SMILES - PORTUGUESE 10/31/14

(Free translation)

OPERATOR: Ladies and gentlemen, thank you for waiting and welcome to the Smiles' conference call regarding the results of the 3Q14. We have the company of Mr. Leonel Andrade, Smiles CEO, and Mr. Flavio Vargas, Financial and Investor Relations Officer. We inform you that this event is being recorded and that all participants will only be able to listen to the conference call during the Company's presentation and then we will start the Questions and Answers session, when further instructions will be provided. Should anyone need any assistance during the conference call, you can request the aid of an operator by pressing *0 (star zero). This event is also being simultaneously broadcast via webcast, and can be accessed at www.smiles.com.br/ri where you will find this presentation. The slide selection will be controlled by you. Before continuing, we would like to clarify that potential statements made during this conference call regarding the business perspectives of Smiles, projections, operational and financial goals are based on beliefs and assumptions of the Company's management department and on currently available information. Future considerations are not guarantees of performance, as they involve risks, doubts and assumptions, and they are related to future events, therefore depending on circumstances that may or may not occur. Investors must understand that general economic conditions, industry conditions and other operational factors may affect the future performance of Smiles and may lead to results that differ from those expressed in such future considerations. Now, I would like to give the floor to Mr. Leonel Andrade, Smiles CEO. Please, Mr. Leonel Andrade, you may begin.

LEONEL ANDRADE: Good morning, everyone. Thank you very much for coming. It is my pleasure, on behalf of Smiles, to be here with you to present our results for 3Q14. And I am pleased to be here, once again, highlighting that I believe that our Q3 results are in conformity with what we have always planned and focused on for our operation.

Our operating profit, as you can see in slide 3, was R$ 69.1 million, which projects an operational margin of 30.8%, 6 percentage points, better than in the same period last year. Our miles redemption revenue, excluding Gol, was almost R$ 220.0 million, a significant increase of almost 27.0% in relation to the same period last year, and of almost 25.0%, 24.7%, in relation to 2Q14, that is, the immediately preceding quarter. We had, and this is the result of an accumulation of 11.5 billion miles, which is Smiles' history record, the best quarter in accumulation so far, 12.0% higher than the previous year and based on a price increase in the miles sold; therefore, our revenue had an even higher increase than the increase in mile accumulation. This substantially meets our strategy of a close relationship with the banks, a greater customer engagement and the diversification of products and programs developed by our commercial team. We also had, at the same time, a strong increase in customer engagement, reflected on our redeemed miles – almost 10.0 billion miles were redeemed in this period, which is almost 13.7% higher than during the same period in the previous year, and a substantial increase of 33.0% in relation to the quarter, Q2. With that, emphasizing that our operating cash flow is R$ 179.9 million, a substantial increase of 34.6% compared to Q2, and our net profit, R$ 59.6 million, slightly lower, 5.0% lower than the same quarter last year, but I would like point out that this reflects the new capital structure of the Company after the capital reduction. It is worth mentioning again that we had a very strong capital reduction, with the return of special dividends of over R$ 8.0 to customers. With this, we now have, since the IPO performed on April 29 of the last year, about a year and a half ago, then, the share was sold at R$ 21.70 and since then we have distributed dividends of approximately R$ 10.0, that is, an extremely strong return to the shareholders. We also launched, during this period, a marketing campaign that we called "365 Reasons". This campaign has resulted in a significant increase in the access to our customers, even bringing in new customers. It is a daily campaign, a campaign that involves 60 employees of the Company, because every day we have to have a promotion, a reason, a new program of the Company and this has daily measurements, it is a hard-sell campaign; it is not an institutional or branding campaign, it is a product sales campaign, an engagement campaign, and this has significantly impacted these results. We will continue with the campaign; obviously, we have been on air for just two months and we are celebrating every day until August 31 of the next year, as in line with our public commitment to customers.

If we look at slide 4, we can see the reflection of this increasing revenue. We can see 26.8% in the left graph – 26.8% in relation to the previous year – and 24.7% in relation to the previous quarter. In fact, we had an extremely strong performance in miles sales and we are bringing new customers to the Company and increasing the price, the price that we were able pass on in the product. The accumulated miles, excluding Gol, increased, 19.9%, again highlighting the strong program and commitment of all our partner banks – they all grew indistinctively and here we see the result in our accumulation. High customer engagement, slide 5 clearly shows the redeemed miles, that is, the redeem-accumulation relation has been significantly strong and our redeemed mile also increased 13.0% compared to the previous year, and obviously including the seasonality and our customer engagement efforts, there was an increase of 33.0% in relation to Q2 of this year. We achieved over 10.0 million customers – and we want to point out that this is not our main measure of growth – the number of customers increased 6.0%, while our redeemed miles increased 13% and the accumulation increased almost 20.0%, excluding Gol. Therefore, we have managed to significantly increase the customer activation, customer engagement and tickets by customer, and this is the main measure that we adopted to improve the program.

In slide 6, I want to discuss the "365 Reasons" campaign further. This campaign, in addition to being a marketing program, represents a full engagement program by the Company; all employees participate in it since we have to provide something novel to our customers and to the market every day, and we need to communicate this novelty. Therefore, there is a whole process – almost an engineering process, because it involves all departments of the Company – and we manage this campaign in such a way that, for example, we are in the last day of October, and all reasons until December 31 have already been listed and are being worked on to be ready for our customers. And so we will continue until August, as previously mentioned.

On slide 7, we would like to point out that we have developed a strategic plan and we are following it to the letter. Our strategic plan assumed a strong engagement with our final customers, in addition to quality, communication and product improvements and we continue on this path. As for the banks, the plan was to be at all times present with all of them in the development of new programs, and this has been very successful. I will talk about the airline companies later, but for the retail segment, we defined our Netpoints acquisition and also defined that at Smiles we would only focus on large retailers. So, it is with great pleasure that I would like to say that we announced a partnership with FastShop. FastShop is the electronic retail network best identified with Brazil's upper class, Class A, and they now begin an exclusive relationship with us for both accumulation and redemption, and soon we will develop a series of promotional activities together with FastShop in all retail stores. We also developed a partnership with Magazine Luiza, which has already been broadcast as reason number 12. From now on, Magazine Luiza becomes a strategic partner in our e-commerce.

On slide 8, we see our airline partners. Our numbers with international partners have increased substantially. To give you an idea, our redemption with international partners, excluding Gol, obviously, increased 98%, twice as much as a year ago. And we will continue very focused, bringing in new partnerships. With new partnerships and significant increase of availability within the international redemptions, it becomes clearer and clearer how much high-income customer engagement has increased with our banks. This is true to the point that in this quarter we conducted several actions to high-income segments, such as Bradesco Prime, American Express, Citibank, and other banks that work with high income and, clearly, our accumulation ticket has increased due to our penetration into the high income segment. We have four partnerships in progress and all of them will be available to our customers still this year. We are talking about TAP, which is our largest partner, the largest company between Europe and Brazil, Alitália, Etihad, which is the largest high-standard company, and Aeroméxico. Still throughout this quarter we intend to announce new partnerships and we are working for this.

Finally, for my part, on slide 9, providing an explanation on Netpoints, our retail investment, Netpoints has also overcome 10.0 million customers this quarter. Netpoints is going strong. With that, we now have Brazil's largest coalition in number of customers. We have 19 million customers – between Smiles and Netpoints, non-repeated customers, 19 million customers – and we are, therefore, the largest Brazilian coalition in loyalty programs. Netpoints had an increase in exchanges, that is, redemptions, of 817.0% compared to last year, and has also constantly announced new partnerships, such as the ones on here, Supermercados Savegnago, Mercado de Carne da Swift, Supermarket in the south of the state of Rio de Janeiro, the large gym network Curve, and Mr. Beer, and so Netpoints will continue. We have no doubt that Netpoints will soon become the largest retail coalition program in Brazil. We are very happy to work together with it and to have made this acquisition.

I will now give the floor to Flavio. Flavio will discuss the financial issues a little further and then I will be 100%, we will be open to any questions. Thank you very much. Flavio, please.

FLAVIO: Leonel, thank you very much. Good morning, everyone. It is a pleasure to be here with you today to share some of our 3Q14 results. So, continuing with the presentation, on slide 10 we can observe the composition of our gross margins. Our 100.0% mile redemptions had a margin of 38.1%. More than 10.0 percentage points higher than in the same quarter in 2013, generating a gross income of R$ 51.0 million, 30.0% higher than 1Q14, and more than twice as much as the income registered in 2Q13. This was mainly due to the effect of reduction in the participation in legacy miles. Our Smiles and Money margins were 4.7 percentage points higher than in 3Q13. It is worth noting that the number of miles per ticket in this category was higher this year than in 2013, ensuring more options to our customers, with comparable and attractive margins. Even if we separate our Smiles&Money redemptions from the 100.0% mile redemptions, we can analyze the Smiles result as a whole through direct redemption margins. In the spread between the Smiles&Money miles revenue with direct taxes and costs, in 3Q14 we obtained margins of 40.0%, 8.0 percentage points higher than the margins in 3Q13.

Skipping to the slide 11, we can see the evolution of our revenue and our breakage rate over time. The breakage revenue this quarter was 33.0% higher than the previous quarter and our breakage rate had a small increase of 0.4 percentage points in relation to 2Q14.

Now, going to slide 12 we can see the composition of our net profit. Our operating expenses remain under control; the main variation was caused by the increase of approximately R$ 3.5 million related to advertising and marketing expenses with the launch of our new campaign. I would like to point out that, in this quarter, included within the R$ 31.2 million of income taxes is a deferred expense of R$ 3.6 million which did not and will not have a negative cash effect, because it corresponds to our GA Smiles merger operation, performed in December last year. We ended the period with R$ 59.6 million of net profit and a net margin of 26.6%, which resulted from the operating profit increase and already includes the impacts of the post-reduction capital structure. Another thing worth noting is that our 3Q14 net profit would be approximately R$ 76.0 million, which would represent an increase of approximately 20.0% in relation to 3Q13, if we had not considered the effect of the capital reduction that had an impact of R$ 400.0 million on the Company's cash flow, and the loan servicing regarding the R$ 600.0 million in debentures and CAPEX.

Now, skipping to slide 13 we present our share performance compared to I-Bovespa, arranged by earnings. I would like to mention that, since the IPO, we have distributed R$ 9.78 to the shareholders, representing approximately 45.0% of the initial public offer price.

With this slide, I conclude our presentation and make myself available for the Questions and Answers session. Thank you very much for participating. Thank you.

OPERATOR: Ladies and gentlemen, we will now begin the Questions and Answers session for analysts and investors. To ask a question, please press *1. To remove the question from the list, press the # key. Please wait while we collect the questions.

OPERATOR: our first question is asked by Mr. Alexandre Spada, of Itaú BBA.

SPADA: A good morning to everyone and congratulations for another strong result. The first question concerns the unit cost. The unit cost increased for redemptions with airline tickets this quarter from 5.0% to 6.0%, according to our calculations. In the release, you comment that this is due to the mix of less interesting redemptions, with a lower share of promotional tickets. What are the Company's expectations for the following quarters? Should we expect that this mix will continue to a relatively worse degree or that things will be back to what they were in 1S14?

FLAVIO: Thank you for your question. Well, I believe that after having disclosed 7 results, it is very clear in our results that the seasonality follows the airline market very closely in Brazil. So, if we are to remember, in the previous quarter, which was a worse quarter for redemptions, we instead had a lower unit price. So, it is natural – as we have stronger quarters, Q3 is a recovery quarter for the airline segment and Q4 is also a strong quarter for the airline segment – for this quarter to have a larger concentration and a mix in which offers for promotional tickets are fewer because airline companies do not need it so strongly. So, I think that looking not only at this quarter but looking at all the quarters, we expect this natural fluctuation to occur in the amount of promotional tickets, which ends up impacting our redemption mix and causes our costs to fluctuate over time; but this will end eventually, and these movements also end up reinforcing our products. Smiles&Money itself ends up being more attractive in these periods of high demand.

SPADA: Ok, Flavio, thank you. If you allow me a second question, do you already know if there will be any change in the breakage revenue recognition policy that is currently adopted by Smiles?

FLAVIO: So far we do not have any concrete information to disclose. We have performed our own analyses about how to calculate our estimate to determine the breakage result. This is an internal discussion, but which also involves discussion processes with our financial committees, together with our board, together with the auditors, so we are still not able to say if there will be any formal changes in the way that we estimate our breakage revenue; but, yes, we have had internal discussions about the subject.

SPADA: Do you have an estimated date for this, for you to have a position?

FLAVIO: There is no date. Actually, this will happen when we can persuade all stakeholders on what the best methodology is. As soon as we have this definition, we will report it. We have worked on this, but it is hard to say; we do not have a formal deadline, I cannot say if by December 31 everything will be defined.

SPADA: That is great. Thank you and congratulations once more.

OPERATOR: our next question comes from Mr. Rafael Frade of Bradesco.

FRADE: Hi, good morning, everyone. I have two questions. The first one: when we look at the unit cost of issued miles, there was a small dollar increase in this quarter, but a higher increase was expected due to the end of the prepayments that you had with the banks. I just want to understand if, in the quarter volume, you can report it to us; it seems that there was a significant volume of bonus and how much it may have represented. And the second question concerns the commercial expenses. You had a significant increase in the quarter-to-quarter figures and I want to understand if this is only due to the promotional campaigns or if there is anything else, and what would be reasonable figures from now on.

LEONEL: Hi, Frade. Thank you for your question. First, in relation to the banks, we did not have any bonus increase this quarter compared to the previous ones; we maybe even had a small decrease in relation to previous quarters. Regarding the price, it is true, we have had some prepayment contracts related to IPO overdue and we are renegotiating and working with banks case by case. In this quarter, as previously anticipated, the contract with Banco do Brasil was overdue and we had an adjustment. But Bradesco's contract is not overdue yet and there are the promotions of each bank. We consider that this adjustment is in agreement with our plans, and the fact that the volume of accumulation has increased in spite of the price increase is a very positive happening, but indeed there has not been any strong bonus increase. Regarding your second question, and Flavio can also help me to better explain, but this commercial increase was basically due to the increase in the Smiles&Money operating and marketing expenses, because for Smiles&Money obviously the more you sell it the higher the increase in the expenses is – since the Money part even has the MDA with Acquirer – and we also have the marketing campaign, which had a stronger seasonal investment, although our plan now is to maintain in the following quarters a constant investment level in marketing, so we can avoid the ups and downs that we had in the past.

FRADE: That is perfect. Only, for the commercial expense, you mentioned that a part of this increase is associated with Smiles&Money. Do you have an approximate idea, because, I mean, in the end there is a component of the commercial expenses that varies according to the Smiles&Money results. Can you give us an idea of how much this component would be, just to have a reference?

LEONEL: The Smiles&Money should be approximately an extra R$ 600-700.0 thousand. In fact, most of the evolution of expenses comes from the campaign launch and the marketing expenses at a higher level. Then, the rest is used to pay the administrator of the credit card because you made more transactions, and this is positive for us.

FRADE: Perfect. Thank you, Flavio. Thank you, Leonel.

OPERATOR: Our next question is asked by Mr. Eduardo Couto, of Morgan Stanley.

COUTO: Good morning, Leonel, Flavio, Marcos and everybody else in there. I have few questions. Firstly, I would like to talk about Smiles&Money, which had a strong recovery in Q3 compared to Q2. Do you continue to see Smiles&Money as strong in Q4? Smiles&Money had a very good result in Q4 last year. I would like to hear from you if this product is still going well into Q4, and whether the cash portion is relevant to the product profitability.

FLAVIO: Couto, thank you. Smiles&Money's message continues to be very similar to what we had in the previous quarter. Last quarter we had a weaker redemption environment as a whole, and Smiles&Money ended up also having weaker results due to the product value proposal. Q3 had a full recovery, a general recovery of all redemptions, and Smiles&Money experienced an even better recovery. And Q4 is, at first, a more solid quarter and when the flights for the end of the year, for the vacation period and Carnival period begin being sold; therefore, it is a period when, in relation to the redemptions and the ticket value, the tickets have a higher value and price. This naturally tends to stimulate Smiles&Money, not only in relation to Smiles&Money, but also to the general redemption scenario. And in relation to the profitability we try to, at least internally, look at the general component. Thus, we cannot look only at the cash component of Smiles&Money; since the number of redeemed miles changed as we expanded the offers that we had for Smiles&Money. If you look at Smiles&Money simply by the evolution of the amount of reais we were able to add in, you will have perhaps a distorted point of view. Therefore, our recommendation is to look at the product from a general perspective, including how much redeem revenue and how much cash it generates, and, more than that, how much it contributes to the profitability.

COUTO: I understand, Flavio. Another question related to the revenue – which increased 15.0% YoY, the revenue of Q3 was very strong –, looking forward, do you believe that next year we could have a double-digit revenue increase, between 10 and 15%? What do you expect for next year, as I believe that the increase in the ticket price will increase the engagement with the loyalty program and the search for miles? I would like to hear from you what you expect in terms of revenue for perhaps 2015.

LEONEL: Eduardo, thank you for your question. It is going to be a tough year. I pointed out late last year that this year would be difficult and we are managing to have a growing performance, but next year... In fact, this revenue is now more related to the consumption scenario in Brazil, considering credit cards, because our agreement with the banks continues very strong. We already have a series of programs developed with the banks for Q1 and that is how we will go on to the next year. It will be more competitive, but I believe that we can grow. There is no guidance for double digits growth, and the main issue, I want to emphasize once again, is: we will not give up our margin; our margin is a priority over the growth. I think that, until now we have maintained our margin and grown more than the industry; this is the ideal scenario, so we will do everything to continue that way. But, substantially, it all depends largely on the macroeconomic consumption scenario in Brazil. I believe that ahead, when we look further at the Abecs (Brazilian Association of Credit Card Services) scenario (31:00) and at how the markets and the banks are investing in credit cards, then we will be able to have a better perspective. What I can say is that we are and will continue to maintain the agreement with the banks for the next year, but, once again, the margin is our priority.

COUTO: That was enlightening, Leonel. Just a last question, now talking a little bit about cash generation. You paid R$ 1.2 billion in capital reduction, dividends, but you still generate a lot of cash. Could you give us an idea of when you expect to have a net-cash again, which ends up largely impacting the profit, and also when you expect to pay this R$ 600.0 million debt that you incurred in the middle of the year; when does the Company expect to pay the whole debt?

FLAVIO: Eduardo, thank you. Just to remember, the R$ 600.0 million of debentures was a one-year debenture, with monthly amortization. Therefore, the instrument will be quickly paid back. So, it was issued in July, then next June, in 2014, we will no longer have this loan servicing and we will thus restart a very strong acceleration of the cash recovery. From a practical point of view, until the end of S1/2015, our cash will be very short, because we will continue to have this loan servicing of R$ 600.0 million and we still have to pay, in a near future, the dividend related to 2014. So, in terms of practicality, we will effectively be back at having net cash again and a quick capacity of cash accumulation and recovery in S215.

COUTO: And, do you, Flavio, believe that the dividends related to 2014 will be included already in S1? Because I was thinking S2; do you think that we could have something in S1?

FLAVIO: it is a possibility, but this is a subject that we need to discuss in the shareholders' meeting that will occur in April.

COUTO: OK, thank you, guys, and congratulations again.

OPERATOR: Our next question comes from Joé Moura, of Bank of America Merrill Lynch.

MOURA: Good morning, thank you for the conference call. I have two questions. The first one concerns the accumulation of miles. We have seen two very different dynamics: you growing with the bank, and the Gol accumulation decreasing for three consecutive quarters, which is even the opposite of what we have seen in Multiplus. I would like you to give us further details on why this dynamic occurs, the reasons behind it, and if we should expect this to continue over the following quarters. The second question is related to price. We saw you increase the accumulation with the banks by a large amount, even with a reasonable dollar value increase – and the impression, what I believe is happening, is that the spread that Multiplus had in relation to your price is decreasing; as I believe that they will offer a slightly disadvantageous price in this quarter, I believe that their price will be soon similar to yours. What should we observe from now on? Is it a slowdown in the bank prices or can we still expect some growth? Thank you.

LEONEL: Thank you very much. First things first. Obviously we will comment only about Smiles. We had a reduction in the number of flights and this reduction is a result of the program that Gol announced last year. Last October, Gol changed its miles recognition program. In fact, the program became even better for engagement, as the engaged customers started having a better reward and Gol stopped providing miles to promotional activities. I think this is very consistent and, bottom line, it benefited mainly executive and high-income customers who fly more often. Therefore, this information that Gol is providing fewer miles is a result of the program change, but, from the last quarter on, the change will be overdue and we will probably not see this decrease in the number of Gol miles in the following year. And with the increase of the load factor, we expect that we might experience some growth again, but nothing substantial. I would like to remind you that Gol miles are very important due to the engagement and not so much on account of the financial result, because, obviously, they are the cheapest sales parts that we have. As for the banks, this observed growth has indeed resulted in a very good return and we, as I said, continue a very close communication with them, working with everyone – we observed growth for each one of them – and, thus, I believe that we will keep having a good performance with them. But, again, we have no intention of reducing the price. Our main priority is to maintain our margins. On the other hand, for the following year, as I mentioned in the previous question, we depend more on the macroeconomic environment than on our relation. Our relation is maintained; most programs, in general, are already defined, for both the beginning of the following year and the rest of this year. Therefore, I believe that we will continue having the preference and a very good relation with the issuing banks.

MOURA: perfect. Thank you.

OPERATOR: Our next question comes from Mr. Carlos Daltozo, of Banco do Brasil.

DALTOZO: Thank you and congratulations for the results. The question is about the legacy miles. This percentage reached 20.0% now in Q3. What is Smiles' expectation to bring this percentage to zero? Can we expect the zeroing of this percentage of legacy miles already in 2015?

FLAVIO: Carlos, thank you for your question. Formally, we only start zeroing in 2016, because you might remember that in the end of 2012 we changed the program policy, when the miles started having an expiration term of 3, 4 and 5 years, depending on the person's category. Thus, the legacy miles will take some time to reach zero, but for 2015 and 2016 it becomes increasingly irrelevant; therefore, any concern to make an adjustment, to try to understand what is the percentage of Gol miles being redeemed, which are the oldest miles, the legacy miles and the Smiles miles end up having less importance. But from the mathematical point of view, we will still have to deal with two more years with this adjustment of still having redeemed miles that are not miles issued by Smiles.

DALTOZO: OK, thank you, Flavio, and once more, congratulations for the results.

OPERATOR: We have a question from the English conference call. Mrs. Catherine O'Brian, of Deutsche Bank.

CATHERINE: Good morning gentlemen and congratulations on the quarter. I just hope you could give us an update on your e-commerce platform. I noticed that your non-airline redemptions increased to 3.0% total redemptions this quarter, up about a point from last quarter. Can you attribute that to the success of your e-commerce platform or is there something else driving that?

FLAVIO: If I am correct, you want to understand a little bit of what is happening with our e-commerce platform and why it has driven the non-airline redemptions and what is our strategy in relation to the non-airline redemption strategy. I will let Leonel explain a little bit about our strategy.

LEONEL: Thank you, Katherin. Our main focus is on the airline companies. We have great chances to continue growing within this industry, with Gol and especially with international partnerships, which is what the customer wants. All customers who send us their points and buy points and send miles to Smiles want primarily to fly and we still have great chances to continue growing within this segment. This is true to the extent that we acquired Netpoints. We believe that being present in the retail segment is essential, but, in order to have no distractions in relation to our main focus, which are classes A and B and customers who want to fly, we acquired Netpoints. I want to highlight that it is important for us to have this platform, and this platform is becoming more solid, with more and more scope and opportunity and attractiveness to non-air redemptions. This platform, as you said, represents close to 3.0% of the redemptions, but we do not have any guidance. It is important for us to have this platform because this increases customer engagement, but our focus will continue on the core. And we will continue to increase the non-airline options in the retail, but we do not have, right now, plans to change our focus and we have no reason to try to direct customers to the retail segment. They will naturally opt for it and for good offers. Therefore, I believe that our retail share should not grow substantially, although the total volume will continue to grow because the company maintains a healthy growth rate. Thank you.

OPERATOR: Our next question comes from Mr. Victor Mizusaki, of UBS.

MIZUSAKI: Hi, good morning. A question about the dividend payment. Looking at the Q3 balance sheet, you have about R$ 200.0 million worth of accumulated profit. Thinking of Q4 and Q1 next year, suddenly you will have about R$ 300.0 million of accumulated profit, which would enable you to pay [this dividend] in the beginning of next year, being deliberated in the shareholders' meeting in April. Would it make sense to expect Smiles to collect a little bit more of debt to pay this dividend and maintain a more efficient capital structure?

FLAVIO: Victor, honestly, to date we do not have any discussions related to owning a new debt on our part. So, we performed a local transaction with the debentures to enable the capital reduction payment in July, but, as of now, our mindset is much more focused on using our own cash flow for the loan servicing and the dividend payment. So, today we have no internal discussions in terms of owning a new debt to be able to anticipate and pay the dividends, as we think that making [the payment] over the first semester is in line with what we think as reasonable.

MIZUSAKI: That is great. Thank you.

OPERATOR: Our next question is asked by Mr. Alexandre Spada, of Itaú BBA.

SPADA: Hi. As we are not doing an English conference call, I had a question to ask there, so I will ask here. Could you comment a little bit on the rollout of the partnership with Cielo and if you already have any expectation that you can share with the market about what kind of increase in billings or revenues this partnership can provide to you? Thank you.

LEONEL: Spada, thank you for your question. The partnership with Cielo starts with a pilot project in the following weeks, still in November. We will start the pilot of this partnership. We are focused, we and Cielo. We are very confident that the pilot project will be very successful. I will not anticipate where it will be carried out yet, but the project will be performed in a sub-region of a large city, focusing on Class A, on Class A-focused businesses related to tourism and entertainment, and the tests indicate that we have a process ready to start. Now, as it is a very young business, because it will be in fact very different in terms of performance, signaling, engagement, distribution, communication. I believe that anything like this has been done and so we will test. We are excited. We have no doubt that we have the best partnership, with the best acquirer network in Brazil and we are very focused. We will do the test and this test should last few months. We do not have a deadline, but it will certainly occur in the first quarter, and, then, we will have a committee working together, with representatives of Smiles and Cielo, and we can probably, over the first semester of next year, have a clear idea of how it will behave in the future. I think that, for now, this is what we can say, this is within what we have planned and announced. Thank you.

SPADA: That is great. Thank you.

OPERATOR: We would like to remember that to ask questions, just dial *1.

This concludes the Questions and Answers session. I would like to return the floor to Mr. Leonel Andrade, for his closing remarks.

LEONEL: Thank you all very much for participating. I would like only to point out a few things. First, we are very happy to be a Gol subsidiary and to be in close agreement with Gol. This is reflected on the engagement with our customers every day. We are still very focused on the substantial increase of our operation. We will continue working to have a higher margin, but we are confident that we can continue with an above average growth rate and very much in agreement with key stakeholders in the market, especially with the financial market and the banks. Our relationship with the banks remains very strong, our programs with each bank remain very strong, and our customers continuously feel the consequences of this. This has resulted in a growth above the market performance, a satisfactory growth with maintenance of our margins and, therefore, increasing and predictable results, without major changes. I would like to stress the commitment of our employees and our board of directors. So we are very confident that we will continue at this pace in the future and we will certainly work towards it. I would like to thank you all once again, I am very pleased with the participation of all of you. Thank you very much and see you in the next opportunity.

OPERATOR: The Smiles' conference call is closed. We thank you all for participating and wish you a good day.