

Net profit reaches R\$29.8 million in the first quarter of 2013

CONTACTS

Flavio Vargas

Chief Financial and
Investor Relations Officer

Marcos Pinheiro

Treasury Director

Renata Oliva

Investor Relations

Paula Bonança

Investor Relations

Rua Luigi Galvani, nº 200,
8º andar, Brooklin
CEP 04575-020,
São Paulo – SP
Phone: (11) 4871-2020
ri@smiles.com.br
www.smiles.com.br/ir

BM&FBOVESPA: SMLE3
Quotation: R\$ 23.30
Number of shares: 122,173,912
Market value:
R\$ 2.8 billion
Closing price:
05/13/2013

Sao Paulo, May 13, 2013 - Smiles S.A. (BM&FBOVESPA: SMLE3) announces its results for 1Q13 today. The following financial and operating information refers to the consolidated results of Smiles S.A. and is presented in accordance with IFRS and in Brazilian Reais (R\$). Comparisons of operational indicators, except where otherwise indicated, refer to 1Q12, during which operations were still conducted as part of the operations of our parent company.

Highlights of the Period

- ✓ **Gross Billings¹ of R\$239.2 million;**
- ✓ **Net Revenue of R\$116.6 million;**
- ✓ **Net Profit of R\$29.8 million;**
- ✓ **Number of Members: 9.2 million;**
- ✓ **10.8 billion miles issued;**
- ✓ **Breakage Rate: 17.5%**

Teleconference: Results for the 1st Quarter of 2013

Teleconference in Portuguese

May 14, 2013
2:00 PM (time in Brasília)
1:00 PM (US EST)
Phone: +55 (11) 3728-5971
Password: Smiles
Replay: +55 (11) 3127-4999
Password: 94440801

Teleconference in English

May 14, 2013
3:00 PM (time in Brasília)
2:00 PM (U.S. EST)
Phone: +1-412-317-6776
Password: Smiles
Replay: +1-412-317-0088
Password: 10028900

¹ Gross Billing is not an accounting term and corresponds to the total billed for the sale of miles and the monetary portion of Smiles&Money, including taxes. These revenues may have affected the current period or will be recognized as revenue in future periods, depending on the moment of redemption by program participants.



Message from the Management

We are a young company that manages the Smiles Program, which has more than 20 years of history in the Brazilian market. We were born with impressive numbers: more than 9 million customers, more than 150 business partners throughout Brazil and more than 30 billion miles redeemed per year. Through our airline partners Gol, Delta, Air France, Iberia, KLM and Qatar, we offer flight options to more than 560 destinations around the world, representing a multitude of possibilities for our customers. Redemption options are complemented with Smiles Shopping, our online redemption platform which offers more than 100,000 choices of products and services. We also have a platform for innovative products such as Smiles & Money, reactivation of expired miles and purchase of miles, supported by a differentiated business model that empower us with autonomy in managing our flexible pricing system.

Our first few months of operation were marked by a great accomplishment for Smiles: the completion of the IPO. Since the end of April we have had our shares listed on the New Market (Novo Mercado) of the São Paulo stock exchange (BM&FBOVESPA), the highest level of Corporate Governance. This achievement marks the entry of major institutional investors and the private equity fund General Atlantic, which bought R\$400 million in Company shares, representing 15.1% of the share capital of Smiles, and will be part of our Board of Directors as of June 2013.

Smiles raised R\$1.1 billion in its share offering and allocated 100% of the net proceeds of the offering to the advance purchase of airline tickets issued by VRG at a discount on the cost price of the ticket equivalent to 150% of CDI (Interbank Deposit Certificates).

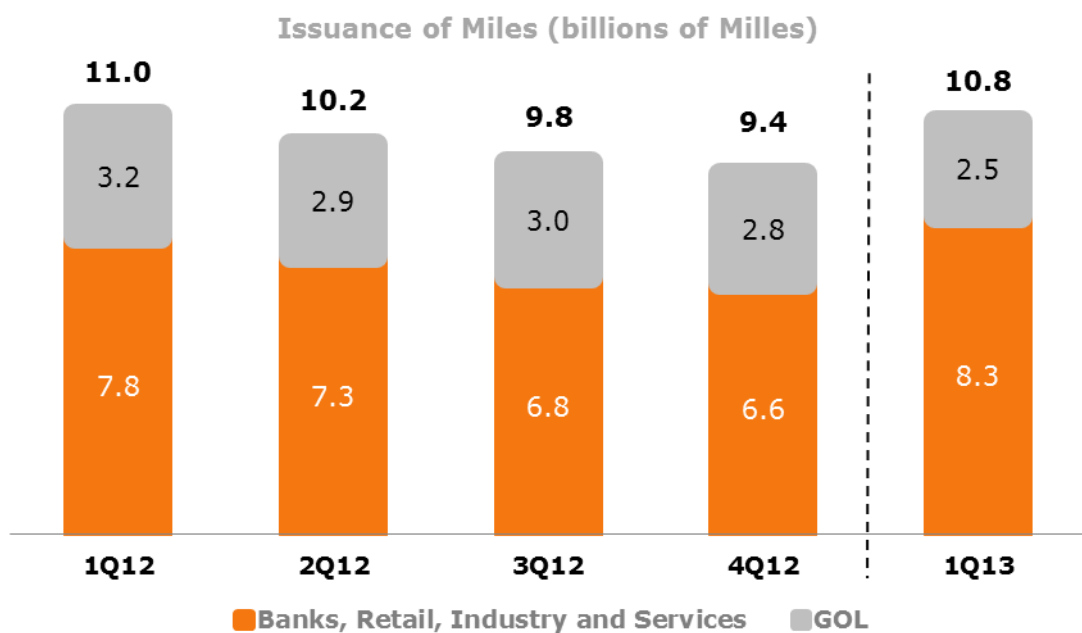
Our guidelines for 2013 include a constant focus on investments for Program development, a relentless quest to strike new partnerships and incessant commitment to delivering results for our shareholders.

It is with great pleasure that we report the results for the first quarter of 2013, reinforcing the commitment of Smiles to a strong Company position and an efficient business model. We will spare no efforts to make Smiles the best coalition program in Brazil.

Performance Evaluation

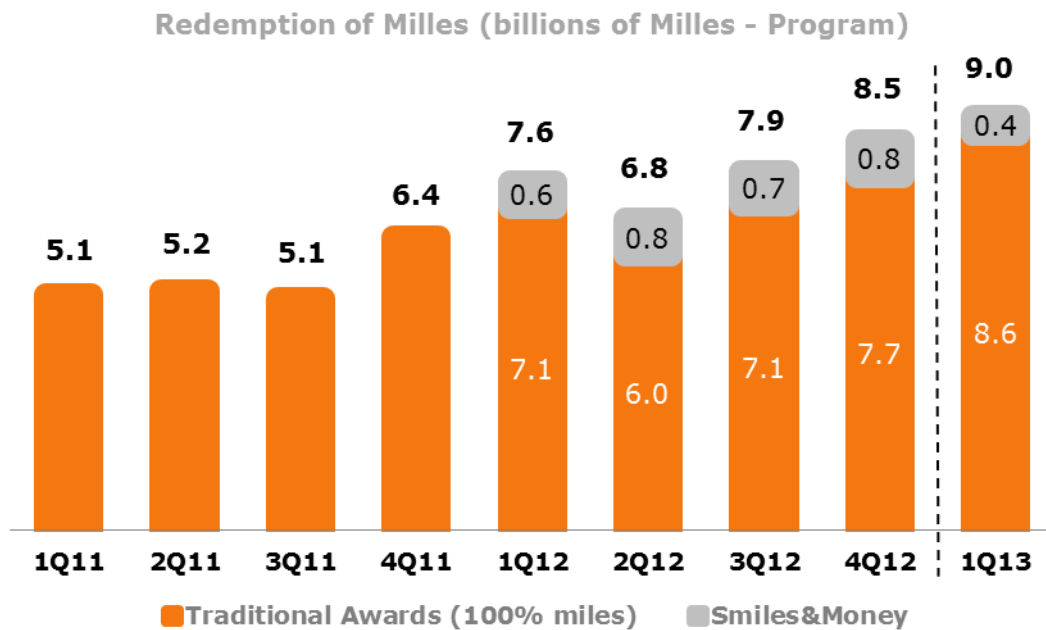
Operational Performance

Issuance of Miles: 10.8 Billion, with strong growth compared to 4Q12



- The total volume of miles issued increased 14.9% compared to 4Q12;
- The growth in of miles issued for our financial partners, retail and other segments, was 25.8% compared to 4Q12;
- The percentage share of GOL in our total issuance fell from 29.8% in 4Q12 to 23.1% in 1Q13;
- The 21.9% decline between 1Q12 and 1Q13 was chiefly due to the additional miles granted to our members due to changes in elite frequent flyer qualifying rules in 1Q12 and the reduction in the number of flights offered by Gol.

Redemption of Miles: 9.0 billion miles redeemed, an historic record for the program

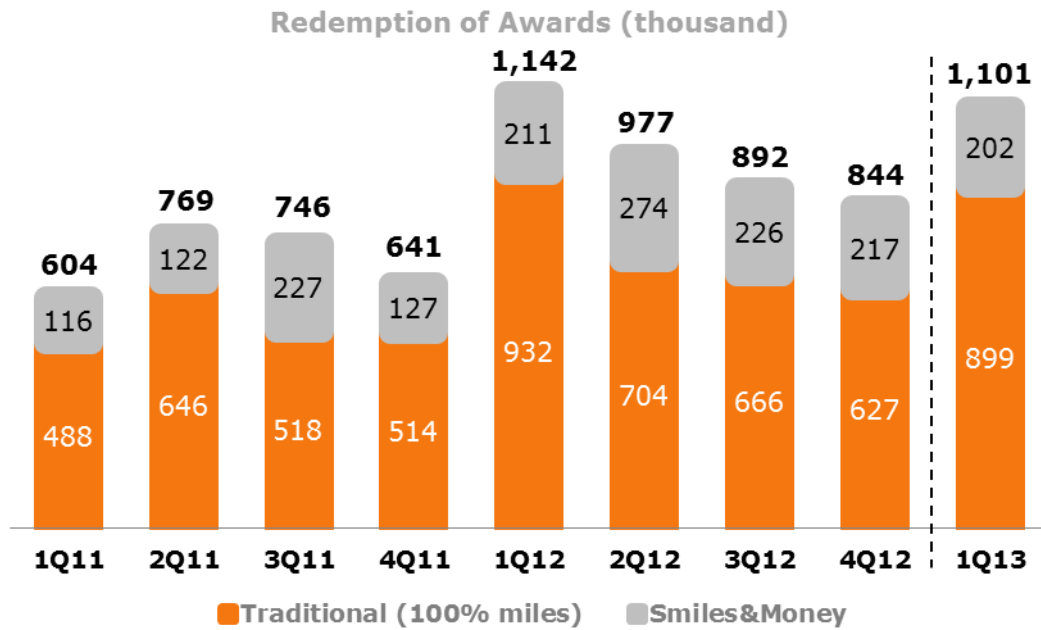


**Smiles & Money figures prior to 2012 are consolidated.*

Quarter	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
GOL Miles	100%	100%	100%	100%	100%	100%	100%	100%	73%
Smiles Miles	0%	0%	0%	0%	0%	0%	0%	0%	27%

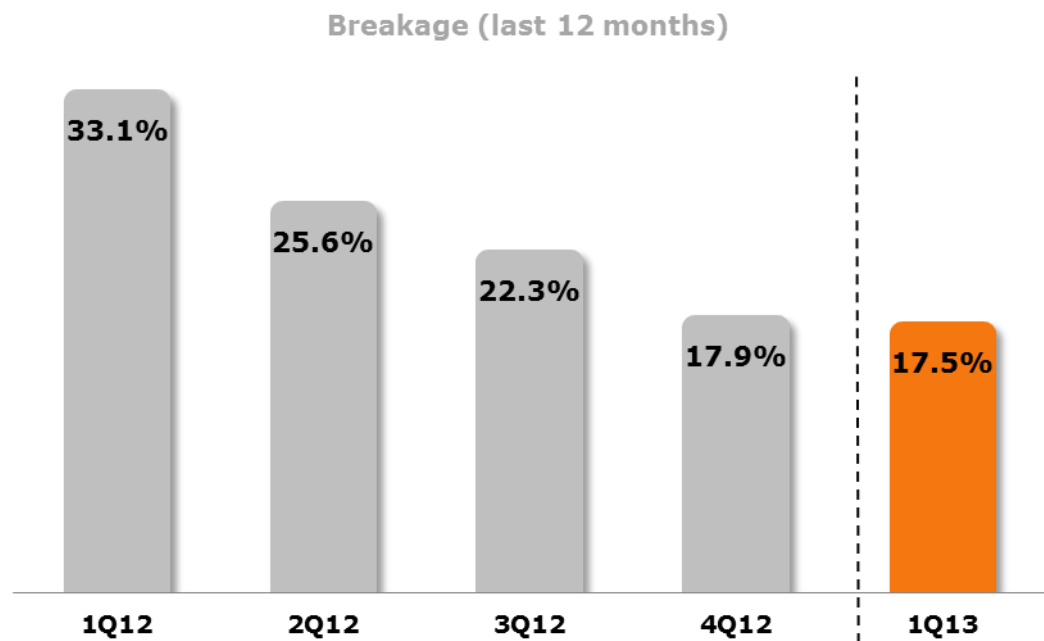
- Redemption of 9.0 billion miles in 1Q13;
- Growth of 6.1% compared to 4Q12;
- Growth of 18.6% compared to 1Q12;
- Positive trend due to intense promotional activity in the first quarters of 2012 and 2013.
- Burn / Earn Ratio of 83.6% for the program and 22.9% in 1Q13 considering only the miles issued by Smiles;

Awards Redeemed: More than 1.1 million redemptions in the quarter



- 1.1 million awards redeemed;
- Growth of 30.5% compared to 4Q12;
- Reduction of 3.6% compared to 1Q12, due to strong incentives for redemptions in 1Q12.

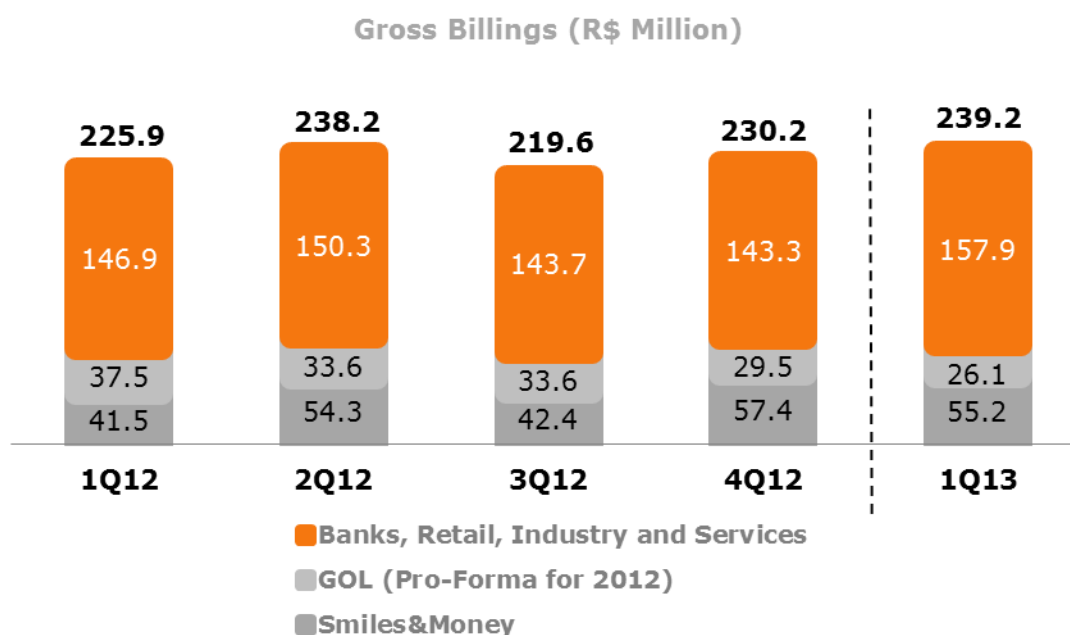
Breakage (last 12 months): Maintaining the high attractiveness of the program



- The breakage rate reached 17.5% in 1Q13;
- Decrease of 0.4 p.p. compared to 4Q12;
- The downward trend in the breakage rate reflects the high attractiveness of the program and the high level of member engagement.

✓ Financial Performance

Gross Billings^{2,3}: Growth of 10.5% with financial partners and retail



- R\$239.2 million in gross billings in 1Q13;
- Growth of 3.9% compared to 4Q12;
- Growth of 5.8% compared to 1Q12;
- Growth of 10.5% compared to 4Q12 in the segment of financial, retail and other partners, even in the current scenario of uncertainty in the segment.

¹ Gross Billing is not an accounting term and corresponds to the total billed for the sale of miles and the monetary portion of Smiles&Money, including taxes. These revenues may have affected the current period or will be recognized as revenue in future periods, depending on the moment of redemption by program participants.

² For the periods in 2012, pro forma sales reflect the estimated amounts that would have been billed to Gol, applying the purchase and sale contract for tickets and miles.

Revenue: R\$116.6 million of net revenue, with strong participation of Smiles & Money

Revenue (R\$ million)	1Q13
Gross Revenue:	128.6
Revenue from Redemption of Miles	46.8
Money Revenue	55.2
Breakage Revenue:	25.2
Other Revenue	1.5
Direct taxes	-12.0
Net Revenue	116.6

- R\$116.6 million in net revenue in 1Q13;
- R\$55.2 million in revenue from Smiles & Money, representing 42.9% of total gross revenue
- R\$25.2 million of breakage revenue, calculated as shown below.

Calculation	Summary (R\$ Million)	1Q13
A	Opening Balance	-
B	Accrual	190.7
C	Redemption	46.8
D	Expiration	0.0
E = A + B - C - D	Closing Balance	143.9
F	Rate	17.5%
G = E * F	Breakage Balance (CB * Rate)	25.2
H(t) = G(t) - G (t-1)	Variation – Result	25.2
I = D + H(t)	Breakage Revenue (gross)	25.2

Operating Costs: R\$56.2 million, representing 48.2% of Net Revenue

Operating Cost (R\$ million)	1Q13
Cost of Services Provided	-56.2
Cost of ticket purchases	-54.4
Cost of product purchases	-0.2
Other costs	-1.6

- R\$56.2 million in redemption costs;
- High concentration of airline ticket redemptions;
- Product and service redemptions representing 0.4% of the total redemption costs;

Operating Expenses: R\$16.9 million, representing approximately 14% of Net Revenue

Operating Expenses (R\$ million)	1T13
Operational expenses	-16.9
Selling expenses	-9.2
Administrative expenses	-7.6
Other expenses	-0.1

- R\$16.9 million in operating expenses;
- R\$9.2 million in selling expenses, representing 54.4% of operating expenses;
- R\$7.6 million in administrative expenses, mainly composed of:
 - R\$3.2 million in expenses with consultancy and advisory services, especially with costs related to the segregation of Smiles in preparation for the IPO;
 - R\$2.8 million in administrative staff expenses;

Other Incomes and Expenses:

Other Incomes and Expenses (R\$ million)	1Q13
Other Incomes and Expenses	-13.7
Net Financial Income	1.8
Income Tax And Social Contribution	-15.4

- R\$1.5 million in interest income from discount on advance purchase of airline tickets from GOL;

Net Income: Strong Earnings of R\$29.8 million with a 25.6% Net Margin

Income Statement

Income Statement (R\$ thousand)	1Q13
Gross Revenue:	128,612
Revenue from redemption of miles	46,772
GOL Linhas Aéreas	40,956
Others	5,816
Revenue Smiles & Money	55,225
Breakage Revenue	25,162
Other Revenue	1,453
Taxes and Contributions	-11,969
Net Revenues	116,643
Cost of redeemed miles	-56,240
Gross Profit	60,403
<i>Gross Margin (%)</i>	<i>51.8%</i>
Selling expenses	-9,223
Administrative expenses	-7,609
Other expenses	-83
Operating Profit	43,488
<i>Gross Margin (%)</i>	<i>37.3%</i>
Financial result	1,780
Profit before income tax and social contribution	45,268
Income tax and social contribution	-15,439
Net Income:	29,829
<i>Net Margin (%)</i>	<i>25.6%</i>

Balance Sheet

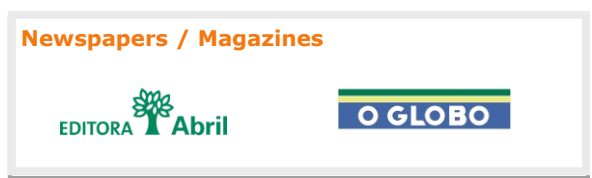
Balance Sheet (R\$ thousand)	1Q13	4Q12
Assets	227,384	91,878
Current	225,708	91,878
Cash and Cash Equivalents	73,515	0
Accounts Receivable	75,714	0
Other Credits and Amounts	247	0
Advances to Suppliers	35,446	91,808
Taxes Recoverable	681	0
Prepaid Expenses	867	70
Credit with Related Companies	39,238	0
Non-Current	1,676	0
Deferred Taxes	1,519	0
Credits with Related Companies	0	0
Fixed Assets	157	0
Liabilities	227,384	91,878
Current	108,976	91,878
Suppliers	11,219	70
Labor Liabilities	2,241	0
Tax liabilities	8,369	0
Advances to Customers	56,826	91,808
Deferred Income	30,321	0
Non-Current	88,436	0
Deferred Income	88,436	0
Equity	29,973	0
Capital Stock	0	0
Cost of Emission of Shares	0	0
Stock-based compensation	144	0
Accumulated Earnings	29,829	0

Cash Flow Statement

Cash Flow Statement (R\$ thousand)	1Q13
Net Profit	29,829
Stock-based compensation	144
Deferred taxes	-1,519
Accounts Receivable	-75,714
Advances to suppliers	56,362
Prepaid expenses	-797
Taxes recoverable	-681
Other credits	-247
Accounts payable	11,148
Labor liabilities	2,241
Advances from customers	-34,982
Deferred income	118,757
Tax liabilities	19,907
Credits with related companies	-39,238
Cash flow from operating activities	85,210
Income tax and social contributions paid	-11,538
Net cash flow from operating activities	73,672
Purchase of fixed assets	-157
Net cash flow used in investment activities	-157
Net increase in cash and cash equivalents	73,515
Cash and cash equivalents at beginning of period	0
Cash and cash equivalents at end of period	73,515

Business Partners

Major Business Partners



Smiles is one of the biggest coalition programs in Brazil, with more than 9 million members. It is a multi-loyalty program for several companies, including GOL Airlines, its main business partner and the airline with the most flights connecting the busiest airports in Brazil. Customers can accumulate Smiles Program Miles through various airline partners, such as GOL, Air France, Delta Airlines, KLM, Qatar Airways and Iberia, as well as over 120 non-airline partners. The program has increased its scope and coverage with respect to partnerships for accumulation of Miles. Currently, Smiles has partnerships with major commercial banks in Brazil and South America, credit card companies, large retail chains, hotels, restaurants, car rental companies, gas stations, pharmacies, publishers, etc. to guarantee Smiles Program participants a wide range of options to accumulate Miles, not only through their flights with airlines that are Business Partners of the company, but mainly in their day-to-day activities. We remain dedicated to attracting new business partners with the aim of constantly improving our business.

Corporate Governance

Aiming to improve relations of governance, the bylaws of Smiles will be changed at a meeting of shareholders to be held in May 2013 to include unique mechanisms that govern the relationship with the controlling shareholder and offer protection to minority shareholders. In view of the procedures that involve related parties, a mechanism was established to approve transactions through an Independent Committee responsible for approving or not operations that will be submitted to the Board of Directors. If this Committee approves an operation, the Board may vote the issue by a simple majority, and if the Committee reproves it, Board approval can only be given by unanimity. This mechanism has been created to meet the interests of our minority shareholders.

Additionally, the shareholders' agreement entered into between General Atlantic and GOL Linhas Aéreas Inteligentes S.A., guarantees General Atlantic the right to appoint an independent director to our Board of Directors, and also guarantees it the right of veto in transactions involving related parties.

Shareholders and other stakeholders can access public Company information through the Investor Relations website (www.smiles.com.br/ir).

Business Model

Smiles began its operations as an individual loyalty program, but evolved into the current model, becoming a model of coalition with some unique features which allow the accumulation and redemption of Miles on flights with GOL and its international partner airlines, as well as in the main Brazilian commercial banks, including co-branded cards issued by Bradesco and Banco do Brasil, and a wide network of retail partners. The current model works by (i) the accumulation of Miles by the Participant on buying airline tickets from GOL or other partner airlines, or products and services from the business and financial partners that acquire these Miles from Smiles as a form of encouraging customer loyalty, and (ii) the redemption of Awards by the Participant when exchanging their Miles for airline tickets from GOL and other partner airlines or for products and services from business and financial Partners.

The company's main sources of revenue are (i) the spread between revenue from Miles issued and their redemption cost, represented by tickets and awards in its network of airline, business and financial partners, (ii) interest income arising from the difference between the dates of issue and redemption of Miles, and (iii) breakage revenue if the Miles issued expire without being redeemed.

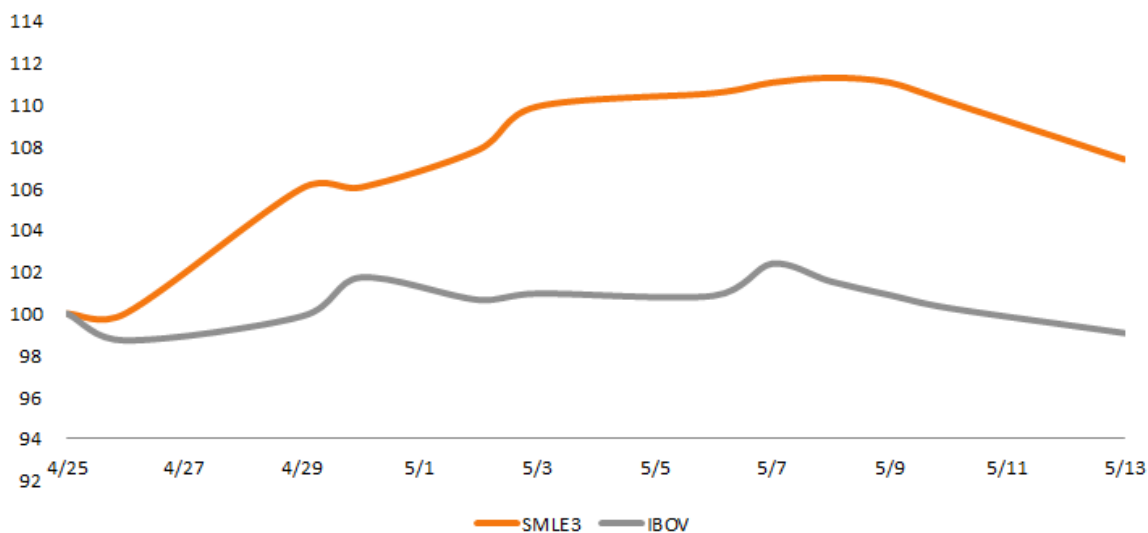
Capital Market

On May 7, 2013, Smiles completed the IPO, and since then its shares have been traded on the New Market (Novo Mercado) of the BM&FBOVESPA. The Company's share capital consists of 122,173,912 common shares, made up as follows:



Share Performance (Base 100)

On May 13, 2013, SMLE3 shares were quoted at R\$23.30 (increase of 7.37% since the IPO), representing a market value of R\$2.8. In the same period, by comparison, the Ibovespa index (IBOV) depreciated 0.94%. The average daily volume of shares traded was approximately R\$47.8 million.



Details of the Offer

On April 29 last, Smiles began its initial public offering of shares, attracting thousands of new shareholders.

Smiles common shares began trading on the BM&FBOVESPA on April 29, 2013, after being priced in the IPO at R\$21.70 per share. The total amount of the over-allotment (greenshoe) of 5,797,101 shares was exercised on May 8, 2013. The offering amounted to an issuance of 52,173,912, representing a total value of approximately R\$1.1 billion. The total number of shares issued by the Company after the offer is 122,173,912.

Smiles News

- ✓ In May 2013, GOL and Delta implemented a code sharing agreement on Delta flights from Brasília to Atlanta, further increasing the attractiveness of the Smiles program.
- ✓ According to the Wall Street Journal, GOL's loyalty program (Smiles) was the only program in Latin America to be ranked among the top 5 best programs in the world for the third consecutive year.

Attachments



Program Data	unit	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Participants	thousand	7,526	7,805	8,093	8,282	8,559	8,710	8,878	9,026	9,185
Business Partners	unit	155	160	168	170	173	181	188	195	203
Miles Accrual	million	7,136	7,863	8,293	8,894	10,976	10,205	9,763	9,436	10,823
GOL	million	2,030	2,618	2,452	2,508	3,178	2,906	3,004	2,847	2,483
Banks, Retail, Industry and Services	million	5,106	5,246	5,841	6,386	7,798	7,299	6,760	6,589	8,340
Miles Accrual (net of reimbursement)	million	6,007	7,301	7,793	8,249	10,140	9,237	8,578	7,937	9,181
GOL	million	1,898	2,428	2,287	2,298	2,839	2,545	2,542	2,234	1,864
Banks, Retail, Industry and Services	million	4,109	4,873	5,506	5,951	7,301	6,692	6,036	5,703	7,317
Redemption of Miles (per redemption)	million	5,147	5,231	5,075	6,410	7,632	6,798	7,851	8,526	9,050
Fly Tickets - GOL	million	3,788	4,567	4,381	5,696	6,754	5,532	6,635	7,725	8,212
Fly Tickets - Partners	million	1,359	665	694	714	878	1,265	1,216	765	786
Other products and services	million	-	-	-	-	-	-	-	36	52
Redemption of Miles (per source)	million	5,147	5,231	5,075	6,410	7,632	6,798	7,851	8,526	9,050
GOL	million	1,410	1,738	1,598	2,051	2,581	2,292	2,778	3,215	3,103
Banks, Retail, Industry and Services	million	3,737	3,493	3,477	4,359	5,051	4,505	5,074	5,311	5,947
Awards Redeemed (units)	thousand	604	769	746	641	1,142	977	892	844	1,101
Smiles & Money	thousand	116	122	227	127	211	274	226	217	202
Traditional Awards (100% miles)	thousand	488	646	518	514	932	704	666	627	899
Awards Redeemed (miles)	million	5,147	5,231	5,075	6,410	7,632	6,798	7,851	8,526	9,050
Smiles&Money	million	221	217	403	375	581	789	742	802	401
Traditional Awards (100% miles)	million	4,926	5,015	4,672	6,035	7,051	6,009	7,109	7,724	8,649
Awards Redeemed (units)	thousand	604	769	746	641	1,142	977	892	844	1,101
GOL	thousand	584	747	723	618	1,114	937	853	813	1,067
Airline Partners	thousand	21	21	23	23	29	41	39	24	25
Other Partners	thousand	-	-	-	-	-	-	-	7	9
Burn/Earn (Program)	%	72.1%	66.5%	61.2%	72.1%	69.5%	66.6%	80.4%	90.4%	83.6%
Breakage (LTM)	%	-	-	-	33.1%	33.1%	25.6%	22.3%	17.9%	17.5%
Smiles S.A. Emissions Data	unit	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Miles Accrual	million	-	-	-	-	-	-	-	-	9,532
GOL	million	-	-	-	-	-	-	-	-	1,888
Banks, Retail, Industry and Services	million	-	-	-	-	-	-	-	-	7,644
Miles Accrual (net of reimbursement)	million	-	-	-	-	-	-	-	-	9,184
GOL	million	-	-	-	-	-	-	-	-	1,865
Banks, Retail, Industry and Services	million	-	-	-	-	-	-	-	-	7,319
Redemption of Miles (per redemption)	million	-	-	-	-	-	-	-	-	2,473
Fly Tickets - GOL	million	-	-	-	-	-	-	-	-	2,212
Fly Tickets - Partners	million	-	-	-	-	-	-	-	-	254
Other products and services	million	-	-	-	-	-	-	-	-	7
Redemption of Miles (per source)	million	-	-	-	-	-	-	-	-	2,473
GOL	million	-	-	-	-	-	-	-	-	148
Banks, Retail, Industry and Services	million	-	-	-	-	-	-	-	-	2,325
Burn/Earn (new miles)	%	-	-	-	-	-	-	-	-	25.9%
Legacy percentage (redemption)	%	-	-	-	-	-	-	-	-	72.7%
Billing 1,2	unit	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Gross Billing	R\$ million	na	na	na	na	225.9	238.2	219.6	230.2	239.2
Financial Partners	R\$ million	na	na	na	na	137.1	139.6	131.0	130.0	142.8
GOL - Miles	R\$ million	na	na	na	na	37.5	33.6	33.6	29.5	24.6
GOL - Management fee	R\$ million	na	na	na	na	-	-	-	-	1.5
Financial Portion of S&Money	R\$ million	na	na	na	na	41.5	54.3	42.4	57.4	55.2
Others	R\$ million	na	na	na	na	9.7	10.7	12.7	13.4	15.1

1. Gross Revenue is not an accounting term and corresponds to the total billed for the sale of miles and the monetary portion of Smiles&Money, including taxes. These revenues may have affected the current period or will be recognized as revenue in future periods, depending on the moment of redemption by program participants.

2. For the periods in 2012, pro forma sales reflect the estimated amounts that would have been billed to Gol, applying the purchase and sale contract for tickets and miles.

GLOSSARY

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

Burn / earn ratio - The ratio between the number of redeemed and accumulated miles in a given period.

Miles - The redemption rights of Participants in the Smiles Program sold to Business Partners.

Award Tickets - Airline tickets delivered to the Participant as a result of redeeming Miles.

Awards - Products or services delivered to a Participant by a business partner as a result of the Participant redeeming Miles acquired in customer loyalty programs.

Award Products - Products or services other than airline tickets delivered to a Participant by a business partner as a result of the Participant redeeming Miles acquired in customer loyalty programs.

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

Smiles & Money - A way of issuing airline tickets by which it is possible to combine money and miles.

Smiles Shopping - A way of using Miles to acquire products and not tickets. Miles can be redeemed for products and services in various segments, such as portable appliances, cameras and camcorders, tools and garden products, books, gift cards, DVDs and Blu-ray, electronics, housewares, bed, bath and table linen, products for automobiles, furniture and decorations, baby products, toys, home appliances, mobile phones and telephones, health and beauty products, computer products, stationery, sports and leisure, as well as fashion and accessories.