

(Free Translation into English from the Original
previously issued in Portuguese)

Interim Financial Information

Smiles S.A.

For the period ended September 30, 2014
with Report on Review of Interim Financial Information

Smiles S.A.**Individual and consolidated interim financial information**

September 30, 2014

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Performance report

Message from Management

We maintained the growth pace of a 19.9% in miles accrued with ex-Gol partners over 3Q14 and reached the Company's highest ever figure. We also launched the '365 Reasons to Smile' campaign, which proposes a year of daily reasons for our customers to smile in celebration of the 20th anniversary of the Smiles Program.

We returned R\$1 billion of capital stock to our shareholders. In July 2014, we completed the capital reduction operation started in April, raising R\$600 million in debentures and reimbursing our shareholders with R\$1 billion, corresponding to R\$8.17 per share. The change in our capital structure has already had a positive impact on Smiles' ROE, with a temporary impact on financial expenses from interest on the contracted debt.

Ex-GOL accrued miles increased by 19.9% YoY. We continue to grow in miles accrued with financial partners, ex-GOL airlines and others. In 3Q14, we reached 9.3 billion ex-GOL miles and 11.5 billion in total, the Company's highest ever figures in both categories. Continuously generating value for our partners and clients is an integral part of Smiles' DNA and was positively reflected in its accrual and redemption indicators.

Strong net operating cash flow, closing 3Q14 at R\$179.9 million. Thanks to robust accrued miles growth and the end of the advanced sale of miles to one of our financial partners, operating cash flow moved up by 34.6% over 2Q14.

New Partnerships. We launched new accrual partnerships with FastShop and Clube Magazine Luiza, for the accrual of miles on their e-commerce platforms. In August, GOL entered into a Frequent Flyer Program ("FFP") with Aeromexico, largest Mexican airline company. Soon, international redemptions with Etihad¹ will be available to our customers, in line with our strategy of offering more international seat availability.

365 Reasons to Smile! We launched an innovative campaign undertaking to provide 365 daily reasons for our customers to smile. We observed a significant increase in website access, underlining our commitment to engaging with customers. We invite all our investors and customers to access 365motivos.com.br and check our campaign every day.

Operating profit totaled R\$69 million in 3Q14, 78.2% up over 3Q13, drove by strong accrual and redemption growth, also sustained by the maintenance of healthy redemption margins. Even with the substantial change in our capital structure, with funding of R\$600 million, our net profit remained at an approximate level of R\$60 million, substantially increasing our return on capital indicators.

¹The partnership was signed through GOL.

Comments on Performance

Operating Performance

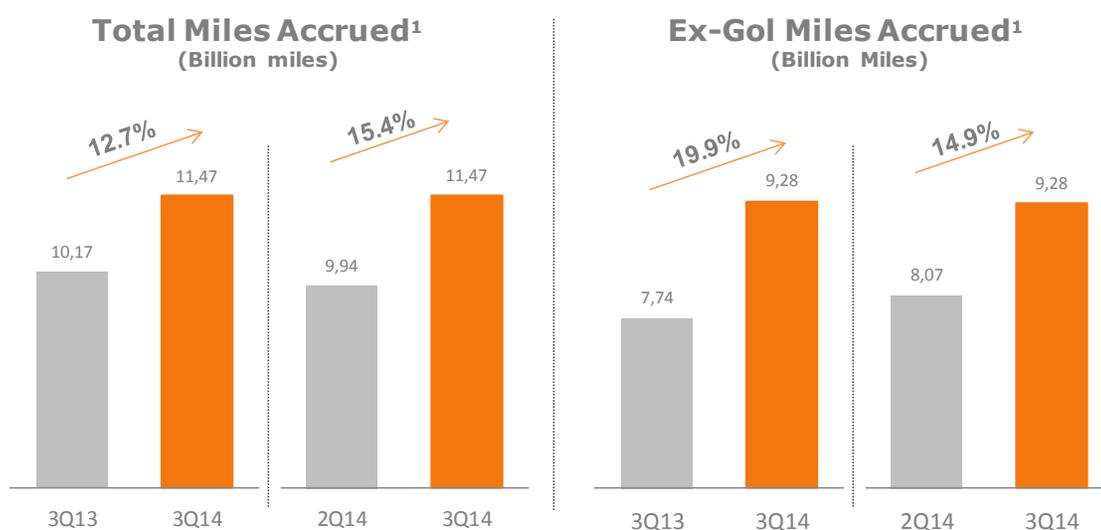
| Operating Data ¹ | Unit | 3Q14 | 2Q14 | 3Q13 | 3Q14 vs. 2Q14 (%) | 3Q14 vs. 3Q13 (%) |
|---|------|--------|-------|--------|-------------------|-------------------|
| Members | mn | 10.1 | 10.0 | 9.5 | 1.4% | 5.9% |
| Partnerships | # | 227 | 224 | 215 | 1.3% | 5.6% |
| Miles Accrual | mn | 11,466 | 9,935 | 10,170 | 15.4% | 12.7% |
| GOL | mn | 2,185 | 1,860 | 2,427 | 17.4% | (10.0%) |
| Ex-GOL (Banks, Retail and Others) | mn | 9,282 | 8,075 | 7,743 | 14.9% | 19.9% |
| Miles Redemption (Program) ² | mn | 9,876 | 7,403 | 8,684 | 33.4% | 13.7% |
| Program's Burn/Earn | % | 86.1% | 74.5% | 85.4% | 11.6 p.p. | 0.7 p.p. |
| Breakage Rate | % | 17.3% | 16.9% | 15.2% | 0.4 p.p. | 2.1 p.p. |
| % New Miles | % | 79.9% | 74.2% | 54.2% | 5.7 p.p. | 25.7 p.p. |

¹All amounts corresponding to miles are net of reimbursement effects. The figures in this table do not reflect accounting information.

²Miles redemption refers to miles redeemed through the Smiles Program, including new and legacy miles.

Members: We closed 3Q14 with 10.1 million members, representing YoY of 5.9%. Together with Netpoints, we now have more than 19 million members, comprising the largest coalition network in Brazil.

Partnerships and products: In 3Q14, we entered into accrual partnerships with FastShop and Magazine Luiza, two major Brazilian bricks-and-mortar and e-commerce retailers. Accruals began online and may be available in physical stores in the future.



¹Graph's numbers reflect miles net of refund effects

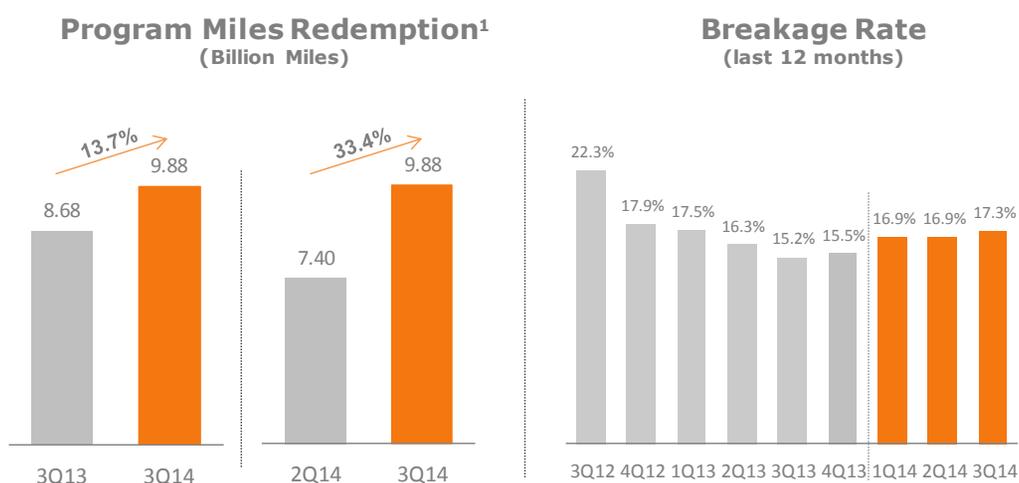
Miles Accrual: Miles accrued in the program increased by 12.7% over 3Q13, primarily driven by the 19.9% upturn in the number of ex-GOL miles accrued, partially offset by a 10.0% decline in accrued GOL miles. The growth in ex-GOL miles was fueled by customer engagement initiatives and constant proximity with our partners, while the downturn in GOL miles was essentially caused by the change in the accrual rules implemented in October 2013.

Miles Redemption: Miles redemption through the Smiles program climbed by 13.7% over 3Q13, due to the 12.7% increase in total accrued miles and the program's burn/earn ratio, which grew by 0.7 p.p. in relation to the same quarter last year. Redemption levels recovered in relation to the World Cup period, resuming 12-month growth in 3Q14 in line with accruals.

| Operating Data ¹ | Unit | 3Q14 | 2Q14 | 3Q13 | 3Q14 vs. 2Q14 (%) | 3Q14 vs. 3Q13 (%) |
|---|-----------|--------------|--------------|--------------|-------------------|-------------------|
| Program Miles Redemption² | mn | 9.876 | 7.403 | 8.684 | 33,4% | 13,7% |
| Smiles & Money Redemption | mn | 875 | 644 | 320 | 35,9% | 173,8% |
| Traditional (100% Miles) Redemption | mn | 9.001 | 6.759 | 8.365 | 33,2% | 7,6% |
| Number of Redeemed Products | mn | 1.035 | 800 | 1.080 | 29,3% | (4,2%) |
| Smiles & Money Redemption | mn | 250 | 140 | 178 | 78,5% | 40,6% |
| Traditional (100% Miles) Redemption | mn | 784 | 660 | 902 | 18,8% | (13,0%) |
| Average Miles per Redemption | - | 9.545 | 9.251 | 8.043 | 3,2% | 18,7% |
| Smiles & Money Redemption | - | 3.496 | 4.592 | 1.795 | (23,9%) | 94,8% |
| Traditional (100% Miles) Redemption | - | 11.475 | 10.241 | 9.277 | 12,1% | 23,7% |

¹ All amounts corresponding to miles are net of reimbursement effects. The segregation of Smiles & Money and 100% Miles redemptions was not audited.

² Miles redemption amounts refer to new and legacy miles.



¹Graph's numbers reflect miles net of refund effects

Breakage: The Breakage ratio edged up by 0.4 p.p. over 2Q14.

Business Model

Smiles began operations as an individual loyalty program, but evolved into the current coalition model which has certain unique features that permit the accrual and redemption of miles on flights with GOL and its international partner airlines, as well as with Brazil's leading 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 members on the acquisition of airline tickets from GOL or other partner airlines, or products and services from the commercial and financial partners that acquire these miles from Smiles as a means of strengthening customer loyalty, and (ii) the redemption of awards by members when exchanging their miles for tickets from GOL and other partner airlines or for products and services from commercial and financial partners.

The Company's main sources of revenue are (i) revenue from redeemed miles, represented by tickets and awards in its network of airline, commercial and financial partners, (ii) interest income arising from the difference between the miles accrual and redemption dates, and (iii) breakage revenue, when issued miles expire before being redeemed.

Glossary

Awards - Products or services provided to members by a commercial partner as the result of redeeming customer loyalty program miles.

Award Products - Product or service, excluding air tickets, provided to members by a commercial partner as the result of redeeming customer loyalty program points.

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

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

Free Float - Shares owned by non-controlling shareholders.

Legacy miles - Miles accrued before the Program's spin-off.

Miles - The redemption rights of Smiles Program members sold to commercial partners.

New miles - Miles accrued after the Program's spin-off.

Smiles & Money - A means of issuing air tickets by combining money and miles.

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

The Message from Management and Comments on Performance may contain forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of Smiles. These are merely projections and, as such, are based exclusively on the expectations of Smiles' management. Such forward-looking statements depend, substantially, on external factors, in addition to the risks disclosed in Smiles' filed disclosure documents and are, therefore, subject to change without prior notice. The Company's non-financial information has not been audited by independent auditors.

Directors' statement on the interim financial information

FOR THE PURPOSES OF ARTICLE 25, §1, Subsection VI, of CVM Ruling 480/09

In accordance with CVM Ruling 480/09, the Directors declare that discussed, reviewed and agreed with the Financial Statements for the period ended on September 30, 2014.

Directors' statement on the auditor's report on review of interim financial information

FOR THE PURPOSES OF ARTICLE 25, §1, Subsection VI, of CVM Ruling 480/09

In accordance with CVM Rulling 480/09, the Directors declare that discussed, reviewed and agreed with the independent auditors' report for the period ended on September 30, 2014.



(A free translation from the original in Portuguese into English)

Report on the review of interim financial information

To
The Shareholders, Board of Directors and Officers
Smiles S.A.
Barueri - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Smiles S.A. (“Company”), identified as Company and Consolidated, respectively, contained in the Quarterly Information (ITR) for the quarter ended September 30, 2014, which comprises the balance sheet as at September 30, 2014 and the related income statement and statement of comprehensive income for the quarter and nine-month period then ended, and the statement of changes in equity and statement of cash flows for the nine-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Company management is responsible for the preparation of interim individual financial information in accordance with the Technical Pronouncement of the Accounting Pronouncements Committee (CPC) 21 (R1) – Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of these information in compliance with the rules issued by the Brazilian Securities Commission (“CVM”), applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review according to the Brazilian and international review standards of interim financial information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of inquiries, mainly of the people responsible for the financial and accounting matters, and the application of analytical and other review procedures. The scope of a review is significantly narrower than that of an audit conducted in accordance with audit standards and, accordingly, it did not permit us to obtain assurance that we took notice of all significant matters that could have been raised in an audit. Therefore, we did not express an audit opinion.



Conclusion on the interim individual financial information

Based on our review, we are not aware of any fact that makes us believe that the interim individual financial information included in the Quarterly Information referred above was not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information (ITR), and presented in compliance with the rules issued by the CVM.

Conclusion on the interim consolidated financial information

Based on our review, we are not aware of any fact that makes us believe that the interim consolidated financial information included in the Quarterly Information referred above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, and presented in compliance with the rules issued by the CVM.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statement of value added (SVA) for the nine-month period ended September 30, 2014, prepared under the responsibility of the Company's management, the presentation of which in the interim financial information is required by the rules of the CVM applicable to Quarterly Information (ITR), and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, we are not aware of any fact that makes us believe that they were not prepared, in all material respects, according to the interim individual and consolidated financial information taken as a whole.

Audit and review of the amounts corresponding to prior year and period

The amounts correspondent to balance sheets for the year ended December 31, 2013 and the statements of income, of comprehensive income, of changes in shareholders' equity, of cash flows and of value added for the three and nine-months period ended September 30, 2013 presented for comparison purposes, were previously audited and reviewed, respectively, by other independent accountants, who issued an unmodified opinion dated February 4, 2014 and review report of quarterly information dated October 31, 2013.

São Paulo, October 30, 2014.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Passetti
Accountant CRC-1SP144343/O-3

Vanessa R. Martins
Accountant CRC-1SP244569/O

Smiles S.A.**Individual and Consolidated Financial Statements/Statement of Financial Position - Assets****(In Thousands of Brazilian Reais)**

| Line code | Line item | Individual Current Year 09/30/2014 | Consolidated Current Year 09/30/2014 | Individual Prior Year 12/31/2013 |
|------------------|-------------------------------|---|---|---|
| 1 | Total Assets | 1,581,590 | 1,581,590 | 1,944,150 |
| 1.01 | Current Assets | 636,919 | 636,919 | 834,116 |
| 1.01.01 | Cash and Cash Equivalents | 68,241 | 68,564 | 154,243 |
| 1.01.02 | Short-term Investments | 2,281 | 1,958 | 228,489 |
| 1.01.03 | Accounts receivable | 87,927 | 87,927 | 49,637 |
| 1.01.06 | Recoverable Taxes | 450 | 450 | 418 |
| 1.01.07 | Prepaid Expenses | 1,135 | 1,135 | 105 |
| 1.01.08 | Other Current Assets | 476,885 | 476,885 | 401,224 |
| 1.01.08.03 | Others | 476,885 | 476,885 | 401,224 |
| 1.01.08.03.01 | Advances to suppliers | 369,833 | 369,833 | 351,403 |
| 1.01.08.03.02 | Other Credits | 332 | 332 | 831 |
| 1.01.08.03.03 | Related-party transactions | 49,995 | 49,995 | 48,990 |
| 1.01.08.03.04 | Restricted cash | 56,725 | 56,725 | - |
| 1.02 | Noncurrent assets | 944,671 | 944,671 | 1,110,034 |
| 1.02.01 | Long-term assets | 905,309 | 905,309 | 1,108,731 |
| 1.02.01.06 | Taxes | 73,832 | 73,832 | 77,308 |
| 1.02.01.09 | Other Noncurrent Assets | 831,477 | 831,477 | 1,031,423 |
| 1.02.01.09.03 | Advances to suppliers | 831,477 | 831,477 | 1,031,423 |
| 1.02.02 | Investments | 25,875 | 25,875 | - |
| 1.02.03 | Property, Plant and Equipment | 2,400 | 2,400 | 1,137 |
| 1.02.04 | Intangible | 11,087 | 11,087 | 166 |

Smiles S.A.**Individual and Consolidated Financial Statements / Statement of Financial Position –
Liabilities
(In Thousands of Brazilian Reais)**

| Line code | Line item | Individual Current quarter 09/30/2014 | Consolidated Current quarter 09/30/2014 | Individual Prior year 12/31/2013 |
|------------------|--|--|--|---|
| 2 | Total Liabilities and Equity | 1,581,590 | 1,581,590 | 1,944,150 |
| 2.01 | Current Liabilities | 784,481 | 784,481 | 344,120 |
| 2.01.01 | Salaries, Wages and Benefits | 6,095 | 6,095 | 14,849 |
| 2.01.01.02 | Salaries, Wages and Benefits | 6,095 | 6,095 | 14,849 |
| 2.01.02 | Suppliers | 50,508 | 50,508 | 16,094 |
| 2.01.02.01 | Suppliers | 50,508 | 50,508 | 16,094 |
| 2.01.03 | Taxes payable | 15,367 | 15,367 | 13,502 |
| 2.01.04 | Short-term Debt | 499,337 | 499,337 | 0 |
| 2.01.05 | Other Liabilities | 213,174 | 213,174 | 299,675 |
| 2.01.05.01 | Liabilities with Related-Party Transactions | 6,250 | 6,250 | 0 |
| 2.01.05.02 | Others | 206,924 | 206,924 | 299,675 |
| 2.01.05.02.02 | Compulsory dividend payable | 0 | 0 | 12,247 |
| 2.01.05.02.04 | Advances from Customers | 19,230 | 19,230 | 167,759 |
| 2.01.05.02.05 | Deferred revenue | 187,694 | 187,694 | 119,669 |
| 2.02 | Noncurrent Liabilities | 403,265 | 403,265 | 270,974 |
| 2.02.02 | Other Liabilities | 402,869 | 402,869 | 270,870 |
| 2.02.02.02 | Others | 402,869 | 402,869 | 270,870 |
| 2.02.02.02.03 | Deferred revenue | 402,487 | 402,487 | 267,225 |
| 2.02.02.02.04 | Advances from Customers | 382 | 382 | 3,645 |
| 2.02.04 | Provisions | 396 | 396 | 104 |
| 2.02.04.01 | Provisions tax social security labor and civil | 396 | 396 | 104 |
| 2.02.04.01.04 | Civil provisions | 396 | 396 | 104 |
| 2.03 | Shareholder's Equity | 393,844 | 393,844 | 1,329,056 |
| 2.03.01 | Capital | 101,594 | 101,594 | 1,095,772 |
| 2.03.01.01 | Issued Capital | 137,996 | 137,996 | 1,132,174 |
| 2.03.01.02 | Cost of issued shares | (36,402) | (36,402) | (36,402) |
| 2.03.02 | Capital Reserves | 76,749 | 76,749 | 74,790 |
| 2.03.02.02 | Special Reserve | 72,942 | 72,942 | 72,942 |
| 2.03.02.07 | Share-based Payments | 3,807 | 3,807 | 1,848 |
| 2.03.04 | Revenue reserves | 10,392 | 10,392 | 158,494 |
| 2.03.04.01 | Statutory reserve | 10,392 | 10,392 | 10,392 |
| 2.03.04.08 | Additional proposed dividend | 0 | 0 | 148,102 |
| 2.03.05 | Retained Earnings | 202,064 | 202,064 | 0 |
| 2.03.06 | Equity Valuation Adjustments | 3,045 | 3,045 | 0 |

See accompanying notes.

Smiles S.A.**Individual and Consolidated Financial Statements / Statements of Operations
(In Thousands of Brazilian Reais)**

| Line code | Line item | Individual and Consolidated | Individual and Consolidated | Individual | Individual |
|------------|---|-----------------------------|-----------------------------|--------------------------|--------------------------|
| | | Current Quarter | Current Year | Same Quarter Prior Year | Prior Year YTD |
| | | 07/01/2014 to 09/30/2014 | 01/01/2014 to 09/30/2014 | 07/01/2013 to 09/30/2013 | 01/01/2013 to 09/30/2013 |
| 3.01 | Sales and services revenue | 223,853 | 564,227 | 155,912 | 385,789 |
| 3.01.01 | Net revenue | 223,853 | 564,227 | 155,912 | 385,789 |
| 3.02 | Cost of sales and/or services | (127,926) | (308,569) | (99,060) | (209,419) |
| 3.02.01 | Cost of services rendered | (127,926) | (308,569) | (99,060) | (209,419) |
| 3.03 | Gross profit | 95,927 | 255,658 | 56,852 | 176,370 |
| 3.04 | Operating expenses/revenues | (27,632) | (70,703) | (18,089) | (52,481) |
| 3.04.01 | Sales expenses | (17,666) | (44,647) | (7,836) | (29,326) |
| 3.04.01.01 | Marketing expenses | (17,666) | (44,647) | (7,836) | (29,326) |
| 3.04.02 | General and administrative expenses | (9,203) | (23,886) | (10,253) | (23,155) |
| 3.04.06 | Equity in subsidiaries | (763) | (2,170) | - | - |
| 3.05 | Result before income taxes and financial result | 68,295 | 184,955 | 38,763 | 123,889 |
| 3.06 | Financial result | 22,523 | 122,749 | 47,480 | 81,236 |
| 3.06.01 | Financial income | 38,583 | 139,259 | 47,507 | 81,294 |
| 3.06.01.01 | Financial income | 40,390 | 140,439 | 47,465 | 81,428 |
| 3.06.01.02 | Exchange variation, net | (1,807) | (1,180) | 42 | (134) |
| 3.06.02 | Financial expenses | (16,060) | (16,510) | (27) | (58) |
| 3.06.02.01 | Financial expenses | (16,060) | (16,510) | (27) | (58) |
| 3.07 | Income before income taxes | 90,818 | 307,704 | 86,243 | 205,125 |
| 3.08 | Income taxes | (31,177) | (105,640) | (23,215) | (63,958) |
| 3.08.01 | Current | (29,471) | (102,164) | (25,643) | (51,271) |
| 3.08.02 | Deferred | (1,706) | (3,476) | 2,428 | (12,687) |
| 3.09 | Result from continuing operations, net | 59,641 | 202,064 | 63,028 | 141,167 |
| 3.11 | Profit for the period | 59,641 | 202,064 | 63,028 | 141,167 |

See accompanying notes.

Individual and Consolidated Statements of Comprehensive Income

(In Thousands of Brazilian Reais)

| Line code | Line item | Current quarter 07/01/2014 to 09/30/2014 | Current year 01/01/2014 to 09/30/2014 | Same quarter prior year 07/01/2013 to 06/30/2013 | Prior year 01/01/2013 to 06/30/2013 |
|------------------|-----------------------------------|---|--|---|--|
| 4.01 | Net loss for the period | 59,641 | 202,064 | 63,028 | 141,167 |
| 4.03 | Comprehensive loss for the period | 59,641 | 202,064 | 63,028 | 141,167 |

See accompanying notes.

Individual and Consolidated Financial Statements/Statements of Cash Flows - Indirect Method

(In Thousands of Brazilian Reais)

| Line code | Line item | Individual Current quarter 09/30/2014 | Consolidated Current quarter 09/30/2014 | Individual Prior year 09/30/2013 |
|------------|--|---|---|--|
| 6.01 | Net cash generated (used) in operating activities | 435,598 | 435,598 | (784,644) |
| 6.01.01 | Cash flows from operating activities | (85,127) | (85,127) | (50,903) |
| 6.01.01.01 | Deferred taxes | 3,476 | 3,476 | 12,687 |
| 6.01.01.02 | Share-based Payments | 1,718 | 1,718 | 1,063 |
| 6.01.01.03 | Provisions for judicial deposits | 291 | 291 | 87 |
| 6.01.01.04 | Depreciation and amortization | 2,089 | 2,089 | 74 |
| 6.01.01.05 | Obtained discounts | (113,357) | (113,357) | (71,967) |
| 6.01.01.06 | Exchange and monetary variations, net | 1,128 | 1,128 | 98 |
| 6.01.01.07 | Allowance for doubtful accounts | 71 | 71 | 574 |
| 6.01.01.08 | Provision for profit sharing and results | 3,170 | 3,170 | 6,481 |
| 6.01.01.09 | Equity in subsidiaries | 2,170 | 2,170 | - |
| 6.01.01.10 | Interest on loans | 14,117 | 14,117 | - |
| 6.01.02 | Changes assets and liabilities | 318,661 | 318,661 | (874,908) |
| 6.01.02.01 | Accounts receivable | (38,361) | (38,361) | (40,258) |
| 6.01.02.02 | Advances to suppliers | 294,873 | 294,873 | (1,271,395) |
| 6.01.02.03 | Prepaid Expenses | (1,030) | (1,030) | (2,351) |
| 6.01.02.04 | Prepaid expenses and recoverable taxes | (32) | (32) | (2,658) |
| 6.01.02.05 | Other Credits | 498 | 498 | (674) |
| 6.01.02.07 | Salaries, Wages and Benefits | (11,924) | (11,924) | 1,826 |
| 6.01.02.08 | Advances from Customers | (151,792) | (151,792) | 174,331 |
| 6.01.02.09 | Deferred revenue | 203,288 | 203,288 | 302,647 |
| 6.01.02.10 | Taxes payable | 92,789 | 92,789 | 33,005 |
| 6.01.02.11 | Income tax and social contribution paid | (90,924) | (90,924) | (40,682) |
| 6.01.02.12 | Related-party transactions | (764) | (764) | (43,027) |
| 6.01.02.13 | Suppliers | 22,040 | 22,040 | 14,328 |
| 6.01.03 | Others | 202,064 | 202,064 | 141,167 |
| 6.01.03.01 | Profit for the period | 202,064 | 202,064 | 141,167 |
| 6.02 | Net cash generated (used) in investing activities | 147,707 | 148,030 | (147,599) |
| 6.02.01 | Acquisition of fixed assets | (3,027) | (3,027) | (714) |
| 6.02.02 | Financial application | 169,484 | 169,807 | (146,885) |
| 6.02.03 | Advance for future capital increase | (18,750) | (18,750) | - |
| 6.03 | Net cash generated (used) by financing activities | (669,307) | (669,307) | 1,058,772 |
| 6.03.01 | Capital increase | 5,822 | 5,822 | - |
| 6.03.02 | Stock issue cost | (6,437) | (6,437) | (36,286) |
| 6.03.03 | Distributed dividends | (160,349) | (160,349) | (37,116) |
| 6.03.04 | Loans funding | (98,436) | (98,436) | - |
| 6.03.05 | Interest paid | (9,907) | (9,907) | - |
| 6.03.06 | Loan payment | (1,000,000) | (1,000,000) | 1,132,174 |
| 6.03.07 | Interest paid | 600,000 | 600,000 | - |
| 6.05 | Net increase (decrease) in cash and cash equivalents | (86,002) | (85,679) | 126,529 |
| 6.05.01 | Cash and cash equivalents at beginning of the period | 154,243 | 154,243 | - |
| 6.05.02 | Cash and cash equivalents at end of the period | 68,241 | 68,564 | 126,529 |

See accompanying notes.

Individual and Consolidated Financial Statements/Statements of Changes in Equity - From 01/01/2013 to 09/30/2013

| Line code | Line item | Capital Stock | Capital reserves, options granted and treasury shares | Income reserves | Accumulated profits | Total equity |
|-----------|--|---------------|---|-----------------|---------------------|--------------|
| 5.01 | Opening Balance | - | - | - | - | - |
| 5.04 | Shareholders Capital Transactions | 1,095,888 | - | - | (37,116) | 1,058,772 |
| 5.04.01 | Capital Increases | 1,132,174 | - | - | - | 1,132,174 |
| 5.04.02 | Expenditures with Issuance of Shares | (36,286) | - | - | - | (36,286) |
| 5.04.06 | Dividends | - | - | - | (37,116) | (37,116) |
| 5.05 | Total Comprehensive Income | - | - | - | 141,167 | 141,167 |
| 5.05.01 | Profit for the Period | - | - | - | 141,167 | 141,167 |
| 5.06 | Internal Changes in Shareholders' Equity | - | 1,201 | - | - | 1,201 |
| 5.06.04 | Share-based Payments | - | 1,201 | - | - | 1,201 |
| 5.07 | Closing Balance | 1,095,888 | 1,201 | - | 104,051 | 1,201,140 |

Individual and Consolidated Financial Statements / Statements of Changes in Equity – From 01/01/2014 to 09/30/2014 (In Thousands of Brazilian Reais)

| Line code | Line item | Capital Stock | Capital reserves, options granted and treasury shares | Income reserves | Accumulated profits | Total equity |
|-----------|---|---------------|---|-----------------|---------------------|--------------|
| 5.01 | Opening Balance | 1,095,772 | 74,790 | 158,494 | - | 1,329,056 |
| 5.04 | Shareholders Capital Transactions | (994,178) | 5,004 | (148,102) | - | (1,137,276) |
| 5.04.06 | Distributed dividends | - | - | (148,102) | - | (148,102) |
| 5.04.08 | Capital decrease | (1,000,000) | - | - | - | (1,000,000) |
| 5.04.11 | Capital increase - Share-based payments | 5,822 | - | - | - | 5,822 |
| 5.04.09 | Share-based payments | - | 1,959 | - | - | 1,959 |
| 5.04.10 | Gains on dilution of equity interest | - | 3,045 | - | - | 3,045 |
| 5.05 | Total Comprehensive Income | - | - | - | 202,064 | 202,064 |
| 5.05.01 | income for the period, net | - | - | - | 202,064 | 202,064 |
| 5.07 | Closing Balance | 101,594 | 79,794 | 10,392 | 202,064 | 393,844 |

See accompanying notes.

Smiles S.A.

Notes to the interim financial information

September 30, 2014

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Individual and Consolidated Financial Statements/Statements of Value Added

(In thousands of Brazilian Reais)

| Line code | Line item | Current year 09/30/2014 | Prior year 09/30/2013 |
|------------|---|----------------------------|--------------------------|
| 7.01 | Revenue | 621,921 | 425,267 |
| 7.01.01 | Sales of goods, products and services | 618,273 | 420,302 |
| 7.01.02 | Other revenue | 3,719 | 5,090 |
| 7.01.02.01 | Other operating income | 3,719 | 5,090 |
| 7.01.04 | Allowance/reversal for doubtful accounts | (71) | (125) |
| 7.02 | Acquired from third parties | (380,956) | (263,444) |
| 7.02.01 | Cost products, goods and services sold | (322,490) | (223,659) |
| 7.02.02 | Material, power, third-party services and other | (34,472) | (27,412) |
| 7.02.04 | Others | (23,994) | (12,373) |
| 7.02.04.01 | Sales and advertising | (23,994) | (12,373) |
| 7.03 | Gross value added | 240,965 | 161,823 |
| 7.04 | Retentions | (2,089) | (74) |
| 7.04.01 | Depreciation, amortization and exhaustion | (2,089) | (74) |
| 7.05 | Added value produced | 238,876 | 161,749 |
| 7.06 | Value added received in transfer | 138,269 | 81,428 |
| 7.06.01 | Equity income | (2,170) | - |
| 7.06.02 | Financial income | 140,439 | 81,428 |
| 7.07 | Total wealth for distribution | 377,145 | 243,177 |
| 7.08 | Wealth for distribution | 377,145 | 243,177 |
| 7.08.01 | Employees | 17,275 | 16,113 |
| 7.08.02 | Taxes | 139,400 | 85,313 |
| 7.08.03 | Third-party capital remuneration | 18,406 | 584 |
| 7.08.04 | Return on own capital | 202,064 | 141,167 |

See accompanying notes.

Smiles S.A.

Notes to the interim financial information

September 30, 2014

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

1. General information

Smiles S.A. ("Company") is a publicly-listed company incorporated in accordance with the Brazilian laws listed on the São Paulo Stock, Commodities and Futures Exchange - BM&FBOVESPA. The Corporate Governance practices of the Company are classified as New Market, which, among others, upgrade the shareholders' rights and improve the quality of the information provided.

The Company is engaged in the customer loyalty program to accomplish primarily: (a) the development and management of the program; (b) the marketing rights of rewards acquired; and (c) establishment of a database of individuals and legal entities.

The miles are issued by the Smiles Program to: (a) transfer to participating passengers through the VRG loyalty program; (b) the sale of miles to banks that transfer to its customers with miles according to credit card spending; (c) the sale of miles to retail and entertainment customers; (d) the sale of miles to airline partners; and (e) the sale of miles to individuals.

On October 8, 2013, the Company entered into an investment agreement for the acquisition of 25% of the capital of the company, Netpoints, which operates a loyalty program specialized in retail customers. On January 21, 2014, the Administrative Council for Economic Defense ("CADE") approved the transaction, validating the agreement. The payment for the acquisition of 25% amounting to R\$25,000 will occur in 4 (four) equal installments. On February 07, May 07 and August 07, 2014. The Company paid two installments amounting to R\$6,250. The last installment amounting R\$6,250, will be paid on November 07, 2014. The transaction also provides the option of acquiring 50% plus one share in Netpoints, which may be exercised from the end of 2018.

On September 30, 2014, Marisa Lojas S.A. acquired 20% of Netpoints' capital. The transaction diluted the Company's interest in Netpoints from 25% to 21.25% as stated in Note 11.

On July 15, 2014, the Company decreased its own working capital by R\$1,000,000, with no reduction in the number of shares. The restitution to its shareholders occurred by: (i) payment in Company's cash, and (ii) raising loans with a financial institution, amounting to R\$600,000 as described in Note 14. The transaction was approved on the same date, at the Ordinary and Extraordinary General Meeting.

On July 14, 2014, the Company's assets previously classified as the "Winglet" investment fund were segregated creating the "Sorriso" investment fund. This fund is a Company exclusive fund, and, for this reason, the Company started to include these assets in its consolidated interim financial information.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

2. Approval and summary of significant accounting policies applied in preparing the financial statements

These financial statements were approved and authorized for issue at the Company's Board of Directors' meeting held on October 30, 2014. The Company's head office is at Alameda Rio Negro, 585, Padauri building, Block B, 2nd Floor, Alphaville, Industrial, Barueri, São Paulo, Brazil.

2.1. Declaration of conformity

The Consolidated Interim Financial Information - ITR were prepared for the three and/or nine-month period ended on September 30, 2014 in accordance with International Accounting Standards ("IAS") n. 34 and technical pronouncement CPC 21 (R1) which comprises the Interim Financial Reporting.

The accounting practices adopted in Brazil comprise those included in the Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee - "CPC" and approved by the Federal Accounting Board - "CFC" and the Brazilian Securities and Exchange Commission - "CVM".

2.2. Basis of presentation

These Interim Financial Information - ITR were prepared using the Brazilian Real as the functional and presentation currency. IAS 34 requires the use of certain accounting estimates by the Company Management. The interim financial information was prepared based on historical cost, except for certain financial assets and liabilities, which are measured at fair value.

This Interim Financial Information - ITR does not include all the information and disclosure items required in the annual financial statements and, therefore, it should be read together with the financial statements for the year ended December 31, 2013 filed on February 04, 2014, which were prepared in accordance with Brazilian accounting practices and IFRS. There were no changes in accounting policies adopted on December 31, 2013, compared to September 30, 2014.

The acquisition of 25% of Netpoints' total capital through the issue of new shares and corresponding change in its interest to 21.25% as stated in Note 1 did not represent the acquisition of a subsidiary, and does not meet the requirements of CPC 36 - Consolidated Financial Statements. As a result the Company is not presenting consolidated interim financial information.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

2. Approval and summary of significant accounting policies applied in preparing the financial statements (Continued)

2.2. Basis of presentation (Continued)

The non-financial information included on this Individual and Consolidated Interim Financial Information, such as sales volume, agreement information, forecasts, insurance, among others, have not been audited.

2.3. New accounting estimates, changes and assumptions

a) Applicable as of January 01, 2014

- Investment Entities (IFRS 10, 12 and IAS 12): provides an exception to the consolidation requirements to entities that classify under the definition of an investment entity in accordance with IFRS 10. The exception requires that the entities measure subsidiaries at fair value through profit or loss. The Company's management identified that this review did not affect its interim financial information since none of its entities qualifies as an investment entity.
- IAS 32 Offsetting Financial assets and liabilities – Amendment of IAS 32: These amendments clarify the meaning of “currently has a legally enforceable right to offset the amounts recognized” and the criterion that would cause settlement mechanisms that are not simultaneous to qualify for such offsetting. The Company does not anticipate any material impact therefrom in its financial statements.
- IFRIC 21 Taxes: Clarifies when an entity should recognize a tax liability as the tax payment operation occurs. For taxes that require the payment from a metric achievement, the interpretation indicated that no liability should be recognized until its metric is reached. The Company's management identified that this amendment did not affect its interim financial information.
- IAS 39 - Renovation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39 - This amendment introduces a relief regarding discontinuance of hedge accounting where a derivative, which is designated as hedging instrument, is renewed if specific conditions are met. The Company's management identified that this amendment did not affect its interim financial information.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

2. Summary of significant accounting practices (Continued)

2.3. New accounting estimates, changes and assumptions (Continued)

- b) Issued by IASB but not applicable to the date of this interim financial information, and was not adopted early by the Company

New standards

- IFRS 9 Financial Instruments: As issued, reflects the first phase of the work of the IASB in order to replace IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard would initially be applied to fiscal periods beginning on or after January 1, 2013, but the pronouncement "Amendments to IFRS 9 Mandatory effective Date of IFRS 9 and Transition Disclosures", issued on December 2011, has postponed its term to January 1, 2015. In subsequent phases, the IASB will address issues such as hedge accounting and provision for losses on financial assets. The adoption of the first phase of IFRS 9 will have an impact on the classification and valuation of the Company's financial assets, but will not impact on the classification and measurement of financial liabilities. The Company will quantify the effect in conjunction with the effects of the remaining stages of the IASB project, once the final consolidated rule is issued.
- IFRS 15 Revenue from customers' agreements: Establishes a five-step model that the income earned from an agreement with a client, regardless of the type of revenue or industry. Applies to all revenue agreements and provides a model for the recognition and measurement of gains or losses on the sale of certain non-financial assets that are not related to the ordinary activities of the entity (for example, sales of property, plant and equipment or intangible assets). Extensive disclosures are also required under this standard. This statement shall be applied for annual periods beginning on or after January 1, 2017, with early adoption allowed.

Amendments to existing standards

- IFRS 5 Non-current assets held for sale and discontinued operations - Changes in the disposal method: Clarifies that the change of method of the disposal of property, either by sale or by distribution to its owners, should not be considered as a new disposal plan of I, but rather a continuation of the original plan. Thus, there is no interruption in the application of the requirements of IFRS 5. The amendment also clarifies that the change in the disposal method does not change the date of classification. This amendment should be applied prospectively for changes in the method of disposal occurring in annual periods beginning on or after 1 January 2016, with early adoption allowed.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

2. Summary of significant accounting practices (Continued)

2.3. New accounting estimates, changes and assumptions (Continued)

- IFRS 7 Financial instruments (Disclosures) – Service agreements: Clarifies that a service agreement that includes an administration fee may be characterized as continuing involvement in a given financial asset. An entity should evaluate the nature of the fee arrangement under guidance provided in paragraphs 7.B30 IFRS and IFRS 7.42C, in order to assess the required disclosures. This change should be applied for annual periods beginning on or after 1 January 2016, with early adoption allowed.
- IFRS 7 Financial instruments (Disclosures) – Applicability of disclosures offset to the condensed financial statements: The amendment removes the expression "and interim periods within those annual periods" of paragraph 44.R, clarifying that the disclosure requirements of IFRS 7 are not required in condensed financial statements. However, IAS 34 requires an entity to disclose "an explanation of events and transactions that are significant to building an understanding of changes in financial position and performance of the entity since the end of the prior year." So, if the disclosures in IFRS 7 reflect a significant update to the information contained in the latest annual report, it is expected that these are included in the condensed financial statements. This amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with early adoption allowed.
- IAS 19 Employee benefits – Discount rate, regional market issuance: The amendment clarifies that high quality corporate bonds should be evaluated based on the currency which the obligation is denominated, rather than the currency of the country where the obligation remains. When there is no bond market of high quality in that currency, public debt rates should be used. This amendment should be applied for annual periods beginning on or after 1 January 2016, with early adoption allowed.
- IAS 34 Interim financial statements - Disclosures "elsewhere in the interim financial statements": Establishes the interim disclosures that should be included or that are necessary in the interim financial statements or included by reference in the interim financial statements and the circumstances these are included in the interim information (for example, the management report or risk report). This amendment should be applied retrospectively for annual periods beginning on or after January 1, 2016, with early adoption allowed.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

2. Summary of significant accounting practices (Continued)

2.3. New accounting estimates, changes and assumptions (Continued)

The Company intends to adopt those standards when these become effective and disclose and recognize the impacts in the interim financial information that may occur on application of those standards.

There are no other standards and interpretations issued but not yet adopted that, in Management's opinion, have a significant impact on net income or equity issued by the Company.

3. Cash and cash equivalents

| | Individual | Consolidated | Individual |
|-------------------------------------|-------------------|---------------------|-------------------|
| | 09/30/2014 | 09/30/2014 | 12/31/2013 |
| Cash and bank deposits | 316 | 639 | 1,337 |
| Cash equivalents - investment funds | 67,925 | 67,925 | 152,906 |
| | 68,241 | 68,564 | 154,243 |

The balance classified as cash equivalents is composed as follows:

| | Individual | Consolidated | Individual |
|--------------------|-------------------|---------------------|-------------------|
| | 09/30/2014 | 09/30/2014 | 12/31/2013 |
| Investment funds | - | - | 106,127 |
| Private Securities | 67,925 | 67,925 | 46,779 |
| | 67,925 | 67,925 | 152,906 |

The investment funds classified as cash equivalents are those which have immediate liquidity and, according to the Company analysis, can be converted to a known amount of cash with insignificant risk of change in its value.

As of September 30, 2014, the cash equivalents are represented by private bonds (Bank Deposit Certificates "CDB"). The Company also invests on buy-back transactions remunerated at approximately the weighted average rate of 93.89% of the CDI rate and also CDBs investments remunerated at the weighted average rate of 100.74% of the CDI rate. The Company does not have balances in foreign currency.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

4. Short-term investments

The short-term investments are financial assets with maturity up to 90 days, with risk of value changes and measured at fair value through profit or loss.

As of September 30, 2014, the short-term investments in the amount of R\$2,281 on individual are represented by exclusive investment funds (Sorriso fund) and R\$1,958 on consolidated are represented by primarily private bonds and LTNs.

5. Restricted cash

The amount of R\$56,725 at September 30, 2014 is related to the debenture agreement issued as stated in Note 14. The maturity of the agreement is related to the last installment of the debenture, maturing on July 04, 2015.

6. Trade receivables

| | Individual and Consolidated | Individual |
|---------------------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Non-airline partners companies | 58,306 | 29,174 |
| Airline partners companies | 8,304 | 14,373 |
| Credit card administrators | 21,683 | 6,385 |
| | 88,293 | 49,932 |
| Allowance for doubtful accounts | (366) | (295) |
| | 87,927 | 49,637 |

Of the balance of non-airline partners, R\$52,158 (R\$17,851 as of December 31, 2013) is mainly represented by the miles sales to financial institutions. Of the balance of the airlines partners, R\$7,840 (R\$10,028 as of December 31, 2013) is related to miles sales and R\$464 (R\$671 as of December 31, 2013) is related to administration fees of the Smiles Program to VRG, as described in Note 9.

The total receivables are denominated in Brazilian Reais. The composition of accounts receivable by maturity is as follows:

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

6. Trade receivables (Continued)

| | Individual and Consolidated | Individual |
|------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| To mature | | |
| Up to 30 days | 85,959 | 48,916 |
| Overdue | | |
| Until 30 days | 1,749 | 425 |
| 31 to 60 days | 12 | 238 |
| 61 to 90 days | 207 | 58 |
| 91 to 180 days | 138 | 272 |
| 181 to 360 days | 91 | - |
| Above 360 days | 137 | 23 |
| Total | 88,293 | 49,932 |

The maximum exposure to credit risk as of September 30, 2014 is represented by the book value of each type of receivable mentioned above.

The changes in the allowance for doubtful accounts are as follows:

| | Individual and Consolidated | Individual |
|------------------------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Balance at beginning of the period | (295) | - |
| Additions | (439) | (932) |
| Recoveries | 368 | 637 |
| Balance at the end of the period | (366) | (295) |

7. Advances to suppliers

The Company signed, on May 10, 2013, the second agreement of anticipated airline tickets purchase and sale with VRG for monthly tickets acquisition. This agreement has a conditional discount based on CDI which corresponds to 12.49% p.a, applied for the period of 4 years from the date of the signature, over the open amount of the advances. As of September 30, 2014, the amount of advance ticket purchases was R\$396,813 (R\$351,403 as of December 31, 2013) classified in current assets and R\$831,477 (R\$1,031,423 as of December 31, 2013) classified in noncurrent assets.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

8. Deferred taxes

| | Individual and Consolidated | Individual |
|---|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Temporary differences: | | |
| Provision for suppliers and other | 9,955 | 3,700 |
| Other temporary differences | 1,877 | 666 |
| Tax benefit from goodwill incorporation (*) | 62,000 | 72,942 |
| Total deferred tax and social contribution | 73,832 | 77,308 |

(*) On September 30, 2014, the amount of R\$62,000 (R\$72,942 as of December 31, 2013) is related to the tax benefit from the incorporation of G.A. Smiles Participações S.A. which will be realized proportionally to its use over 5 years. Under the terms of the current legislation, the goodwill generated by the operation will be a deductible expense in the Income Tax and Social Contribution calculation.

The estimated recoveries of deferred tax assets were based on taxable income projections, considering the assumptions adopted for the long-term business plan preparation, besides the several financial assumptions, business and internal and external factors considered at the end of the year. Consequently, the estimates may not materialize in the future, due to the uncertainties inherent in these estimates.

The Company considers that the deferred taxes registered as of September 30, 2014 resulting from temporary differences will be realized in accordance with the provision realization.

| | Individual and Consolidated | Individual |
|------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| 2014 | 15,480 | 18,956 |
| 2015 | 14,588 | 14,588 |
| 2016 | 14,588 | 14,588 |
| 2017 | 14,588 | 14,588 |
| 2018 | 14,588 | 14,588 |
| | 73,832 | 77,308 |

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

8. Deferred taxes (Continued)

The amounts of income tax and social contribution presented in the income statement are reconciled to the combined rate as follows:

| | Individual and Consolidated Three-month period ended on | | Individual and Consolidated Nine-month period ended on | |
|---|---|------------|--|------------|
| | 09/30/2014 | 09/30/2013 | 09/30/2014 | 09/30/2013 |
| Profit before income tax and social contribution | 90,818 | 86,243 | 307,704 | 205,125 |
| Combined tax rate | 34% | 34% | 34% | 34% |
| Income tax expense at the combined tax rate | (30,878) | (29,323) | (104,619) | (69,743) |
| Adjustments to calculate the effective tax rate: | | | | |
| Equity in subsidiaries | (260) | - | (738) | - |
| Noneductible expenses and other | (59) | (81) | (560) | (81) |
| Income tax on permanent differences | - | (29) | - | (352) |
| Interest on own capital | - | 6,218 | - | 6,218 |
| Tax incentive | 20 | - | 277 | - |
| Expense of income tax and social contribution | (31,177) | (23,215) | (105,640) | (63,958) |
| Current income tax and social contribution | (29,471) | (25,643) | (102,164) | (51,271) |
| Deferred income tax and social contribution | (1,706) | 2,428 | (3,476) | (12,687) |
| Effective rate | 34.3% | 26.9% | 34.3% | 31.2% |

9. Related-party transactions

The Company's related parties are basically represented by the purchase of airline tickets and mile sales agreements with its associate VRG with the following characteristics:

i. Operating agreement

On December 28, 2012, the Company, VRG and GLAI entered into an agreement to govern their operating and business relationship, the exclusivity characteristics of the Smiles Program, which is the sole VRG's customer loyalty program. Additionally, the agreement also specifies VRG as the exclusive partner in the Company's air segment and establishes guidelines for the program management by the Company.

The agreement maturity is 20 years from the execution date referred to above, and is automatically renewed for successive five-year periods, unless the Company, VRG or GLAI decides otherwise and gives prior notice of such decision within no less than 2 years before the agreement expiration.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

9. Related-party transactions (Continued)

i. Operating agreement (Continued)

The Company monthly charges a management fee to VRG related to the program, which is calculated based on the gross sales of miles to VRG, in accordance with factor proportionally decreased as established on the agreement, as the gross revenue of mile sales to VRG increases, based in the previous year revenue adjusted by the General Market Price Index - IGP-M. For 2014, the established management fee was 6%, and the value recognized in the income statement as of September 30, 2014 under "Other revenue" was R\$3,719 (R\$5,067 as of September 30, 2013), as described in Note 22. The trade receivable from affiliate VRG as of September 30, 2014 was R\$464 (R\$671 as of December 31, 2013), as described in Note 6.

The Company has agreements with companies that perform miles exchange for several products to be delivered to its customers. A portion of this amount, which is charged by the Company's partners, is transferred to its related party VRG due to miles that were issued before January 1, 2013 and were redeemed after the Program transfer to Smiles as described in Note 1. The balance as of September 30, 2014 recorded in "Receivables from related parties" is R\$824 (R\$395 as of December 31, 2013).

ii. Miles and air tickets purchase agreement

This agreement sets the prices and the terms and conditions for the purchase by VRG of miles issued by the Company, and the purchase of air tickets by the Company from VRG. The agreement duration is 20 years from the execution date (December 28, 2012), and it is automatically renewed for successive five-year periods, unless the Company, VRG or GLAI decides otherwise and gives prior notice of such decision within no less than 2 years before the agreement expiration.

Additionally, VRG must transfer the amount received by the portion in money related to Smiles & Money transactions, which are deposited in the related-party banking account, but refers to the Company's revenue. On September 30, 2014, the receivable balance from VRG related to transfers of ticket sales with counterparts and individuals was R\$53,617 (R\$53,345 as of December 31, 2013), recognized in "related-parties transactions" with an average settlement of 30 days. The payable amount to its affiliate VRG regarding to the transfer of receivables of mileage selling from counterparts is R\$4,659 (R\$5,120 as of December 31, 2013).

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

9. Related-party transactions (Continued)

ii. Miles and air tickets purchase agreement (Continued)

During the period ended September 30, 2014, the total miles sold to VRG was 5,885,644,213 (6,525,663,793 as of September 30, 2013), representing the amount of R\$72,835 (R\$86,139 as of September 30, 2013) and the total of tickets purchased from VRG was 2,552,537 (2,959,464 as of September 30, 2013) representing the amount of R\$263,021 (R\$196,087 as of September 30, 2013) net of recoverable taxes.

The receivable amount regarding the miles sales as of September 30, 2014 is R\$7,840 (R\$10,028 as December 31, 2013) as disclosed in Note 6.

iii. Share-based plans

The Company holds share-based plans which were issued in VRG employee's benefit. During the year ended on September 30, 2014, the Company maintains the amount of R\$573, registered under "Credits with related parties", as disclosed in Note 10.

The related parties transactions mentioned above are summarized as follows:

| | Individual and Consolidated | Individual |
|-------------------------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Asset | | |
| Operational agreement (i) | 464 | 395 |
| Transfer of miles sales (ii) | 53,617 | 53,345 |
| Stock options plan (iii) | 573 | 370 |
| | 54,654 | 54,110 |
| Liability | | |
| Transfer of miles sales (ii) | (4,659) | (5,120) |
| | (4,659) | (5,120) |
| Credits with related parties | 49,995 | 48,990 |

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

9. Related-party transactions (Continued)

iv. Service agreement

Under the Service Agreement entered into on December 28, 2012, VRG will provide certain administrative services to the Company for which the Company will pay a fixed monthly amount for each service group, subject to annual renegotiation. This agreement is effective for 36 months and can be canceled by either party after a minimum prior notice of 120 days. For the nine-month period ended September 30, 2014, the Company recognized the total expenses related to these services of R\$14,217 (R\$13,664 as of September 30, 2013), of which R\$10,460 (R\$9,980 as of September 30, 2013) is recorded as "selling expenses" and R\$3,757 (R\$3,684 as of September 30, 2013) recorded as "administrative expenses". Of this amount, R\$3,124 (R\$1,513 as of December 31, 2013) comprises the amount under "Suppliers" in current liabilities on September 30, 2014.

v. Key management personnel payments

| | Individual and Consolidated | Individual | Individual and Consolidated | Individual |
|-----------------------|--------------------------------|------------|--------------------------------|------------|
| | Three-month period ended on | | Nine-month period ended on | |
| | 09/30/2014 | 09/30/2013 | 09/30/2014 | 09/30/2013 |
| Salaries and benefits | 1,788 | 5,764 | 5,732 | 6,675 |
| Related taxes | 345 | 106 | 1,021 | 345 |
| Share-based payments | 325 | 153 | 974 | 875 |
| | 2,458 | 6,023 | 7,367 | 7,895 |

As of September 30, 2014, the Company did not offer postemployment benefits, and there are no severance benefits or other long-term benefits for the Management or other employees.

10. Share-based payments

Stock options plan - Smiles

The Company held the stock options plan, which consists of an additional payment to the Company's management and executives. This plan stimulates and promotes the alignment of the Company's goals, the administrators and employees, mitigates risks in value creation to the Company for the loss of their executives and strengthens the commitment and productivity of these executives to long-term results. The plans were developed to attract and retain key managers and strategic talents, linking a significant part of their equity to the value of the Company.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

10. Share-based payments (Continued)

On February 04, 2014, the Board of Directors approved the issuance of 1,150,000 (one million, one hundred and fifty thousand) stock options at R\$31.28 per share to the Company's management and employees that were under the plan terms.

The fair value of stock options was estimated on the grant date using the Black-Scholes option pricing model. The expected volatility of the options is based on the historical volatility of 252 working days of the Bovespa index. The other assumptions utilized in the Black-Scholes option pricing model are as follows:

| Stock Options Plan | | | | | | | | |
|--------------------|---------------------------|-----------------------|---|---|------------------------------------|-------------------|-----------------------|---------------------------------|
| Year of the option | Date of the board meeting | Total options granted | Exercise price of the option (in Brazilian reais) | Fair value of the option at grant date - in Brazilian Reais - (a) | Estimate volatility of share price | Expected dividend | Risk-free rate return | Length of the option (in years) |
| 2013 | 08/08/2013 | 1,058,043 | 21.70 | 4.13(a) | 36.35% | 6.96% | 7.40% | 10 |
| 2014 | 04/02/2014 | 1,150,000 | 31.28 | 4.90(b) | 33,25% | 10.67% | 9.90% | 10 |

(a) The fair value calculated for the 2013 plan was R\$4.84, R\$4.20 R\$3.73 and R\$3.73 for the respective periods of vesting of 2013, 2014, 2015 and 2016.

(b) The fair value calculated for the 2013 plan was R\$4.35, R\$4.63 R\$4.90, R\$5.15 and R\$5.17 for the respective periods of vesting of 2014, to 2018.

The movement of stock options during the nine-month period to September 30, 2014 is as follows:

| | Total stock options | Weighted average exercise price |
|---|---------------------|---------------------------------|
| Options outstanding at December 31, 2013 | 1,058,043 | 21,70 |
| Options canceled and adjustments in estimated lost rights | (524,760) | 26.66 |
| Options granted | 1,150,000 | 31.28 |
| Options exercised | (223,522) | 21.70 |
| Options outstanding as of June 30, 2014 | 1,459,761 | 27.46 |
| Options exercised | (111,835) | 11.91 |
| Options outstanding as of September 30, 2014 | 1,347,926 | 28.75 |

Additionally, through its parent Company GLAI, the Company has stock options and restricted shares - plans granted to some executives transferred from VRG on January 1, 2013. Consequently, the remaining expenses related are recognized in the Company's income statements. The amounts granted to executives transferred are summarized below:

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

10. Share-based payments (Continued)

Stock options plan - GLAI

| Year of the option | Outstanding options | | | Options exercisable | | | Fair value (Black & Scholes) |
|--------------------|--------------------------|---------------------|---------------------------------------|------------------------|---------------------|------------------------|---------------------------------|
| | Range of exercise prices | Options outstanding | Average remaining maturity (in years) | Average exercise price | Options exercisable | Average exercise price | |
| 2009 | 10.52 | 18,000 | 5 | 10.52 | 18,000 | 10.52 | 8.53 |
| 2010 | 20.65 | 94,581 | 6 | 20.65 | 94,581 | 20.65 | 16.81 |
| 2011 | 27.83 | 125,003 | 7 | 27.83 | 125,003 | 27.83 | 16.11 |
| 2012 | 12.81 | 78,266 | 8 | 12.81 | 60,635 | 12.81 | 5.35 |
| | 10.52-27.83 | 315,850 | 6.5 | 22.06 | 298,219 | 22.27 | |

Stock options plan -

The movement of stock options during the period to September 30, 2014 is as follows:

| | <u>Total of stock options</u> | <u>Weighted average exercise price</u> |
|---|-------------------------------|--|
| Options outstanding as of December 31, 2013 | 278,711 | 22.06 |
| Options outstanding as of September 30, 2014 | 315,850 | 22.27 |
| Number of options exercisable as of December 31, 2013 | 271,856 | 22.29 |
| Number of options exercisable as of September 30, 2014 | 298,219 | 22.27 |

There is no vested option under this plan as of September 30, 2014.

Restricted shares plan - GLAI

| <u>Year of the share grant</u> | <u>Total shares granted</u> | <u>Fair value of the shares at grant date</u> | <u>Duration of the shares (in years)</u> |
|--------------------------------|-----------------------------|---|--|
| 2012 | 37,139 | 9.70 | 9 |

The movement of restricted shares during the nine-month period to September 30, 2014 is as follows:

| | <u>Total of shares</u> |
|--|------------------------|
| Restricted shares outstanding at December 31, 2013 | 37,139 |
| Restricted shares outstanding at September 30, 2014 | 37,139 |

As of September 30, 2014, the Company recorded under shareholders' equity a result from share-based payments in the amount of R\$3,807 (R\$1,848 as of December 31, 2013). During the period ended September 30, 2014, the Company recognized R\$1,718 which is registered in the income statement classified as salaries expenses and R\$241 is registered in current assets under "credit with related parties".

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

10. Investments

On October 8, 2013, the Company' subsidiary Smiles S.A. signed an investment agreement for the acquisition of 25% of the capital of Netpoints, that operates in the customers loyalty program of retail stores. On January 21, 2014, the Administrative Council for Economic Defense ("CADE") approved the transaction, enabling the agreement closure. The subscribed capital for the acquisition of 25% in the amount of R\$25,000 will occur in 04 (four) equal installments, being paid R\$18,750 on February 07, 2014, May 07, 2014 and August 07, 2014, and the last installment, which totaled R\$6,250, will be paid on November 07, 2014. The transaction also provides the option to acquire 50% plus one share of Netpoints, which may be exercised after the end of 2018. The Company performed an evaluation of the assets and liabilities acquired in order to determinate the goodwill from the transaction, as follows:

Goodwill calculation

| | |
|---|----------------------|
| Equity at the acquisition date | 28,547 |
| Interest on equity of the investee (25%) | 7,137 |
| Goodwill based on the expected future profitability | 17,863 |
| Total cost of acquisition | <u>25,000</u> |

The Goodwill based on the expected future profitability of R\$17,863 was registered in "Intangible assets" and will be annually evaluate.

On June 3, 2014, Marisa Lojas S.A. acquired 20% of Netpoints' capital. Accordingly, the transaction diluted the Company's interest in Netpoints from 25% to 21.25%, the effect of which was recorded under equity as "shareholders transactions". The accounting effects of the decrease were recorded in equity under ICPC 09 - "Individual, Separate and Consolidated Financial Statements and Application of the Equity Method., ".

As of September 30, 2014, the equity of Netpoints is presented below:

Relevant information of the investment as of September 30,

| <u>2014:</u> | <u>09/30/2014</u> | <u>07/02/2014(*)</u> |
|--|----------------------|----------------------|
| Total number of shares | 60,492,404 | 51,418,543 |
| Capital | 63,451 | 44,751 |
| Share-based payments | 11,007 | 10,455 |
| Accumulated losses ended December 31, 2013 | (36,754) | (26,659) |
| Equity as of September 30, 2014 | <u>37,704</u> | <u>28,547</u> |
| Participation | 21,25% | 25% |

(*) Equity on the acquisition date.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

11. Investments (Continued)

The changes in the investments during the period ended September 30, 2014 are as follows:

| | |
|--|---------------|
| Balance as of February 7, 2014 | 7,137 |
| Equity result (*) | (2,170) |
| Effect of transactions between shareholders | 3,045 |
| Balance as of September 30, 2014 | 8,012 |
| (+) Goodwill | 17,863 |
| Total Investment as of September 30, 2014 | 25,875 |

12. Intangible

| | Individual and Consolidated | | | Individual |
|--------------|-----------------------------|---------------|-------------------------|---------------|
| | | | 09/30/2014 | 12/31/2013 |
| | Tax | Cost | Acumulated Amortization | Net amount |
| Software | 33.33% p.a. | 12,975 | (1,888) | 11,087 |
| TOTAL | | 12,975 | (1,888) | 11,087 |

The changes on intangible assets are as follows:

| | |
|----------------------------------|---------------|
| Em 31 de dezembro de 2013 | 166 |
| Adições | 12,774 |
| Amortização | (1,853) |
| Em 30 de setembro de 2014 | 11,087 |

At September 30, 2014, the Company acquired software use licenses related to the mileage program ("Siebel"), amounting to R\$12,774. The value will be amortized in a on a straight line basis, in accordance with the maturity of the licenses acquired (36 months).

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

13. Earnings per share

The basic earnings per share is calculated based on the net income of the nine-month period attributable to shareholders of the Company and the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated based on the average shares outstanding, adjusted by instruments that are potentially convertible into shares with a dilutive effect for the period presented.

| | Individual and Consolidated | Individual | Individual and Consolidated | Individual |
|--|--|-------------------|--|-------------------|
| | Three-month period ended on | | Nine-month period ended on | |
| | 09/30/2014 | 09/30/2013 | 09/30/2014 | 09/30/2013 |
| <u>Numerator</u> | | | | |
| Income for the period, net | 59,641 | 63,028 | 202,064 | 141,167 |
| <u>Denominator</u> | | | | |
| Weighted average number of outstanding shares (in thousands) | 122,431 | 122,174 | 122,286 | 100,051 |
| Effect of diluted position | | | | |
| Stock options plan | 278 | 59 | 278 | 59 |
| Adjusted weighted average number of outstanding shares and diluted presumed (in thousands) | 122,709 | 122,233 | 122,564 | 100,110 |
| Basic earning per share | 0.487 | 0.516 | 1.652 | 1.411 |
| Diluted earning per share | 0.486 | 0.516 | 1.649 | 1.410 |

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume the conversion of all potential dilutive shares. The Company has a category of potential dilutive shares which refers to the stock option plan.

In order to estimate the diluted earnings per share, the Company assumes the exercise of options granted and the assumed values from these instruments are considered as received from the grant of shares at the average market price during the period. The difference between the number of granted shares and the number of common shares that would have been granted at average market price during the period was estimated as the granted ordinary shares with no effect on the diluted earnings per share.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

11. Short-term debt

| | Maturity | Effective rate (p.a.) | Individual and Consolidated | Individual |
|-----------------|-----------|--------------------------|--------------------------------|------------|
| | | | 09/30/2014 | 12/31/2013 |
| Current | | | | |
| Local currency: | | | | |
| Debentures | Jul, 2015 | 8.30% | 499,337 | - |

On July 15, 2014 the Company issued the first 60,000 non-convertible simple debentures at the principal amount of R\$600,000 in accordance with CVM Ruling No. 476 dated 2009. The debentures will be paid at 115% of the Interbank Deposit (DI) rate, with monthly amortization of the principal amount in 12 consecutive installments, maturing August 4, 2014 with the option of early maturity or redemption. From the total amount raised, R\$6,437 is related to the costs to be amortized on a straight line basis along with the debt maturity, with a net amount of R\$593,563. The funds were allocated to a decrease in capital at July 15, 2014, as described in Note 21.

The debentures do not have restrictive covenants and hold in guarantee the amounts in the related bank account, which will receive the deposits of receivables from the Miles sales from Banco Bradesco Cartões S.A., Banco Bankpar S.A., Banco do Brasil S.A, and Banco Santander (Brasil) S.A., and receivable from VRG Linhas Aéreas S.A. and the Miles & Money program, as well all the investments arising from the related account. The investments are classified as restricted cash, as stated in Note 5.

12. Accounts payable

| | Individual and Consolidated | Individual |
|----------------------------|--------------------------------|-----------------|
| | 09/30/2014 | 12/31/2013 |
| Airline partners companies | 24,042 | (3,028) |
| Licenses acquisition | 11,246 | - |
| Other | 15,220 | (13,066) |
| | 50,508 | (16,094) |

(a) Related to software licenses acquired as describe in Note 12.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

13. Salaries, wages and benefits

| | Individual and Consolidated | Individual |
|---------------------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Profit sharing plan and results | 3,103 | 13,408 |
| INSS and FGTS recoverable | 1,144 | 638 |
| 13 salary and holiday allowance | 1,848 | 803 |
| | 6,095 | 14,849 |

14. Taxes payable

Taxes payable are registered in current liabilities and are shown below:

| | Individual and Consolidated | Individual |
|-----------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| IRPJ and CSLL payable | 11,240 | 9,872 |
| PIS and COFINS | 3,915 | 3,180 |
| IRRF on payroll | 212 | 254 |
| Other | - | 196 |
| | 15,367 | 13,502 |

On November, 2013 the provisional measure n. 627 was issued establishing that non-taxation over the profit and dividends calculated based on results from January 01, 2008 to December 31, 2013 by the Companies taxable based on actual profits, presumed or arbitrate, paid until the date of the provisional measure publication, in higher values that the ones calculated by the current accounting policies on December 31, 2007 since the Company has already paid the profit or dividends the anticipated adoption by 2014.

On May, 2014, the provisional measure was converted to Law n. 12,973, resulting in significant changes to the previously established, along with dividends, return on own capital and investments measurement through equity. A change from provisional measure n. 627 to Law n. 12,973, was the unconditional non-taxation for the profits and dividends calculated based on the results from January 01, 2008 to December 31, 2013.

The Company analyzed the potential effects on the Law n. 12,973 adoption and concluded that there is no significant effects on its interim financial information as of September 30, 2014 and December 31, 2013 and will anticipate the adoption of its effects, which will be presented on the Declaration of Federal Tax Debits and Credits (DCTF) related to the generated operations to be incur on a determined date by the "Secretaria da Receita Federal do Brasil" (SRFB).

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

15. Advances from customers

The Company realized advance miles sales and recorded such under "Advances from Customers". On September 30, 2014, the outstanding balance regarding these anticipated sales is represented as follows:

| | Individual and Consolidated | Individual |
|----------------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Financial institutions (a) | 19,530 | 169,649 |
| Others | 82 | 1,755 |
| | 19,612 | 171,404 |
| Current | 19,230 | 167,759 |
| Non current | 382 | 3,645 |

- (a) Part of the balance registered in current liabilities of R\$6,765 as of September 30, 2014 (R\$166,004 as of December 31, 2013) refers to the advances on miles sales agreement in the approximately total amount of R\$400,000 signed on April 08, 2013, with the financial institutions Bradesco S.A., Banco do Brasil S.A. and Santander S.A.

The advances from customers are transferred to "Deferred revenue" as the miles are transferred to the participants of Smiles Program.

16. Deferred revenue

The miles issued are initially recorded as deferred revenue, and as they are redeemed by the customers are recognized as revenue in the income statement. As of September 30, 2014, the balance of Smiles deferred revenue was R\$590,181 (R\$386,894 as of December 31, 2013) and the number of outstanding miles amounted to 28,985,789,270 (20,211,339,640 as of December 31, 2013).

| | Individual and Consolidated | Individual |
|----------------------|--|-------------------|
| | 09/30/2014 | 12/31/2013 |
| Deferred revenue (a) | 710,800 | 457,927 |
| Breakage provision | (120,619) | (71,033) |
| | 590,181 | 386,894 |
| Current | 187,694 | 119.669 |
| Noncurrent (a) | 402,487 | 267.225 |

- (a) A portion of the total amount registered on current liabilities of R\$ 8.265 and on noncurrent liabilities of R\$8,230 is related to the operational agreement of anticipated purchase of airline tickets between the Company and VRG as Note 9 (ii).

Breakage consists of a statistical calculation of miles issued for which there is no expectation of redemption, miles that will expire without the expectation of use, recognized in advance in the earnings of the period.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

17. Provisions

Lawsuits

| | |
|----------------------------------|------------|
| Balance as of December 31, 2013 | 104 |
| Additions | 514 |
| Utilized provisions | (222) |
| Balance as of September 30, 2014 | <u>396</u> |

Lawsuits provisions are reviewed based on the progress of the proceedings and history of losses based on the best current estimate for labor and civil lawsuits.

As of September 30, 2014 the Company is involved with 493 civil judicial and administrative procedures.

The civil proceedings are primarily related to compensation claims generally to redeem miles for exchange in prizes. As of September 30, 2014, the allowance for risks related to civil lawsuits with probable losses is R\$396 (R\$104 as of December 31, 2013).

There are other civil lawsuits assessed by management and its legal counsel as to possible loss, with an estimated exposure of R\$521 as of September 30, 2014 (R\$370 as of December 31, 2013), for which no provision was registered.

The Company has no lawsuits in respect of labor and tax.

18. Shareholders' equity

a) Issued capital

On September 30, 2014, the share capital subscribed and fully paid by shareholders domiciled in Brazil, was R\$137,996, represented by 122,509,269 common shares, nominative, without face value, paid primarily with funds from the public offering of shares of the Company held on April 25, 2013. The authorized share capital as of September 30, 2014 was 139,999,999 common shares. Shares are held as follows:

| | <u>09/30/2014</u> | <u>12/31/2013</u> |
|-------------------------------------|-------------------|-------------------|
| | <u>Common</u> | <u>Common</u> |
| Gol Linhas Aéreas Inteligentes S.A. | 54.336% | 57.295% |
| Others | 45.664% | 42.705% |
| | <u>100.000%</u> | <u>100.000%</u> |

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

21. Shareholders' equity (Continued)

a) Issued capital (Continued)

On July 15, 2014, the Company completed a capital decrease amounting to R\$1,000,000, at R\$8.17 per share, previously approved at the Company's General Meeting held on April 30, 2014, with no change in the number of shares and according amendment to the 5th article of the Company bylaws. The capital decrease is intended to optimize of the social structure of the Company's corporate structure, which was considered excessive for the normal course of its business development.

During the nine-month period ended September 30, 2014, it was approved the capital increase in General Meetings in the amount of R\$5,822 from subscription of 335,357 ordinary shares from exercise of stock options.

The Company shares as of September 30, 2014 quoted on the São Paulo Stock Exchange - BOVESPA amounted R\$38.80 per share. The book value per share as of September 30, 2014 is R\$3.21 (R\$11.03 as of December 31, 2013).

b) Share issuance costs

Costs incurred for the capital increase through the issue of shares by the Company amounted to R\$55,155, which, net of tax, represents R\$36,402.

c) Share-based payments

As of September 30, 2014, the amount recorded related to share-based payment expenses was R\$3,807 (R\$1,848 as of December 31, 2013). During the period ended September 30, 2014, the Company registered R\$1,959, of which R\$1,718 was classified in the statement of profit or loss as personnel costs related to the issuance of stock options to the Company's personnel, and R\$241 was registered under current assets as "related parties transactions" related to stock options to VRG's personnel.

d) Dividends and interest on capital

The Company's bylaws provides for a mandatory minimum dividend to be paid to shareholders, in the aggregate of at least 25% of annual adjusted profit under the article n. 202 of the "Lei das Sociedades por Ações (LSA - 11.638/2007)". The Company can chose the additional dividends distribution, and if the Company choses to pay, it should be submitted to the Company's Board of Directors meeting. If approved the Company maintains the portion that exceeds that anticipated by Law on its equity, in a specified account, until the final approval.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

21. Shareholders' equity (Continued)

e) Capital reserve

The goodwill special reserve is originated by the reverse incorporation of its shareholder G.A. Smiles Participações S.A. on December 31, 2013. This reserve can be used for capital increase at the end of each year after the amortization of the related tax benefit. The amount as of September 30, 2014 was R\$72,942.

f) Legal reserve

It is recognized by allocating 5% of the profit for the year after the absorption of accumulated losses in accordance with Article 193 of Law 11,638/07, limited to 20% of the capital, according to the Brazilian Corporate Law and the Company's bylaws.

22. Sales revenue

The net sales revenue for the period has the following composition:

| | Individual and | Individual | Individual and | Individual |
|------------------------------------|-----------------------------|------------|----------------------------|------------|
| | Consolidated | | Consolidated | |
| | Three-month period ended on | Individual | Nine-month period ended on | Individual |
| | 09/30/2014 | 09/30/2013 | 09/30/2014 | 09/30/2013 |
| Revenue from redeemed miles | 163,129 | 96,933 | 389,569 | 206,977 |
| Smiles & Money revenue | 62,787 | 59,799 | 170,413 | 158,819 |
| Breakage revenue and expired miles | 19,339 | 13,361 | 58,290 | 54,506 |
| Other operating income (a) | 1,441 | 1,809 | 3,719 | 5,090 |
| Gross revenue | 246,696 | 171,902 | 621,991 | 425,392 |
| Taxes | (22,843) | (15,990) | (57,764) | (39,603) |
| Net revenue | 223,853 | 155,912 | 564,227 | 385,789 |

- (a) It is related to the management fee of the Smiles Program relationship charged to VRG, as described in Note 9. The total amount registered for the three and nine-month period was R\$1,441 and R\$3,719 respectively (R\$1,786 and R\$5,067 for the three and nine-month period ended September 30, 2013).

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

23. Costs of redeeming rewards, selling expenses and administrative expenses

| | Individual and Consolidated | | | | | Individual | | | | |
|---|-----------------------------|------------------|-------------------------|------------------|--------------|--------------------------|------------------|-------------------------|------------------|--------------|
| | Three-month period ended on | | | | | | | | | |
| | 09/30/2014 | | | | | 09/30/2013 | | | | |
| | Cost of award redemption | Selling expenses | Administrative expenses | Total | % | Cost of award redemption | Selling expenses | Administrative expenses | Total | % |
| Salaries | - | (3,520) | (3,585) | (7,105) | 4.6 | - | (2,880) | (5,670) | (8,550) | 7.3 |
| Cost of purchase of airline tickets (a) | (120,770) | - | - | (120,770) | 78.0 | (95,981) | - | - | (95,981) | 81.9 |
| Cost of purchase of various products | (2,262) | - | - | (2,262) | 1.5 | (675) | - | - | (675) | 0.6 |
| Computer services | (3,451) | - | 65 | (3,386) | 2.2 | (2,300) | - | (544) | (2,844) | 2.4 |
| Call center | - | (3,476) | - | (3,476) | 2.2 | - | (3,410) | - | (3,410) | 2.9 |
| Services | - | - | (4,024) | (4,024) | 2.6 | - | - | (1,204) | (1,204) | 1.0 |
| Sales and marketing | - | (10,670) | - | (10,670) | 6.8 | - | (1,546) | - | (1,546) | 1.3 |
| Depreciation and amortization | (1,170) | - | - | (1,170) | 0.8 | (55) | - | - | (55) | 0.1 |
| Other | (273) | - | (1,659) | (1,932) | 1.3 | (49) | - | (2,835) | (2,884) | 2.5 |
| | (127,926) | (17,666) | (9,203) | (154,795) | 100.0 | (99,060) | (7,836) | (10,253) | (117,149) | 100.0 |

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

23. Costs of redeeming rewards, selling expenses and administrative expenses (Continued)

| | Individual and Consolidated | | | | | Individual | | | | |
|---|-----------------------------|-------------------------|-----------------|------------------|--------------------------|------------------|-------------------------|-----------------|------------------|--------------|
| | Nine-month period ended on | | | | | 09/30/2013 | | | | |
| | 09/30/2014 | | | | | 09/30/2013 | | | | |
| Cost of award redemption | Selling expenses | Administrative expenses | Total | % | Cost of award redemption | Selling expenses | Administrative expenses | Total | % | |
| Salaries | - | (10,134) | (10,060) | (20,194) | 5.4 | - | (6,848) | (11,131) | (17,979) | 6.9 |
| Cost of purchase of airline tickets (a) | (291,811) | - | - | (291,811) | 77.4 | (202,232) | - | - | (202,232) | 77.1 |
| Cost of purchase of various products | (3,795) | - | - | (3,795) | 1.0 | (1,325) | - | - | (1,325) | 0.5 |
| Computer services | (10,129) | - | (611) | (10,740) | 2.8 | (5,686) | - | (1,028) | (6,714) | 2.6 |
| Call center | - | (10,460) | - | (10,460) | 2.8 | - | (9,980) | - | (9,980) | 3.8 |
| Services | - | - | (8,070) | (8,070) | 2.1 | - | - | (6,549) | (6,549) | 2.5 |
| Sales and marketing | - | (24,053) | - | (24,053) | 6.3 | - | (12,498) | - | (12,498) | 4.8 |
| Depreciation and amortization | (2,089) | - | - | (2,089) | 0.6 | (74) | - | - | (74) | 0.1 |
| Other | (745) | - | (5,145) | (5,890) | 1.6 | (102) | - | (4,447) | (4,549) | 1.7 |
| | (308,569) | (44,647) | (23,886) | (377,102) | 100.0 | (209,419) | (29,326) | (23,155) | (261,900) | 100.0 |

- (a) From the total amount of R\$110,230 for the three-month period and R\$263,021 for the nine-month period ended on September 30, 2014 (R\$92,962 and R\$196,087 for the three-month and nine-month period ended September 30, 2013), related to flight tickets costs with VRG and R\$10,540 for the three-month period and R\$28,790 for the nine-month period ended September 30, 2014 (R\$3,020 and R\$6,145 for the three and nine-month period ended September 30, 2013), from flight tickets purchase from airline partners.

Smiles S.A.

Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

24. Financial result

| | Individual and Consolidated | Individual | Individual and Consolidated | Individual |
|--------------------------------------|------------------------------------|-------------------|-----------------------------------|-------------------|
| | Three-month period ended on | | Nine-month period ended on | |
| | 09/30/2014 | 09/30/2013 | 09/30/2014 | 09/30/2013 |
| <u>Financial income</u> | | | | |
| Obtained discounts | 36,013 | 42,704 | 113,361 | 74,055 |
| Income from short-term Investments | 4,350 | 4,619 | 26,976 | 7,209 |
| Other financial revenue | 27 | 142 | 102 | 164 |
| | 40,390 | 47,465 | 140,439 | 81,428 |
| <u>Financial expenses</u> | | | | |
| IOF-IOC | (85) | (15) | (109) | (30) |
| Cost of Issued Shares | (1,798) | - | (2,011) | - |
| Debentures interest | (14,117) | - | (14,117) | - |
| Other | (60) | (12) | (273) | (28) |
| | (16,060) | (27) | (16,510) | (58) |
| Foreign Exchange Changes, net | (1,807) | 42 | (1,180) | (134) |
| Total | 22,523 | 47,480 | 122,749 | 81,236 |

On "obtained discounts" is registered the amount of R\$36,013 and R\$113,361 for the three and nine-month period ended September 30, 2014, respectively (R\$42,704 and R\$74,055 for the three and nine-month period ended September 30, 2013, respectively) is mainly related to anticipated purchases of tickets with VRG under the terms of the agreement, as described in Note 7.

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Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

25. Financial instruments

The description of the account balances and the categories of financial instruments included in the balance sheet as of September 30, 2014 is as follows:

| | Individual | Consolidated | Individual | Individual | Consolidated | Individual |
|----------------------------|---|--------------|------------|----------------------------|--------------|------------|
| | Measured at fair value through profit or loss | | | Measured at amortized cost | | |
| | 09/30/2014 | 09/30/2014 | 12/31/2013 | 09/30/2014 | 09/30/2014 | 12/31/2013 |
| Assets | | | | | | |
| Cash and bank deposits | - | | - | 316 | 639 | 1,337 |
| Cash and cash equivalents | 67,925 | 67,925 | 152,906 | - | - | - |
| Restricted cash | 2,281 | 1,958 | 228,489 | - | - | - |
| Short-term investments | 56,725 | 56,725 | | | | |
| Trade receivables | - | | - | 87,927 | 87,927 | 49,637 |
| Related-party transactions | - | | - | 49,995 | 49,995 | 48,990 |
| Other | - | | - | 332 | 332 | 831 |
| Liability | | | | | | |
| Accounts payable | - | | - | 50,508 | 50,508 | 16,094 |
| Short-term investments | - | | - | 499,337 | 499,337 | - |
| Debts to Affiliates | - | | - | 6,250 | 6,250 | - |

Financial assets and financial liabilities are measured at amortized cost. Their carrying amount approximates their fair value due to their nature and to their short-term maturity.

Management manages the financial instruments in accordance with a formal guideline, consistent with the Risk Management Policy of parent GLAI, periodically defined by the Financial Policies and Risk Committee and submitted to GLAI's Board of Directors. The Committee establishes the guidelines and the limits, and monitors the controls, including the mathematical models adopted for the continuous monitoring of the exposures and possible financial impacts, as well as to prevent the use of speculative transactions with financial instruments.

Risks

The operating activities expose the Company and its subsidiaries to the following financial risks: market (including currency risk and interest rate risk), credit and liquidity risks. The Company's risk management policy aims at mitigating potential adverse effects from transactions that could affect its financial performance.

The Company's decisions on the exposure portion to be hedged against financial risk, both for currency and interest rate exposures, considers the risks and hedge costs.

Until September 30, 2014, the Company has not entered into any financial instruments related to derivative transactions.

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Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

25. Financial instruments (Continued)

Risks (Continued)

a) *Market*

i) Interest rate risk

The Company is exposed to fluctuations in interest rates in respect of interest income generated by cash balances and short-term investments.

ii) Sensitivity analysis

The sensitivity analysis of financial instruments was prepared according to CVM Instruction 475/08, in order to estimate the impact on the fair value of financial instruments operated by the Company, considering three scenarios considered in the risk variable: most likely scenario, the assessment of the Company; deterioration of 25% (possible adverse scenario) in the risk variable, deterioration 50% (remote adverse scenario).

The estimates presented, since they are based on simple statistics, do not necessarily reflect the amounts to be reported in the next financial statements. The use of different methodologies and /or assumptions may have a material effect on the estimates presented.

Additionally, the Company must present in its sensitivity analysis of derivative instruments the risk that may result in material losses, directly or indirectly considering the following elements, as determined by CVM Instruction no. 475/08:

- The likely scenario is defined as the expected scenario by the Company and referenced by an independent external source;
- The possible adverse scenario considers a deterioration of 25% in the major risk variable that determines the fair value of financial instruments; and
- The remote adverse scenario considers a deterioration of 50% in the major risk variable that determines the fair value of financial instruments.

The only financial instruments that the Company owns are investments in Bank Deposit Certificates (CDB) and investment funds, classified as cash equivalents and short term investments. The Company measured its non-derivative financial instruments, considering the impact of quarterly interest on the values exposed on September 30, 2014, from changes in interest rates and the scenarios as follows:

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Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

25. Financial instruments (Continued)

Risks (Continued)

a) *Market* (Continued)

ii) Sensitivity analysis (Continued)

The likely scenario adopted by the Company is the market levels maintenance.

| Instrument | Risk | Exposed values | Possible adverse scenario 25% (*) | Remote adverse scenario 50% (*) | Possible favorable scenario 25% | Remote favorable scenario 50% |
|------------------------|------------------|----------------|-----------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Cash equivalents | Reduction of CDI | 67,925 | (1,655) | (3,326) | 1,655 | 3,326 |
| Short term investments | Reduction of CDI | 1,958 | (51) | (102) | 51 | 102 |
| Restricted cash | Reduction of CDI | 56,725 | (1,476) | (2,952) | (1,476) | (2,952) |

(*) These values represent the estimated amount of gains reduction, given the adverse scenarios presented above.

a) Credit risk

The credit risk is inherent in the Company's operating and financing activities, mainly represented by trade receivables, cash and cash equivalents, including bank deposits and financial investments.

The "trade receivable" credit risk consists of amounts falling due from the largest credit card companies, with a credit risk better than or equal to those of the Company, and receivables from non-airline partners.

As defined in the Risk Management Policy, the Company is required to evaluate, for the more relevant clients, the counterparty risks in financial instruments and diversify the exposure. Financial instruments are performed with counterparties rated at least as investment grade by S&P and Moody's.

b) Liquidity risk

The liquidity risk is the risk of a non-adherence of an obligation from a business counterpart, provided on a financial instrument or a customer's agreement, which would lead to a financial loss to the Company.

Liquidity risk takes on two distinct forms: market liquidity risk and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the agreed dates.

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Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

25. Financial instruments (Continued)

b) Liquidity risk (Continued)

As a way of managing the liquidity risk, the Company invests its funds in liquid assets, basically represented by CDBs and buy-back transactions. The Company maintains a strong dependence on its associate VRG and on financial institutions, which together represents almost the entire Company revenue source. A reduction of the sale of miles to any main partner or business relationship severance may result in adverse events that could significantly impact the Company's results.

c) Exchange rate risk

The exchange rate risk is the risk of future cash flows of a financial instrument float along with the exchange variation.

The Company has a low volume of foreign currency transactions, which are mainly represented by purchase of tickets with counterparts. Therefore, exchange rate risks which the Company is exposed are not significant given to the low volume of such transactions.

d) Capital management

The Company remains committed to maintain high liquidity, and to ensure continued operations over time, providing its shareholders a strong capital base, as well as a return of benefits to other stakeholders. The available resources are sufficient to meet current liabilities.

As of September 30, 2014 the Company had no financial leverage.

e) Measurement of the fair value of financial instruments

In order to comply with the disclosure requirements for financial instruments measured at fair value, the Company must classify its instruments in Levels 1 to 3, based on observable fair value levels:

- a) *Level 1*: Fair value measurements are calculated based on quoted prices (without adjustment) in active market or identical liabilities;
- b) *Level 2*: Fair value measurements are calculated based on other variables besides quoted prices included in Level 1, that are observable for the asset or liability directly (such as prices) or indirectly (derived from prices); and

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Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

25. Financial instruments (Continued)

e) Measurement of the fair value of financial instruments (Continued)

- c) *Level 3*: Fair value measurements are calculated based on valuation methods that include the asset or liability but that are not based on observable market variables (unobservable inputs).

The following table states a summary of the Company's financial instruments measured at fair value, including their related classifications of the valuation method, as of September 30, 2014:

Individual

| Financial instrument | Book value | Other significant observable factors (Level 2) |
|-----------------------------|-------------------|---|
| Cash equivalents | 67,925 | 67,925 |
| Short term investments | 2,281 | 2,281 |
| Restricted cash | 56,725 | 56,725 |

Consolidated

| Financial instrument | Book value | Other significant observable factors (Level 2) |
|-----------------------------|-------------------|---|
| Cash equivalents | 67,925 | 67,925 |
| Short term investments | 1,958 | 1,958 |
| Restricted cash | 56,725 | 56,725 |

There were no relevant changes between the levels.

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Notes to the interim financial information (Continued)

September 30, 2014

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

26. Insurance (Non revised)

As of September 30, 2014, the main insurance coverage by nature, and related to the maximum reimbursable amounts, is as follows:

| Modality | In BR Reais |
|---|--------------------|
| Bail lessor (condominium Rio Negro - Alphaville) | 946 |
| Civil D&O responsibility | 50,000 |
| Fire (asset insurance condominium Rio Negro - Alphaville) | 7,625 |

The work scope of our auditors does not include the review of the sufficiency of the insurance coverage, which was determined by the Company to cover possible losses.

27. Non-cash transactions

As of September 30, 2014, the Company recorded the amount of R\$6,250 related to the affiliate Company obligation due to the acquisition of Netpoints S.A. with counterpart in "Investments". This transaction did not affect its cash position during the period ended September 30, 2014.

On May 31, 2014, the Company acquired software use licenses ("Siebel") amounting to R\$11,246 the matching entry for which was recorded under "Trade accounts payable" as stated in Note 15. This transaction did not affect the Company cash at September 30, 2014.