
Inputs acquired from third parties				
Materials, electricity, third-party services and others	(173,169)	(94,256)	(177,143)	(97,104)
Sales and marketing	(60,789)	(67,341)	(66,206)	(73,562)
Gross value added	394,507	986,761	390,122	982,769
Retentions				
Depreciation and amortization	(28,523)	(26,049)	(28,577)	(26,869)
Net added value produced by the Company	365,984	960,712	361,545	955,900
Value added received on transfers				
Equity results	(15,900)	(5,861)	-	-
Financial income	89,203	125,444	89,503	125,455
Total value added to distribute	439,287	1,080,295	451,048	1,081,355
Distribution of value added				
Direct compensation	66,153	67,518	70,621	70,555
Benefits	9,560	7,455	9,912	7,563
FGTS	2,204	3,249	2,204	3,249
Employees	77,917	78,222	82,737	81,367
Federal	152,278	373,644	159,227	372,617
Municipal	380	381	407	454
Taxes	152,658	374,025	159,634	373,071
Interest	12,509	1,039	10,864	(736)
Rent	246	284	1,681	853
Others	-	-	175	75
Third-party capital compensation	12,755	1,323	12,720	192
Interest on shareholders' equity	54,503	50,962	54,503	50,962
Retained profit	141,454	575,763	141,454	575,763
Shareholders' equity compensation	195,957	626,725	195,957	626,725
Total value added distributed	439,287	1,080,295	451,048	1,081,355

The accompanying notes are an integral part of these financial statements - parent company and consolidated.

1. Operating context

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 to reflect the necessary activities to manage the Smiles' Frequent-flyer program ("Smiles Program"), mainly including:

(a) developing and managing the frequent-flyer program;
(b) selling rights to redeem premiums; and
(c) creating and managing 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 Padauiri, 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 Novo Mercado's listing regulations, which, among other provisions, expand shareholders' rights and improve the quality of the information provided.

In the normal course of business, more than 90% of the miles are redeemed by clients on products offered by GLA (airline tickets, upgrades, baggage handling, etc.), and even with COVID-19 pandemic, this percentage gets closer of 77.3% of total redemptions. Therefore, Smiles is highly dependent on this related party for the continuity of its business. GLA, in turn, has adopted measures to deal with the economic crisis caused by the pandemic of COVID-19, aiming to support the continuity of its business.

1.1. Actions and impacts due to the COVID-19 pandemic

The pandemic sparked by COVID-19, considered by the World Health Organization as a "public health emergency of international interest", spread rapidly across the world, leading to unprecedented disruptions in the global economic activity.

Such crisis affected the macroeconomic environment, considering the uncertainties from public health, political and economic issues. As disclosed by Instituto Brasileiro de Geografia e Estatística (IBGE) in 2020 the Gross Domestic Product (GDP) decreased 4.1% in comparison with 2019.

Among the measures taken in the country to try to reduce the speed of the disease's spread, include recommending social distancing, restricting events and closing borders. As a result, the airline, travel and tourism industries were the first and most affected segments in relation to their operations and income (expenses).

In order to face this highly disruptive scenario, the Company created a special committee, which includes 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 resources at its disposal.

The Company's priority is to take measures to keep people's health and well-being. Since the second half of March, all Company employees are now working from home. Employees are being monitored, uninterruptedly, by the Company's leadership and by the Human Resources department.

The Company created specific communication channels on the coronavirus, which are constantly updated, with the purpose to improve customer service at a time of high demand and great uncertainty The Company reinforced the dedicated team in its Call Center. This team is committed to assisting customers in reorganizing their airline ticket reservations, hotel rates and car rent, with flexible conditions to change their future travel. Our digital channels were also improved by implementing online cancellation self-service, free of charge, available on Smiles Fidelidade website and app, as well as in the online service (chat), for customers who have eligible GOL tickets.

Understanding that there is no set deadline for the end of this crisis and that this will inevitably have an impact on the travel planning of its customers, the Company announced the extension of the maturity of the frequent-flyer program's categories. The Company chose not to consider the current year as the basis for the requalification of next year, since the downgrade analysis of categories would include miles accumulated from segments flown from January to December 2020. The measure allows the customer to gain more time within his/her category, being able to take advantage of the benefits it offers.

To mitigate negative impacts resulting from the crisis caused by COVID-19, Smiles Fidelidade has launched a series of incentive initiatives for members to use their miles on products offered by other partners, mainly retailers, through Shopping Smiles.

In the social context, as a contribution and recognition to those who fight COVID-19 on the battle's front lines, the Company, in partnership with GLA, started to credit miles for health professionals who travel around Brazil to provide care to affected patients; for each GOL section, flown at no cost, the traveler receives 1,000 miles. As of December 31, 2020, the total miles distributed corresponds to 383,800 miles and did not have a material financial impact on the financial statements.

It is important to note that, on December 31, 2020, the Company's liquidity position was sufficient to safely: (i) invest in projects, initiatives and opportunities that contribute to an effective execution and improve the business lines and ecosystem in which the Company operates; (ii) defend the Company's market position; (iii) create value for the Company and its shareholders; (iv) invest in opportunities to contract airline tickets and other services related to passenger transportation; and (v) implement new commercial projects, among other purposes.

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, income (expenses) and cash generation. That 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.

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

1.1.1. Impacts of the crisis caused by COVID-19 on the Parent Company and Consolidated Financial Statements

When preparing these financial statements, 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
Profit and Loss Statements		December 31, 2020
Losses with Financial Investments	(a)	(9,385)

		Parent Company and Consolidated	
		December 31, 2020	
Statements of Changes in Shareholders' Equity - Reclassifications		Additional Dividends Proposed	Profit Retention Reserve
Additional Dividends Proposed	(b)	(201,500)	201,500

(a) Although the Management has remained faithful to the Company's investment policy, the abrupt changes in macroeconomic indexes, including the reductions in the SELIC rate promoted by the Federal Government, caused the Company to record unusual losses in its investments in sovereign fixed income funds linked to SELIC, as well as in fixed income funds of private credit with a high degree of liquidity and high credit quality. It is worth noting that this was mainly due to the mark-to-market adjustment, given that the remuneration of these bonds is pegged to the SELIC rate. Therefore, the expected outcome is the recovery of income (expenses), either by carrying the more discounted assets or by closing the spreads as a result of the reduced offer of Treasury bonds pegged to the SELIC rate in the primary market.

(b) As a result of the COVID-19 pandemic and in order to strengthen the cash position, the proposed allocation of the income (expenses) for the year ended December 31, 2019 was changed by the Company's Management: the distribution was cancelled and the amounts were retained under the profit retention reserve. The new proposal for the allocation of the income (expenses) was submitted and approved by the Annual Shareholders' Meeting held on July 31, 2020.

Besides the above impacts, the Company revised the expected realization of recoverable tax assets, advances to suppliers and deferred revenues, considering the most recent information available and reflected in the Company's business plans and, therefore, reclassified the amounts to noncurrent with no expected to realize in the next 12 months.

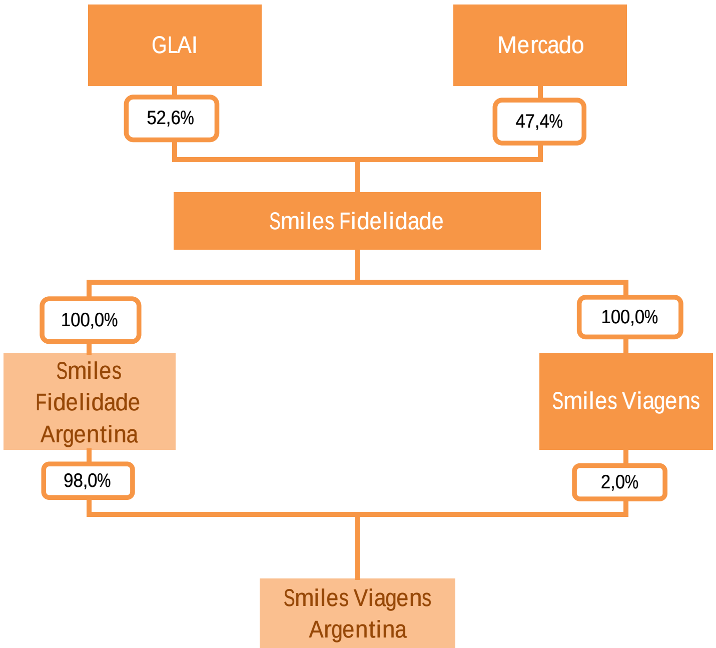
1.2. Compliance Program

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 and 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 financial statements.

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

2. Corporate structure

On December 31, 2020, the Company's ownership structure was as follows:



Entity	Incorporation Date	Location	Main Activity	Type	% of Interest in the Share Capital 2020	2019
Subsidiaries						
Fundo Sorriso (a)	July 14, 2014	Brazil	Investment fund	Direct Control	100.0%	100.0%
Smiles Viagens	August 10,	Brazil	Tourism agency	Direct Control	100.0%	100.0%
Smiles Fidelidade Argentina (b)	November 7,	Argentina	Frequent-flyer program	Direct Control	100.0%	100.0%
Smiles Viagens Argentina (b)	November	Argentina	Tourism 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 financial statements.
(b) Companies whose functional currency is the Argentine peso.

The main purpose of Smiles Viagens e Turismo S.A. ("Smiles Viagens") is intermediating travel organization services, by booking or selling airline tickets, accommodation, tourism packages, among others. others.

Smiles Fidelidade S.A. ("Smiles Fidelidade Argentina") and Smiles Viajes Y Turismo S.A. ("Smiles Viagens Argentina"), both headquartered in Buenos Aires, Argentina, have the purpose to promote operations of the Smiles Program and the sale of airline tickets in that country.

2.1. Corporate reorganization plan - 2020

On December 7, 2020, GLAI communicated to the Company's Board of Directors the proposal for the merger of shares involving its subsidiaries.

The merger proposal includes the following steps, which will be implemented concurrently and interdependently, with the consummation subject to the applicable corporate approvals and approval by the majority of the holders of outstanding shares of the Company:

- incorporation of the Company's shares by GLA, issuing preferred shares and redeemable preferred shares of GLA to the Company's shareholders;
- incorporation of GLA's shares by GLAI, issuing preferred shares and redeemable preferred shares of the Company to GLA's shareholders; and
- redemption of GLA's and GLAI's redeemable preferred shares, with cash payment based on the redemption of the Company's redeemable preferred shares to the Company's shareholders.

The merger of shares, as Material Fact disclosed by GLAI on February 12, 2021, will result in the merger of the two operating subsidiaries of GLAI, GLA and Smiles Fidelidade, through the transfer of the Company's shareholders to GLAI, with the purpose to maximize the value for all shareholders by aligning the interests of both companies, while ensuring the continuity of the airline and the frequent-flyer program, simplify corporate governance, strengthen the capital structure and reduce operating, administrative and financial costs, as well as tax inefficiencies.

Further details about this operation, including the definitions of exchange ratios, protocol and reasoning, and other related documents, were disclosed by the Management and are available for reading and consultation at the GLAI's electronic address.

3. Statement of the management, basis for preparing and presenting the Financial Statements

The Company's Parent Company Financial Statements were prepared in accordance with accounting practices adopted in Brazil. The accounting practices adopted in Brazil include those in the Brazilian Corporation Law and in the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC"), and approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM"). The Company's Consolidated Financial Statements were prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Company's Parent Company and Consolidated Financial Statements were prepared using the Brazilian real ("R$") as the functional and presentation currency. Figures are expressed in thousands of Brazilian reais, except when stated otherwise. The items disclosed in foreign currencies are duly identified, when applicable.

The preparation of the Company's parent company and consolidated financial statements 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 income (expenses) that require a material adjustment of the book value of certain assets and liabilities in future reporting fiscal years.

The Company is continually reviewing its judgments, estimates, and assumptions.

The Management, when preparing these financial statements, used the following disclosure criteria: (i) regulatory requirements; (ii) relevance and specificity of the information on the Company's operations to users; (iii) the informational needs of users of financial statements; and (iv) information from other entities in the same industry, mainly in the foreign market.

Management confirms that all the material information in these financial statements are being demonstrated and corresponds to the information used by Management in the development of its business management activities.

These parent company and consolidated financial statements were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value, when applicable, and investments measured by the equity valuation method in the parent company. The Company's parent company and consolidated financial statements for the fiscal year ended December 31, 2020 has been prepared based on the assumption of their operational continuity, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

4. Approval of Financial Statements

The Parent Company and Consolidated Financial Statements were authorized by the Board of Directors on March 8, 2021, subject to the shareholders' resolution at the annual shareholders' meeting to be held on April 30, 2021.

5. Summary of significant accounting practices

5.1. Consolidation

The consolidated financial statements include the financial statements of the Company and of the subsidiaries in which the Company has a direct or indirect control. Control is obtained when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use that power to affect its returns.

The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company loses control over the subsidiary. The Company reassesses if it has control over an investee if facts and circumstances indicate changes in one or more of the three control elements listed above. The variation in equity interest in subsidiary, without loss of control, is accounted for as an equity transaction.

Accounting practices were uniformly applied to all consolidated companies, consistent with those used by the parent company and adopted in the previous fiscal year. All transactions and balances between the Company and its subsidiaries were eliminated in the consolidation, including charges and taxes.

The Company's consolidated financial statements include subsidiaries and are described in Note 2.

5.2. Cash and cash equivalents

The Company classifies in this group the balances of cash, banks, and financial investments of investment funds and securities of immediate liquidity, which, according to analyzes, are readily convertible into a known amount of cash with an insignificant risk of change in value. Classified private securities in this group, due to their very nature, are measured at fair value through income (expenses) and will be used by the Company in a short period of time.

5.3. Financial investments

In the presentation and measurement of financial assets, the Company considers the provisions of CPC 48 - “Financial Instruments”, corresponding to IFRS 9, which establishes that financial assets must be initially measured at fair value less costs directly linked to their acquisition. In turn, the subsequent measurement is divided into two categories:

- Amortized cost: Short-term investments are measured at amortized cost when all the following conditions are met: (i) the Company plans to hold the financial asset to collect the contractual cash flows; and (ii) the contractual cash flows represent only the payment of interest and principal (“SPPI”).
- Fair value:
  a) through comprehensive income (expenses): financial investments will be measured at fair value through comprehensive income (expenses) when both of the following conditions are met: (i) the Company plans to hold the financial asset to collect the contractual cash flows and sell the asset; and (ii) the contractual cash flows represent SPPI;
  b) through income (expenses): considered a residual category, that is, if the Company does not plan to hold the financial asset to collect the contractual cash flows and/or sell the asset, it must be measured at fair value through profit or loss. The Company may also choose, upon initial recognition, to designate the financial asset as measured at fair value through income (expenses), to eliminate or significantly reduce measurement or recognition inconsistencies, called "accounting mismatch". The financial instruments designated at fair value through income (expenses) are to eliminate or significantly reduce an accounting mismatch, thus appraised at market value.

5.4. Trade receivables

They are measured and recorded at the billed amount adjusted to present value, when applicable, less estimated losses with doubtful debts, as per CPC 48 - "Financial Instruments", equivalent to IFRS 9.

In compliance with IFRS 9, the estimated losses with doubtful debts were measured through a simplified approach, using historical data, projecting the estimated loss over the life of the contract. In addition, for certain cases, the Company carries out individual analyzes to assess the receipt risks.

5.5. Advances to suppliers

Advances to suppliers mainly refer to amounts paid in advance to GLA to purchase airline tickets that will be used as the miles are redeemed by Smiles Program’s members. The balances of advances are monetarily restated, in accordance with the index agreed upon between the parties in each agreement signed. Amounts are classified as short-term or long-term based on their expected consumption and the Company’s short- and long-term projections.

5.6. Income taxes

5.6.1. Current taxes

In Brazil, includes income tax (“IRPJ”) and social contribution on profit (“CSLL”), which are calculated based on the taxable income, after offsetting tax losses and negative social contribution base, limited to 30% of the taxable income, applying the rate of 15% plus an additional 10% for the IRPJ and 9% for the CSLL.

5.6.2. Deferred taxes

Deferred taxes represent credits and debits on IRPJ's tax losses and negative CSLL bases, as well as temporary differences between the tax and accounting bases. Deferred tax assets and liabilities were measured at the rates that are expected to be applicable in the period in which the asset is realized, or the liability is settled, based on the tax rates and legislation in force on the date of the financial statements.

Deferred tax and contribution assets and liabilities are classified as non-current. Deferred tax assets and liabilities are shown net if there is an enforceable legal right to offset tax liabilities against tax assets. However, for presentation purposes, if related to taxes levied by the same tax authority under the same taxable entity, the balances of tax assets and liabilities that do not meet the legal criterion of realization are disclosed separately.

The forecast of future taxable income on tax losses and negative social contribution base is prepared based on the business plans and are reviewed and approved annually by the Company's Board of Directors. A loss is recognized when the Company's internal studies indicate that the future use of these credits is not probable.

5.7. Property, plant and equipment

Items recorded in Property, Plant & Equipment are stated at acquisition, development and/or construction cost. This cost is deducted from the accumulated depreciation and impairment loss, when applicable, which is the highest value between use and sale, net of selling costs. The estimated economic useful life of property, plant, and equipment, calculated in the straight-line method, for purposes of depreciation, is shown in Note 14. The Company's Property, Plant & Equipment include the right of use from lease agreements, recognized under CPC 06 (R2) - IFRS 16.

5.8. Intangible assets

Intangible assets acquired are measured at the cost of their initial recognition. After initial recognition, intangible assets are stated at cost, less the accumulated amortization and impairment losses, when applicable. Intangible assets generated internally, excluding development costs, are not capitalized, and the expense is reflected in the profit and loss statements for the fiscal year in which it was incurred.

The useful life of an intangible asset is evaluated as finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and are assessed for impairment whenever there is an indication of impairment. The amortization period and method for an intangible asset with a finite life are reviewed at least at the end of each fiscal year. The amortization of intangible assets with finite lives is recognized in the profit and loss statements in the expense category consistent with the useful economic life of the intangible asset.

Intangible assets with indefinite useful lives, if any, are not amortized, but are tested annually for impairment, individually or at the cash-generating unit level.

5.9. Suppliers and accounts payable

They are initially recognized at fair value and adjusted to present value, when applicable, subsequently increased by the corresponding charges and monetary and exchange rate changes incurred, if applicable, up to the closing dates of the financial statements.

5.10. Legal proceedings

Provisions are recognized when the Company has a present obligation, formalized or not, as a result of a past event, and it is probable that economic benefits will be required to settle the obligation and a reliable estimate of its value can be made.

The Company is a party to several administrative and judicial proceedings. Assessments of the likelihood of loss in these lawsuits include an analysis of the available evidence, the hierarchy of laws, the available jurisprudence, the most recent court decisions, and their relevance in the legal system, as well as the assessment of external lawyers. Provisions are reviewed and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections, or additional exposures identified based on new matters or court decisions.

5.11. Deferred revenue

"Smiles Program" has the purpose to build customer loyalty by granting mileage credits to participants. The obligation generated by issuing miles is measured based on the price at which the miles were sold to its air and non-air partners, considered by the Company as the fair value of the transaction. The Company acts as an agent and fulfills its performance obligation when participants redeem the miles of the Smiles Program and exchange them for awards with its partners. This is the moment when revenue is recognized in the income (expenses) for the period. Accordingly, the gross revenue is shown net of its respective direct variable costs related to making goods and services available to participants, as per CPC 47, corresponding to IFRS 15.

5.12. Information by segment

An operating segment is part of the Company's business that develops activities to obtain revenues and incur expenses. The operating segment reflects the way in which the Company's management reviews the financial information to make decisions. The Company only operates in the customer loyalty segment.

5.13. Share-based compensation

The Company offers stock option plans to its executives with its own shares. The Company recognizes as an expense, on a straight-line basis, the fair value of the options, calculated on the vesting date by the Black-Scholes method, during the period of service required by the plan, as a corresponding entry to the shareholders' equity. The accumulated expense recognized reflects the acquisition period and the Company's best estimate of the number of options that will be exercised. The expense or revenue from the movement occurred during the fiscal year is recognized in the profit and loss statements, under "administrative expenses".

The effect of outstanding options is reflected as an additional dilution in the calculation of diluted earnings (loss) per share, when applicable.

5.14. Earnings per share

The basic earnings per share are calculated by dividing the net income for the fiscal year, attributed to holders of the Company's common shares, by the weighted average number of common shares available during the fiscal year.

Diluted earnings per share are calculated by dividing the net income attributed to the holders of the Company's common shares by the weighted average number of common shares available during the fiscal year, plus the weighted average number of common shares that would be issued in the conversion of all potential common shares.

5.15. Profit-sharing for employees and Management

The Company's employees are entitled to profit sharing based on certain goals agreed annually. For the members of the management the goals are based on the statutory provisions proposed by the Board of Directors and approved by the shareholders. The profit sharing is recognized in the income (expenses) for the period in which the goals are achieved.

5.16. Interest on shareholders' equity and dividends

The distribution of interest on shareholders' equity and dividends proposed by the Company's Management that falls within the amount corresponding to the minimum mandatory dividend is recorded as current liabilities, as it is considered a legal obligation set forth by the bylaws. However, an amount higher than the minimum mandatory dividend, declared by the Management before the end of the fiscal year related to the financial statements and not yet approved by the shareholders, is recorded as a proposed additional dividend in the shareholders' equity. For the purposes of presenting the financial statements, interest on shareholders' equity is stated as a destination of the income (expenses) directly in the shareholders' equity.

5.17. Revenues

5.17.1. Mileage revenue

"Smiles Program" has the purpose to build customer loyalty by granting mileage credits to participants. The obligation generated by issuing miles is measured based on the price at which the miles were sold to its air and non-air partners, considered by the Company as the fair value of the transaction.

Under CPC 47, corresponding to IFRS 15, the Company acts as an agent and fulfills its performance obligation when participants redeem the miles of the Smiles Program and exchange them for awards with its partners. This is the moment when revenue is recognized in the income (expenses). Accordingly, the gross revenue is shown net of its respective direct variable costs related to making goods and services available to participants.

5.17.2.Breakage revenues

The breakage revenue is established based on the calculation of miles that have a high expiration potential to their non-use by the Smiles Program's participants. The calculation is applied to the miles issued in the period, giving rise to the breakage revenue, considering the original amount of the total balance of miles sold.

It should be noted that future events can significantly change the profile of customers and their historical pattern of redemption of miles. Such changes may lead to significant changes in the balance of deferred revenue, as well as in the recognition of breakage revenue. The policy of the Smiles mileage program provides for the cancellation of all miles in the customers' accounts after 36 months, with the exception of Gold and Diamond customers, whose mileage expiration period is 48 and 120 months, respectively. The Smiles Club miles are valid for 120 months.

5.18. Financial income

Financial income includes interest revenues on amounts invested and changes in the fair value of financial assets measured at fair value through income (expenses), which are recognized in the income (expenses). Interest revenue is recognized in the income (expenses) using the actual interest method.

5.19. Financial instruments

The policies applied to financial instruments are detailed in Note 28.

5.20. Accounting judgments, estimates and assumptions

The Management made the following judgments that have a significant effect on the amounts recognized in the financial statements:

- fair value of financial instruments (Note 28).
- allowance for expected loss on trade receivables accounts (Note 8);
- annual analysis of the recoverable amount of taxes deferred (Note 11);
- useful life of property, plant, and equipment and intangible assets with defined useful life (Notes 14 and 15);
- share-based compensation transactions (Note 22);
- breakage revenue (Notes 19 and 25);
- provision for tax, civil and labor risks (Note 20);

The Company continuously reviews the assumptions used in its accounting estimates. The effect of revisions to accounting estimates is recognized in the financial statements in the period in which such revisions are made.

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

The standards listed below have become valid for annual periods beginning on or after January 1, 2020. The Company decided not to adopt in advance any other standard, interpretation or amendment that has been issued but is not yet in force.

5.21.1 Changes to CPC 15 (R1): Definition of the business

The amendments to CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input - input of resources and a substantive process that, together, contribute significantly to the capacity to generate output - output of resources. In addition, clarified that a business can exist without including all inputs - inputs of resources and processes necessary to create outputs - outputs of resources. These changes had no impact on the Company's parent company and consolidated financial statements, but may impact future periods if the Company enters into any business combinations.

5.21.2 Changes to CPC 38, CPC 40 (R1) and CPC 48: Reform of the reference interest rate.

The amendments to Pronouncements CPC 38 and CPC 48 provide exemptions that apply to all protective relationships directly affected by the reference interest rate reform. A protective relationship is directly affected if the reform raises uncertainties about the period or the value of cash flows based on the reference interest rate of the hedged item or hedging instrument. These changes have no impact on the Company's parent company and consolidated financial statements, since it does not have interest rate hedging relationships.

5.21.3 Changes to CPC 26 (R1) and CPC 23: Definition of the material

The amendments provide a new definition of material that states, "the information is material if its omission, distortion or obscurity could reasonably influence decisions that primary users of general purpose financial statements make based on those financial statements, which provide financial information on entity-specific report". The amendments clarify that the materiality will depend on the nature or magnitude of the information, individually or in combination with other information, in the context of the financial statements. Distorted information is material if one could reasonably be expected to affect decisions made by primary users. These changes had no impact on the parent company and consolidated financial statements, nor is it expected to have any future impact for the Company.

5.21.4 Revision in CPC 00 (R2): Conceptual Framework for the financial report

The revised pronouncement outlines some new concepts, updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. These changes had no impact on the Company's parent company and consolidated financial statements.

5.21.5 Changes to CPC 06 (R2): Benefits related to COVID-19 granted to lessees under lease agreements.

The amendments provide for concession to lessees in the application of the guidelines of CPC 06 (R2), equivalent to IFRS 16, on the modification of the lease, when accounting for the related benefits as a direct result of the COVID-19 pandemic.

As a practical expedient, a lessee may choose not to assess if a benefit related to COVID-19 granted by the lessor is a modification of the lease. The lessee who makes this option must account for any change in the lease payment resulting from the benefit granted in the lease agreement related to COVID-19 in the same way that it would account for the change applying CPC 06 (R2) if the change was not a change of the lease agreement.

These changes had no impact on the Company's parent company and consolidated financial statements.

5.22. New accounting standards and pronouncements not yet adopted

5.22.1 Changes to IAS 1: Classification of liabilities as current or non-current

In January 2020, IASB issued amendments to Paragraphs 69 to 76 of IAS 1, related to CPC 26, to specify the requirements to classify the liability as current or non-current. The amendments clarify:

- What means a right to postpone liquidation;
- That the right to postpone must exist on the base date of the report;
- That this classification is not affected by the likelihood that an entity will exercise its right to postpone
- That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification

The changes are valid for periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company currently assesses if such changes will have an impact on its parent company and consolidated financial statements.

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

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

6. Cash and cash equivalents

	Parent Company		Consolidated	
	2020	2019	2020	2019
Local currency	5,099	273,612	5,162	275,181
Foreign currency	526	984	8,450	12,228
Cash and bank deposits	5,625	274,596	13,612	287,409
Private bonds	97,819	437	98,280	437
Cash equivalents	97,819	437	98,280	437
Total	103,444	275,033	111,892	287,846

On December 31, 2020, cash equivalents include private securities related to bank deposit certificates ("CDBs") with immediate liquidity, remunerated at the rate of the Interbank Deposit Certificate "CDI".

7. Financial Investments

	Weighted average rate (p.a.)	Parent Company		Consolidated	
		2020	2019	2020	2019
Investment funds	78.3% of CDI	599,088	859,744	603,256	859,744
Government bonds	70% of CDI	20,000	26,325	20,000	26,325
Total		619,088	886,069	623,256	886,069

Financial investments correspond to securities with maturities over 90 days and/or with a risk of change in the value, measured at fair value through income (expenses). On December 31, 2020, they essentially include fixed income investment funds and financial bills, referenced to CDI, with high liquidity, and government bonds represented by Treasury Financial Bills ("LFT") remunerated at the rate of the Special Settlement and Custody System ("SELIC"), repo transactions backed by National Treasury Bills ("LTN") remunerated at fixed rates.

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

8. Trade receivables

	Parent Company		Consolidated	
	2020	2019	2020	2019
Local currency				
Credit card administrators	246,332	334,500	248,518	334,807
Non-airline partners	141,325	113,533	142,178	114,132
Partner airlines(*)	10,465	34,986	10,465	34,986
Total local currency	398,122	483,019	401,161	483,925
Foreign currency				
Credit card administrators	-	-	-	790
Non-airline partners	-	8,321	-	8,321
Total foreign currency	-	8,321	-	9,111
Total	398,122	491,340	401,161	493,036
Expected losses from doubtful accounts	(13)	(14)	(13)	(14)
Total trade receivables	398,109	491,326	401,148	493,022

(*) Of the total balance, R$10,465 refers to amounts receivable from related parties - GLA (R$34,985 on December 31, 2019), as described in Note 23.

The breakdown of the aging list is as follows:

	Parent Company		Consolidated	
	2020	2019	2020	2019
To be due				
Up to 30 days	245,622	235,098	248,415	233,762
From 31 to 60 days	51,369	98,656	51,615	100,016
From 61 to 90 days	22,960	37,653	22,960	39,237
From 91 to 180 days	44,553	68,992	44,553	69,036
From 181 to 360 days	33,500	50,755	33,500	50,799
Above 360 days	105	169	105	169
Total to be due	398,109	491,323	401,148	493,019

	Parent Company		Consolidated	
	2020	2019	2020	2019
Overdue				
From 31 to 60 days	-	2	-	2
From 61 to 90 days	-	1	-	1
Total overdue	-	3	-	3
Total	398,109	491,326	401,148	493,022

The maximum exposure to credit risk is represented by the net realizable value of each type of receivable mentioned above.

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

The movement of estimated losses from doubtful accounts is as follows:

	Parent Company and Consolidated	
	2020	2019
Balance at the beginning of the year	(14)	(9)
(Additions) Recoveries	1	(5)
Balances at the end of the year	(13)	(14)

The Company did not incur significant historical losses.

9. Advances to suppliers

	Parent Company		Consolidated	
	2020	2019	2020	2019
Advance ticket purchases	2,011,901	970,899	2,011,901	970,899
Other advances	394	702	282	889
Total	2,012,295	971,601	2,012,183	971,788
Current	1,225,031	971,601	1,224,919	971,788
Noncurrent	787,264	-	787,264	-

The Company has advanced ticket purchase agreements with GLA. On December 31, 2020, outstanding balances related to advance ticket purchases, as established in the agreement signed by the Company and the other party, were remunerated at a weighted average rate of 3.40% p.a. (6.71% p.a. as of December 31, 2019), with a corresponding entry recorded in the Financial Income (Expenses) under "Discounts obtained".

During the fiscal year ended December 31, 2020, there were the following advances and/or uses of the balance of advances to suppliers for advance ticket purchase:

	Parent Company and Consolidated
Balance at the beginning of the year	970,899
Disbursement related to an agreement entered into on March 3, 2020	310,055
Disbursement related to an agreement entered into on March 10, 2020	115,908
Disbursement related to an agreement entered into on July 6, 2020	1,200,000
Discounts obtained	72,092
Airline tickets acquired	(657,053)
Balances at the end of the year	2,011,901

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

10. Taxes to recover

	Parent Company		Consolidated	
	2020	2019	2020	2019
Income taxes prepaid	75,418	80,012	75,418	80,012
PIS and COFINS	23,120	62,333	23,120	62,082
Withholding tax of public institutions	-	-	-	5
Value added tax (IVA)	-	-	648	84
Others	49	9	541	416
Total	98,587	142,354	99,727	142,599
Current	76,838	93,694	77,978	93,939
Noncurrent	21,749	48,660	21,749	48,660

11. Deferred taxes

11.1. Breakdown of deferred taxes

	Parent Company		Consolidated	
	2020	2019	2020	2019
Income tax losses	-	-	-	2,905
Temporary differences				
Breakage provision	(193,498)	(196,206)	(193,498)	(196,206)
Provision for accounts payable and other provisions	36,673	39,800	36,673	39,800
Right of use	255	273	255	273
Post-employment benefit	258	-	258	-
Others	-	-	71	(2)
Total deferred income taxes liabilities	(156,312)	(156,133)	(156,241)	(153,230)
Deferred tax assets	-	-	71	2,905
Deferred tax liabilities	(156,312)	(156,133)	(156,312)	(156,135)

The book value of deferred tax assets is reviewed periodically and forecasts of future income (expenses) are reviewed annually, unless the Company identifies indicators that may affect these forecast.

The Company's Management considers that deferred income taxes on temporary differences recognized on December 31, 2020 will be realized in proportion to the realization of the respective provisions, given the taxable income history and future prospects.

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

The amounts of income taxes recorded in the profit and loss statements are reconciled at a nominal combined rate, as follows:

11.2. Changes in deferred taxes

	Parent Company			
	2019	Income (Expenses)	Shareholders' equity	2020
Temporary differences				
Breakage provision	(196,206)	2,708	-	(193,498)
Provision for accounts payable and other provisions	39,800	(3,127)	-	36,673
Right of use	273	(18)	-	255
Post-employment benefit	-	44	214	258
Total deferred income taxes liabilities	(156,133)	(393)	214	(156,312)

	Consolidated			
	2019	Income (Expenses)	Shareholders' equity and Others	2020
Income tax losses	2,905	(3,217)	312	-
Temporary Differences				
Breakage provision	(196,206)	2,708	-	(193,498)
Provision for accounts payable and other provisions	39,800	(3,127)	-	36,673
Right of use	273	(18)	-	255
Post-employment benefit	-	44	214	258
Others	(2)	17	56	71
Total deferred income taxes, net	(153,230)	(3,593)	582	(156,241)
Deferred tax assets	2,905	(3,217)	383	71
Deferred tax liabilities	(156,135)	(376)	199	(156,312)

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

11.3. Reconciliation of nominal and effective tax rates of income taxes

	Parent Company		Consolidated	
	2020	2019	2020	2019
Income before income taxes	284,986	893,328	288,510	891,694
Nominal tax rate	34%	34%	34%	34%
Income taxes by the nominal tax rate	(96,895)	(303,732)	(98,093)	(303,176)
Adjustments to calculate the effective tax rate				
Nondeductible expenses and others	(5,243)	(4,274)	(5,784)	(4,275)
Equity results	(5,406)	(1,993)	-	-
Difference of tax rate on the income (expenses) of subsidiaries	-	-	(7,192)	(998)
Exchange rate change on foreign investments	-	-	-	(5)
Tax benefit of interest on shareholders' equity	18,342	17,327	18,342	17,327
Tax incentives	174	2,080	174	2,080
Reversal of provision for loss on investment	-	5,162	-	5,162
Untimely tax credit	-	18,802	-	18,802
Others	-	25	-	114
Income taxes	(89,028)	(266,603)	(92,553)	(264,969)
Current income taxes	(88,635)	(167,459)	(88,960)	(168,785)
Deferred income taxes	(393)	(99,144)	(3,593)	(96,184)
Effective tax rate	31%	30%	32%	30%

12. Court deposits

	Parent Company		Consolidated	
	2020	2019	2020	2019
Court deposits	26,565	16,565	26,565	16,565
Deposit in guarantee	-	-	344	-
Total	26,565	16,565	26,909	16,565

The Company's court deposits and escrows represent guarantees of lawsuits related to civil, labor and tax deposited in court until the resolution of the related proceedings.

	Parent Company and Consolidated	
	2020	2019
Tax	9,181	8,557
Labor	15,177	5,931
Civil	2,207	2,077
Total	26,565	16,565

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

13. Investments

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

	Smiles Viagens	Smiles Fidelidade Argentina
Relevant information on December 31, 2020		
Share capital	40	7,529
Profit reserve	1,287	-
Exchange rate change on foreign investments	13	1,589
Retained losses	(1,340)	(21,526)
Shareholders' equity	-	(12,408)
Loss for the year	(1,340)	(14,560)

	Smiles Viagens	Smiles Fidelidade Argentina
Relevant information on December 31, 2019		
Share capital	40	7,530
Profit reserve	1,288	-
Exchange rate change on foreign investments	-	62
Retained losses	-	(6,930)
Shareholders' equity	1,328	662
Net income (loss) for the year	1,069	(6,930)

The changes in investment are as follows:

	Smiles Viagens	Smiles Fidelidade Argentina	Total
Balance on December 31, 2019	1,328	662	1,990
Other comprehensive income (expenses)	12	1,490	1,502
Equity results	(1,340)	(14,560)	(15,900)
Balance on December 31, 2020	-	(12,408)	(12,408)

	Smiles Viagens	Smiles Fidelidade Argentina	Total
Balances on December 31, 2018	526	-	526
Capital increase	-	7,530	7,530
Exchange rate change on foreign investments	-	62	62
Equity results	1,069	(6,930)	(5,861)
Minimum mandatory dividends	(267)	-	(267)
Balance on December 31, 2019	1,328	662	1,990

Smiles Argentina started offering products to the consumer in March 2019, so management maintains efforts to strengthen the brand, signature of new partnerships and attract new customers. In 2020, Smiles Argentina signed contracts with 3 major financial institutions, in addition to partnering with 7 more companies operating in different segments to expand its operations.

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

In 2021, the business plan continues to focus on growth and accelerating redemptions to increase the revenue, considerting financial support from the Company. In February 2021, the Company made a capital increase in Smiles Argentina in the amount of R$ 6,178.

14. Property, plant and equipment

The balances and changes in property, plant and equipment are as follows:

	Parent Company				
	Weighted average rate (p.a.)	2019	Additions	Write-offs	2020
Cost					
Vehicles	-	533	-	(533)	-
Machinery and equipment	-	70	-	-	70
Furniture and fixtures	-	397	-	-	397
Computers and peripherals	-	1,598	27	-	1,625
Communication equipment	-	6	-	-	6
Leasehold improvements	-	1,968	-	-	1,968
Third-party leasehold – Right of use	-	3,151	281	-	3,432
Construction in progress	-	381	-	-	381
		8,104	308	(533)	7,879
Depreciation					
Vehicles	20.00%	(189)	(82)	271	-
Machinery and equipment	10.00%	(30)	(7)	-	(37)
Furniture and fixtures	10.00%	(147)	(40)	-	(187)
Computers and peripherals	20.00%	(814)	(301)	-	(1,115)
Communication equipment	10.00%	(2)	-	-	(2)
Leasehold improvements	22.64%	(1,464)	(195)	-	(1,659)
Third-party leasehold – Right of use	31.52%	(855)	(999)	-	(1,854)
		(3,501)	(1,624)	271	(4,854)
Total		4,603	(1,316)	(262)	3,025

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

	Parent Company					
	Weighted average rate (p.a.)	2018	Additions	Adoption IFRS 16	Write-offs	2019
Cost						
Vehicles	-	722	121	-	(310)	533
Machinery and equipment	-	70	-	-	-	70
Furniture and fixtures	-	397	-	-	-	397
Computers and peripherals	-	1,493	105	-	-	1,598
Communication equipment	-	3	3		-	6
Leasehold improvements	-	1,968	-	-	-	1,968
Third-party leasehold – Right of use	-	-	559	2,592	-	3,151
Construction in progress	-	381	-	-	-	381
		5,034	788	2,592	(310)	8,104
Depreciation						
Vehicles	20.00%	(239)	(122)	-	172	(189)
Machinery and equipment	10.00%	(24)	(6)	-	-	(30)
Furniture and fixtures	10.00%	(107)	(40)	-	-	(147)
Computers and peripherals	20.00%	(522)	(292)	-	-	(814)
Communication equipment	10.00%	(1)	(1)	-	-	(2)
Leasehold improvements	22.64%	(1,269)	(195)	-	-	(1,464)
Third-party leasehold – Right of use	29.87%	-	(855)	-	-	(855)
		(2,162)	(1,511)	-	172	(3,501)
Total		2,872	(723)	2,592	(138)	4,603

	Consolidated				
	Weighted average rate (p.a.)	2019	Additions	Write-offs	2020
Cost					
Vehicles	-	533	-	(533)	-
Machinery and equipment	-	89	-	-	89
Furniture and fixtures	-	399	-	-	399
Computers and peripherals	-	1,783	91	-	1,874
Communication equipment	-	6	-	-	6
Leasehold improvements	-	1,968	-	-	1,968
Third-party leasehold – Right of use	-	3,151	281	-	3,432
Construction in progress	-	381	-	-	381
		8,310	372	(533)	8,149
Depreciation					
Vehicles	20.00%	(190)	(81)	271	-
Machinery and equipment	10.00%	(34)	(9)	-	(43)
Furniture and fixtures	10.00%	(147)	(40)	-	(187)
Computers and peripherals	20.00%	(847)	(355)	-	(1,202)
Communication equipment	10.00%	(2)	-	-	(2)
Leasehold improvements	22.64%	(1,465)	(194)	-	(1,659)
Third-party leasehold – Right of use	31.52%	(855)	(999)	-	(1,854)
		(3,540)	(1,678)	271	(4,947)
Total		4,770	(1,306)	(262)	3,202

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

	Consolidated					
	Weighted Average Rate (p.a.)	2018	Additions	Adoption IFRS 16	Write-Offs	2019
Cost						
Vehicles	-	722	121	-	(310)	533
Machinery and equipment	-	89	-	-	-	89
Furniture and fixtures	-	397	2	-	-	399
Computers and peripherals	-	1,519	264	-	-	1,783
Communication equipment	-	3	3	-	-	6
Leasehold improvements	-	1,968	-	-	-	1,968
Third-party leasehold – Right of use	-	-	559	2,592	-	3,151
Construction in progress	-	381	-	-	-	381
		5,079	949	2,592	(310)	8,310
Depreciation						
Vehicles	20.00%	(239)	(123)	-	172	(190)
Machinery and equipment	10.00%	(25)	(9)	-	-	(34)
Furniture and fixtures	10.00%	(107)	(40)	-	-	(147)
Computers and peripherals	20.00%	(523)	(324)	-	-	(847)
Communication equipment	10.00%	(1)	(1)	-	-	(2)
Leasehold improvements	22.64%	(1,270)	(195)	-	-	(1,465)
Third-party leasehold – Right of use	29.87%	-	(855)	-	-	(855)
		(2,165)	(1,547)	-	172	(3,540)
Total		2,914	(598)	2,592	(138)	4,770

15. Intangible assets

The balances and changes in intangible assets are as follows:

	Parent Company				
	Weighted average rate (p.a.)	2019	Additions	Write-offs	2020
Cost					
License for use	-	88,058	35,080	(37,103)	86,035
Others	-	10,000	-	-	10,000
		98,058	35,080	(37,103)	96,035
Amortization					
License for use	32.28%	(45,657)	(24,898)	37,103	(33,452)
Others	20.00%	(4,166)	(2,001)	-	(6,167)
		(49,823)	(26,899)	37,103	(39,619)
Total		48,235	8,181	-	56,416

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

	Parent Company				
	Weighted average rate (p.a.)	2018	Additions	Write-offs	2019
Cost					
License for use	-	70,639	32,662	(15,243)	88,058
Others	-	10,000	-	-	10,000
		80,639	32,662	(15,243)	98,058
Amortization					
License for use	30.90%	(38,362)	(22,538)	15,243	(45,657)
Others	20.00%	(2,166)	(2,000)	-	(4,166)
		(40,528)	(24,538)	15,243	(49,823)
Total		40,111	8,124	-	48,235

	Consolidated				
	Weighted average rate (p.a.)	2019	Additions	Write-offs	2020
Cost					
License for use	-	88,842	35,080	(37,887)	86,035
Others	-	10,000	-	-	10,000
		98,842	35,080	(37,887)	96,035
Amortization					
License for use	32.28%	(46,441)	(24,898)	37,887	(33,452)
Others	20.00%	(4,166)	(2,001)	-	(6,167)
		(50,607)	(26,899)	37,887	(39,619)
Total		48,235	8,181	-	56,416

	Consolidated				
	Weighted average rate (p.a.)	2018	Additions	Write-offs	2019
Cost					
License for use	-	71,234	33,446	(15,838)	88,842
Others	-	10,000	-	-	10,000
		81,234	33,446	(15,838)	98,842
Amortization					
License for use	32.28%	(38,957)	(23,322)	15,838	(46,441)
Others	20.00%	(2,166)	(2,000)	-	(4,166)
		(41,123)	(25,322)	15,838	(50,607)
Total		40,111	8,124	-	48,235

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

16. Suppliers

	Parent Company		Consolidated	
	2020	2019	2020	2019
Local currency (*)	94,770	17,369	95,500	17,236
Foreign currency	31,888	90,279	41,257	99,530
Total	126,658	107,648	136,757	116,766

(*) Of the total parent company and consolidated balance, R$6,314 and R$6,363, respectively, refer to amounts receivable from related parties - GLA (R$6,222 and R$6,283 on December 31, 2019), as described in Note 23.

17. Dividends and interest on shareholders' equity

	Parent Company and Consolidated	
	2020	2019
Dividends payable	7	103,682
Interest on shareholders' equity payable	47,252	29,816
Total	47,259	133,498

On November 25, 2020, the Board of Directors approved the payment of interest on shareholders' equity in the gross amount of R$53,946, to be paid in January 2021. The amounts recorded in liabilities are net of withholding income tax paid by the Company.

18. Advances from customers

	Parent Company		Consolidated	
	2020	2019	2020	2019
Multiple partners	9,055	334	9,055	334
Financial institutions	2,519	9,077	3,872	11,372
Total	11,574	9,411	12,927	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's members.

19. Deferred revenues

	Parent Company		Consolidated	
	2020	2019	2020	2019
Frequent-flyer program	2,122,111	1,744,902	2,181,762	1,751,708
Others	977	1,764	977	1,764
Breakage	(569,111)	(577,075)	(606,618)	(577,075)
Total	1,553,977	1,169,591	1,576,121	1,176,397
Current	1,231,073	996,962	1,253,217	1,003,768
Noncurrent	322,904	172,629	322,904	172,629

The miles issued are initially recorded as deferred revenue, and as they are redeemed by members of the Smiles program, they are recognized in the profit and loss statements as revenue, net of direct costs associated with the products and services provided.

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

Breakage consists of estimating miles that have a high potential to expire due to their expected non-use. CPC 47, equivalent to IFRS 15, provides for the recognition of revenue by the estimate (breakage) over the contractual period, therefore, before the redemption of miles, given that this is not expected before expiration, as disclosed in Note 5.17.2.

20. Provisions

The changes in provisions for tax, labor, and civil risks, and post-employment benefits occurred in the fiscal year ended December 31, 2020 are shown below:

	Parent Company			
	2019	Additions	Payments and reversals	2020
Tax	566	-	-	566
Labor	24,449	14,762	(13,215)	25,996
Civil	1,972	2,578	(2,367)	2,183
Post-employment benefit	-	758	-	758
Total	26,987	18,098	(15,582)	29,503

	Consolidated			
	2019	Additions	Payments and reversals	2020
Tax	566	-	-	566
Labor	24,449	14,762	(13,215)	25,996
Civil	1,972	2,633	(2,369)	2,236
Post-employment benefit	-	758	-	758
Total	26,987	18,153	(15,584)	29,556

	Parent Company and Consolidated			
	2018	Additions	Payments and reversals	2019
Tax	566	-	-	566
Labor	18,216	13,652	(7,419)	24,449
Civil	2,332	2,358	(2,718)	1,972
Total	21,114	16,010	(10,137)	26,987

20.1 Legal proceedings

The Company and its subsidiaries are involved in certain legal matters arising from the regular course of their business, which include tax, labor, and civil lawsuits.

The Company classifies the risk of loss in legal proceedings as “probable”, “possible”, or “remote”. The provision recorded in relation to such lawsuits is set by the Company's Management, based on the analysis of its legal counsel, and reasonably reflects the estimated probable losses.

The Company's Management believes that the provision for tax, civil and labor risks, recorded in accordance with CPC 25 – “Provisions, Contingent Liabilities and Contingent Assets”, is sufficient to cover possible losses on administrative and judicial proceedings.

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

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	
	2020	2019
Tax	139,352	136,252
Labor	9,334	21,883
Civil	1,230	1,157
Total	149,916	159,292

Tax proceedings

In May 2018, the Company received a Infraction Notice related to 2014 and 2015, drawn up due to: (i) the deductibility of the goodwill allocated as future profitability after the process of merging GA Smiles into Smiles S.A. on December 31, 2013 and (ii) the deductibility of the financial expenses of the debentures issued in June 2014. The amount of R$126,410 on December 31, 2020 (R$123,495 as of December 31, 2019) was assessed by the Management and legal counsel as a possible risk accepted by the tax authorities, as there are defense arguments in administrative appeal.

Labor proceedings

Labor claims refer mainly to discussions on hours worked and related charges, originating mainly in the period when the Company operated as a low-cost airline - Webjet.

Civil proceedings

Civil lawsuits are substantially related to complaints of flight delays, overbooking, loss of luggage, among others, when the Company operated as a low-cost airline. Additionally, as a result of the merger of Smiles S.A., civil claims related mainly to indemnity claims in general in the redemption of miles for exchange in premiums also became part of the Company's lawsuits.

20.2 Post-employment benefit

The Company offers to its employees health care plans that, due to complying with current laws, generate obligations with post-employment benefits. As of the fiscal year ended December 31, 2020, the Company started to recognize actuarial assets and liabilities related to the health care plan benefits offered to its employees in accordance with CPC 33 (R1) - “Benefits to Employees”, corresponding to IAS 19.

In the fiscal year ended December 31, 2020, the Company recognized R$631 in other comprehensive income and R$127 in income (expenses), referring to the cost of service and interest.

21. Shareholders’ equity

21.1. Share capital

On December 31, 2020, the subscribed and paid-up share capital totaled R$255,717 (R$255,717 as of December 31, 2019), corresponding to 124,158,953 (124,158,953 on December 31, 2019) book-entry, registered common shares with no par value, reduced by the cost of issued shares, totaling R$1,107, both in 2020 and 2019.

The authorized share capital on December 31, 2020 and 2019 totaled 139,999,999 common shares.

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

The Company's shareholding structure on December 31, 2020 and 2019 was as follows:

	2020	2019
Gol Linhas Aéreas Inteligentes S.A.	52.60%	52.61%
Others	47.40%	47.39%
Total	100.00%	100.00%

21.2. Dividends and interest on shareholders' equity

According to the Company's Bylaws, shareholders are entitled to mandatory minimum dividends of 25% of annual adjusted net income in accordance with article 202 of Brazilian Corporation Law (6404/76). The distribution of additional dividends in amounts determined by the Company is optional and, if applicable, must be submitted to the Shareholders' Meeting for approval.

	Smiles Fidelidade	
	2020	2019
Net income for the year	195,957	626,725
(-) Recognition of legal reserve* (5%)	(9,798)	(31,336)
Profit to be distributed	186,159	595,389
Minimum mandatory dividends (25%) (a)	46,540	148,847
Gross interest on shareholders' equity distributed in the year	53,946	50,962
(-) Withholding tax	(6,694)	(5,797)
Interest on shareholders' equity, Net (b)	47,252	45,165
Mandatory dividends to be distributed (a)-(b)	-	103,682
Recognition of expansion reserves	132,213	238,704
Additional dividends proposed	-	201,500
Amounts per share in reais		
Minimum mandatory dividends	0.35	1.20
Additional dividends proposed	-	1.62

(*) The legal reserve is limited to 20% of the Company's share capital.

21.3. Expansion reserves

At the end of the fiscal year ended December 31, 2020, the Management proposed to keep R$132,213 in expansion reserve (R$238,704 on December 31, 2019), mainly to: (i) invest in projects that include, but are not limited to, organic initiatives to improve its traditional business, acquisitions, joint ventures, and other allocations with the purpose to enable the effective implementation of the business lines defined in its strategic plan; (ii) defend its market position; (iii) enable business diversification and thus reduce the dependence on its main suppliers; and (iv) create value for the Company and its shareholders.

22. Share-based compensation

The Company grants to its executives, as an additional compensation, stock options to stimulate and promote the alignment of the Company's goals with management and employees, mitigate risks for the Company resulting from the loss of executives and strengthen the productivity and commitment to long-term income (expenses). The conditions are governed by the stock option plan, approved by the shareholders.

There was no change in outstanding options in the fiscal year ended December 31, 2020. On this date, the average exercise price, adjusted for profit allocations, is R$48.42 (R$48.82 on December 31, 2019). The share price of the Company traded at B3 on December 31, 2020 was R$23.45 (R$39.27 on December 31, 2019).

During the fiscal year ended on December 31, 2020, the Company recognized R$2,389 in shareholders' equity regarding the share-based compensation with a corresponding outflow in the profit and loss statements as personnel expenses (R$3,131 for the fiscal year ended on December 31, 2019).

Additionally, referenced in the Company's shares, executives and employees are granted a complementary cash-settled bonus, as a way of strengthening their commitment and productivity with the incomes (expenses). On December 31, 2020, the balance of this obligation totaled R$3,825 (R$6,079 on December 31, 2019) recorded under "Salaries", referenced to 159,712 equivalent Company's shares. The same amount was recorded under "Personnel" in the income (expenses) (R$6,079 for the fiscal year ended on December 31, 2019) related to these bonuses.

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

23. Transactions with related parties

23.1. Balances and transactions with related parties

		Parent Company		Consolidated	
	Counterpart	2020	2019	2020	2019
Assets					
Trade receivables					
Sale of miles	GLA	9,627	32,271	9,627	32,271
Management fee	GLA	308	1,300	308	1,300
Letter of indemnity agreement	GLA	530	1,414	530	1,414
Total		10,465	34,985	10,465	34,985
Advances to suppliers					
Advance ticket purchases	GLA	2,011,901	970,899	2,011,901	970,899
Other credits					
Dividends receivable	Smiles Viagens	267	267	-	-
Total assets		2,022,633	1,006,151	2,022,366	1,005,884
Liabilities					
Suppliers					
Administrative services	GLA	6,314	6,222	6,363	6,283
Dividends and interest on shareholders' equity					
Dividends and interest on shareholders' equity payable	GLAI	24,413	69,548	24.413	69,548
Obligations to related companies					
Local currency:					
Ticket intermediation	Smiles Viagens	414	392	-	-
Onlendings	Smiles Viagens	-	1,475	-	-
Onlendings	GLA	16,425	34,458	16,425	34,458
Foreign currency:					
Onlending	GLA	(742)	(10,918)	(742)	(10,918)
Onlendings	Smiles Argentina	5,152	3,631	-	-
Total		21,249	29,038	15,683	23,540
Total liabilities and shareholders' equity		51,976	104,808	46,459	99,371

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

		Parent Company		Consolidated	
	Counterpart	2020	2019	2020	2019
Revenue					
Other operating revenues					
Management fee	GLA	3,681	8,016	3,681	8,016
Total revenue		3,681	8,016	3,681	8,016
Expenses					
Selling expenses					
Administrative services	GLA	(25,980)	(24,040)	(25,980)	(24,040)
Administrative expenses					
Administrative services	GLA	(9,293)	(9,575)	(9,496)	(9,575)
Letter of indemnity agreement	GLA	1,646	5,299	1,646	5,299
Total expenses		(33,627)	(28,316)	(33,830)	(28,316)
Financial income (expenses)					
Financial revenue					
Discounts obtained	GLA	72,092	74,160	72,092	74,160
Total financial income (expenses)		72,092	74,160	72,092	74,160

23.2. Operating agreement

The operating agreement governs commercial and operational relations between the Company, GLA and GLAI, as well as exclusiveness characteristics related to the Smiles Program. The agreement was signed on December 28, 2012 and has a 20-year term as of the signing date. Such transactions include:

a) Sale of miles - GLA buys miles from the Company to distribute them to its customers;
b) Smiles program's management fees: A fraction between 3.5% and 6% is paid on a monthly basis over the previous year's gross revenue from the sale of Smiles miles to GLA, pursuant to the terms established in the operating agreement, restated by the General Market Price Index (IGP-M);
c) Shared services: Includes amounts payable from the Company to GLA referring essentially for commercial and administrative services;
d) Onlendings: The Company holds amounts receivable from GLA's onlending referring to the sale of miles to partner airlines, and onlending obligations to GLA mainly related to boarding fees regarding the redemption of miles to redeem airline tickets;
e) Share-based compensation: The Company offers share-based compensation to GLA's employees.

23.3. Advance ticket purchase agreement

Throughout the fiscal year, the Company and GLA signed agreements for the advance purchase and sale of airline tickets and the fiduciary assignment agreement for credit rights and rights on accounts and other covenants, as detailed in Note 9.

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

23.4. Letter of indemnity agreement

Under the terms of the merger carried out on July 1, 2017, the Company signed, on March 15, 2018, an agreement with GLA to indemnify any contingencies not provisioned or provisioned in an insufficient amount on the base date of March 31, 2017, that may materialize after the merger and impact the Company's income (expenses) due to events occurred before the merger date.

23.5. Transactions with Smiles Viagens

As of January 1, 2018, Smiles Viagens started to provide ticket intermediation and other services to the Company, receiving a commission on the emissions according to the percentage set between the parties.

23.6. Brand and trademark assignment agreement

On December 31, 2012, GLA assigned to Smiles S.A. the right to use and explore the “Smiles” brands and domain names on a final and non-onerous basis.

23.7. Compensation of the key management personnel

	Parent Company and Consolidated	
	2020	2019
Salaries, bonus and benefits (*)	12,917	26,413
Payroll charges and taxes	1,370	2,577
Share-based compensation	4,490	3,130
Total	18,777	32,120

(*) Includes payment for members of the Board of Directors, Audit and Finance Committee, and Fiscal Council.

	Parent Company and Consolidated	
	2020	2019
Board of Directors	5	7
Members of the Audit and Finance Committee	3	3
Fiscal Council	3	3
Total	11	13

24. Earnings per share

Basic earnings per share are calculated by dividing the fiscal year's net income (expenses) attributable to shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average of shares outstanding by instruments potentially convertible into shares. The Company has only one category of potentially dilutive shares, the stock option, as described in Note 22.

	Parent Company and Consolidated	
	2020	2019
Numerator		
Net income for the year	195,957	626,725
Denominator		
Weighted average number of outstanding shares (in thousands)	124,159	124,136
Effect of dilutable securities		
Stock options plan (in thousands)	-	-
Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands)	124,159	124,136
Basic earnings per share	1.58	5.05
Diluted earnings per share	1.58	5.05

25. Revenue

	Parent Company		Consolidated	
	2020	2019	2020	2019
Revenue from the redemption of miles (a)	393,978	862,441	396,794	866,955
Revenue from breakage and expired miles	222,980	261,557	225,261	262,010
Other operating revenues (b)	11,506	24,365	11,415	24,475
Gross revenue	628,464	1,148,363	633,470	1,153,440
Related tax	(60,480)	(102,099)	(60,554)	(102,316)
Net revenue	567,984	1,046,264	572,916	1,051,124

(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$3,681 refers to the management fee for Smiles relationship program charged to GLA for the fiscal year ended December 31, 2020 (R$8,016 for the fiscal year ended December 31, 2019), as per Note 23.1.

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

26. Operating costs and selling and administrative expenses

	Parent Company		Consolidated	
	2020	2019	2020	2019
Operating costs				
IT services	(71,376)	(47,075)	(72,077)	(47,202)
Depreciation and amortization	(24,900)	(22,537)	(24,900)	(23,322)
Others, net	(2,093)	(2,935)	(2,101)	(2,942)
Total operating costs	(98,369)	(72,547)	(99,078)	(73,466)
Selling expenses				
Personnel	(15,181)	(13,867)	(15,295)	(16,122)
Call center (a)	(36,050)	(38,259)	(36,092)	(38,259)
Sales and marketing	(51,850)	(67,341)	(57,225)	(73,562)
Total selling expenses	(103,081)	(119,467)	(108,612)	(127,943)
Administrative expenses				
Personnel	(69,599)	(73,788)	(75,149)	(75,137)
IT services	(25,411)	(19,598)	(26,785)	(19,969)
Services (b)	(46,355)	(30,396)	(48,565)	(32,545)
Depreciation and amortization	(3,623)	(3,512)	(3,677)	(3,547)
Others, net	(1,461)	558	(5,540)	(209)
Total Administrative Expenses	(146,449)	(126,736)	(159,716)	(131,407)
Others, net				
Others, net	4,313	47,535	4,743	47,535
Total other operating income, net	4,313	47,535	4,743	47,535
Total	(343,586)	(271,215)	(362,663)	(285,281)

(a) Of the total amount of selling expenses, R$25,980 (R$24,040 on December 31, 2019), refer to services shared between the Company and GLA (for more information, see Note 23.1).
(b) Parent Company: Of the total amount of administrative expenses, R$9,293 (R$9,575 on December 31, 2019), refer to services shared between the Company and GLA for the fiscal year ended on December 31, 2020 (for more information, see Note 23.1). Consolidated: Of the total amount of administrative expenses, R$9,496 (R$9,575 on December 31, 2019), refer to services shared between the Company and GLA for the fiscal year ended on December 31, 2020 (for more information, see Note 23.1).

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

27. Financial income (expenses)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Financial income				
Discounts obtained (a)	72,092	74,160	72,092	74,160
Income from financial investments	18,966	49,355	19,266	49,366
(-) Taxes on financial income (b)	(4,438)	(6,248)	(4,438)	(6,248)
Other income	2,583	8,177	2,583	8,177
Total financial income	89,203	125,444	89,503	125,455
Financial expenses				
Interest	(271)	(221)	(1,461)	(536)
Taxes on financial transactions	(207)	(265)	(207)	(265)
Losses with financial investments	(9,385)	(115)	(9,385)	(115)
Other expenses	(1,464)	(3,025)	(2,242)	(3,357)
Total financial expenses	(11,327)	(3,626)	(13,295)	(4,273)
Exchange Rate Change, Net	(1,389)	2,322	2,049	4,669
Total	76,487	124,140	78,257	125,851

(a) Amounts related to advances granted for the purchase of tickets under the terms established in the agreement with GLA.
(b) Relative to taxes (PIS and COFINS) on Financial Income, according to Decree 8,426 of April 1, 2015.

28. Financial instruments

28.1. Overview

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 charter. The main risk-management assignments of the said Committee are detailed below:

- Preparing and approving the Company's risk policies, as well as monitoring and evaluating their implementation in the Company;
- Periodically evaluating the impacts of assets, especially regarding changes in dollar and interest rates, as well as recommending the necessary transactions to the Board of Directors;
- Periodically evaluating the Company's revenues and expenses, focusing on the impact to its income (expenses), and recommending the necessary changes to the Board of Directors; and
- Developing, approving, and evaluating the risk policies used by the company in the short and long term, and approving the policies to be used and monitoring them.

The Company’s risk management program aims to mitigate potential adverse impacts of operations that may affect its financial performance.

The Company’s decisions on the portion of the exposure to be hedged against financial risks, in terms of both the foreign currency exposure and the interest exposure, depend on risks and hedging costs.

On December 31, 2020 and 2019, the Company had not carried out any transaction with derivative financial instruments.

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

28.2. Breakdown of financial instruments by category

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

	Parent Company				Consolidated			
	Measured at fair value through income (expenses)		Amortized cost (*)		Measured at fair value through income (expenses)		Amortized cost (*)	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Cash and cash equivalents	-	-	103,444	275,033	-	-	111,892	287,846
Financial investments	619,088	886,069	-	-	623,256	886,069	-	-
Trade receivables	-	-	398,109	491,326	-	-	401,148	493,022
Other credits	-	-	27,431	30,965	-	-	27,280	30,784
Liabilities								
Suppliers	-	-	(126,658)	(107,648)	-	-	(136,757)	(116,766)
Obligations to related companies	-	-	(21,249)	(29,038)	-	-	(15,683)	(23,611)
Other liabilities	-	-	(6,509)	(5,185)	-	-	(5,877)	(6,735)

(*) As these are credits, liabilities with private institutions which, in any early settlement, there are no substantial alterations in relation to the values recorded, the fair values approximate the book values, according to the short-term maturity period of these assets and liabilities.

28.3. 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 income (expenses) are exposed to interest rate variations on interest revenues 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.

28.4. Foreign currency risk

Foreign currency risk refers to foreign currency exchange variations that may lead to unexpected losses for the Company, resulting in a decrease 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.

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

Assets and liabilities in foreign currency on December 31, 2020 and 2019, are presented below:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Cash and cash equivalents	526	984	8,450	12,228
Trade receivables	-	8,321	-	9,111
Taxes to recover	-	-	-	426
Other credits	-	-	-	84
Related companies	(4,410)	7,287	742	10,918
Foreign currency suppliers	(31,888)	(90,279)	(41,257)	(99,530)
Other liabilities	-	-	(107)	(17)
Total foreign currency exposure - R$	(35,772)	(73,687)	(32,172)	(66,780)
Total foreign currency exposure - US$	(6,884)	(18,281)	(6,191)	(16,568)
Exchange rate (R$/US$)	5.1967	4.0307	5.1967	4.0307

As of December 31, 2020, the Company adopted the closing exchange rate of R$5.1967/US$1.00 as a likely scenario.

28.5. Credit risk

The credit risk is inherent in the Company's operating and financing activities, mainly in 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 has mainly 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 outstanding amount.

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 fiscal year, advances to related parties included in the balance as of December 31, 2020 received a unanimous favorable opinion from said Committee.

28.6. 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.

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

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 commercial relations may have a significant adverse impact on the Company's income (expenses)".

The disbursement schedule to pay the Company's financial liabilities is as follows:

	Parent Company			
	Up to 6 months	6 to 12 months	1 to 5 years	Total
Suppliers	126,658	-	-	126,658
Obligations to related companies	21,249	-	-	21,249
Other liabilities	5,704	-	805	6,509
On December 31, 2020	153,611	-	805	154,416

	Parent Company			
	Up to 6 months	6 to 12 months	1 to 5 years	Total
Suppliers	107,648	-	-	107,648
Obligations to related companies	29,038	-	-	29,038
On December 31, 2019	136,686	-	-	136,686

	Consolidated			
	Up to 6 months	6 to 12 months	1 to 5 years	Total
Suppliers	136,757	-	-	136,757
Obligations to related companies	15,683	-	-	15,683
Other liabilities	5,072	-	805	5,877
On December 31, 2020	157,512	-	805	158,317

	Consolidated			
	Up to 6 months	6 to 12 months	1 to 5 years	Total
Suppliers	116,766	-	-	116,766
Obligations to related companies	23,611	-	-	23,611
On December 31, 2019	140,377	-	-	140,377

28.7. 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.

On December 31, 2020, the Company did not have financial leverage as it did not have debt instruments.

28.8. Sensitivity analysis

The sensitivity analysis of financial instruments was prepared with the purpose to estimate the impact on profit (loss) before taxes on currency exposure and interest rates on December 31, 2020 for the market risks considered relevant by the Company's management.

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

In the probable scenario, in the Company's assessment, the maintenance of market levels was considered, so that there are no impacts on profit (loss) before taxes. The Company also considered the following scenarios in the risk variable: (a) 10% deterioration (possible adverse scenario); (b) 25% deterioration (remote adverse scenario);

The estimates presented do not necessarily reflect the amounts to be ascertained in the next financial statements. The use of different methodologies can have a material effect on the estimates presented.

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 financial investments. The Company assessed its non-derivative financial instruments, considering the impact of fluctuations in interest rates on amounts exposed on December 31, 2020.

The exposed amounts and interest rate fluctuation scenarios, and their respective effect on the Company's income (expenses), are as follows:

	Parent Company		Consolidated	
	Cash equivalents	Financial investments	Cash equivalents	Financial investments
Amounts exposed to the risk of variation in the CDI rate (1.90%)	97,819	619,088	98,280	623,256
Remote adverse scenario (-25%)	(465)	(2,941)	(467)	(2,960)
Possible adverse scenario (-10%)	(186)	(1,176)	(187)	(1,184)
Possible favorable scenario (+10%)	186	1,176	187	1,184
Remote favorable scenario (+25%)	465	2,941	467	2,960

The table below shows the sensitivity analysis and the effect on income (expenses) of exchange rate fluctuations in the exposure amount of the fiscal year, represented by a net liability disclosed in note 28.4:

	Rate	Parent Company	Consolidated
Amounts exposed to the risk of appreciation of the U.S. dollar (R$5.1967/US$1.00)	5.1967	(35,772)	(32,172)
Remote adverse scenario (+25%)	6.4959	(8,943)	(8,043)
Possible adverse scenario (+10%)	5.7164	(3,577)	(3,217)
Possible favorable scenario (-10%)	4.6770	3,577	3,217
Remote favorable scenario (-25%)	3.8975	8,943	8,043

Measurement of the fair value of financial instruments

To meet the disclosure requirements of financial instruments measured at fair value, the Company and its subsidiaries must group these instruments at levels 1 to 3 based on the observable degree of fair value:

- Level 1: Fair value measurements are obtained from quoted (unadjusted) prices in identical active or passive markets;
- Level 2: Fair value measurements are obtained from other variables other than the quoted prices included within Level 1, which are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Fair value measurements are obtained from valuation techniques that include variables for the asset or liability, but are not based on observable market data (unobservable data).

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

The following table shows a summary of the consolidated financial instruments measured at the fair value of the Company, including their related classifications of the valuation method, on December 31, 2020, and 2019:

	Parent Company				
		2020		2019	
	Fair value level	Book value	Fair value	Book value	Fair value
Financial investments	Level 1	619,088	619,088	886,069	886,069

	Consolidated				
		2020		2019	
	Fair value level	Book value	Fair value	Book value	Fair value
Financial investments	Level 1	623,256	623,256	886,069	886,069

29. Liabilities from financing activities

The changes in liabilities from the Company's financing activities in the fiscal years ended December 31, 2020, and 2019 are as follows:

	Parent Company and Consolidated 2020					
	Opening balance	Cash flow from financing activities	Interest on shareholders' equity recognition	Income adjustment - Interest provision	Increase in property, plant and equipment through leases	Closing balance
Dividends and interest on shareholders' equity payable	133,498	(133,491)	47,252	-	-	47,259
Leases payable (*)	3,209	(1,538)	-	375	281	2,327

(*) The amounts of lease payable are classified as Other liabilities.

	Parent Company and Consolidated 2019					
	Opening balance	Cash flow from financing activities	Recognition of dividends	Interest on shareholders' equity recognition	Capital increase	Closing balance
Dividends and interest on shareholders' equity payable	139,453	(154,803)	-	148,847	-	133,497
Share capital	43,767	843	-	-	210,000	254,610
Additional dividend proposed	284,471	(284,471)	201,500	-	-	201,500

30. Non-Cash transactions

	Parent Company		Consolidated	
	2020	2019	2020	2019
Dividends receivable	-	(267)	-	(267)
Interest on shareholders' equity payable	47,252	50,962	47,252	50,962
Withholding tax on interest on shareholders' equity	6,694	5,797	6,694	5,797
Dividends payable	-	103,682	-	103,682
Increase in property, plant and equipment through leases	281	558	281	558