

Barueri, August 08 2016 – A Smiles S.A. (BM&FBOVESPA: SMLE3), one of the largest loyalty programs in Brazil with over 11 million members, announces today its 2Q16 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\$ 52.72
No. of shares: 123,598,618
Market Value: R\$ 6.5 bn
(Close: 08/05/2016)

www.smiles.com.br/ri

2Q16 Conference Call

August 09 2016

In Portuguese and English:

(Simultaneous Translation)

10:00 a.m. (Brasília time)

9:00 a.m. (US EST)

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Password: Smiles

[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

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Net Income of R\$123.6 mn in 2Q16

Up 38.2% over 2Q15

HIGHLIGHTS

- ✓ 2Q16 Net Income reached R\$ 123.6 mn, with a net margin of 35.3%
- ✓ 2Q16 Operating Income increased 37.7% compared to 2Q15, reaching R\$ 128.1 mn
- ✓ 2Q16 Gross Billings ex-Gol was up 10.3% over 2Q15
- ✓ 2Q16 Miles Accrual (ex-Gol) was up 3.6% when compared to 2Q15
- ✓ 2Q16 Miles Redemption¹ increased in 7.9% versus 2Q15
- ✓ 2Q16 Net Revenues up 27.0% over 2Q15 and reached R\$ 349.8 mn
- ✓ Smiles signed a partnership with Rocketmiles, which allows miles accrual in more than 400 thousand properties around the world
- ✓ Launch of new product 'Issuance without miles', that makes it possible for customers to anticipate their redemption cycle

Smiles' net income increased 38.2% when compared to 2Q15, chiefly derived from 37.7% operating income growth and the evolution of financial results. Redemption revenues were the main operating income growth driver, in addition to the 2.9 p.p. increase in operating margins. Financial results benefited from higher net cash balance.

Main Highlights	Unit	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Miles Accrual	bln	13.2	11.9	13.1	10.8%	0.9%
Gol	bln	1.6	1.5	1.9	7.0%	(14.7%)
Ex-GOL (Banks and Other)	bln	11.6	10.4	11.2	11.4%	3.6%
Smiles' Redemption Program ¹	bln	10.2	10.5	9.5	(2.7%)	7.9%
Gross Billings ²	R\$ mn	420.5	409.7	392.1	2.6%	7.2%
Net Revenues	R\$ mn	349.8	350.6	275.5	(0.2%)	27.0%
Operating Income	R\$ mn	128.1	124.3	93.0	3.0%	37.7%
<i>Operating Margin</i>	%	36.6%	35.5%	33.8%	1.2 p.p.	2.9 p.p.
Net Income	R\$ mn	123.6	118.4	89.4	4.4%	38.2%
<i>Net Margin</i>	%	35.3%	33.8%	32.5%	1.6 p.p.	2.9 p.p.

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

2. Gross Billings is not an accounting measurement and corresponds to total sales revenues 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.

Message from Management

Once again, Smiles has posted significant growth in its quarterly results for ex-Gol gross billings, net revenues, operating profit and net income. Additionally, the Company has launched important products and partnerships aiming to sustain its innovative and traveler focused strategy. In July we announced the partnership with Rocketmiles, which positions Smiles one step ahead in terms of being the most complete loyalty program for travelers. The second new product is the new 'issuance without miles', which allows high tier customers to reserve their international tickets for a long period so that they can accrue and transfer enough miles, which engages customers to spend more on their credit cards and accrue more miles.

Rocketmiles partnership. Smiles announced a new partnership with Rocketmiles, an online hotel platform which is part of the Priceline Group, the biggest hotel stay distributor in the world. With the partnership, Smiles is now available globally in the hotel segment, by offering its customers more than 400 thousand hotel options, including Booking.com's full portfolio – part of Priceline's group. Smiles customers will be able to earn between 500 and 10,000 miles for each night booked. With the full integration of the partnership, Smiles' customers will also be able to redeem hotel stays with either miles or Smiles&Money. After the consolidation of Smiles as a loyalty program focused on the travelers, the Company pursues a new strategy: to be a complete enterprise for tourists.

'Issuance without miles'. Smiles' customers are now able to redeem international tickets without miles – via 'Issuance without miles'. The new product will allow the issuance of tickets with all international partners even if the customers do not have all miles immediately available. Members have until 60 days prior to the departure to accrue enough miles and pay for their issuance, otherwise the tickets are cancelled. The new product can also be used with Smiles&Money. Throughout the reservation process, the price in miles is maintained.

Maiores & Melhores (traditional Brazilian ranking magazine). Smiles was elected the 2nd best company within the services industry in Brazil, according to 'Maiores & Melhores 2016' ranking by Exame magazine, published in June. In the same ranking, Smiles was considered the best company for all industries in terms of value generated per employee.

Aeromexico. Since May 2016, Smiles' customers are able to accrue miles and redeem tickets on Aeromexico. This is the 13th airline company to enter into operation, aiming to enhance the attractiveness of the Program for travelers. This quarter, the total of international partner redemptions reached 3.0 bn miles, equivalent to 29.2% of the total miles redeemed, highest level for this segment in Company's history.

The net income in the quarter reached R\$123.6 mn, 38.2% up over 2Q15, chiefly due to the 37.7% growth of the operating profit and evolution of the net financial results. By the end of the 2Q16 Smiles had 94 employees. We remain enthusiastic regarding the opportunities in the loyalty industry and focused on positioning Smiles as an innovative business platform and a complete company in terms of tourism services.

Operating Performance

Operating Data ¹	Unit	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Members	mn	11.5	11.4	10.7	1.7%	7.6%
Miles Accrual	mn	13,188	11,900	13,064	10.8%	0.9%
Gol	mn	1,600	1,495	1,876	7.0%	(14.7%)
Ex-GOL (Banks and Other)	mn	11,588	10,405	11,187	11.4%	3.6%
Smiles' Redemption Program ²	mn	10,243	10,524	9,493	(2.7%)	7.9%
Airline Redemptions	mn	9,485	9,660	8,976	(1.8%)	5.7%
Non-airline Redemptions	mn	758	864	518	(12.2%)	46.4%
Program's Burn/Earn	mn	77.7%	88.4%	72.7%	(10.7 p.p.)	5.0 p.p.
Breakage Rate	%	15.8%	15.7%	17.0%	0.1 p.p.	(1.3 p.p.)
% New Miles	%	98.7%	97.5%	90.5%	1.2 p.p.	8.1 p.p.

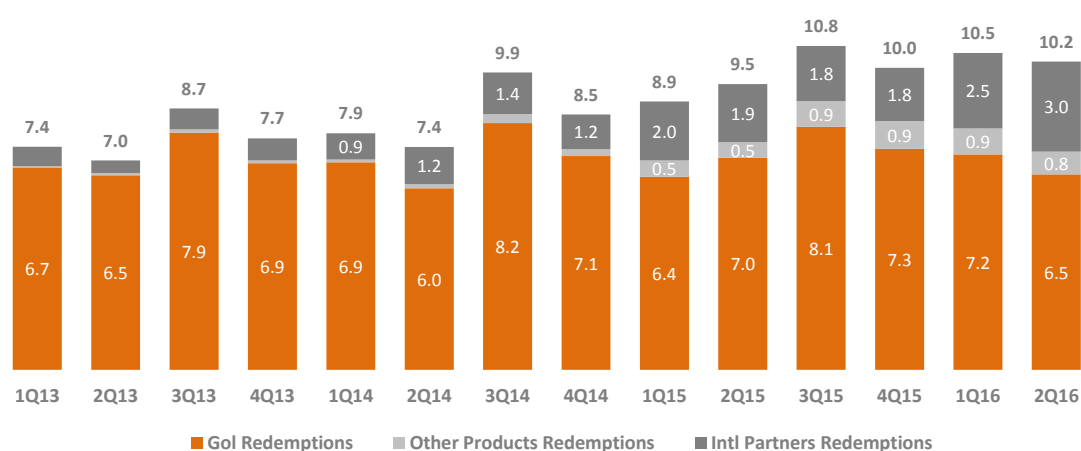
¹ All relevant miles amounts are net of reimbursement. The data in this table do not reflect financial information.

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

Participants and Partners: The program reached 11.5 mn customers in 2Q16, a growth of 7.6% compared to 2Q15. In 2Q16, Smiles announced a partnership with Rocketmiles, online platform of hotel reserves, focused on generating value for the customers, hotels and loyalty programs through miles 'superaccrual'. The partnership will allow the customers to accrue miles through hotel bookings and soon it will also be able to redeem hotel rooms on Smiles' platform with either miles or Smiles&Money.

Miles Accrual: The Program's miles accrual increased 0.9% in the 2Q16 compared to 2Q15, chiefly explained by the 3.6% YoY increase 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 2Q16, was 7.9% higher than 2Q15, reflecting the continuous engagement of our participants. The burn/earn ratio of the program increased 5 p.p. YoY and reached 77.7% in 2Q16, mainly explained by the significant growth of program's miles redeemed with international airline partners.

Operating Data ¹	Unit	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Smiles' Redemption Program²	mn	10,243	10,524	9,493	(2.7%)	7.9%
Gol Tickets	mn	6,494	7,159	7,048	(9.3%)	(7.9%)
International Partners Tickets	mn	2,990	2,501	1,927	19.6%	55.1%
Non-airline	mn	758	864	518	(12.2%)	46.4%
% of miles redeemed						
Gol Tickets	%	63.4%	68.0%	74.2%	(4.6 p.p.)	(10.8 p.p.)
International Partners Tickets	%	29.2%	23.8%	20.3%	5.4 p.p.	8.9 p.p.
Non-airline	%	7.4%	8.2%	5.5%	(0.8 p.p.)	1.9 p.p.

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

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

Miles redeemed with international airline partners reached 3.0 bln miles in 2Q16, 55.1% up over 2Q15 and represented 29.2% of the total miles redeemed – 8.9 p.p. up over 2Q15. This growth rate contrasts with figures released by Brazilian Central Bank data regarding Brazilian consumers spending abroad, which dropped 24.4% in the same period.

Breakage: The breakage rate posted a decrease of 1.3 p.p. when compared to 2Q15, which resulted in a 15.8% rate.

Financial Performance

Financial Information Summary	Unit	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Gross Billings¹	R\$ mn	420.5	409.7	392.1	2.6%	7.2%
GOL (Miles + Admin. Fee)	R\$ mn	25.7	22.3	28.8	14.9%	(10.8%)
ex-Gol	R\$ mn	394.8	387.4	363.4	1.9%	8.7%
ex-Gol Partners	R\$ mn	316.0	307.8	286.5	2.7%	10.3%
Smiles & Money	R\$ mn	78.8	79.6	76.9	(1.1%)	2.4%
Net Revenues	R\$ mn	349.8	350.6	275.5	(0.2%)	27.0%
Gross Profit	R\$ mn	166.8	160.5	122.2	3.9%	36.5%
<i>Gross Margin</i>	%	47.7%	45.8%	44.4%	1.9 p.p.	3.3 p.p.
Operating Income	R\$ mn	128.1	124.3	93.0	3.0%	37.7%
<i>Operating Margin</i>	%	36.6%	35.5%	33.8%	1.1 p.p.	2.8 p.p.
Net Income	R\$ mn	123.6	118.4	89.4	4.4%	38.2%
<i>Net Margin</i>	%	35.3%	33.8%	32.5%	1.6 p.p.	2.9 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 7.2% over 2Q15, mainly due to the 10.3% growth ex-Gol miles billings.

Revenues (R\$ thousands)	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Gross Redemption Revenues	385,663	386,656	303,634	(0.3%)	27.0%
Miles Redemption Revenue	330,275	331,583	271,008	(0.4%)	21.9%
Miles Redemption	251,515	251,985	194,123	(0.2%)	29.6%
Money Revenue	78,760	79,598	76,885	(1.1%)	2.4%
Breakage Revenues	53,364	53,043	29,345	0.6%	81.8%
Other Revenues	2,024	2,030	3,281	(0.3%)	(38.3%)
Direct Taxes	(35,821)	(36,067)	(28,130)	(0.7%)	27.3%
Net Revenues	349,842	350,589	275,504	(0.2%)	27.0%

Redemption Revenue: Gross revenues from miles redemption posted a 27.0% growth compared to 2Q15, mainly due to the annual growth of 29.6% in revenues from miles redeemed and also due to an annual growth of 2.4% in the 'Money' portion in Smiles&Money Product.

Miles Redemption: the 29.6% increase compared to 2Q15 is explained by 7.9% growth of total miles redeemed and also by a larger participation of new miles on the total miles redeemed in the Program (90.5% in 2Q15 to 98.7% in 2Q16).

'Money' portion of Smiles&Money: Gross revenues for the portion of 'Money' on Smiles & Money Product grew by 2.4% compared to 2Q15, mainly driven by the unit value of the 'money' portion of the redemptions.

Breakage Revenue and expiration: In 2Q16, revenues from Breakage and expiration together increased by 81.8% compared to 2Q15, as illustrated by the chart below:

Summary (R\$ million)	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Breakage Revenues	53.4	53.0	29.3	0.6%	81.8%
Real Expiration	35.5	33.7	4.9	5.4%	624.4%
Change in the Breakage Balance	17.9	19.4	24.4	(7.7%)	(26.8%)
YoP Breakage Balance¹	294.8	276.9	173.2	6.5%	70.2%
Average Breakage Rate (LTM)	15.8%	15.7%	17.0%	0.1 p.p.	(1.3 p.p.)

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 decreased 38.3% when compared to 2Q15 reaching R\$ 2.0 mn, mainly composed of R\$ 1.4 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 redemptions are considered, as calculated in the chart below:

Redemption P&L	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Gross Redemption Revenues	330,275	331,583	271,008	(0.4%)	21.9%
Miles Redemption	251,515	251,985	194,123	(0.2%)	29.6%
Money Revenue	78,760	79,598	76,885	(1.1%)	2.4%
(-) Direct Taxes	(30,550)	(30,671)	(25,068)	(0.4%)	21.9%
(=) Net Redemption Revenue (a)	299,725	300,912	245,940	(0.4%)	21.9%
Cost of Products Purchase	(176,160)	(183,775)	(143,432)	(4.1%)	22.8%
(=) Redemption Result (b)	123,565	117,137	102,508	5.5%	20.5%
% Direct Redemption Margin	41.2%	38.9%	41.7%	2.3 p.p.	(0.5 p.p.)
Other Revenues (c)	50,117	49,677	29,564	0.9%	69.5%
Breakage Revenues	53,364	53,043	29,345	0.6%	81.8%
Other Revenues	2,024	2,030	3,281	(0.3%)	(38.3%)
Direct Taxes	(5,271)	(5,396)	(3,062)	(2.3%)	72.1%
(-) Other Costs	(6,919)	(6,304)	(9,881)	9.8%	(30.0%)
(=) Non Redemption results (d)	43,198	43,373	19,683	(0.4%)	119.5%
Gross Profit [e = b + d]	166,763	160,510	122,191	3.9%	36.5%
% Gross Margin [e / (a + c)]	47.7%	45.8%	44.4%	1.9 p.p.	3.3 p.p.

Operating Expenses (R\$ thousand)	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Operating Expenses	(39,099)	(32,201)	(27,342)	21.4%	43.0%
Commercial Expenses	(26,233)	(18,112)	(18,218)	44.8%	44.0%
Administrative Expenses	(12,866)	(14,089)	(9,124)	(8.7%)	41.0%

Operating Expenses: Operating expenses increased by R\$ 11.8 mn compared to 2Q15, mainly related to (i) the increase of R\$ 9.7 mn in marketing and commercial expenses (comprised in commercial expenses), (ii) the increase of R\$ 1.6 mn in personnel expenses (consolidated between both commercial and administrative expenses), (iii) the increase of R\$ 0.8 mn in expenses with computer services (comprised in administrative expenses) and (iv) the R\$1.4 mn reduction in other expenses.

Other Information (R\$ thousand)	2Q16	1Q16	2Q15	2Q16 vs. 1Q16(%)	2Q16 vs. 2Q15 (%)
Equity Method Investment	435	(3,976)	(1,830)	(110.9%)	n/a
Net Financial Results	57,599	57,418	39,496	0.3%	45.8%
Financial Expenses	(60)	(50)	(3,932)	20.0%	(98.5%)
Financial Income	53,040	50,148	39,443	5.8%	34.5%
Net Exchange Variation	4,619	7,320	3,985	(36.9%)	15.9%
Taxes and Social Contribution	(62,112)	(63,399)	(43,068)	(2.0%)	44.2%

Operating Profit: Smiles posted an operating profit of R\$ 128.1 mn, 37.7% up over 2Q15, representing an operating margin of 36.6%. Operating profit growth may be mainly attributed to the increase in net revenues of 27.0% compared to 2Q15 and to the operating margin improvement in 2.9 p.p. when compared to 2Q15.

Financial Results: The Financial results increased by 45.8% compared to 2Q15 chiefly due to (i) the organic growth in net cash position and (ii) the additional R\$ 400.0 mn worth of advanced purchase of tickets in 2Q16, within the pre-approved limit of R\$ 1.0 billion.

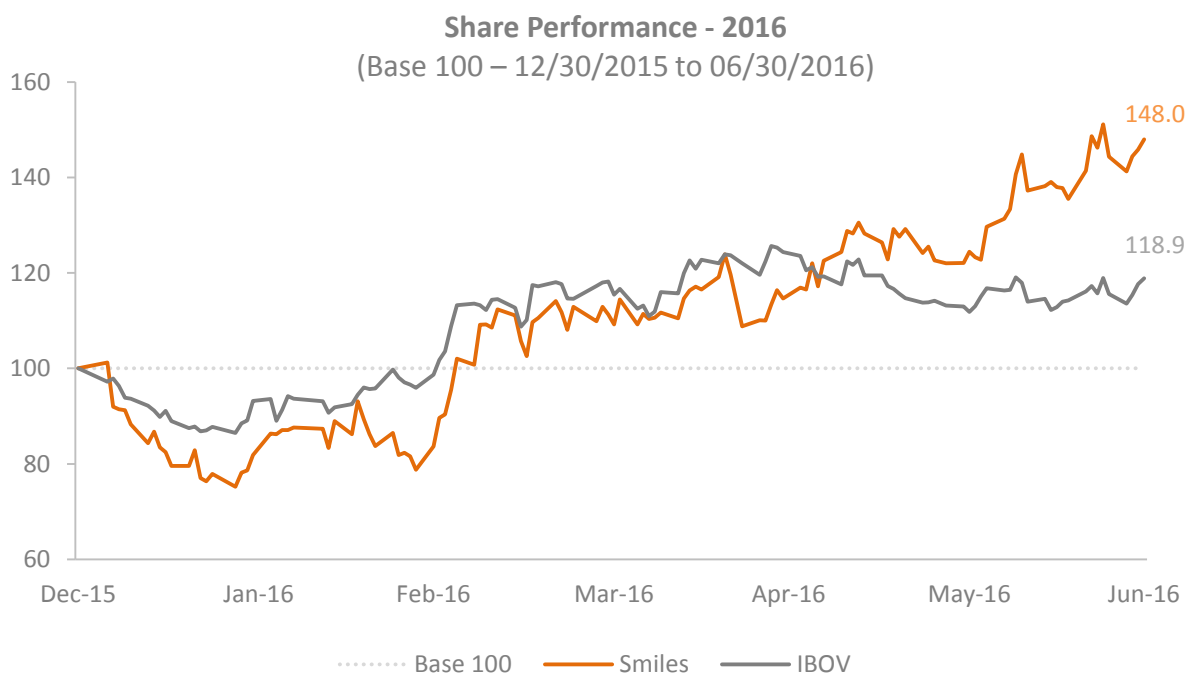
Net Exchange Variation: The net exchange variation recorded in the period is chiefly explained by the variation in the foreign exchange rate of accounts payable outstanding in USD, related to the cost of international ticket redemptions.

Income Tax and Social Contribution: The effective income tax rate in 2Q16 was 33.4%, which is 0.6 p.p. lower than the fiscal tax rate of 34.0%, or R\$ 1.0 mn lower. The lower income tax is mostly due to R\$ 1.7 mn of tax incentives, partially offset by R\$ 0.7 mn of non-deductible expenses.

Net Income: Smiles posted a quarterly net income of R\$ 123.6 mn, which represents a net margin of 35.3%, 2.9 p.p. higher than 2Q15 and 1.6 p.p. higher than 1Q16.

Dividends: Dividends approved in the General and Extraordinary Shareholders Meeting in April, 29 were effectively paid in May 12, in the amount of R\$335.3 mn.

Share Performance: Smiles shares (SMLE3) are listed on the Novo Mercado (New Market), which is BM&FBOVESPA's highest level of Corporate Governance. On June 30, 2016, the Company's shares were quoted at R\$ 47.99, representing a market value of R\$ 5.9 billion, posting a negative return of 1.8% in the last-twelve-months period and a positive return of 48.0% year-to-date. 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 2.9% and 18.9%, respectively.



Income Statement

Income Statement (R\$ thousand)	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Gross Redemption Revenues	385,663	386,656	303,634	(0.3%)	27.0%
Miles Redemption Revenue	330,275	331,583	271,008	(0.4%)	21.9%
Miles Redemption	251,515	251,985	194,123	(0.2%)	29.6%
Money Revenue	78,760	79,598	76,885	(1.1%)	2.4%
Breakage Revenues	53,364	53,043	29,345	0.6%	81.8%
Other Revenues	2,024	2,030	3,281	(0.3%)	(38.3%)
Direct Taxes	(35,821)	(36,067)	(28,130)	(0.7%)	27.3%
Net Revenues	349,842	350,589	275,504	(0.2%)	27.0%
Miles Redemption Cost	(183,079)	(190,079)	(153,313)	(3.7%)	19.4%
Cost of Tickets Purchase	(160,120)	(169,600)	(137,764)	(5.6%)	16.2%
Cost of Products Purchase	(16,040)	(14,175)	(5,668)	13.2%	183.0%
(-) Other Costs	(6,919)	(6,304)	(9,881)	9.8%	(30.0%)
Gross Profit	166,763	160,510	122,191	3.9%	36.5%
<i>gross margin</i>	47.7%	45.8%	44.4%	1.9 p.p.	3.3 p.p.
Operating Expenses	(39,099)	(32,201)	(27,342)	21.4%	43.0%
Commercial Expenses	(26,233)	(18,112)	(18,218)	44.8%	44.0%
Administrative Expenses	(12,866)	(14,089)	(9,124)	(8.7%)	41.0%
Other Expenses/ Revenues	-	-	-	n/a	n/a
Equity Method Investment	435	(3,976)	(1,830)	(110.9%)	(123.8%)
Operating Profit	128,099	124,333	93,019	3.0%	37.7%
<i>operating margin</i>	36.6%	35.5%	33.8%	1.1 p.p.	2.8 p.p.
Net Financial Result	57,599	57,418	39,496	0.3%	45.8%
Financial Expenses	(60)	(50)	(3,932)	20.0%	(98.5%)
Financial Income	53,040	50,148	39,443	5.8%	34.5%
Net Exchange Variation	4,619	7,320	3,985	(36.9%)	15.9%
EBT	185,698	181,751	132,515	2.2%	40.1%
Taxes and Social Contribution	(62,112)	(63,399)	(43,068)	(2.0%)	44.2%
Net Income	123,586	118,352	89,447	4.4%	38.2%
<i>Net Margin</i>	35.3%	33.8%	32.5%	1.5 p.p.	2.8 p.p.

Balance Sheet

Balance Sheet (R\$ thousand)	2Q16	1Q16	2Q15	2Q16 vs. 1Q16 (%)	2Q16 vs. 2Q15 (%)
Assets	1,805,394	2,030,781	1,689,083	(11.1%)	6.9%
Current	1,134,375	1,503,950	1,143,945	(24.6%)	(0.8%)
Cash and Cash Equivalents	227,893	497,552	214,804	(54.2%)	6.1%
Short-term Investments	181,285	246,167	86,512	(26.4%)	109.5%
Restricted Cash	-	-	61,779	n/a	(100.0%)
Accounts Receivable	161,052	186,861	178,772	(13.8%)	(9.9%)
Advances to Suppliers	533,537	546,241	519,539	(2.3%)	2.7%
Related-party Transactions	27,271	23,397	76,029	16.6%	(64.1%)
Other Credits	3,337	3,732	6,510	(10.6%)	(48.7%)
Non-Current	671,019	526,831	545,138	27.4%	23.1%
Deposits	6,965	-	-	n/a	n/a
Deferred Taxes	71,721	72,903	71,319	(1.6%)	0.6%
Advances to Suppliers	547,559	421,096	439,144	30.0%	24.7%
Investments	12,102	11,667	18,374	3.7%	(34.1%)
Property, Plant and Equipment	1,817	1,530	1,760	18.8%	3.2%
Intangible	30,855	12,949	14,541	138.3%	112.2%
Other Credits	-	6,686	-	(100.0%)	n/a
Liabilities	1,805,394	2,030,781	1,689,083	(11.1%)	6.9%
Current	1,105,279	1,198,802	741,000	(7.8%)	49.2%
Suppliers	107,245	91,054	63,045	17.8%	70.1%
Short-term Debt	-	-	52,844	n/a	(100.0%)
Salaries, Wages and Benefits	7,747	5,978	5,841	29.6%	32.6%
Compusory Dividend Payable	-	65,769	243,561	(100.0%)	(100.0%)
Taxes Payable	26,206	30,193	24,208	(13.2%)	8.3%
Advances from Customers	148,458	218,047	74,748	(31.9%)	98.6%
Deferred Revenues	815,623	787,761	276,753	3.5%	194.7%
Liabilities with related parties	-	-	-	n/a	n/a
Non-Current	233,003	222,143	583,205	4.9%	(60.0%)
Suppliers	6,295	-	-	n/a	n/a
Advances from Customers	-	-	-	n/a	n/a
Provisions tax Soc, Security Labor and Civil	1,449	1,527	856	(5.1%)	69.3%
Deferred Revenue	225,259	220,616	582,349	2.1%	(61.3%)
Shareholder's Equity	467,112	609,836	364,878	(23.4%)	28.0%
Issued Capital	178,554	178,515	146,162	0.0%	22.2%
Capital to be subscribed	2,950	-	-	n/a	n/a
Cost of Issue Shares	(36,402)	(36,402)	(36,402)	0.0%	0.0%
Capital Reserves	43,765	43,765	72,942	0.0%	(40.0%)
Profit Reserves	29,233	29,233	24,589	0.0%	18.9%
Additional Proposed Dividend	-	269,574	-	(100.0%)	n/a
Share-based Payments	7,074	6,799	5,612	4.0%	26.1%
Retained Earnings	241,938	118,352	151,975	104.4%	59.2%

Cash Flow Statement

Cash Flow Statement (R\$ thousand)	2Q16	1Q16	2Q15	2Q16 vs, 1Q16 (%)	2Q16 vs, 2Q15 (%)
Net Income	123,586	118,352	89,446	4.4%	38.2%
Share-Based Payments	243	340	367	(28.5%)	(33.8%)
Deferred Taxes	1,182	815	1,824	45.0%	(35.2%)
Provisions for Lawsuits	474	528	550	(10.2%)	(13.8%)
Depreciation and Amortization	1,620	1,092	976	48.4%	66.0%
Obtained Discounts	(33,407)	(25,682)	(29,060)	30.1%	15.0%
Exchange and Monetary Variations, Net	(1,903)	(3,771)	(1,843)	(49.5%)	3.3%
Interest on loans	-	-	2,092	n/a	(100.0%)
Effect of trans, between Shareholders	-	-	-	n/a	n/a
Allowance for Doubtful Accounts	271	422	43	(35.8%)	530.2%
Provision for Profit Sharing and Results	1,406	2,729	1,345	(48.5%)	4.5%
Equity in Subsidiaries	(435)	3,976	1,830	(110.9%)	(123.8%)
Accounts Receivable	25,538	5,139	(56,325)	396.9%	(145.3%)
Advances to Suppliers	(80,352)	(227,244)	116,814	(64.6%)	(168.8%)
Other Credits	116	(6,507)	(1,934)	(101.8%)	(106.0%)
Suppliers	6,032	10,793	3,683	(44.1%)	63.8%
Salaries, Wages and Benefits	363	(9,715)	(321)	(103.7%)	(213.1%)
Advances from Customers	(69,589)	204,588	(18,904)	(134.0%)	268.1%
Deferred Revenue	32,506	20,870	87,631	55.8%	(62.9%)
Taxes Payable	47,649	60,666	39,288	(21.5%)	21.3%
Lawsuits	(552)	(341)	(357)	61.9%	54.6%
Related-Party Transactions	(3,843)	27,178	(9,209)	(114.1%)	(58.3%)
Operating Activities Cash Flow	50,905	184,228	227,936	(72.4%)	(77.7%)
Income Tax and Social Contribut, Paid	(51,636)	(42,730)	(39,702)	20.8%	30.1%
Net Operating Cash Flow	(731)	141,498	188,234	(100.5%)	(100.4%)
Acquisition of Fixed Assets	(1,456)	(34)	-	n/a	n/a
Financial Investments	64,882	17,925	(75,305)	262.0%	(186.2%)
Investing Activities Cash Flow	63,426	17,891	(75,305)	254.5%	(184.2%)
Capital Increase	39	3,174	3,214	(98.8%)	(98.8%)
Capital Reduction	-	-	-	n/a	n/a
Advances for Future Capital Increase	2,950	-	-	n/a	n/a
Loans Funding	-	-	-	n/a	n/a
Cost of Shares/Debentures Issuance	-	-	-	n/a	n/a
Interest on Loan	-	-	(5,232)	n/a	(100.0%)
Distributed Dividends/ IOC	(335,343)	-	(1)	n/a	n/a
Loan payment	-	-	(147,642)	n/a	(100.0%)
Financing Activities Cash Flow	(332,354)	3,174	(149,661)	n/a	122.1%
Net Cash Flow	(269,659)	162,563	(36,732)	(265.9%)	634.1%
Begin of period cash position	497,552	334,989	251,536	48.5%	97.8%
End of period cash position	227,893	497,552	214,804	(54.2%)	6.1%

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,