

Barueri, October 31 2016 – A Smiles S.A. (BM&FBOVESPA: SMLE3), one of the largest loyalty programs in Brazil with over 11 million members, announces today its 3Q16 results. The financial and operational information in this report refers to the consolidated results of Smiles S.A and is presented in accordance with IFRS and in Brazilian Reais (R\$), except when indicated otherwise. Percentage variations may use more decimal places for the calculations than shown in the document.

Smiles S.A.

BM&FBOVESPA: SMLE3
 Novo Mercado
 Price: R\$ 57,82
 No. of shares: 123,626,952
 Market Value: R\$ 7.1 bn
 (Close: 10/28/2016)

www.smiles.com.br/ri

3Q16 Conference Call

November 01 2016

In Portuguese and English:

(Simultaneous Translation)

10:00 a.m. (Brasília time)

9:00 a.m. (US EST)

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Net Income of R\$144.7 mn in 3Q16

Up 46.8% over 3Q15

HIGHLIGHTS

- ✓ 3Q16 Net Income reached R\$ 144.7 mn, with a net margin of 36.3%
- ✓ 3Q16 EBITDA¹ increased 34.0% compared to 2Q15, reaching R\$ 165.8 mn
- ✓ 3Q16 EBITDA¹ Margin reached 41.6%, 6.2 p.p. higher than in 3Q15
- ✓ 3Q16 Net Revenues increased 14.1% versus 3Q15 and reR398.3 mn
- ✓ 3Q16 Miles Accrual (ex-Gol) was up 5.7% when compared to 3Q15
- ✓ 3Q16 Miles Redemption² increased in 2.2% versus 3Q15
- ✓ 3Q16 Net Revenues up 27.0% over 2Q15 and reached R\$ 349.8 mn
- ✓ Partnership between Smiles and Raízen, Shell authorized licensee in Brazil, improves diversification of miles accrual and redemption
- ✓ Signature of frequent flyer program partnership with Emirates, increasing the number of international airline partners to 13 and improving Smiles Program seats availability in Asia

Main Highlihts	Unit	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Miles Accrual	bln	13.8	13.2	13.3	4.8%	4.2%
Gol	bln	1.6	1.6	1.7	0.3%	(6.1%)
Ex-Gol (Banks and Other)	bln	12.2	11.6	11.5	5.4%	5.7%
Smiles' Program Redemptions	bln	11.0	10.2	10.8	7.4%	2.2%
Miles Billings (ex-Gol)	R\$ mn	305.1	316.0	316.4	(3.5%)	(3.6%)
Net Revenues	R\$ mn	398.3	349.8	349.1	13.8%	14.1%
EBITDA	R\$ mn	165.8	129.7	123.7	27.8%	34.0%
<i>EBITDA Margin</i>	%	41.6%	37.1%	35.4%	4.5 p.p.	6.2 p.p.
Net Income	R\$ mn	144.7	123.6	98.6	17.1%	46.8%
<i>Net Margin</i>	%	36.3%	35.3%	28.2%	1.0 p.p.	8.1 p.p.

1. EBITDA is not an accounting measurement elaborated by the Company. EBITDA is composed by net income, added by net financial result, taxes and expenses related to depreciation and amortization.

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

3. Gross Billings is not an accounting measurement and corresponds to total sales revenues for miles and the cash portion of Smiles & Money gross of taxes. These billings may have affected the current period or they will be recognized in future periods, depending on the date of redemption by the program members.

Message from Management

Smiles presented a result with significant growth both in financial and operational indicators, strongly influenced by net revenue evolution and margins improvement. Besides that, Smiles implemented important partnerships and products over the last months aiming the innovation strategy sustainability and the focus on traveler. The first news was the announcement of the changes in the loyalty program, made by Smiles and Gol, that will favor the miles accrual, the category upgrade and propitiate a better user experience of Smiles members. In addition, the partnership with Shell (gas stations), in which the new application 'Shell Box' will allow a new way of interaction with members, is now implemented. From now on the clients would pay for their gas directly from the application, collect and posteriorly redeem Smiles products and participate of exclusive promotions.

New Gol's accrual policy. New Gol's accrual policy. Smiles and Gol announced changes in companies' loyalty program in order to further improve its customers' experience. The changes will bring exclusive benefits to members by facilitating the category upgrade and the mile collection. One of the main innovations is that the promo fare is also eligible to accrual miles, including promotional campaigns. In addition, clients from Gold category will collect at least 500 miles per flight. For more information, the client can access the website www.novasmiles.com.br.

Shell partnership. Smiles clients can from now on easily collect miles through the partnership with Raízen, Shell's authorized licensee in Brazil. The launch of 'Shell Box' new app will facilitate the accrual of Smiles miles as well the redemption of miles in products on the Shell Select convenience stores. In the app's launching period, the "Miles Now" promotion will allow customers of both companies to earn 10,000 miles on the spot through daily raffles with 100 winners per day until the beginning of January.

Wider dissemination of partnership with GPA. Campaign in approximately 800 Pão de Açúcar and Extra stores with better communication and wider dissemination, aiming to reinforce partnership benefits. Smiles members can exchange their miles to gift cards in Grupo Pão de Açúcar stores, favoring the redemption diversification. Soon, members from Pão de Açúcar Mais and Clube Extra loyalty programs will be able to acquire Smiles products (Smiles miles and Smiles Club, among others).

New partnership with Emirates. Gol and Emirates announced a codeshare partnership, besides the frequent flyer program agreement, which allows members of Skywards, from Emirates, and Smiles to collect and redeem miles in flights of both companies. Around 30 million members all around the world from the two programs will benefit from the new partnership.

Smiles net income presented a 46.8% growth when compared to 3Q15, mainly benefited by the 32.5% increase in operational income allied to the evolution of the financial result. The operational result growth was mostly due to the 14.1% evolution in net revenues and the 6.4% gross margin increase. In the end of the 3Q16, Smiles had 98 employees. We remain excited about the opportunities in the loyalty industry and committed in positioning Smiles as an innovative business platform and a complete travel company.

Operating Performance

Operating Data ¹	Unit	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Members	mn	11.8	11.5	11.0	2.0%	7.6%
Miles Accrual	mn	13,815	13,188	13,260	4.8%	4.2%
Gol	mn	1,605	1,600	1,710	0.3%	(6.1%)
Ex-GOL (Banks and Other)	mn	12,210	11,588	11,550	5.4%	5.7%
Smiles' Redemption Program ²	mn	10,999	10,243	10,760	7.4%	2.2%
Airline Redemptions	mn	9,919	9,485	9,898	4.6%	0.2%
Non-airline Redemptions	mn	1,080	758	862	42.5%	25.4%
Program's Burn/Earn	mn	79.6%	77.7%	81.1%	1.9 p.p.	(1.5 p.p.)
Breakage Rate	%	16.3%	15.9%	16.2%	0.5 p.p.	0.1 p.p.
% New Miles	%	99.5%	98.7%	93.2%	0.8 p.p.	6.3 p.p.

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

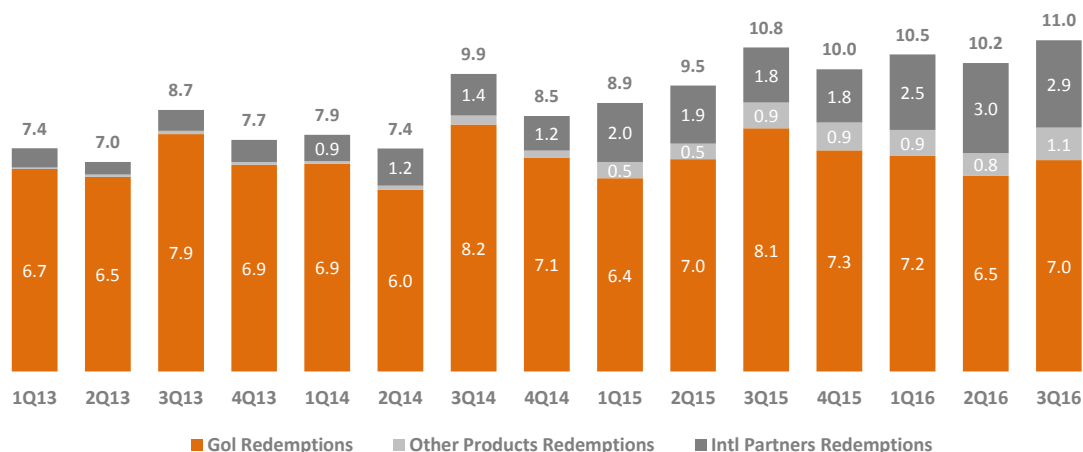
² The miles redemption corresponds to miles redeemed under the Smiles Program, including new miles and miles of legacy.

Participants and Partners: The program reached 11.8 million customers in 3Q16, a growth of 7.6% compared to 3Q15. In 3Q16, Smiles partnership with Raízen, Shell's authorized licensee, became effective. Through Shell's new app (Shell Box), customers will be able to pay for their gas directly from the application, collect and posteriorly redeem Smiles products and participate of exclusive promotions. Regarding GPA partnership, approximately 800 Pão de Açúcar and Extra stores have been a through a new communication campaign, aiming to reinforce its partnership benefits. Smiles members can exchange their miles to gift cards in Grupo Pão de Açúcar stores, and, soon, members from Pão de Açúcar Mais and Clube Extra loyalty programs will be able to acquire Smiles products (Smiles miles and Smiles Club, among others).

Miles Accrual: The program's miles accrual increased 4.2% in the 3Q16 compared to 3Q15, chiefly explained by the 5.7% YoY increase in ex-Gol partners' accruals.

Miles Redemption: The redemption of miles from the program in 3Q16 was 2.2% higher than 3Q15. The burn/earn ratio of the program reached 79.6%, a decrease of 1.5 p.p. when compared to 3Q15, and 2.0 p.p. increase over 2Q16. This evolution was mainly driven by the growth of Program's miles redeemed with international airline partners.

Program Miles Redemption¹ (Billion Miles)



¹Chart's figures consider redeemed miles net of reimbursement

Miles redeemed with international airline partners reached 2.9 billion miles in 3Q16, 59.1% up over 3Q15 and represented 26.4% of the total miles redeemed – 9.4 p.p. up over 3Q15. This growth rate contrasts with figures released by Brazilian Central Bank data regarding Brazilian consumers spending abroad, which dropped 6.0% in the same period.

Operating Data ¹	Unit	3Q16	3Q16	3Q16	3Q16 vs. 3Q16 (%)	3Q16 vs. 3Q16 (%)
Smiles' Redemption Program²	mn	10,999	10,243	10,760	7.4%	2.2%
Gol Tickets	mn	7,013	6,494	8,071	8.0%	(13.1%)
International Partners Tickets	mn	2,906	2,990	1,827	(2.8%)	59.1%
Non-airline	mn	1,080	758	862	42.5%	25.4%
% of miles redeemed						
Gol Tickets	%	63.8%	63.4%	75.0%	0.4 p.p.	(11.2 p.p.)
International Partners Tickets	%	26.4%	29.2%	17.0%	(2.8 p.p.)	9.4 p.p.
Non-airline	%	9.8%	7.4%	8.0%	2.4 p.p.	1.8 p.p.

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

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

Breakage: The breakage rate posted an increase of 0.1 p.p. when compared to 3Q15, reaching 16.3% rate.

Financial Performance

Financial Information Summary	Unit	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Gross Billings ¹	R\$ mn	430.5	420.5	445.8	2.4%	(3.4%)
GOL (Miles + Admin. Fee)	R\$ mn	25.5	25.7	27.2	(0.7%)	(6.2%)
ex-Gol	R\$ mn	405.0	394.8	418.6	2.6%	(3.2%)
ex-Gol Partners	R\$ mn	305.1	316.0	316.4	(3.5%)	(3.6%)
Smiles & Money	R\$ mn	99.9	78.8	102.2	26.9%	(2.2%)

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

Gross Billings: Gross billings were down 3.4% when compared to 3Q15, mainly due to the 3.6% drop in ex-Gol miles billings and the drop of 6.2% in Gol billings.

Revenues (R\$ thousands)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Gross Redemption Revenues	438,790	385,663	384,679	13.8%	14.1%
Miles Redemption Revenue	372,890	330,275	333,082	12.9%	12.0%
Miles Redemption	272,956	251,515	230,883	8.5%	18.2%
Money portion of S&Money	99,934	78,760	102,199	26.9%	(2.2%)
Breakage Revenues	60,617	53,364	48,103	13.6%	26.0%
Other Revenues	5,283	2,024	3,494	161.0%	51.2%
Direct Taxes	(40,534)	(35,821)	(35,614)	13.2%	13.8%
Net Revenues	398,256	349,842	349,065	13.8%	14.1%

Redemption Revenue: Gross revenues from miles redemption posted a 12.0% growth compared to 3Q15, driven by the 18.2% growth in revenues from miles redeemed and due to Money revenues drop of 2.2%.

Miles Redemption: Revenue from miles redeemed increased 18.2% compared to 3Q15, mainly explained by the evolution of implied value of mile redeemed, besides the larger participation of new miles on the total miles redeemed in the Program (93.2% in 3Q15 to 99.5% in 3Q16).

'Money' portion of Smiles&Money: Gross revenues for the portion of 'Money' on Smiles & Money Product decreased by 2.2% compared to 3Q15, chiefly explained by reduction in prizes redeemed on this product mode.

Breakage Revenue and expiration: In 3Q16, revenues from Breakage reached R\$60 million, posting an increase of 26.0% compared to 3Q15.

Other Revenue: Other revenues increased 51.2% when compared to 3Q15 reaching R\$ 5.2 million, mainly composed of R\$ 1.4 million worth of program's management fees charged from Gol.

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

Redemption P&L	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Gross Redemption Revenues	372,890	330,275	333,082	12.9%	12.0%
Miles Redemption	272,956	251,515	230,883	8.5%	18.2%
Money Revenue	99,934	78,760	102,199	26.9%	(2.2%)
(-) Direct Taxes	(34,492)	(30,550)	(30,810)	12.9%	12.0%
(=) Net Redemption Revenue (a)	338,398	299,725	302,272	12.9%	12.0%
Cost of Products Purchase	(182,431)	(176,160)	(181,274)	3.6%	0.6%
(=) Redemption Result (b)	155,967	123,565	120,998	26.2%	28.9%
<i>% Direct Redemption Margin</i>	<i>46.1%</i>	<i>41.2%</i>	<i>40.0%</i>	<i>4.9 p.p.</i>	<i>6.1 p.p.</i>
Other Revenues (c)	59,858	50,117	46,793	19.4%	27.9%
Breakage Revenues	60,617	53,364	48,103	13.6%	26.0%
Other Revenues	5,283	2,024	3,494	161.0%	51.2%
Direct Taxes	(6,042)	(5,271)	(4,804)	14.6%	25.8%
(-) Other Costs	(10,297)	(6,919)	(9,824)	48.8%	4.8%
(=) Non Redemption results (d)	49,561	43,198	36,969	14.7%	34.1%
Gross Profit [e = b + d]	205,528	166,763	157,967	23.2%	30.1%
<i>% Gross Margin [e / (a + c)]</i>	<i>51.6%</i>	<i>47.7%</i>	<i>45.3%</i>	<i>3.9 p.p.</i>	<i>6.3 p.p.</i>

Operating Expenses (R\$ thousand)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Operating Expenses	(41,106)	(39,099)	(34,108)	5.1%	20.5%
Commercial Expenses	(20,220)	(26,233)	(23,600)	(22.9%)	(14.3%)
Administrative Expenses	(19,518)	(12,866)	(10,508)	51.7%	85.7%
Other Expenses/ Revenues	(1,368)	-	-	n/a	n/a

Operating Expenses: Operating expenses increased by R\$ 7.0 million compared to 3Q15, mainly related to (i) the increase of R\$2.0 million in service rendering (administrative expenses), (ii) the increase of R\$1.1 million in personnel expenses (consolidated between both commercial and administrative expenses), (iii) the increase of R\$1.1 million in IT services (administrative expenses), and (iv) the increase of R\$ 2.8 million in other expenses. From that amount, R\$1.4 million refers to Netpoints' investment expenses, result from Smiles' capital increase in its affiliated company. Operating expenses, excluding the effect of that capital injection in affiliated company, would be R\$39.7 million, an increase of only 16.5% over 3Q15.

Other Information (R\$ thousand)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Equity Method Investment	(1,818)	435	(1,110)	(517.7%)	63.8%
Net Financial Results	50,015	57,599	28,241	(13.2%)	77.1%
Financial Expenses	(33)	(60)	(94)	(45.0%)	(64.9%)
Financial Income	54,775	53,040	39,095	3.3%	40.1%
Net Exchange Variation	(4,727)	4,619	(10,760)	(202.3%)	(56.1%)
Taxes and Social Contribution	(67,895)	(62,112)	(52,431)	9.3%	29.5%

Operating Profit: Smiles posted an operating profit of R\$162.6 million, 32.5% up over 3Q15, representing an operating margin of 40.8%. Operating profit growth is mainly result of the 14.1% increase in net revenues and the improvement of 5.7 p.p. in operating margin when compared to 3Q15.

Financial Results: The Financial result increased by 77.1% compared to 3Q15 chiefly due to (i) the organic growth in net cash position and (ii) the additional R\$160.0 million worth of advanced purchase of tickets in 3Q16, reaching balance of R\$760 million already advanced to Gol, within the pre-approved limit of R\$1.0 billion.

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

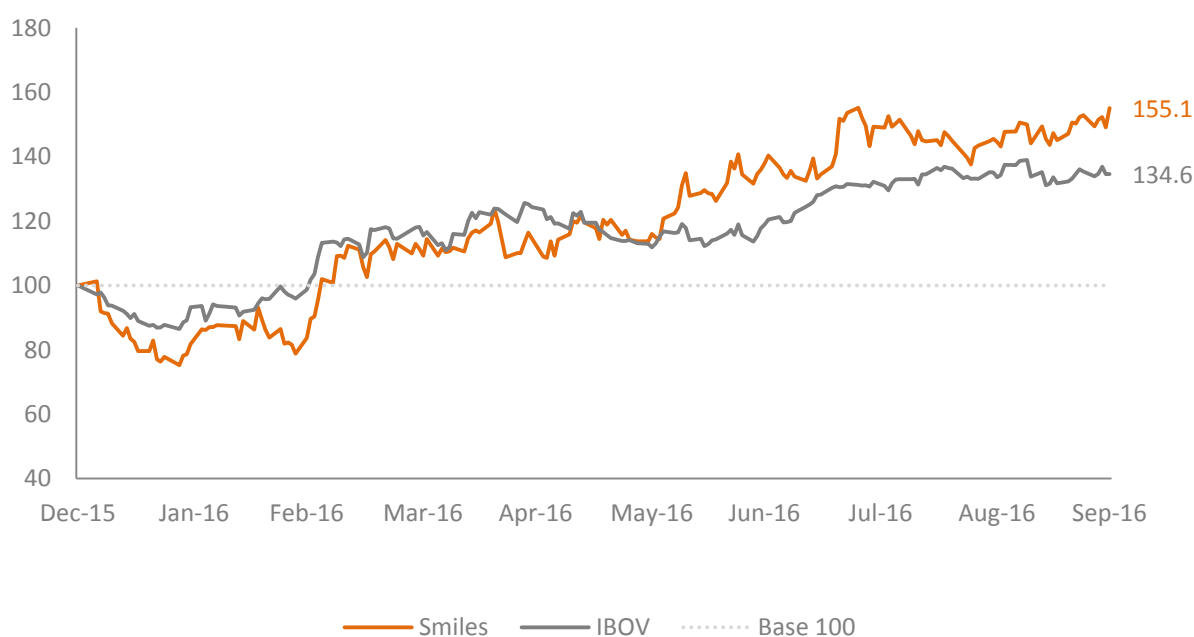
Income Tax and Social Contribution: The effective income tax rate in 3Q16 was 31.9%, which is 2.1 p.p. lower than the fiscal tax rate of 34.0%, or R\$4.4 million lower. The lower income tax is mostly due to R\$6.4 million of tax benefit from interest on capital payment, allied to R\$0.2 million of tax incentives, partially offset by R\$2.2 million of non-deductible expenses, including expenses related to Equity Method Investment.

Net Income: Smiles posted a quarterly net income of R\$144.7 million, which represents a net margin of 36.3%, 8.1 p.p. higher than 3Q15 and 1.0 p.p. higher than 2Q16.

Interest on Capital: Interest on capital payment, approved in Board of Director’s Meeting in September, 05 was effectively paid in October 14th, totaling R\$18.8 million.

Share Performance: Smiles shares (SMLE3) are listed on the Novo Mercado (New Market), which is BM&FBOVESPA’s highest level of Corporate Governance. On September 30, 2016, the Company’s shares were quoted at R\$53.97, representing a market value of R\$6.7 billion, posting a positive return of 79.6% in the last-twelve-months period and a positive return of 55.1% year-to-date. For the same periods, Bovespa’ Index - Ibovespa (the most important indicator of average share prices of stocks traded on the São Paulo Stock Exchange) posted positive returns of 29.5% and 34.6%, respectively.

Share Performance - 2016
(Base 100 – 12/30/2015 to 09/30/2016)



Income Statement

Income Statement (R\$ thousand)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Gross Redemption Revenues	438,790	385,663	384,679	13.8%	14.1%
Miles Redemption Revenue	372,890	330,275	333,082	12.9%	12.0%
Miles Redemption	272,956	251,515	230,883	8.5%	18.2%
Money Revenue	99,934	78,760	102,199	26.9%	(2.2%)
Breakage Revenues	60,617	53,364	48,103	13.6%	26.0%
Other Revenues	5,283	2,024	3,494	161.0%	51.2%
Direct Taxes	(40,534)	(35,821)	(35,614)	13.2%	13.8%
Net Revenues	398,256	349,842	349,065	13.8%	14.1%
Miles Redemption Cost	(192,728)	(183,079)	(191,098)	5.3%	0.9%
Cost of Tickets Purchase	(168,525)	(160,120)	(168,858)	5.2%	(0.2%)
Cost of Products Purchase	(13,906)	(16,040)	(12,416)	(13.3%)	12.0%
(-) Other Costs	(10,297)	(6,919)	(9,824)	48.8%	4.8%
Gross Profit	205,528	166,763	157,967	23.2%	30.1%
<i>gross margin</i>	51.6%	47.7%	45.3%	3.9 p.p.	6.3 p.p.
Operating Expenses	(41,106)	(39,099)	(34,108)	5.1%	20.5%
Commercial Expenses	(20,220)	(26,233)	(23,600)	(22.9%)	(14.3%)
Administrative Expenses	(19,518)	(12,866)	(10,508)	51.7%	85.7%
Other Expenses/ Revenues	(1,368)	-	-	n/a	n/a
Equity Method Investment	(1,818)	435	(1,110)	(517.7%)	63.8%
Operating Profit	162,604	128,099	122,749	26.9%	32.5%
<i>operating margin</i>	40.8%	36.6%	35.2%	4.2 p.p.	5.6 p.p.
Net Financial Result	50,015	57,599	28,241	(13.2%)	77.1%
Financial Expenses	(33)	(60)	(94)	(45.0%)	(64.9%)
Financial Income	54,775	53,040	39,095	3.3%	40.1%
Net Exchange Variation	(4,727)	4,619	(10,760)	(202.3%)	(56.1%)
EBT	212,619	185,698	150,990	14.5%	40.8%
Taxes and Social Contribution	(67,895)	(62,112)	(52,431)	9.3%	29.5%
Net Income	144,724	123,586	98,559	17.1%	46.8%
<i>Net Margin</i>	36.3%	35.3%	28.2%	1.0 p.p.	8.1 p.p.

Balance Sheet

Balance Sheet (R\$ thousand)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Assets	1,878,484	1,805,394	1,586,610	4.0%	18.4%
Current	1,174,667	1,134,375	1,204,420	3.6%	(2.5%)
Cash and Cash Equivalents	184,251	227,893	291,737	(19.2%)	(36.8%)
Short-term Investments	204,238	181,285	129,490	12.7%	57.7%
Accounts Receivable	185,889	161,052	175,452	15.4%	5.9%
Advances to Suppliers	550,797	533,537	562,087	3.2%	(2.0%)
Related-party Transactions	45,342	27,271	43,548	66.3%	4.1%
Other Credits	4,150	3,337	2,106	24.4%	97.1%
Non-Current	703,817	671,019	382,190	4.9%	84.2%
Deposits	-	6,965	-	(100.0%)	n/a
Deferred Taxes	68,495	71,721	76,086	(4.5%)	(10.0%)
Advances to Suppliers	576,337	547,559	273,377	5.3%	110.8%
Investments	12,355	12,102	17,264	2.1%	(28.4%)
Property, Plant and Equipment	1,783	1,817	1,819	(1.9%)	(2.0%)
Intangible	37,687	30,855	13,644	22.1%	176.2%
Other Credits	7,160	-	-	n/a	n/a
Liabilities	1,878,484	1,805,394	1,586,610	4.0%	18.4%
Current	1,041,934	1,105,279	495,134	(5.7%)	110.4%
Suppliers	102,812	107,245	101,649	(4.1%)	1.1%
Salaries, Wages and Benefits	11,771	7,747	9,762	51.9%	20.6%
Compusory Dividend Payable	16,053	-	-	n/a	n/a
Taxes Payable	29,639	26,206	30,960	13.1%	(4.3%)
Advances from Customers	78,323	148,458	60,270	(47.2%)	30.0%
Deferred Revenues	803,336	815,623	292,493	(1.5%)	174.7%
Non-Current	243,141	233,003	627,628	4.4%	(61.3%)
Suppliers	9,954	6,295	-	58.1%	n/a
Provisions Tax Soc, Security Labor and Civil	1,281	1,449	1,064	(11.6%)	20.4%
Deferred Revenue	231,906	225,259	626,564	3.0%	(63.0%)
Shareholder's Equity	593,409	467,112	463,848	27.0%	27.9%
Issued Capital	181,641	178,554	146,164	1.7%	24.3%
Capital to be subscribed	-	2,950	-	(100.0%)	n/a
Cost of Issue Shares	(36,402)	(36,402)	(36,402)	0.0%	0.0%
Capital Reserves	43,765	43,765	72,942	0.0%	(40.0%)
Profit Reserves	29,233	29,233	24,589	0.0%	18.9%
Additional Proposed Dividend	-	-	-	n/a	n/a
Share-based Payments	7,349	7,074	6,021	3.9%	22.1%
Retained Earnings	367,823	241,938	250,534	52.0%	46.8%

Cash Flow Statement

Cash Flow Statement (R\$ thousand)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)
Net Income	144,724	123,586	98,559	17.1%	46.8%
Share-Based Payments	244	243	369	0.4%	(33.9%)
Deferred Taxes	3,226	1,182	(4,767)	172.9%	(167.7%)
Provisions for Lawsuits	499	474	507	5.3%	(1.6%)
Depreciation and Amortization	3,175	1,620	966	96.0%	228.7%
Obtained Discounts	(40,338)	(33,407)	(26,709)	20.7%	51.0%
Exchange and Monetary Variations, Net	2,668	(1,903)	10,813	(240.2%)	(75.3%)
Allowance for Doubtful Accounts	40	271	216	(85.2%)	(81.5%)
Provision for Profit Sharing and Results	3,537	1,406	3,319	151.6%	6.6%
Equity in Subsidiaries	1,818	(435)	1,110	(517.9%)	63.8%
Affiliate equity changes	1,368	-	-	n/a	n/a
Accounts Receivable	(24,877)	25,538	3,104	(197.4%)	(901.4%)
Advances to Suppliers	(5,700)	(80,352)	149,927	(92.9%)	(103.8%)
Other Credits	(1,008)	116	4,405	(969.0%)	(122.9%)
Suppliers	(11,134)	6,032	27,789	(284.6%)	(140.1%)
Salaries, Wages and Benefits	487	363	602	34.2%	(19.1%)
Advances from Customers	(70,135)	(69,589)	(14,478)	0.8%	384.4%
Deferred Revenue	(5,642)	32,506	59,955	(117.4%)	(109.4%)
Taxes Payable	61,721	47,649	52,075	29.5%	18.5%
Lawsuits	(667)	(552)	(299)	20.8%	123.1%
Related-Party Transactions	(18,038)	(3,843)	32,521	369.4%	(155.5%)
Income Tax and Social Contribut. Paid	(61,074)	(51,636)	(44,303)	18.3%	37.9%
Net Operating Cash Flow	(15,106)	(731)	355,681	n/a	(104.2%)
Acquisition of Fixed Assets	(2,281)	(1,456)	(128)	56.7%	n/a
Financial Investments	(22,953)	64,882	(39,502)	(135.4%)	(41.9%)
Restricted Cash	-	-	58,303	n/a	(100.0%)
Capital Increase in Affiliated Co.	(3,439)	-	-	n/a	n/a
Investing Activities Cash Flow	(28,673)	63,426	18,673	(145.2%)	(253.6%)
Capital Increase	137	39	2	251.3%	n/a
Advances for Future Capital Increase	-	2,950	-	(100.0%)	n/a
Interest on Loan	-	-	(643)	n/a	(100.0%)
Distributed Dividends/ IOC	-	(335,343)	(244,580)	(100.0%)	(100.0%)
Loan payment	-	-	(52,200)	n/a	(100.0%)
Financing Activities Cash Flow	137	(332,354)	(297,421)	(100.0%)	(100.0%)
Net Cash Flow	(43,642)	(269,659)	76,933	(83.8%)	(156.7%)
Begin of period cash position	227,893	497,552	214,804	(54.2%)	6.1%
End of period cash position	184,251	227,893	291,737	(19.2%)	(36.8%)

Business Model

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

The main sources of our revenues come from (i) redeemed miles revenues, represented by tickets and awards in its network of airline, commercial and financial partners, (ii) Smiles&Money revenues, and (iii) Breakage revenues if issued miles expire without being redeemed,

Glossary

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

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

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

Free Float: Shares belonging to non-controlling shareholders,

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

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

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

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

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

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

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