

Barueri, November 4, 2015 - Smiles S.A. (BM&FBOVESPA: SMLE3), one of the largest loyalty programs in Brazil with over 11 million members, announces today its 3Q15 results. The financial and operational information in this report refers to the consolidated results of Smiles S.A and is presented in accordance with IFRS and in Brazilian Reals (R\$), except when indicated otherwise. Percentage variations may use more decimal places for the calculations than shown in the document.

## Smiles S.A.

BM&FBOVESPA: SMLE3

Novo Mercado

Price: R\$ 30.48

No. of shares: 123.070.277

Market cap: R\$ 3.8 bi

(Close: 11/03/2015)

[ri@smiles.com.br](mailto:ri@smiles.com.br)

[www.smiles.com.br/ri](http://www.smiles.com.br/ri)

## 3Q15 Conference Call

November 5, 2015

In Portuguese and English:

(Simultaneous translation)

11:00 a.m. (Brasília time)

8:00 a.m. (US EST)

Telephone: +55 (11) 2188-0155

or +1 (646) 843-6054

Password: Smiles

[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

## IR CONTACTS

### Flavio Vargas

Chief Financial and  
Investor Relations Officer

### Marcos Pinheiro

Finance and IR Director

### Bruno Fregonezi and

### Nicholas Baines

Investor Relations

## R\$ 122.7 million Operating Income, 79.7% up YoY and Miles Gross Billings<sup>2</sup> (ex-Gol) are 44.2% up YoY

### HIGHLIGHTS

- ✓ Net profit is 65.3% up over 3Q14, reaching R\$ 98.6 million
- ✓ Total gross billings<sup>1</sup> up 45.3% over 3Q14, reaching R\$ 445.8 million
- ✓ Ex-Gol Miles accrued up 24.4% over 3Q14
- ✓ Miles redemption grows 8.9% compared to 3Q14
- ✓ Net revenues up 55.9% over 3Q14 and reaches R\$ 349.1 million
- ✓ Smiles & Money revenues of R\$ 102.2 million, 62.8% higher than 3Q14
- ✓ New redemption partnership with Royal Caribbean and online international redemptions with Korean Air
- ✓ Smiles shares (SMLE3) have been included in the IBrX-50 Index (Sep 2015)

Smiles posted a net profit of R\$ 98.6 million, up 65.3% over 3Q14, mainly driven by the 79.7% growth of its operating profit and improved financial results due to the end of the debentures' amortization. This result reflects the 24.4% YoY growth in miles accrued (ex-Gol), 44.2% in gross billings<sup>1</sup> with miles (ex- Gol) and 62.8% growth of the Smiles & Money revenues, indicators that represent consistent market share gains.

Main Highlights	Unit	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
Miles Accrual	mn	13,260	13,064	11,466	1.5%	15.6%
GOL	mn	1,710	1,876	2,185	(8.9%)	(21.7%)
Ex-GOL (Banks, etc)	mn	11,550	11,187	9,282	3.2%	24.4%
Miles Redeemed <sup>1</sup>	mn	10,760	9,493	9,876	13.3%	8.9%
Gross Billings <sup>2</sup>	R\$ mn	445.8	392.1	306.8	13.7%	45.3%
Net Revenues	R\$ mn	349.1	275.5	223.9	26.7%	55.9%
Operating Income	R\$ mn	122.7	93.0	68.3	32.0%	79.7%
<i>operating margin</i>	%	35.2%	33.8%	30.5%	1.4 p.p.	4.7 p.p.
Net Income	R\$ mn	98.6	89.4	59.6	10.2%	65.3%
<i>net margin</i>	%	28.2%	32.5%	26.6%	(4.3 p.p.)	1.6 p.p.

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

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

## Message from Management

3Q15 was another period of consistent growth in gross billings<sup>1</sup> and ex-Gol accrual, driven by market share gains and by Smiles & Money revenues, which resulted in a 79.7% increase in the operating income when compared to 3Q14. In order to keep pursuing a continuously innovative strategy, three new features were launched since 2Q15 result was released: (i) '365 Reasons to Smile' campaign was extended with the launch of 'It is easier to travel with Smiles', (ii) Korean Air implementation and also (iii) the first loyalty cruise liner redemption partnership with Royal Caribbean.

**Launch of new marketing campaign 'It is easier to travel with Smiles', an extension of '365 Reasons to Smile' campaign.** Smiles closed the cycle of '365 Reasons to Smiles' campaign on August 2015, which allowed the Company to establish a daily communication channel with the clients and stimulated the commercial activity of the Program. Aiming to sustain this communication platform we launched a new campaign with the slogan 'It is easier to travel with Smiles', which makes our clients' travelling experiences easier through promotions, new features and new partnerships, reinforcing our focus on the travel segment.

**Korean Air international partnership implementation.** On this quarter the company increased its international redemptions offer, in order to make Smiles program more attractive for customers who transfer their miles to travel abroad. Since August, Smiles' customers are able to accrue and redeem miles in Korean Air flights. In the beginning of 4Q15, a Frequent Flyer Program agreement with Air Canada was signed, but is still under implementation.

**Royal Caribbean new partnership.** Considering non-air redemptions, Smiles remains focused on expanding its options and promotions at Smiles' online travel shopping. Since September 2015, Smiles' customers are able to redeem cabins in Royal Caribbean cruises using miles. This is the first Smiles & Money experience on non-Gol redemptions, in which customers can pay part of their trip with miles and enjoy national and international destinations, directly at Smiles' online travel shopping redemption platform.

**Smiles' shares (SMLE3) were added to IBRX-50 Index.** On September, Smiles' shares were added to the IBRX-50 Index, which is an index composed of the 50 most liquid and representative stocks from Bovespa.

The Company's net income reached R\$98.6 million in the quarter, 65.3% up over 3Q14, mainly due to our focus on operating income growth, which was 79.7% over 3Q14. By the end of the quarter the company had a team of 91 employees. We remain enthusiastic about our segment opportunities and deeply committed to keeping Smiles as an innovative business platform.

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

## Operating Performance

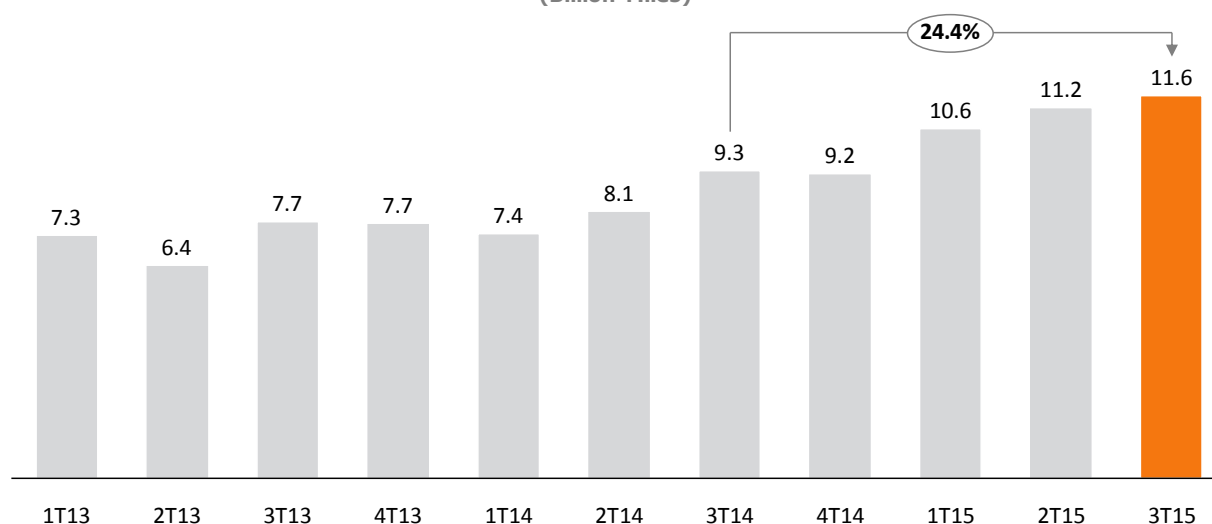
Operating Data <sup>1</sup>	Unit	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Members</b>	mn	<b>11.0</b>	<b>10.7</b>	<b>10.1</b>	<b>2.1%</b>	<b>8.5%</b>
<b>Miles Accrual</b>	mn	<b>13,260</b>	<b>13,064</b>	<b>11,466</b>	<b>1.5%</b>	<b>15.6%</b>
GOL	mn	1,710	1,876	2,185	(8.9%)	(21.7%)
Ex-GOL (Banks and others)	mn	11,550	11,187	9,282	3.2%	24.4%
<b>Miles Redemption (Program)<sup>2</sup></b>	mn	<b>10,760</b>	<b>9,493</b>	<b>9,876</b>	<b>13.3%</b>	<b>8.9%</b>
Air redemption	mn	9,898	8,976	9,580	10.3%	3.3%
Non-air redemption	mn	862	518	296	66.5%	190.9%
<b>Program's Burn/Earn</b>	mn	<b>81.1%</b>	<b>72.7%</b>	<b>86.1%</b>	<b>8.4 p.p.</b>	<b>(5.0 p.p.)</b>
<b>Breakage Rate</b>	%	<b>16.2%</b>	<b>17.0%</b>	<b>17.3%</b>	<b>(0.8 p.p.)</b>	<b>(1.1 p.p.)</b>
<b>% New Miles</b>	%	<b>93.2%</b>	<b>90.5%</b>	<b>79.9%</b>	<b>2.7 p.p.</b>	<b>13.3 p.p.</b>

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

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

**Participant and Partners:** Smiles Program reached 11.0 million clients by the end of 3Q15, which represents a growth of 8.5% compared to 3Q14. With Netpoints, we are the largest interconnected coalition loyalty network in Brazil, with over 25 million registered customers. During this quarter, we signed a redemption partnership with Royal Caribbean, which allows Smiles' customers the redemption of cabins in cruise liners.

### Ex-Gol Miles Accrued<sup>1</sup> (Billion Miles)



<sup>1</sup>Chart's figures consider redeemed miles net of reimbursement

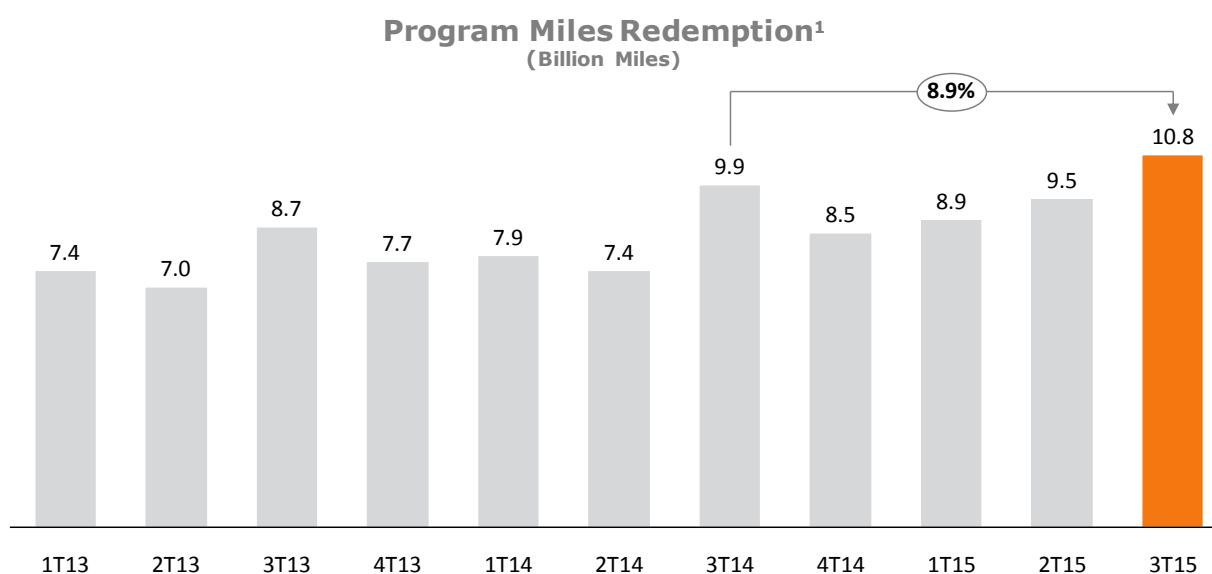
**Mileage Accrual:** The Program's miles accrual for 3Q15 was up 15.6% over 3Q14, chiefly explained by the 24.4% growth in ex-Gol accruals.

**Mileage Redemption:** The Program's miles redemption in 3Q15 was 8.9% higher compared to 3Q14, reflecting the continuous engagement of our members. The burn/earn ratio of the program was up by 8.4 p.p compared to 2Q15, and in line with 2014 average rate.

Operating Data <sup>1</sup>	Unit	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Miles Redeemed Program <sup>2</sup></b>	<b>mn</b>	<b>10,760</b>	<b>9,493</b>	<b>9,876</b>	<b>13.3%</b>	<b>8.9%</b>
GOL Smiles & Money Redemptions	mn	2,022	1,592	875	27.0%	131.0%
Traditional redemptions (100% Miles)	mn	8,738	7,901	9,001	10.6%	(2.9%)
<b>Number of Redeemed Products</b>	<b>mn</b>	<b>1,249</b>	<b>1,109</b>	<b>1,035</b>	<b>12.7%</b>	<b>20.7%</b>
GOL Smiles & Money Redemptions	mn	425	372	250	14.4%	69.9%
Traditional redemptions (100% Miles)	mn	824	737	784	11.8%	5.0%
<b>Average Miles per Product</b>	<b>unit</b>	<b>8,614</b>	<b>8,562</b>	<b>9,545</b>	<b>0.6%</b>	<b>(9.8%)</b>
GOL Smiles & Money Redemptions	unit	4,754	4,283	3,496	11.0%	36.0%
Traditional redemptions (100% Miles)	unit	10,607	10,722	11,475	(1.1%)	(7.6%)

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

<sup>2</sup> Redemption miles values represent redemptions of new and legacy miles.



<sup>1</sup>Chart's figures consider redeemed miles net of reimbursement

**Breakage:** The Breakage rate decreased 1.1 p.p. when compared to 3Q14.

## Financial Performance

Financial Information Summary	Unit	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Gross Billings<sup>1</sup></b>	<b>R\$ mn</b>	<b>445.8</b>	<b>392.1</b>	<b>306.8</b>	<b>13.7%</b>	<b>45.3%</b>
Ex-GOL Partners	R\$ mn	316.4	286.5	219.4	10.5%	44.2%
Smiles & Money	R\$ mn	102.2	76.9	62.8	32.9%	62.8%
GOL (miles + admin. fee)	R\$ mn	27.2	28.8	24.6	(5.5%)	10.6%
<b>Net Revenues</b>	<b>R\$ mn</b>	<b>349.1</b>	<b>275.5</b>	<b>223.9</b>	<b>26.7%</b>	<b>55.9%</b>
<b>Gross Profit</b>	<b>R\$ mn</b>	<b>158.0</b>	<b>122.2</b>	<b>95.9</b>	<b>29.3%</b>	<b>64.7%</b>
<i>Gross Margin</i>	%	45.3%	44.4%	42.9%	0.9 p.p.	2.4 p.p.
<b>Operating Income</b>	<b>R\$ mn</b>	<b>122.7</b>	<b>93.0</b>	<b>68.3</b>	<b>32.0%</b>	<b>79.7%</b>
<i>Operating Margin</i>	%	35.2%	33.8%	30.5%	1.4 p.p.	4.7 p.p.
<b>Net Income</b>	<b>R\$ mn</b>	<b>98.6</b>	<b>89.4</b>	<b>59.6</b>	<b>10.2%</b>	<b>65.3%</b>
<i>Net Margin</i>	%	28.2%	32.5%	26.6%	(4.3 p.p.)	1.6 p.p.

**Gross Billings:** Gross billings grew 45.3% compared to 3Q14, mainly driven by the 62.8% growth of Smiles & Money revenue, which reached a historic high of R\$ 102.2 million, and by the 44.2% growth of ex-GOL gross billings. Compared to the 2Q15, gross billings rose by 13.7%, mainly due to the 32.9% Smiles & Money revenue growth.

Revenues (R\$ thousands)	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Gross Revenues</b>	<b>384,679</b>	<b>303,634</b>	<b>246,696</b>	<b>26.7%</b>	<b>55.9%</b>
Miles Redemption Revenue	230,883	194,123	163,129	18.9%	41.5%
Money Revenue	102,199	76,885	62,787	32.9%	62.8%
Breakage Revenue	48,103	29,345	19,339	63.9%	148.7%
Other Revenues	3,494	3,281	1,441	6.5%	142.5%
Direct Taxes	(35,614)	(28,130)	(22,843)	26.6%	55.9%
<b>Net Revenues</b>	<b>349,065</b>	<b>275,504</b>	<b>223,853</b>	<b>26.7%</b>	<b>55.9%</b>

**Miles Redemption Revenue:** Gross revenue from mileage redemptions had a positive change of 41.5% compared to 3Q14, reflecting the 8.9% increase in the number of miles redeemed in the program in the same period, with a greater participation of new miles in relation to the total miles redeemed in the Program (from 79.9% on 3Q14 to 93.2% on 3Q15).

**Smiles & Money Revenue:** Gross revenues from the "money" portion of the Smiles & Money product grew by 62.8% compared to 3Q14, driven by substantial growth in both number of tickets issued and in the unit value per ticket issued.

**Breakage and Expiration Revenue:** In 3Q15, breakage and expiration revenues, taken together, presented growth of 148.7% over 3Q14, as shown in the following chart:

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

(R\$ million)	3Q15	2Q15	3Q14
<b>Receita de Breakage</b>	<b>48.1</b>	<b>29.3</b>	<b>14.6</b>
Expiração Real	4.6	4.9	0.3
Variação do Saldo de Breakage	43.5	24.4	14.3
<b>EoP Breakage Balance<sup>1</sup></b>	<b>216.7</b>	<b>173.2</b>	<b>104.9</b>
Taxa média de Breakage	16.2%	17.0%	16.9%

<sup>1</sup> The Breakage Balance is a counter liability account, calculated based on the average breakage rate applied to the accrual of miles and recognized through the rate of redemptions.

The Company improved the calculation of the breakage balance estimate, which resulted in additional revenues worth approximately R\$ 11.6 mn registered on 3Q15. This improvement was recorded as a prospective change pursuant to the CPC 23 – Changes in Policies, Accounting Estimates and Errors.

The breakage balance increased R\$ 43.5 million in the quarter, mainly composed of (i) R\$ 11.6 million due to the improvement of the average breakage rate usage, as mentioned above; and (ii) R\$ 31.9 million due to the quarterly change in the breakage rate, the change in unit price of the balance of miles, and the evolution of accruals and recognition of redemptions in the 3Q15.

**Other Revenues:** Other revenues increased by 142.5% compared to 3Q14, equivalent to R\$ 3.5 million in 3Q15, mainly composed of R\$ 1.5 million in administration fees for managing GOL's loyalty program.

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

Redemption P&L	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Gross Redemption Revenues</b>	<b>333,082</b>	<b>271,008</b>	<b>225,916</b>	<b>22.9%</b>	<b>47.4%</b>
Miles Redemption Revenue	230,883	194,123	163,129	18.9%	41.5%
Money Revenue	102,199	76,885	62,787	32.9%	62.8%
(-) Direct taxes	(30,810)	(25,068)	(20,897)	22.9%	47.4%
<b>(=) Net Redemption Revenues (a)</b>	<b>302,272</b>	<b>245,940</b>	<b>205,019</b>	<b>22.9%</b>	<b>47.4%</b>
(-) Direct Redemption Costs	(181,274)	(143,432)	(123,032)	26.4%	47.3%
<b>(=) Redemption Direct Result (b)</b>	<b>120,998</b>	<b>102,508</b>	<b>81,987</b>	<b>18.0%</b>	<b>47.6%</b>
% Direct Redemption Margin	40.0%	41.7%	40.0%	(1.7 p.p.)	0.0 p.p.
<b>(+) Other Revenues (c)</b>	<b>46,793</b>	<b>29,564</b>	<b>18,834</b>	<b>58.3%</b>	<b>148.4%</b>
Breakage Revenues	48,103	29,345	19,339	63.9%	148.7%
Other Revenues	3,494	3,281	1,441	6.5%	142.5%
(-) Sales Taxes	(4,804)	(3,062)	(1,946)	56.9%	146.9%
(-) Indirect Redemption Costs	(9,824)	(9,881)	(4,894)	(0.6%)	100.7%
<b>(=) Non-redemption results (d)</b>	<b>36,969</b>	<b>19,683</b>	<b>13,940</b>	<b>87.8%</b>	<b>165.2%</b>
<b>Gross Profit [e = b + d]</b>	<b>157,967</b>	<b>122,191</b>	<b>95,927</b>	<b>29.3%</b>	<b>64.7%</b>
% Gross Margin [e / (a + c)]	45.3%	44.4%	42.9%	0.9 p.p.	2.4 p.p.

In the 3Q15, Smiles reached a 40.0% direct margin (spread), same level of 3Q14. In relation to 2Q15, we observed a decrease in the share of promotional and commercial tickets, and an equivalent increase in the share of tickets purchased in the standard modes.

Operating Expenses (R\$ thousand)	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Operating Expenses</b>	<b>(34,108)</b>	<b>(27,342)</b>	<b>(26,869)</b>	<b>24.7%</b>	<b>26.9%</b>
Commercial expenses	(23,600)	(18,218)	(17,666)	29.5%	33.6%
Administrative expenses	(10,508)	(9,124)	(9,203)	15.2%	14.2%

**Operating Expenses:** Operating expenses increased by R\$ 7.2 million compared to 3Q14, mainly related to (i) a R\$ 3.6 million increase in sales and marketing expenses, (ii) a R\$ 3.2 million increase in salaries (consolidated between sales and administrative), chiefly due to profit sharing provisions, (iii) a R\$ 1.3 million increase in call center costs (sales expenses) and (iv) a R\$ 0.9 million increase in other expenses (consolidated between sales and administrative). Additionally, there was a decrease of R\$ 1.7 million in shared services (administrative expenses).

Other Information (R\$ mil)	2Q15	1Q15	2Q14	2Q15 vs. 1Q15 (%)	2Q15 vs. 2Q14 (%)
<b>Equity in Subsidiaries Result</b>	<b>(1,110)</b>	<b>(1,830)</b>	<b>(763)</b>	<b>(39.4%)</b>	<b>45.5%</b>
<b>Net Financial Result</b>	<b>28,241</b>	<b>39,496</b>	<b>22,523</b>	<b>(28.5%)</b>	<b>25.4%</b>
Financial Expenses	(94)	(3,932)	(16,060)	(97.6%)	(99.4%)
Financial Income	39,095	39,443	40,390	(0.9%)	(3.2%)
Net Exchange Variation	(10,760)	3,985	(1,807)	(370.0%)	495.5%
<b>Income Taxes</b>	<b>(52,431)</b>	<b>(43,068)</b>	<b>(31,177)</b>	<b>21.7%</b>	<b>68.2%</b>

**Operating Profit:** Smiles posted an operating profit of R\$ 122.7 million, 79.7% higher than 3Q14, representing an operating margin of 35.2%. Operating profit growth can be attributed to (i) 55.9% growth of net revenues and (ii) 4.7 p.p. operating margin expansion when compared to the same quarter of the previous year.

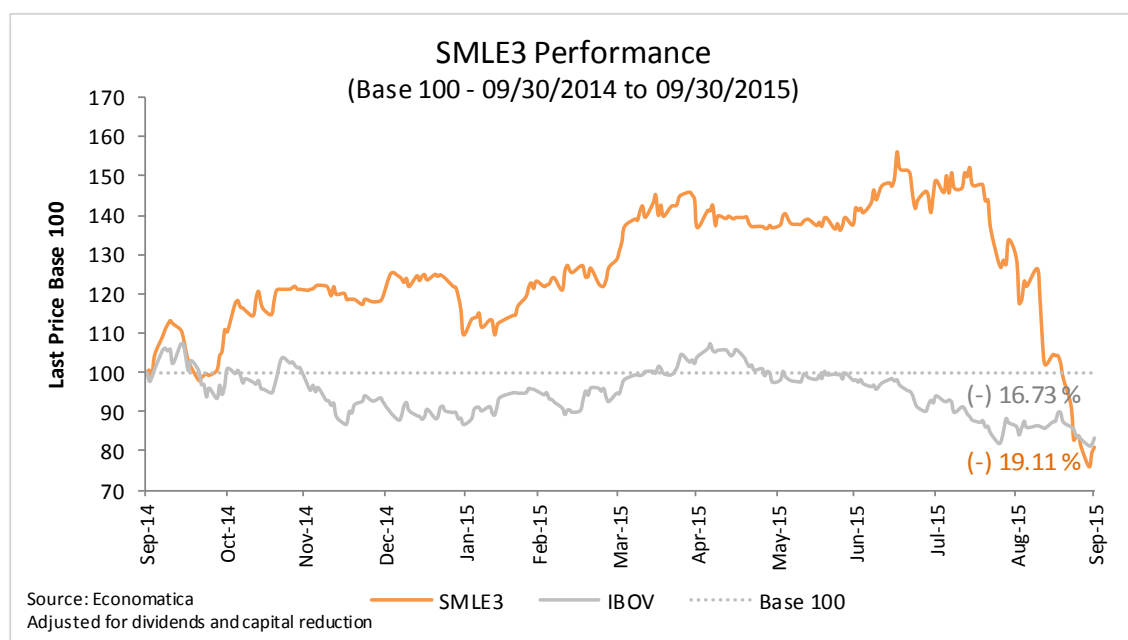
**Financial Income:** Financial income increased by 25.4% compared to 3Q14, mainly due to fully repayment of the debt in July 2015, but partially offset by the negative effect of the net foreign exchange variation.

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

**Income Tax and Social Contribution on Net Profit:** The effective rate of Income Tax and Social Contributions was 0.7 p.p. higher than the tax rate of 34.0%, mainly as a result of R\$ 1.1 million in non-deductible expenses, including negative equity income. R\$ 3.6 million in deferred Income Tax and Social Contribution expenses that were

recognized in the period refer to the amortization of the tax benefit from the incorporation of goodwill, with no negative cash effect.

**Net Profit:** Smiles recorded a net profit of R\$ 98.6 million, representing a net margin of 28.2%, 1.6 p.p up over 3Q14.



**Share Performance:** Smiles shares (SMLE3) are listed on the Novo Mercado (New Market), which represents the BM&FBOVESPA’s highest level of Corporate Governance. On September 30, 2015, the Company's shares were quoted at R\$ 30.05, representing a market value of R\$ 3.7 billion. During the quarter the shares posted a negative return of 19.11% in the last 12 months and 32.24% in the first nine months of 2015. For the same periods, the Bovespa Index (Ibovespa) – the most important indicator of average share prices of stocks traded on the São Paulo Stock Exchange – showed negative returns of 16.73 and 9.89%, respectively.

**Smiles’ shares added to IBrX-50 Index:** In September, Smiles’ shares were included in the IBrX-50, market index composed by the 50 more liquid stocks within Ibovespa universe. Stock’s participation in the index is weighted by its market capitalization. Initially, Smiles represented 0.324% of the Index.



## Income Statement

Income Statement (R\$ thousands)	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Gross Revenue</b>	<b>384,679</b>	<b>303,634</b>	<b>246,696</b>	<b>26.7%</b>	<b>55.9%</b>
Miles Redemption Revenue	230,883	194,123	163,129	18.9%	41.5%
Money Revenue	102,199	76,885	62,787	32.9%	62.8%
Breakage Revenue	48,103	29,345	19,339	63.9%	148.7%
Other Revenues	3,494	3,281	1,441	6.5%	142.5%
Direct Taxes	(35,614)	(28,130)	(22,843)	26.6%	55.9%
<b>Net Revenue</b>	<b>349,065</b>	<b>275,504</b>	<b>223,853</b>	<b>26.7%</b>	<b>55.9%</b>
<b>Miles Redemption Cost</b>	<b>(191,098)</b>	<b>(153,313)</b>	<b>(127,926)</b>	<b>24.6%</b>	<b>49.4%</b>
Cost of Ticket Purchase	(168,858)	(137,764)	(120,770)	22.6%	39.8%
Product Purchase	(12,416)	(5,668)	(2,262)	119.0%	448.9%
Other Costs	(9,824)	(9,881)	(4,894)	(0.6%)	100.7%
<b>Gross Profit</b>	<b>157,967</b>	<b>122,191</b>	<b>95,927</b>	<b>29.3%</b>	<b>64.7%</b>
<i>Gross margin</i>	45.3%	44.4%	42.9%	0.9 p.p.	2.4 p.p.
<b>Operating Expenses</b>	<b>(34,108)</b>	<b>(27,342)</b>	<b>(26,869)</b>	<b>24.7%</b>	<b>26.9%</b>
Selling	(23,600)	(18,218)	(17,666)	29.5%	33.6%
General & Administrative	(10,508)	(9,124)	(9,203)	15.2%	14.2%
Other expenses/revenues	-	-	-	n/a	n/a
Equity in subsidiaries	(1,110)	(1,830)	(763)	(39.4%)	45.5%
<b>Operating Profit</b>	<b>122,749</b>	<b>93,019</b>	<b>68,295</b>	<b>32.0%</b>	<b>79.7%</b>
<i>Operating margin</i>	35.2%	33.8%	30.5%	1.4 p.p.	4.7 p.p.
Net Financial Result	28,241	39,496	22,523	(28.5%)	25.4%
Financial Expenses	(94)	(3,932)	(16,060)	(97.6%)	(99.4%)
Financial Revenues	39,095	39,443	40,390	(0.9%)	(3.2%)
Net Exchange Variation	(10,760)	3,985	(1,807)	(370.0%)	495.5%
<b>EBT</b>	<b>150,990</b>	<b>132,515</b>	<b>90,818</b>	<b>13.9%</b>	<b>66.3%</b>
Income Taxes	(52,431)	(43,068)	(31,177)	21.7%	68.2%
<b>Net Income</b>	<b>98,559</b>	<b>89,447</b>	<b>59,641</b>	<b>10.2%</b>	<b>65.3%</b>
<i>Net margin</i>	28.2%	32.5%	26.6%	(4.3 p.p.)	1.6 p.p.

## Balance Sheet

Balance Sheet (R\$ thousands)	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Assets</b>	<b>1,586,610</b>	<b>1,689,083</b>	<b>1,581,590</b>	<b>(6.1%)</b>	<b>0.3%</b>
Current	1,204,420	1,143,945	636,919	5.3%	89.1%
Cash and Cash Equivalents	291,737	214,804	68,564	35.8%	325.5%
Short-term Investments	129,490	86,512	1,958	49.7%	n/a
Restricted cash	-	61,779	56,725	(100.0%)	(100.0%)
Accounts Receivable	175,452	178,772	87,927	(1.9%)	99.5%
Advances to suppliers	562,087	519,539	369,833	8.2%	52.0%
Related-party transactions	43,548	76,029	49,995	(42.7%)	(12.9%)
Other Credits	2,106	6,510	1,917	(67.6%)	9.9%
Non-current	382,190	545,138	944,671	(29.9%)	(59.5%)
Deferred Taxes	76,086	71,319	73,832	6.7%	3.1%
Advances to suppliers	273,377	439,144	831,477	(37.7%)	(67.1%)
Investments	17,264	18,374	25,875	(6.0%)	(33.3%)
Property, Plant and Equipment	1,819	1,760	2,400	3.4%	(24.2%)
Intangible	13,644	14,541	11,087	(6.2%)	23.1%
<b>Liability</b>	<b>1,586,610</b>	<b>1,689,083</b>	<b>1,581,590</b>	<b>(6.1%)</b>	<b>0.3%</b>
Current	495,134	741,000	784,481	(33.2%)	(36.9%)
Suppliers	101,649	63,045	50,508	61.2%	101.3%
Short-term Debt	-	52,844	499,337	(100.0%)	(100.0%)
Salaries, Wages and Benefits	9,762	5,841	6,095	67.1%	60.2%
Compulsory dividend payable	-	243,561	-	(100.0%)	n/a
Taxes payable	30,960	24,208	15,367	27.9%	101.5%
Advances from Customers	60,270	74,748	19,230	(19.4%)	213.4%
Deferred revenue	292,493	276,753	187,694	5.7%	55.8%
Liabilities with related parties	-	-	-	n/a	n/a
Non-current	627,628	583,205	403,265	7.6%	55.6%
Advances from Customers	-	-	382	n/a	(100.0%)
Provisions tax soc. security labor and civil	1,064	856	396	24.3%	168.7%
Deferred revenue	626,564	582,349	402,487	7.6%	55.7%
Shareholder's Equity	463,848	364,878	393,844	27.1%	17.8%
Issued capital	146,164	146,162	137,996	0.0%	5.9%
Cost of issued shares	(36,402)	(36,402)	(36,402)	0.0%	0.0%
Capital Reserves	72,942	72,942	72,942	0.0%	0.0%
Statutory Reserve	24,589	24,589	10,392	0.0%	136.6%
Additional proposed dividend	-	-	-	n/a	n/a
Share-based Payments	6,021	5,612	3,807	7.3%	58.2%
Retained Earnings	250,534	151,975	202,064	64.9%	24.0%
Equity Valuation Adjustments	-	-	3,045	n/a	(100.0%)

## Cash Flow Statement

Cash Flow Statement (R\$ thousands)	3Q15	2Q15	3Q14	3Q15 vs. 2Q15 (%)	3Q15 vs. 3Q14 (%)
<b>Net Income</b>	<b>98,559</b>	<b>89,446</b>	<b>59,641</b>	<b>10.2%</b>	<b>65.3%</b>
Share-based Payments	369	367	638	0.5%	(42.2%)
Deferred taxes	(4,767)	1,824	1,706	(361.3%)	(379.4%)
Provisions for lawsuits	507	550	44	(7.8%)	n/a
Depreciation and amortization	966	976	1,169	(1.0%)	(17.4%)
Obtained discounts	(26,709)	(29,060)	(36,012)	(8.1%)	(25.8%)
Exchange and monetary variations, net	10,813	(1,843)	1,411	(686.7%)	666.3%
Interest on loans	-	2,092	14,117	(100.0%)	(100.0%)
Effect of trans. between shareholders	-	-	-	n/a	n/a
Allowance for doubtful accounts	216	43	459	402.3%	(52.9%)
Provision for profit sharing and results	3,319	1,345	1,054	146.8%	214.9%
Equity in subsidiaries	1,110	1,830	763	(39.3%)	45.5%
Accounts receivable	3,104	(56,325)	(9,160)	(105.5%)	(133.9%)
Advances to suppliers	149,927	116,814	123,609	28.3%	21.3%
Prepaid Expenses	446	(1,625)	918	(127.4%)	(51.4%)
Prepaid exp. and recoverable taxes	467	-	(32)	n/a	n/a
Other Credits	3,492	(309)	20	n/a	n/a
Suppliers	27,789	3,683	9,633	654.5%	188.5%
Salaries, Wages and Benefits	602	(321)	692	(287.5%)	(13.0%)
Advances from Customers	(14,478)	(18,904)	(24,451)	(23.4%)	(40.8%)
Deferred revenue	59,955	87,631	57,235	(31.6%)	4.8%
Taxes payable	52,075	39,288	30,320	32.5%	71.8%
Lawsuits	(299)	(357)	-	(16.2%)	n/a
Related-party transactions	32,521	(9,209)	(25,104)	(453.1%)	(229.5%)
<b>Operating activities cash flow</b>	<b>399,384</b>	<b>227,936</b>	<b>208,670</b>	<b>75.5%</b>	<b>91.7%</b>
Income tax and social contribut. paid	(44,303)	(39,702)	(28,738)	11.6%	54.2%
<b>Net operating cash flow</b>	<b>355,681</b>	<b>188,234</b>	<b>179,932</b>	<b>89.0%</b>	<b>97.7%</b>
Acquisition of fixed assets	(128)	-	(2,325)	n/a	(94.5%)
Financial investments	(39,502)	(75,305)	71,170	(47.5%)	(155.5%)
Restricted Cash	58,303	-	(56,725)	n/a	(202.8%)
Advance for future capital increase	-	-	(6,250)	n/a	(100.0%)
<b>Investing activities cash flow</b>	<b>18,673</b>	<b>(75,305)</b>	<b>5,870</b>	<b>(124.8%)</b>	<b>218.1%</b>
Capital increase - stock option	2	3,214	1,333	(99.9%)	(99.8%)
Capital Reduction	-	-	(1,000,000)	n/a	(100.0%)
Loans Funding	-	-	600,000	n/a	(100.0%)
Cost of shares/debentures issuance	-	-	(6,437)	n/a	(100.0%)
Interest on loans	(643)	(5,232)	(9,907)	(87.7%)	(93.5%)
Distributed dividends/IOC	(244,580)	(1)	-	n/a	n/a
Loan payment	(52,200)	(147,642)	(98,436)	(64.6%)	(47.0%)
Incorporated net assets	-	-	-	n/a	n/a
<b>Financing activities cash flow</b>	<b>(297,421)</b>	<b>(149,661)</b>	<b>(513,447)</b>	<b>98.7%</b>	<b>(42.1%)</b>
<b>Net cash flow</b>	<b>76,933</b>	<b>(36,732)</b>	<b>(327,645)</b>	<b>(309.4%)</b>	<b>(123.5%)</b>
Begin of period cash position	214,804	251,536	396,209	(14.6%)	(45.8%)
<b>End of period cash position</b>	<b>291,737</b>	<b>214,804</b>	<b>68,564</b>	<b>35.8%</b>	<b>325.5%</b>

## Business Model

Smiles started as a single loyalty program, but has evolved into its current, coalition model, which features several unique characteristics that allow for the accrual and redemption of Miles from GOL flights and its international partner airlines, as well as Brazil's main commercial banks, including co-branded cards issued by Bradesco and Banco do Brasil, and a wide network of retail partners. The current model works through (i) the accrual of Miles by Participants when they purchase airline tickets with GOL or other partner airlines, or products and services from Business and Financial Partners; Smiles Miles being acquired through the loyalty of these customers to those businesses, and (ii) Awards redemptions by Participants when they exchange their Miles for flights on GOL and other partner airlines, or for products and services offered by Commercial and Financial Partners.

The main sources of our revenues come from (i) redeemed miles revenues, represented by tickets and awards in its network of airline, commercial and financial partners, (ii) interest income accrued in the period between the date of accumulation and the date of redemption of miles, and (iii) Breakage revenues if issued miles expire without being redeemed.

## Glossary

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

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

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

**Free Float:** Shares belonging to non-controlling shareholders.

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

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

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

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

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

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

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