

Barueri, August 4, 2015 - Smiles S.A. (BM&FBOVESPA: SMLE3), one of the largest loyalty programs in Brazil with over 10 million members, announces today its results for 2Q15. 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 Reals (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\$ 54.15

No. of shares: 123.070.277

Market cap: R\$ 6.6 bi

(Close: 8/3/2015)

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www.smiles.com.br/ri

2Q15 Conference Call

August 5, 2015

In Portuguese and English:

(Simultaneous translation)

10:30 a.m. (Brasília time)

9:30 a.m. (US EDT)

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[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

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Nicholas Baines

Investor Relations

R\$ 93.0 million Operating Profit, 93.5% up over 2Q14 and Miles Accrued (ex-Gol) are 38.5% up over 2Q14

HIGHLIGHTS

- ✓ Total gross billings¹ up 65.9% over 2Q14 and reaches R\$ 392.1 million
- ✓ Miles accrued up 31.5% over 2Q14
- ✓ Miles redemption grows 28.2% compared to 2Q14
- ✓ Net revenues up 80.9% over 2Q14 and reaches R\$ 275.5 million
- ✓ Smiles & Money revenues of R\$ 76.9 million, 104.4% higher than 2Q14
- ✓ Net profit up 39.5% over 2Q14, reaching R\$ 89.4 million
- ✓ Boarding fee paid with miles, a cash free experience exclusively at Smiles
- ✓ Smiles (SMLE3) addition to Ibovespa Index is confirmed (May 2015)
- ✓ Interest on Shareholders' Equity declared in the amount of R\$ 7.1 million

Smiles posted a net profit of R\$ 89.4 million, up 39.5% over 2Q14, mainly driven by the 93.5% growth of its operating profit. This result reflects the maintenance of redemption margins at levels higher than 40% and growth of 38.5% in accrued miles (ex-Gol) compared to 2Q14, corresponding to 62.8% in gross billings¹ with miles (ex- Gol).

Main Highlights	Unit	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Miles Accrual	mn	13,064	12,522	9,935	4.3%	31.5%
GOL	mn	1,876	1,947	1,860	(3.6%)	0.9%
Ex-GOL (Banks, etc)	mn	11,187	10,576	8,075	5.8%	38.5%
Miles Redeemed ²	mn	9,493	8,912	7,403	6.5%	28.2%
Gross Billings ¹	R\$ mn	392.1	371.3	236.4	5.6%	65.9%
Net Revenues	R\$ mn	275.5	246.0	152.3	12.0%	80.9%
Operating Income	R\$ mn	93.0	85.0	48.1	9.5%	93.5%
<i>operating margin</i>	%	33.8%	34.5%	31.6%	(0.8 p.p.)	2.2 p.p.
Net Income	R\$ mn	89.4	69.6	64.1	28.5%	39.5%
<i>net margin</i>	%	32.5%	28.3%	42.1%	4.2 p.p.	(9.6 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.

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

Message from Management

For Smiles, 2Q15 was another quarter of substantial annual growth in accrual and gross billings¹ of miles, especially ex-Gol miles, as reflected in our operating results. We posted an increase of 39% in miles accrued (ex-Gol) compared to 2Q14 and 63% in the respective gross billings. The all-inclusive gross billings¹ growth was 66% compared to 2Q14. We keep pursuing our strategy of continuous innovation, introducing three new products throughout the quarter: the redemption of boarding fees with miles; the new tour/hotel redemption partnership with the Connexions platform; and the launch of the "Miles for you and for me" program for Smiles' members.

Smiles members can pay boarding fees with miles. We now allow our customers to pay for boarding fees in the Brazilian loyalty market by offering members a cash free air travel redemption experience with miles. Since its roll out, this redemption option has demonstrated significant demand, increasing Program's attractiveness and promoting greater customer engagement. This feature is one example of the new possibilities provided by the restructuring of our website.

New partnership with Connexions. Smiles has announced the launch of a partnership with Connexions, which offers Smiles' customers a variety of 160,000 hotels for redemption, plus thousands of options for tours and tourist attractions— all available directly from the Shopping Smiles platform.

Miles for you and miles for me. As of April 2015, Smiles customers have been able to earn extra miles when they invite friends to join Smiles Club. A member who successfully signs up 10 friends can earn up to 12,250 miles. The program leads to further engagement with the already active base and encourages members to promote Smiles to new and inactive members.

Confirmation of Smiles shares on the Ibovespa stock index. Two years after its IPO, Smiles' shares now have met the Ibovespa stock index addition requirements as of the second four-month period of 2015, with an initial weight of 0.309%. In its second year of trading on the BM&FBOVESPA, the stock presented average daily trading volume of R\$ 33.4 million, representing growth of 68.32% over the previous year.

Our activities for the 1Q15 resulted in a net profit of R\$ 89.4 mi, 39.5% higher than 2Q14, reflecting robust growth of 93.5% in operating profit. This was partially offset by reduced financial income — mainly due to the capital reduction occurred in July 2014. The higher operating profit and capital reduction led to an annualized ROE of 115.4% in the 2Q15, compared to 20.1% in 2Q14. By the end of the quarter the company had 90 employees.

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.

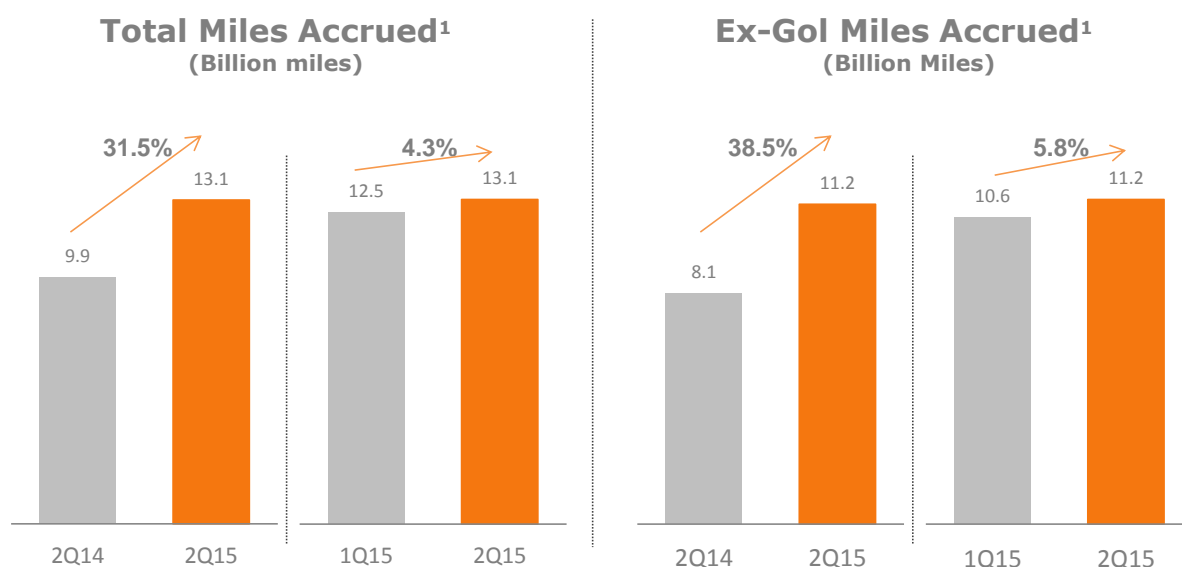
Operating Performance

Operating Data ¹	Unit	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Members	mn	10.7	10.5	10.0	2.3%	7.8%
Miles Accrual	mn	13,064	12,522	9,935	4.3%	31.5%
GOL	mn	1,876	1,947	1,860	(3.6%)	0.9%
Ex-GOL (Banks and others)	mn	11,187	10,576	8,075	5.8%	38.5%
Miles Redemption (Program)²	mn	9,493	8,912	7,403	6.5%	28.2%
Program's Burn/Earn	mn	72.7%	71.2%	74.5%	1.5 p.p.	(1.8 p.p.)
Breakage Rate	%	17.0%	16.5%	16.9%	0.5 p.p.	0.1 p.p.
% New Miles	%	90.5%	87.5%	74.2%	3.0 p.p.	16.3 p.p.

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

² The redemption of miles corresponds to miles redeemed in the Smiles Program, including new miles and legacy miles.

Participant and Partners: We reached 10.7 million clients in 2Q15, which represents a growth of 7.8% compared to 2Q14. With Netpoints, we make the largest interconnected coalition network in Brazil, with over 23 mn registered customers. In the quarter, we signed a redemption partnership with Connexions, which offers more than 160,000 properties to be redeemed for daily rates and over 7,000 tour options directly through the Smiles Shopping platform, our non-airline redemptions platform.



¹Graph's numbers reflect miles net of refund effects

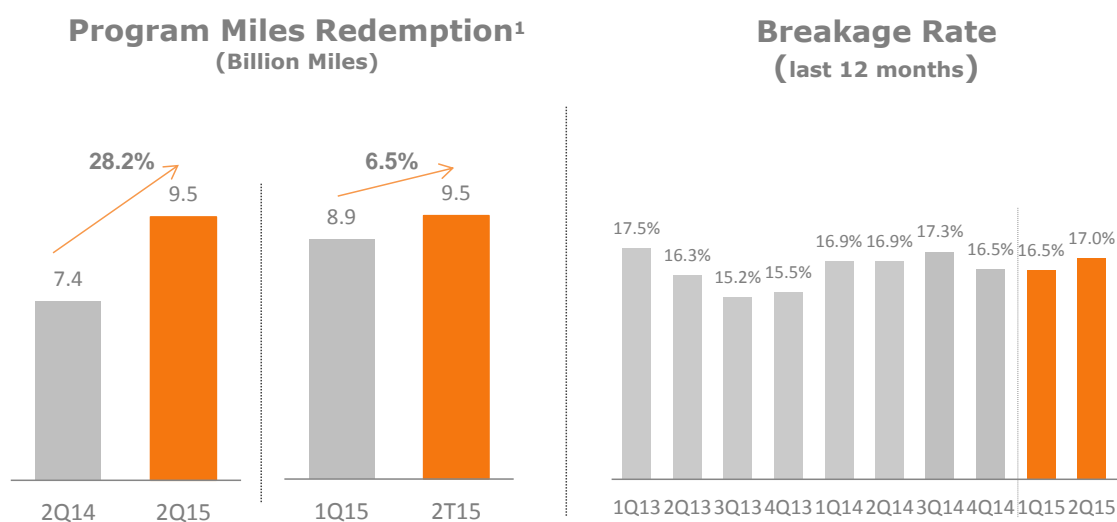
Mileage Accrual: The Program's miles accrual for 2Q15 was up 31.5% over 2Q14, due to the 38.5% growth in accruals of ex-GOL partners and a 0.9% increase in miles accumulated by GOL in the same period. The annual growth rate posted in ex-GOL miles was on the same level as reported in 1Q15.

Mileage Redemption: The Program's miles redemption in 2Q15 was 28.2% higher compared to 2Q14, reflecting the continuous engagement of our members. The burn/earn ratio of the program was up by 1.5 p.p in relation to 1Q15. Considering that miles accrued grew faster than miles redeemed, the burn/earn ratio was lower compared to 2Q14. In financial terms, this indicates that part of the miles accrued and billed will be recognized as revenue only upon redemption, or alternatively, as breakage.

Operating Data ¹	Unit	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Miles Redeemed Program ²	mn	9,493	8,912	7,403	6.5%	28.2%
GOL Smiles & Money Redemptions	mn	1,592	1,515	644	5.1%	147.3%
Traditional redemptions (100% Miles)	mn	7,901	7,397	6,759	6.8%	16.9%
Number of Redeemed Products	mn	1,109	936	800	18.4%	38.5%
GOL Smiles & Money Redemptions	mn	372	404	140	(7.9%)	165.1%
Traditional redemptions (100% Miles)	mn	737	532	660	38.4%	11.6%
Average Miles per Product	unit	8,562	9,518	9,251	(10.0%)	(7.4%)
GOL Smiles & Money Redemptions	unit	4,283	3,752	4,592	14.2%	(6.7%)
Traditional redemptions (100% Miles)	unit	10,722	13,892	10,241	(22.8%)	4.7%

¹ All values corresponding to miles are net of reimbursement. Segregation of Smiles & Money and 100% miles redemptions has not been audited.

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



¹Números do gráfico refletem milhas resgatadas líquidas de reembolso

Breakage: The Breakage rate remained stable compared to 2Q14.

Financial Performance

Financial Information Summary	Unit	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Gross Billings ^{1,2}	R\$ mn	392.1	371.3	236.4	5.6%	65.9%
Ex-GOL Partners	R\$ mn	286.5	272.8	176.0	5.0%	62.8%
Smiles & Money	R\$ mn	76.9	74.7	37.6	2.9%	104.4%
GOL (miles + admin. fee)	R\$ mn	28.8	23.7	22.8	21.4%	26.2%
Net Revenues	R\$ mn	275.5	246.0	152.3	12.0%	80.9%
Gross Profit	R\$ mn	122.2	114.2	71.4	7.0%	71.1%
<i>Gross Margin</i>	%	44.4%	46.4%	46.9%	(2.0 p.p.)	(2.5 p.p.)
Operating Income	R\$ mn	93.0	85.0	48.1	9.5%	93.5%
<i>Operating Margin</i>	%	33.8%	34.5%	31.6%	(0.7 p.p.)	2.2 p.p.
Net Income	R\$ mn	89.4	69.6	64.1	28.5%	39.5%
<i>Net Margin</i>	%	32.5%	28.3%	42.1%	4.2 p.p.	(9.6 p.p.)

Gross Billings: Gross billings grew 65.9% compared to 2Q14, mainly driven by the 62.8% growth of miles sales to ex-GOL partners, reaching an historic high of R\$ 286.5 million, and by the 104.4% growth of Smiles & Money billings. Compared to the 1Q15, gross billings rose by 5.6%, mainly due to the 5.0% ex-GOL miles growth.

Revenues (R\$ thousands)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Gross Revenues	303,633	271,217	167,833	12.0%	80.9%
Miles Redemption Revenue	194,123	170,254	114,332	14.0%	69.8%
Money Revenue	76,885	74,735	37,612	2.9%	104.4%
Breakage Revenue	29,345	24,503	14,564	19.8%	101.5%
Other Revenues	3,281	1,725	1,325	90.2%	147.6%
Direct Taxes	(28,129)	(25,226)	(15,548)	11.5%	80.9%
Net Revenues	275,504	245,991	152,285	12.0%	80.9%

Miles Redemption Revenue: Gross revenue from mileage redemptions had a positive change of 69.8% compared to 2Q14, reflecting the 28.2% increase in the number of miles redeemed in the program in the same period, with a greater participation of miles new in relation to the total miles redeemed in the Program (from 74.2% in 2Q14 to 90.5% in 2Q15).

Smiles & Money Revenue: Gross revenues from the "money" portion of the Smiles & Money product grew by 104.4% compared to 2Q14, driven by a substantial growth in number of tickets issued, offset by a reduction in the unit value per ticket issued.

Breakage and Expiration Revenue: In 2Q15, breakage and expiration revenues, taken together, presented growth of 101.5% over 2Q14, as shown in the following table:

1. Gross Billings is not an accounting measure and corresponds to total revenues 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 by the program participants.

Reference	Summary (R\$ Million)	2Q15	1Q15	2Q14
A	BoP (miles deferred revenues)	904.3	785.1	536.5
B = B1+B2	Accruals	313.8	295.1	197.4
B1	Gross Billings of miles	313.7	295.2	197.4
B2	Other effects	-	(0.1)	-
C	Redemption	194.1	170.3	114.3
D	Expiration	4.9	5.7	0.3
E = A + B - C - D	End of Period (miles deferred revenues)	1,019.0	904.3	619.2
F	Breakage rate	17.0%	16.5%	16.9%
G = E * F	Breakage Balance (EoP * Rate)	173.2	148.8	104.9
H(t) = G(t) - G (t-1)	Variation - P&L	24.4	18.8	14.3
I = D + H(t)	Gross Breakage Revenue	29.3	24.5	14.6

Other Revenue: Other revenue increased by 147.6% compared to 2Q14, reaching R\$ 3.3 million in 2Q15, mainly comprised of R\$ 1.6 million in administration fees from GOL.

Direct redemption margins:

2Q15 (Breakdown by product - R\$ mn)	100% miles products	Smiles & Money Products	Subtotal (redemptions)	Non- Allocated	Total
Gross Revenues	161.6	109.4	271.0	32.6	303.6
Miles Redemption Revenue	161.6	32.6	194.1	-	194.1
Money Revenue	-	76.9	76.9	-	76.9
Breakage Revenue	-	-	-	29.3	29.3
Other Revenues	-	-	-	3.3	3.3
(-) Direct Taxes	(14.9)	(10.1)	(25.1)	(3.1)	(28.1)
(=) Net Revenues	146.6	99.3	245.9	29.6	275.5
(-) Direct Costs	(92.8)	(50.6)	(143.4)	-	(143.4)
(-) Non-Allocated Costs	-	-	-	(9.9)	(9.9)
(=) Gross Profit	53.8	48.7	102.5	19.7	122.2
Gross Margin	36.7%	49.0%	41.7%	n/a	44.4%

2Q14 (Breakdown by product - R\$ mn)	100% miles products	Smiles & Money Products	Subtotal (redemptions)	Non- Allocated	Total
Gross Revenues	141.3	103.7	245.0	26.2	271.2
Miles Redemption Revenue	141.3	28.9	170.3	-	170.3
Money Revenue	-	74.7	74.7	-	74.7
Breakage Revenue	-	-	-	24.5	24.5
Other Revenues	-	-	-	1.7	1.7
(-) Direct Taxes	(13.1)	(9.6)	(22.7)	(2.6)	(25.2)
(=) Net Revenues	128.2	94.1	222.3	23.7	246.0
(-) Direct Costs	(81.0)	(45.7)	(126.7)	-	(126.7)
(-) Non-Allocated Costs	-	-	-	(5.0)	(5.0)
(=) Gross Profit	47.2	48.4	95.6	18.6	114.2
Gross Margin	36.8%	51.4%	43.0%	n/a	46.4%

Even though they are divided between Smiles & Money and 100% Miles, we believe that the direct redemption margins can be evaluated on a consolidated basis. In 2Q15, we obtained a 41.7% direct margin (spread), compared to 43.0% measured in the previous quarter. In relation to 1Q15, we observed an increase in the share of promotional tickets with a reduction in the share of tickets purchased in the standard and commercial modes.

Operating Expenses (R\$ thousand)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Operating Expenses	(27,342)	(27,899)	(22,401)	(2.0%)	22.1%
Commercial expenses	(18,218)	(19,707)	(13,836)	(7.6%)	31.7%
Administrative expenses	(9,124)	(8,192)	(8,565)	11.4%	6.5%

Operating Expenses: Operating expenses increased by R\$ 4.9 million compared to 2Q14, mainly related to (i) a R\$ 2.8 million increase in sales and marketing expenses, (ii) a R\$ 1.0 million increase in salaries (consolidated between sales and administrative), (iii) a R\$ 0.7 million increase in call center costs (sales expenses) and (iv) a R\$ 0.4 million increase in other expenses (consolidated between sales and administrative). In relation to 1Q15, operating expenses decreased by 2.0%.

Other Information (R\$ mil)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Equity Earnings Result	(1,830)	(1,371)	(961)	33.5%	90.4%
Net Financial Result	39,496	21,764	49,956	81.5%	(20.9%)
Financial Expenses	(3,932)	(10,900)	(432)	(63.9%)	810.2%
Financial Income	39,443	37,326	50,118	5.7%	(21.3%)
Net Exchange Variation	3,985	(4,662)	270	(185.5%)	n/a
Income Taxes	(43,068)	(37,123)	(33,915)	16.0%	27.0%

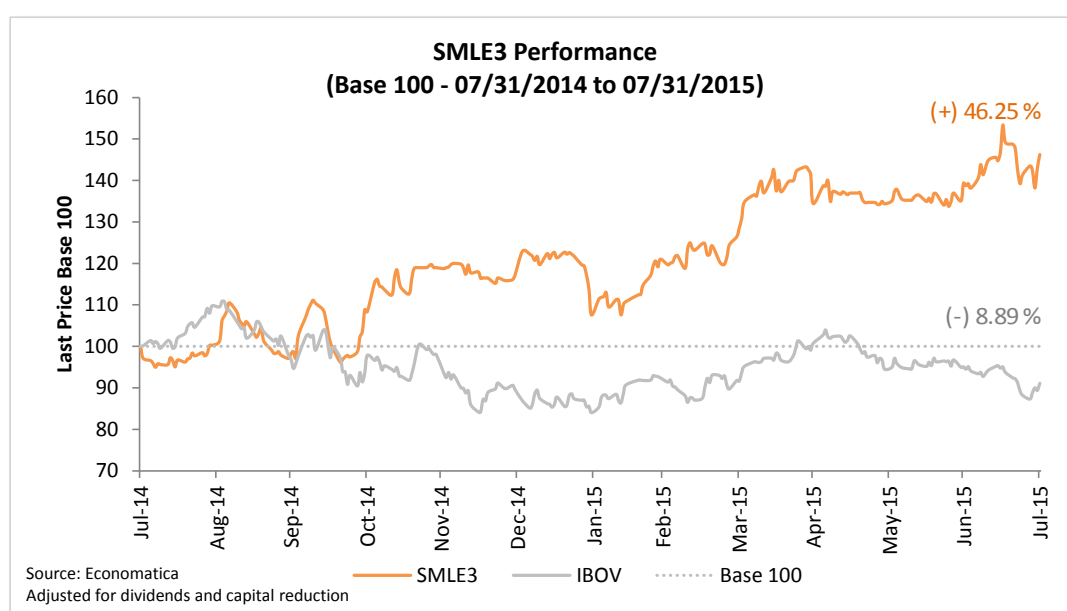
Operating Profit: Smiles posted an operating profit of R\$ 93.0 million, 93.5% higher than 2Q14, representing an operating margin of 33.8%. Operating profit growth can be attributed to the significant growth of net revenues, by 80.9% compared to 2Q14, and the 2.2 p.p. expansion of the operating margin for the same period.

Financial Income: Financial income decreased by 20.9% compared to 2Q14, mainly due to the reduction of R\$ 400.0 million in cash, cash equivalents and marketable securities, as well as funding of R\$ 600.0 million in debentures in connection with the capital reduction of R\$ 1.0 billion. This debt was fully repaid in early July 2015 with funds from cash generation of company's operations. It is important to note that the debentures' impact on financial expenses will be remote in 3Q15.

Net Foreign Exchange Variation: Foreign exchange variation expenses are mainly a result of the local currency devaluation effect applied to accounts payable referenced in US dollars, which are related to the cost of issuing international flight tickets.

Income Tax and Social Contribution on Net Profit: The effective rate of Income Tax and Social Contributions was 1.5 p.p. lower than the tax rate of 34.0%, mainly as a result of the tax deduction regarding interest on equity distribution in the amount of R\$ 2.4 million and other tax benefits in the amount of R\$ 0.7 million, partially offset by the non-deductibility of negative equity income and other non-deductible expenses. R\$ 3.6 million in deferred Income Tax and Social Contribution expenses that were recognized in the period refer to the amortization of the tax benefit from the incorporation of goodwill, with no negative cash effect.

Net Profit: Smiles recorded a net profit of R\$ 89.4 million, representing a net margin of 32.5%, 4.2 p.p up over 1Q15.



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 June 30, 2015, the Company's shares were quoted at R\$ 52.69, representing a market value of R\$ 6.4 billion and a return of 42.27% in the last 12 months and 8.34% in the first three months of 2015. For the same periods, the Bovespa Index (Ibovespa) – the most important indicator of average share prices of stocks traded on the São Paulo Stock Exchange – showed a decrease of 0.17% and an increase of 3.77%, respectively.

Smiles' shares confirmed for the Ibovespa Index: After about two years since its IPO, Smiles' common shares (BM&FBOVESPA: SMLE3) officially entered into the Ibovespa Index as of the second quarter of 2015. Initially, Smiles will represent 0.309% of the Index.

Income Statement

Income Statement (R\$ thousands)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Gross Revenue	303,634	271,217	167,833	12.0%	80.9%
Miles Redemption Revenue	194,123	170,254	114,332	14.0%	69.8%
Money Revenue	76,885	74,735	37,612	2.9%	104.4%
Breakage Revenue	29,345	24,503	14,564	19.8%	101.5%
Other Revenues	3,281	1,725	1,325	90.2%	147.6%
Direct Taxes	(28,130)	(25,226)	(15,548)	11.5%	80.9%
Net Revenue	275,504	245,991	152,285	12.0%	80.9%
Miles Redemption Cost	(153,313)	(131,767)	(80,854)	16.4%	89.6%
Cost of Ticket Purchase	(137,764)	(123,250)	(74,599)	11.8%	84.7%
Product Purchase	(5,668)	(3,491)	(1,147)	62.4%	394.2%
Other Costs	(9,881)	(5,026)	(5,108)	96.6%	93.4%
Gross Profit	122,191	114,224	71,431	7.0%	71.1%
<i>Gross margin</i>	44.4%	46.4%	46.9%	(2.0 p.p.)	(2.5 p.p.)
Operating Expenses	(27,342)	(27,899)	(22,401)	(2.0%)	22.1%
Selling	(18,218)	(19,707)	(13,836)	(7.6%)	31.7%
General & Administrative	(9,124)	(8,192)	(8,565)	11.4%	6.5%
Other expenses/revenues	-	-	-	n/a	n/a
Equity in subsidiaries	(1,830)	(1,371)	(961)	33.5%	90.4%
Operating Profit	93,019	84,954	48,069	9.5%	93.5%
<i>Operating margin</i>	33.8%	34.5%	31.6%	(0.7 p.p.)	2.2 p.p.
Net Financial Result	39,496	21,764	49,956	81.5%	(20.9%)
Financial Expenses	(3,932)	(10,900)	(432)	(63.9%)	810.2%
Financial Revenues	39,443	37,326	50,118	5.7%	(21.3%)
Net Exchange Variation	3,985	(4,662)	270	(185.5%)	n/a
EBT	132,515	106,718	98,025	24.2%	35.2%
Income Taxes	(43,068)	(37,123)	(33,915)	16.0%	27.0%
Net Income	89,447	69,595	64,110	28.5%	39.5%
<i>Net margin</i>	32.5%	28.3%	42.1%	4.2 p.p.	(9.6 p.p.)

Balance Sheet

Balance Sheet (R\$ thousands)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Assets	1,689,083	1,675,428	1,981,058	0.8%	(14.7%)
Current	1,143,945	964,357	978,528	18.6%	16.9%
Cash and Cash Equivalents	214,804	251,536	396,209	10.0%	(30.2%)
Short-term Investments	86,512	13,034	73,127	563.2%	18.2%
Restricted cash	61,779	59,952	-	(100.0%)	n/a
Accounts Receivable	178,772	122,489	79,226	84.0%	184.4%
Advances to suppliers	519,539	445,989	402,412	16.5%	29.1%
Related-party transactions	76,029	66,780	24,730	(55.9%)	19.1%
Other Credits	6,510	4,577	2,824	42.2%	130.5%
Non-current	545,138	711,071	1,002,530	(23.3%)	(45.6%)
Deferred Taxes	71,319	73,143	75,537	(2.5%)	(5.6%)
Advances to suppliers	439,144	600,447	886,495	(26.9%)	(50.5%)
Investments	18,374	20,204	26,638	(9.1%)	(31.0%)
Property, Plant and Equipment	1,760	1,839	1,682	(4.3%)	4.6%
Intangible	14,541	15,438	12,178	(5.8%)	19.4%
Liability	1,689,083	1,675,428	1,981,058	0.8%	(14.7%)
Current	741,000	672,747	276,322	10.1%	168.2%
Suppliers	63,045	61,206	40,994	3.0%	53.8%
Short-term Debt	52,844	203,625	-	(74.0%)	n/a
Salaries, Wages and Benefits	5,841	4,818	4,349	21.2%	34.3%
Compulsory dividend payable	243,561	35,208	-	591.8%	n/a
Taxes payable	24,208	23,602	13,785	2.6%	75.6%
Advances from Customers	74,748	93,652	43,680	(20.2%)	71.1%
Deferred revenue	276,753	250,636	161,014	10.4%	71.9%
Liabilities with related parties	-	-	-	n/a	n/a
Non-current	583,205	521,498	372,665	11.8%	56.5%
Advances from Customers	-	-	383	n/a	(100.0%)
Provisions tax soc. security labor and civil	856	663	350	29.1%	144.6%
Deferred revenue	582,349	520,835	371,932	11.8%	56.6%
Shareholder's Equity	364,878	481,183	1,332,071	(24.2%)	(72.6%)
Issued capital	146,162	142,948	1,136,663	2.2%	(87.1%)
Cost of issued shares	(36,402)	(36,402)	(36,402)	0.0%	0.0%
Capital Reserves	72,942	72,942	72,942	0.0%	0.0%
Statutory Reserve	24,589	24,589	10,392	0.0%	136.6%
Additional proposed dividend	-	202,307	-	(100.0%)	n/a
Share-based Payments	5,612	5,204	3,008	7.8%	86.6%
Retained Earnings	151,975	69,595	142,423	118.4%	6.7%
Equity Valuation Adjustments	-	-	3,045	n/a	(100.0%)

Cash Flow Statement

Cash Flow Statement (R\$ thousands)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
Net Income	89,446	69,595	64,110	28.5%	39.5%
Share-based Payments	367	559	798	(34.3%)	(54.0%)
Deferred taxes	1,824	(4,449)	(149)	(141.0%)	n/a
Provisions for lawsuits	550	199	99	176.4%	455.6%
Depreciation and amortization	976	(159)	816	(713.8%)	19.6%
Obtained discounts	(29,060)	(31,375)	(38,106)	(7.4%)	(23.7%)
Exchange and monetary variations, net	(1,843)	4,332	88	(142.5%)	n/a
Interest on loans	2,092	9,171	-	(77.2%)	n/a
Effect of transactions between shareholders	-	-	-	n/a	n/a
Allowance for doubtful accounts	43	297	41	(85.5%)	4.9%
Provision for profit sharing and results	1,345	1,261	1,058	6.7%	27.1%
Equity in subsidiaries	1,830	1,371	961	33.5%	90.4%
Accounts receivable	(56,325)	(18,016)	(21,757)	212.6%	158.9%
Advances to suppliers	116,814	108,274	70,793	7.9%	65.0%
Prepaid Expenses	(1,625)	-	856	n/a	(289.8%)
Prepaid exp. and recoverable taxes	-	-	-	n/a	n/a
Other Credits	(309)	(3,540)	133	(91.3%)	(332.3%)
Suppliers	3,683	16,874	10,076	(78.2%)	(63.4%)
Salaries, Wages and Benefits	(321)	(5,783)	259	(94.4%)	(223.9%)
Advances from Customers	(18,904)	90,476	(56,730)	(120.9%)	(66.7%)
Deferred revenue	87,631	98,051	87,098	(10.6%)	0.6%
Taxes payable	39,288	26,427	29,744	48.7%	32.1%
Lawsuits	(357)	-	-	n/a	n/a
Related-party transactions	(9,209)	(5,320)	20,913	73.1%	(144.0%)
Operating activities cash flow	227,936	358,245	171,101	(36.4%)	33.2%
Income tax and social contribut.paid	(39,702)	(23,105)	(37,433)	71.8%	6.1%
Net operating cash flow	188,234	335,140	133,668	(43.8%)	40.8%
Acquisition of fixed assets	-	(893)	(138)	(100.0%)	(100.0%)
Financial investments	(75,305)	(5,007)	193,778	n/a	(138.9%)
Advance for future capital increase	-	-	(6,250)	n/a	(100.0%)
Investing activities cash flow	(75,305)	(5,900)	187,390	n/a	(140.2%)
Capital increase - stock option	3,214	4,952	4,489	(35.1%)	(28.4%)
Interest on loans	(5,232)	(9,283)	-	(43.6%)	n/a
Distributed dividends/IOC	(1)	(27,899)	(160,349)	(100.0%)	(100.0%)
Loan payment	(147,642)	(147,642)	-	0.0%	n/a
Incorporated net assets	-	-	-	n/a	n/a
Financing activities cash flow	(149,661)	(179,872)	(155,860)	(16.8%)	(4.0%)
Net cash flow	(36,732)	149,368	165,198	(124.6%)	(122.2%)
Begin of period cash position	251,536	102,168	231,011	146.2%	8.9%
End of period cash position	214,804	251,536	396,209	(14.6%)	(45.8%)

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) interest income accrued in the period between the date of accumulation and the date of redemption of miles, 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: Miles that have expired without being redeemed 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.