

Barueri, May 04 2016 – A Smiles S.A. (BM&FBOVESPA: SMLE3), one of the largest loyalty programs in Brazil with over 11 million members, announces today its 1Q16 results. The financial and operational information in this report refers to the consolidated results of Smiles S.A and is presented in accordance with IFRS and in Brazilian Reais (R\$), except when indicated otherwise. Percentage variations may use more decimal places for the calculations than shown in the document.

Smiles S.A.

BM&FBOVESPA: SMLE3
 Novo Mercado
 Price: R\$ 37.78
 No. of shares: 123,236,277
 Market Value: R\$ 4.7 bn
 (Close: 05/03/2016)

www.smiles.com.br/ri

1Q16 Conference Call

May 05 2016

In Portuguese and English:

(Simultaneous Translation)

10:00 a.m. (Brasília time)

9:00 a.m. (US EST)

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[webcast \(Portuguese\)](#)

[webcast \(inglês\)](#)

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Net Income of R\$118.4 mn in 1Q16

Up 70.1% over 1Q15

HIGHLIGHTS

- ✓ 1Q16 Net Income reached R\$ 118.4 mn, with a net margin of 33.8%
- ✓ 1Q16 Operating Income increased 46.4% compared to 1Q15, reaching R\$ 124.3 mn
- ✓ 1Q16 Gross Billings¹ ex-Gol was up 12.8% over 1Q15
- ✓ 1Q16 Miles Accrual (ex-Gol) was down 1.6% when compared to 1Q15
- ✓ 1Q16 Miles Redemption² increased in 18.1% versus 1Q15
- ✓ 1Q16 Net Revenues up 42.5% over 1Q15 and reached R\$ 350.6 mn
- ✓ New products launch, as Smiles Gift and Smiles app for iOS and Android
- ✓ Smiles signs partnership deal with Raízen, which manages Shell gas stations in Brazil and GPA retail group

Smiles' net income increased 70.1% when compared to 1Q15, chiefly derived from 46.4% operating income growth and the evolution of financial results. Redemption revenues were the main operating income growth driver, in addition to the 100 bps increase in operating margins. Financial results benefited from higher average cash balance and a different capital structure compared to 1Q15, which now reflects the absence of financial debt.

Main Highlights	Unit	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Miles Acruar	bln	11.9	13.5	12.5	(11.8%)	(5.0%)
Gol	bln	1.5	1.8	1.9	(18.2%)	(23.2%)
ex-GOL	bln	10.4	11.7	10.6	(10.8%)	(1.6%)
Miles Redemption ²	bln	10.5	10.0	8.9	4.9%	18.1%
Gross Billings ¹	R\$ mn	409.3	445.3	371.3	(8.1%)	10.2%
Net Revenues	R\$ mn	350.6	349.0	246.0	0.5%	42.5%
Operating Income	R\$ mn	124.3	109.2	85.0	13.9%	46.4%
<i>Operating Margin</i>	%	35.5%	31.3%	34.5%	4.2 p.p.	1.0 p.p.
Net Income	R\$ mn	118.4	112.3	69.6	5.4%	70.1%
<i>Net Margin</i>	%	33.8%	32.2%	28.3%	1.6 p.p.	5.5 p.p.

1. Gross Billings is not an accounting measurement and corresponds to total sales revenue for miles and the cash portion of Smiles & Money gross of taxes. These billings may have affected the current period or they will be recognized in future periods, depending on the date of redemption by the program members;

2. Corresponds to miles redeemed in the program (new miles and legacy miles).

Message from Management

In 1Q16 Smiles posted an annual double-digit growth in gross billings¹, operating profit and net income, chiefly driven by the operating margin improvement, both QoQ (420 bps) and YoY (100 bps). At the beginning of 2016, guided by our strategic focus on innovation and product attractiveness initiatives, Smiles announced four main highlights: (i) the launch of our smartphone app, first app in Brazilian Loyalty industry that allows flight redemptions; (ii) the 'Smiles Gift' platform, which allows clients to collect miles from family and friends to fund their trips; (iii) the implementation of Etihad for the accrual of miles; (iv) new partnerships signed with GPA retail group and Raízen, licensed company for Shell gas stations in Brazil.

Smartphone app launched for iOS and Android. Smiles launched the first app in the Brazilian loyalty industry that allows customers to redeem flight tickets, including via Smiles&Money fares. The app also allows clients to check their miles balance, accruals and redemptions, to join Smiles Club, and to issue for Gol flights or all 11 international active airline partners.

Gift Smiles launch. Smiles launched a new platform, 'Gift Smiles', which allows members to collect miles from their family and friends, making their dream trip possible. In order to collect miles, customers only need to enroll their dream trip in the platform, including its goal, travel date and amount of miles needed. After creating your trip, with the option to upload customized pictures and videos, Smiles customers can share them via email and social networks.

International airline partners: Etihad miles accrual. Smiles clients can now accumulate Smiles miles on eligible Etihad flights. It is worth mentioning that during 1Q16, international airline partner redemptions represented 23.8% of all miles redeemed and reached 2.5 billion² miles (up 27.9% over 1Q15).

Non-air partnerships. Smiles and Raízen signed a partnership proposal to offer their customers airline and product redemption options via Smiles. The agreement will also comprise the redemption of Smiles miles for fuel, services and products at Shell gas stations. Smiles has also signed a new partnership with GPA retail group, which will allow Smiles customers to accrue and redeem miles through GPA's diversified network, and vice-versa. These new partnerships will further strengthen our customers' options and increase the presence of the Program on the customers' routine.

One of the most valuable brands in Brazil. According to a survey published by 'Istoé Dinheiro', in partnership with Kantar Vermeer, Smiles is the 20th most valuable brand in the country, up one position compared to the 2015 ranking, and also the most valuable brand among the loyalty and travel industry.

The Company's net income in 1Q16 reached R\$118.4 mn, 70.1% up over 1Q15, mainly due to operating profit growth of 46.4%, and the financial result evolution, chiefly driven by capital structure changes when compared to 1Q15. Smiles had 95 employees by the end of 1Q16. We remain enthusiastic regarding the opportunities in the loyalty industry and engaged to maintain Smiles as an innovative business platform, focused on travelers.

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2. Corresponds to miles redeemed in the program (new miles and legacy miles).

Operating Performance

Operating Data ¹	Unit	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Members	mn	11,4	11,2	10,5	1.7%	8.3%
Miles Accrual	mn	11,900	13,494	12,522	(11.8%)	(5.0%)
GOL	mn	1,495	1,827	1,947	(18.2%)	(23.2%)
Ex-GOL (Banks and others)	mn	10,405	11,666	10,576	(10.8%)	(1.6%)
Miles Redemption (Program) ²	mn	10,524	10,032	8,912	4.9%	18.1%
Airline redemptions	mn	9,660	9,108	8,370	6.1%	15.4%
Non-airline redemptions	mn	864	924	543	(6.5%)	59.1%
Program's Burn/Earn	mn	88.4%	74.3%	71.2%	14.1 p.p.	17.2 p.p.
Breakage Rate	%	15.7%	16.1%	16.4%	(0.4 p.p.)	(0.7 p.p.)
% New Miles	%	97.5%	95.7%	87.5%	1.8 p.p.	10.0 p.p.

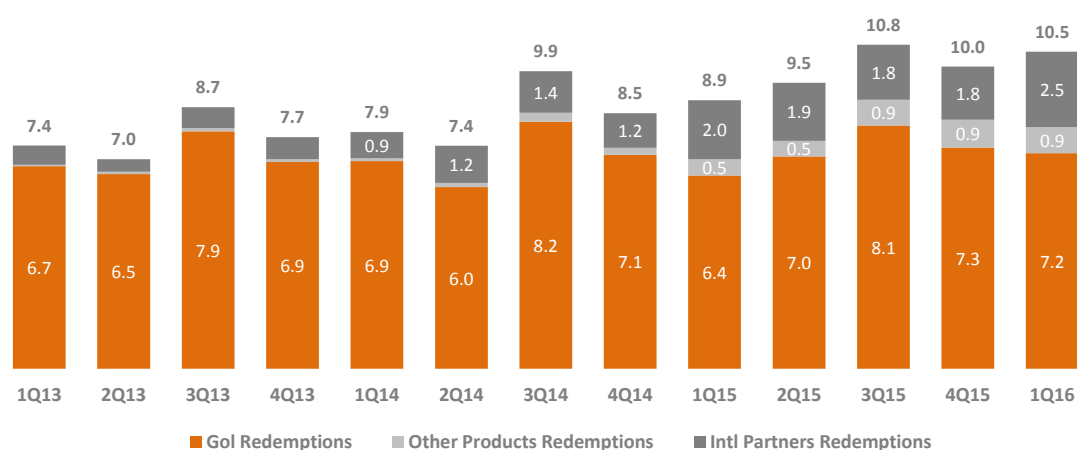
¹ All relevant miles amounts are net of reimbursement. The data in this table do not reflect financial information.

² The rescue miles corresponds to Miles redeemed under the Smiles Program, including new miles and miles of legacy.

Participants and Partners: The program reached 11.4 mn customers in 1Q16, a growth of 8.3% compared to 1Q15. In 1Q16, Smiles app was launched, for iOS and Android platforms. It's the 1st app in Brazilian Loyalty industry that allows customers to redeem tickets via smartphone. Besides that, the app allows Smiles clients to check their miles balance, verify accrual and redemption transactions, join Smiles Club, issue tickets with Gol and all 11 international airlines, including with Smiles&Money fares.

Miles Accrual: The Program's miles accrual decreased 5.0% in the 1Q16 compared to 1Q15, chiefly explained by the 23.2% YoY drop in Gol accruals and 1.6% YoY fall in ex-Gol partners' accruals.

Program Miles Redemption¹
(Billion Miles)



¹Chart's figures consider redeemed miles net of reimbursement

Miles Redemption: The redemption of miles from the program, in 1Q16, was 18.1% higher than 1Q15, reflecting the growing engagement of our participants. The burn/earn ratio of the program increased significantly to 88.4%, chiefly explained by the accelerated growth of program's redemption, compared to the pace of accruals.

Operating Data ¹	Unit	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Program's Miles Redemption ²	mn	10,524	10,032	8,912	4.9%	18.1%
Gol tickets	mn	7,159	7,339	6,414	(2.5%)	11.6%
International Partner tickets	mn	2,501	1,769	1,955	41.4%	27.9%
Non-airline	mn	864	924	543	(6.5%)	59.1%
% of total						
Gol tickets	%	68.0%	73.2%	72.0%	(5.2 p.p.)	(4.0 p.p.)
International Partner tickets	%	23.8%	17.6%	21.9%	6.2 p.p.	1.9 p.p.
Non-airline	%	8.2%	9.2%	6.1%	(1.0 p.p.)	2.1 p.p.

¹ All values corresponding to miles are net of reimbursement. Segregation among redemption types were not reviewed by auditors

² Redemption miles values represent redemptions of new and legacy miles.

Miles redemption with international partners reached 2.5 bln miles in 1Q16, 27.9% up over 1Q15 and represented 23.8% of the redemptions – 1.9 p.p. up over 1Q15.

Breakage: The breakage rate posted a decrease of 0.7 pp when compared to 1Q15, which resulted in a 15.7% rate.

Financial Performance

Financial Information Summary	Unit	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Gross Billings ¹	R\$ mn	409.3	445.3	371.3	(8.1%)	10.2%
Gol (miles + admin. fee)	R\$ mn	22.3	28.6	23.7	(22.0%)	(5.8%)
ex-Gol	R\$ mn	387.0	416.7	347.6	(7.1%)	11.3%
ex-Gol Partners	R\$ mn	307.8	321.6	272.8	(4.3%)	12.8%
Smiles & Money	R\$ mn	79.2	95.1	74.7	(16.7%)	6.0%
Net Revenues	R\$ mn	350.6	349.0	246.0	0.5%	42.5%
Gross Profit	R\$ mn	160.5	148.6	114.2	8.0%	40.5%
<i>Gross Margin</i>	%	45.8%	42.6%	46.4%	3.2 p.p.	(0.6 p.p.)
Operating Income	R\$ mn	124.3	109.2	85.0	13.9%	46.4%
<i>Operating Margin</i>	%	35.5%	31.3%	34.5%	4.2 p.p.	1.0 p.p.
Net Income	R\$ mn	118.4	112.3	69.6	5.4%	70.1%
<i>Net Margin</i>	%	33.8%	32.2%	28.3%	1.6 p.p.	5.5 p.p.

1. Gross Billings is not an accounting measurement and corresponds to total billings from the sale of miles and the cash portion of Smiles & Money, gross of taxes. These revenues may have affected the current period or will be recognized as revenue in future periods, depending on the time of redemption.

Gross Billings: Gross billings were up 10.2% over 1Q15, mainly due to the 12.8% growth ex-Gol miles billings and 6.0% growth of Smiles&Money mode billings.

Revenues (R\$ thousands)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Gross Revenues	386,656	384,586	271,217	0.5%	42.6%
Redemption Revenue	331,583	323,243	244,989	2.6%	35.3%
Miles Redemption	251,985	228,107	170,254	10.5%	48.0%
Money Revenue	79,598	95,136	74,735	(16.3%)	6.5%
Breakage Revenue	53,043	48,957	24,503	8.3%	116.5%
Other Revenues	2,030	12,386	1,725	(83.6%)	17.7%
Direct Taxes	(36,067)	(35,625)	(25,226)	1.2%	43.0%
Net Revenues	350,589	348,961	245,991	0.5%	42.5%

Redemption Revenue: Gross revenues from miles redemption posted a 35.3% growth compared to 1Q15, mainly due to 18.2% annual growth of revenues from miles redeemed and also due to 6.5% annual growth of 'Money' portion in Smiles&Money Product.

Miles Redemption: 48.0% increase compared to 1Q15 is explained by 18.1% growth of total miles redeemed and also by a larger participation of new miles on the total miles redeemed in the Program (87.5% in 1Q15 to 97.5% in 1Q16).

'Money' portion of Smiles&Money: Gross revenues for the portion of 'Money' on Smiles & Money Product grew by 6.5% compared to 1Q15, mainly driven by the unit value of the 'money' portion of the redemptions.

Breakage Revenue and expiration: In 1Q16, revenues from Breakage and expiration together increased by 116.5% compared to 1Q15, as illustrated by the following table:

Summary (R\$ million)	1Q16	4Q15	1Q15
Breakage Revenues	53.0	49.0	24.5
Real Expiration	33.7	8.1	5.7
Change in the Breakage Balance	19.4	40.9	18.8
EoP Breakage Balance¹	276.9	257.5	148.8
Average Breakage Rate (LTM)	15.7%	16.1%	16.4%

¹ The Breakage of balance is a liability reduction account, based on the estimated average breakage rate applied to mileage accrual and recognized in income as the achievement of redemptions.

Other Revenue: Other revenues increased 17.7% when compared to 1Q15 reaching R\$ 2.0 mn, mainly composed of R\$ 1.1 mn worth of program's management fees charged from Gol.

Direct Redemption Margins: For the calculation of the redemptions margin, only the revenues and costs directly related to the redemptions are considered, as calculated in the chart below:

Redemption P&L (R\$ thousand)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Gross Redemptions Revenues	331,583	323,243	244,989	2.6%	35.3%
Miles Redemption Revenue	251,985	228,107	170,254	10.5%	48.0%
Money Revenue	79,598	95,136	74,735	(16.3%)	6.5%
(-) Direct taxes	(30,671)	(29,900)	(22,661)	2.6%	35.3%
(=) Net Redemption Revenue (a)	300,912	293,343	222,327	2.6%	35.3%
(-) Direct Redemption Costs	(183,775)	(186,539)	(126,741)	(1.5%)	45.0%
(=) Redemption Result (b)	117,137	106,804	95,586	9.7%	22.5%
% Direct Redemption Margin	38.9%	36.4%	43.0%	2.5 p.p.	(4.1 p.p.)
Other Revenues (c)	49,677	55,618	23,664	(10.7%)	109.9%
Breakage Revenues	53,043	48,957	24,503	8.3%	116.5%
Others Revenues	2,030	12,386	1,725	(83.6%)	17.7%
(-) Sales Taxes	(5,396)	(5,725)	(2,565)	(5.8%)	110.4%
(-) Indirect Redemption Costs	(6,304)	(13,789)	(5,026)	(54.3%)	25.4%
(=) Non-redemption results (d)	43,373	41,829	18,638	3.7%	132.7%
Gross Profit [e = b + d]	160,510	148,633	114,224	8.0%	40.5%
% Gross Margin [e / (a + c)]	45.8%	42.6%	46.4%	3.2 p.p.	(0.6 p.p.)

Operating Expenses (R\$ thousand)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Operating Expenses	(32,201)	(37,811)	(27,899)	(14.8%)	15.4%
Comercial Expenses	(18,112)	(25,682)	(19,707)	(29.5%)	(8.1%)
Administrative Expenses	(14,089)	(12,129)	(8,192)	16.2%	72.0%
Other expenses/revenues	-	-	-	n/a	n/a

Operating Expenses: Operating expenses increased by R\$ 4.3 mn compared to 1Q15, mainly related to (i) the increase of R\$ 1.7 mn in services (comprised in administrative expenses), (ii) the increase of R\$ 1.5 mn in personnel expenses (consolidated between selling and administrative expenses), (iii) the increase of R\$ 0.8 mn in expenses with computer services (comprised in administrative expenses) and (iv) the R\$ 0.3 mn increase in other expenses.

Other Information (R\$ thousand)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Equity Method Result	(3,976)	(1,620)	(1,371)	145.4%	190.0%
Net Financial Result	57,418	49,189	21,764	16.7%	163.8%
Financial Expenses	(50)	(178)	(10,900)	(71.9%)	(99.5%)
Financial Income	50,148	40,178	37,326	24.8%	34.4%
Net Exchange Variation	7,320	9,189	(4,662)	(20.3%)	(257.0%)
Taxes and Social Contribution	(63,399)	(46,069)	(37,123)	37.6%	70.8%

Operating Profit: Smiles posted an operating profit of R\$ 124.3 mn, 46.4% up over 1Q15, representing an operating margin of 35.5%. Operating profit growth may be mainly attributed to the increase in net revenue of 42.5% compared to 1Q15 and to the operating margin improvement in 100 bps when compared to 1Q15.

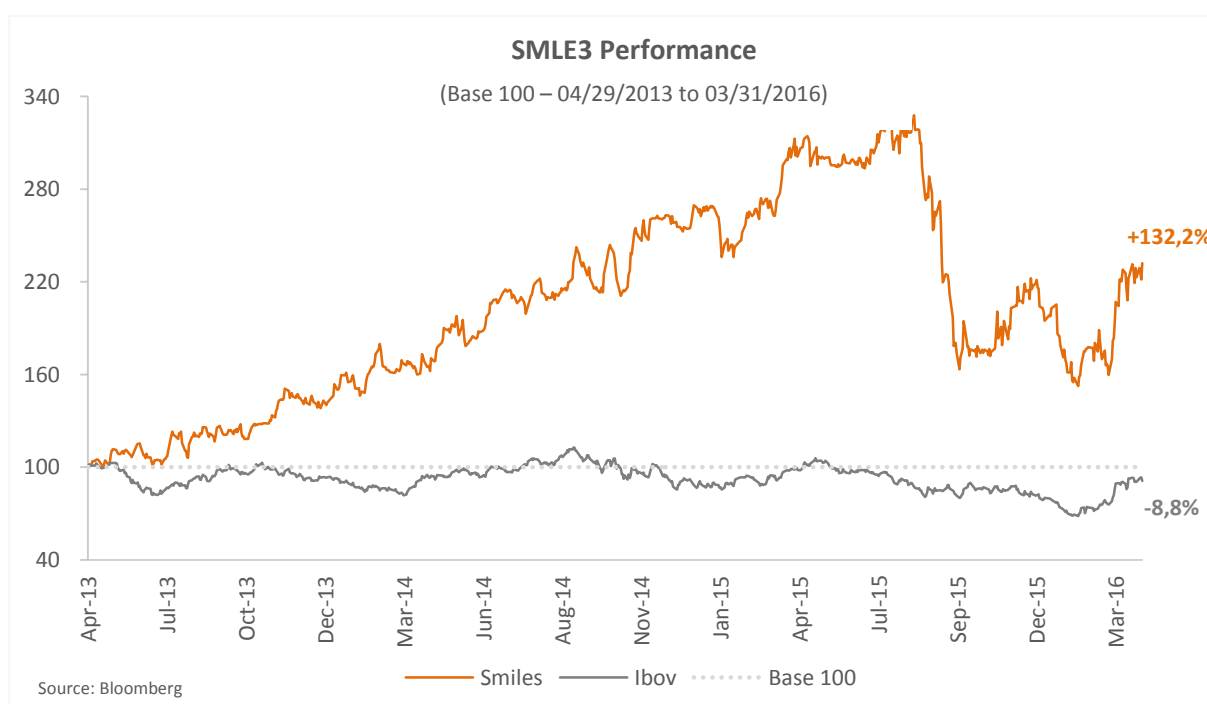
Financial Result: Financial result increased by 163.8% compared to 1Q15, chiefly due to debenture's full amortization and due to 1st tranche of advanced purchase of Gol tickets being effective, which was approved in February, 2016.

Net Exchange Variation: The result due to exchange rate variation is mainly the effect of the local currency fluctuation over the accounts payable in dollars, related to the cost of ticket redemptions with international partners.

Income Tax and Social Contribution: The effective rate of income tax and social contribution in 1Q16 was 34.9%, 0.9 p.p. higher than the fiscal tax rate of 34.0%, as a result of non-deductible expenses related to equity in subsidiaries result.

Net Income: Smiles posted a quarterly net income of R\$ 118.4 mn, representing a net margin of 33.8%, 5.0 p.p. higher than 1Q15 and 1.6 p.p. higher than 4Q15.

Management Proposal for dividends distribution and increase in the pay-out: The Board of Directors has approved the management proposal to distribute dividends that would result in a pay-out equivalent to 98.7%, with the retention of mandatory legal reserves only.



Share Performance: Smiles shares (SMLE3) are listed on the Novo Mercado (New Market), which represents the BM&FBOVESPA's highest level of Corporate Governance. On March 31, 2016, the Company's shares were quoted at R\$ 39.83, representing a market value of R\$ 4.9 billion, posting a negative return of 17.7% in the LTM period and a positive return of 132.2% since Company's IPO. For the same periods, Bovespa' Index - Ibovespa (the most important indicator of average share prices of stocks traded on the São Paulo Stock Exchange) posted negative returns of 2.1% and 8.8%, respectively.

Income Statement

Income Statement (R\$ thousand)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Gross Revenue	386,656	384,586	271,217	0.5%	42.6%
Redemption Revenue	331,583	323,243	244,989	2.6%	35.3%
Miles Redemption	251,985	228,107	170,254	10.5%	48.0%
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Breakage Revenue	53,043	48,957	24,503	8.3%	116.5%
Others Revenues	2,030	12,386	1,725	(83.6%)	17.7%
Direct Taxes	(36,067)	(35,625)	(25,226)	1.2%	43.0%
Net Revenue	350,589	348,961	245,991	0.5%	42.5%
Miles Redemption Cost	(190,079)	(200,328)	(131,767)	(5.1%)	44.3%
Cost of Tickets Purchase	(169,600)	(171,690)	(123,250)	(1.2%)	37.6%
Product Purchase	(14,175)	(14,849)	(3,491)	(4.5%)	306.0%
Other Cost	(6,304)	(13,789)	(5,026)	(54.3%)	25.4%
Gross Profit	160,510	148,633	114,224	8.0%	40.5%
<i>Gross margin</i>	45.8%	42.6%	46.4%	3.2 p.p.	(0.6 p.p.)
Operating Expenses	(32,201)	(37,811)	(27,899)	(14.8%)	15.4%
Selling	(18,112)	(25,682)	(19,707)	(29.5%)	(8.1%)
General & Administrative	(14,089)	(12,129)	(8,192)	16.2%	72.0%
Other expenses/revenues	-	-	-	n/a	n/a
Equity method investment	(3,976)	(1,620)	(1,371)	145.4%	190.0%
Operating Profit	124,333	109,201	84,954	13.9%	46.4%
<i>Operating margin</i>	35.5%	31.3%	34.5%	4.2 p.p.	1.0 p.p.
Net Financial Result	57,418	49,189	21,764	16.7%	163.8%
Financial Expenses	(50)	(178)	(10,900)	(71.9%)	(99.5%)
Financial Revenues	50,148	40,178	37,326	24.8%	34.4%
Net Exchange Variation	7,320	9,189	(4,662)	(20.3%)	(257.0%)
EBT	181,751	158,390	106,718	14.7%	70.3%
Income Taxes	(63,399)	(46,069)	(37,123)	37.6%	70.8%
Net Income	118,352	112,321	69,595	5.4%	70.1%
<i>Net margin</i>	33.8%	32.2%	28.3%	1.6 p.p.	5.5 p.p.

Balance Sheet

Balance Sheet (R\$ thousand)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Assets	2,030,781	1,665,268	1,675,428	21.9%	21.2%
Current	1,503,950	1,447,318	964,357	3.9%	56.0%
Cash and Cash Equivalents	497,552	334,989	251,536	48.5%	97.8%
Short-term Investments	246,167	264,092	13,034	(6.8%)	n/a
Restricted Cash	-	-	59,952	n/a	(100.0%)
Accounts Receivable	186,861	192,422	122,489	(2.9%)	52.6%
Advances to suppliers	546,241	601,359	445,989	(9.2%)	22.5%
Related-party transactions	23,397	50,545	66,780	(53.7%)	(65.0%)
Other Credits	3,732	3,911	4,577	(4.6%)	(18.5%)
Non-current	526,831	217,950	711,071	141.7%	(25.9%)
Deferred Taxes	72,903	73,718	73,143	(1.1%)	(0.3%)
Advances to suppliers	421,096	113,052	600,447	272.5%	(29.9%)
Investments	11,667	15,643	20,204	(25.4%)	(42.3%)
Property, Plant and Equipment	1,530	1,625	1,839	(5.8%)	(16.8%)
Intangible	12,949	13,912	15,438	(6.9%)	(16.1%)
Other Credits	6,686	-	-	n/a	n/a
Liability	2,030,781	1,665,268	1,675,428	21.9%	21.2%
Current	1,198,802	954,746	672,747	25.6%	78.2%
Suppliers	91,054	84,032	61,206	8.4%	48.8%
Short-term Debt	-	-	203,625	n/a	(100.0%)
Salaries, Wages and Benefits	5,978	12,964	4,818	(53.9%)	24.1%
Compusory Dividend Payable	65,769	65,769	35,208	0.0%	86.8%
Taxes Payable	30,193	12,257	23,602	146.3%	27.9%
Advances from Customers	218,047	13,459	93,652	n/a	132.8%
Deferred Revenues	787,761	766,265	250,636	2.8%	214.3%
Liabilities with related parties	-	-	-	n/a	n/a
Non-current	222,143	222,582	521,498	(0.2%)	(57.4%)
Provisions tax soc. security labor and civil	1,527	1,340	663	14.0%	130.3%
Deferred revenue	220,616	221,242	520,835	(0.3%)	(57.6%)
Shareholder's Equity	609,836	487,940	481,183	25.0%	26.7%
Issued Capital	178,515	146,164	142,948	22.1%	24.9%
Cost of Issue Shares	(36,402)	(36,402)	(36,402)	0.0%	0.0%
Capital Reserves	43,765	72,942	72,942	(40.0%)	(40.0%)
Profit Reserves	29,233	29,233	24,589	0.0%	18.9%
Additional proposed dividend	269,574	269,574	202,307	0.0%	33.2%
Share-based Payments	6,799	6,429	5,204	5.8%	30.6%
Retained Earnings	118,352	-	69,595	n/a	70.1%

Cash Flow Statement

Cash Flow Statement (R\$ thousand)	1Q16	4Q15	1Q15	1Q16 vs. 4Q15 (%)	1Q16 vs. 1Q15 (%)
Net Income	118,352	112,322	69,595	5.4%	70.1%
Share-based Payments	340	367	559	(7.4%)	(39.2%)
Deferred taxes	815	2,368	(4,449)	(65.6%)	(118.3%)
Provisions for lawsuits	528	644	199	(18.0%)	165.3%
Depreciation and amortization	1,092	1,052	(159)	3.8%	(786.8%)
Obtained discounts	(25,682)	(23,390)	(31,375)	9.8%	(18.1%)
Exchange and monetary variations, net	(3,771)	(9,245)	4,332	(59.2%)	(187.0%)
Interest on loans	-	-	9,171	n/a	(100.0%)
Effect of trans. between shareholders	-	-	-	n/a	n/a
Allowance for doubtful accounts	422	141	297	199.3%	42.1%
Provision for profit sharing and results	2,729	4,067	1,261	(32.9%)	116.4%
Equity in subsidiaries	3,976	1,621	1,371	145.3%	190.0%
Accounts receivable	5,139	(17,111)	(18,016)	(130.0%)	(128.5%)
Advances to suppliers	(227,244)	144,443	108,274	(257.3%)	(309.9%)
Other Credits	(6,507)	(1,805)	(3,540)	260.5%	83.8%
Suppliers	10,793	(8,372)	16,874	(228.9%)	(36.0%)
Salaries, Wages and Benefits	(9,715)	(865)	(5,783)	n/a	68.0%
Advances from Customers	204,588	(46,811)	90,476	(537.1%)	126.1%
Deferred revenue	20,870	68,450	98,051	(69.5%)	(78.7%)
Taxes payable	60,666	31,290	26,427	93.9%	129.6%
Lawsuits	(341)	(368)	-	(7.3%)	n/a
Related-party transactions	27,178	(6,956)	(5,320)	(490.7%)	(610.9%)
Operating activities cash flow	184,228	251,842	358,245	(26.8%)	(48.6%)
Income tax and social contribut. paid	(42,730)	(54,377)	(23,105)	(21.4%)	84.9%
Net operating cash flow	141,498	197,465	335,140	(28.3%)	(57.8%)
Acquisition of fixed assets	(34)	(1,126)	(893)	(97.0%)	(96.2%)
Financial investments	17,925	(134,602)	(5,007)	(113.3%)	(458.0%)
Investing activities cash flow	17,891	(135,728)	(5,900)	(113.2%)	(403.2%)
Capital increase – stock option	3,174	-	4,952	n/a	(35.9%)
Capital Reduction	-	-	-	n/a	n/a
Loans Funding	-	-	-	n/a	n/a
Cost of shares/debentures issuance	-	-	-	n/a	n/a
Interest on loan	-	-	(9,283)	n/a	(100.0%)
Distributed Dividends/IOC	-	(18,485)	(27,899)	(100.0%)	(100.0%)
Loan payment	-	-	(147,642)	n/a	(100.0%)
Incorporated net assets	-	-	-	n/a	n/a
Financing activities cash flow	3,174	(18,485)	(179,872)	(117.2%)	(101.8%)
Net Cash Flow	162,563	43,252	149,368	275.9%	8.8%
Begin of period cash position	334,989	291,737	102,168	14.8%	227.9%
End of period cash position	497,552	334,989	251,536	48.5%	97.8%

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 and Banco do Brasil, and a wide network of retail partners. The current model works through (i) the accrual of Miles by Participants when they purchase airline tickets with GOL or other partner airlines, or products and services from Business and Financial Partners; Smiles Miles being acquired through the loyalty of these customers to those businesses, and (ii) Awards redemptions by Participants 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) Smiles&Money revenues, and (iii) Breakage revenues if issued miles expire without being redeemed.

Glossary

Awards: Products or services delivered to Participants from business partners, as result of mileage customers exercising their rights as members of customer loyalty programs.

Breakage Estimate: Estimate of miles to expire without being redeemed, it may be expressed as a number of miles, in Brazilian Reals or as a percentage of miles issued, as appropriate to a given context.

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

Free Float: Shares belonging to non-controlling shareholders.

Legacy Miles: Miles earned before the launch of the spin-off program.

Miles: The right of redemption of Smiles Program participants traded with Business Partners.

New Miles: Miles earned after the launch of the spin-off program.

Product Awards: Products or services, other than airline tickets, delivered to Participants from business partners, as result of mileage customers exercising their rights as members of customer loyalty programs.

Smiles & Money: A manner by which airline tickets can be issued through the use of a combination of cash and miles.

Smiles Program: A multi-brand loyalty program that features several companies, including GOL Linhas Aéreas Inteligentes S.A.

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