

Barueri, February 15, 2017 – Smiles S.A. (BM&FBOVESPA: **SMLE3**) one of the largest loyalty programs in Brazil with over 12 million members, announces today its 4Q16 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
 New Market
 Price: R\$54.32
 No. of shares: 123,836,952
 Market value: R\$6.7 bn
 (close: 02/14/2017)

www.smiles.com.br/ri

4Q16 Conference Call

February 16, 2017

In Portuguese and English:

(Simultaneous Translation)

10:00 a.m. (Brasília time)

7:00 a.m. (US EST)

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Net Income of R\$161.6 mn in 4Q16

Up 43.9% over 4Q15

HIGHLIGHTS

- ✓ 2016 Net Income reached R\$548.3 mn, with a net margin of 35.4%
- ✓ 2016 EBITDA¹ totaled R\$609.5 mn, an increase of 47.7% compared to 2015
- ✓ 4Q16 Net Income totaled R\$161.6 mn, with a net margin of 36.0%
- ✓ 4Q16 EBITDA¹ increased 71.1% compared to 4Q15, reaching R\$188.6 mn
- ✓ 4Q16 EBITDA¹ Margin reached 42.0%, 10.4 p.p. higher than in 4Q15
- ✓ 4Q16 Net Revenues increased 28.8% versus 4Q15 and reached R\$449.4 mn
- ✓ 4Q16 Miles Accrual (ex-Gol) was up 8.7% when compared to 4Q15
- ✓ 4Q16 Miles Redemption² increased in 16.9% versus 4Q15, reaching 11.7 billion miles
- ✓ Complete integration of the Rocketmiles and Localiza platforms within the Smiles environment
- ✓ Launch of a new marketing campaign called 'É mais fácil'

Main Highlihts	Unit	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Miles Accrual	bln	14,7	13,8	13,5	6,1%	8,6%	53,6	52,3	2,3%
Gol	bln	2,0	1,6	1,8	22,4%	7,5%	6,7	7,4	(9,4%)
Ex-Gol (Banks and Other)	bln	12,7	12,2	11,7	3,9%	8,7%	46,9	45,0	4,2%
Smiles' Program Redemptions	bln	11,7	11,0	10,0	6,6%	16,9%	43,5	39,2	11,0%
Miles Billings (ex-Gol)	R\$ mn	454,0	430,5	445,3	5,5%	1,9%	1.714,7	1.654,5	3,6%
Net Revenues	R\$ mn	449,4	398,3	349,0	12,8%	28,8%	1.548,1	1.219,5	26,9%
EBITDA	R\$ mn	188,6	165,8	110,3	13,8%	71,1%	609,5	412,8	47,7%
<i>EBITDA Margin</i>	%	42,0%	41,6%	31,6%	0,3 p.p.	10,4 p.p.	39,4%	33,8%	5,6 p.p.
Net Income	R\$ mn	161,6	144,7	112,3	11,7%	43,9%	548,3	369,9	48,2%
<i>Net Margin</i>	%	36,0%	36,3%	32,2%	(0,4 p.p.)	3,8 p.p.	35,4%	30,3%	5,1 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

In 4Q16, Smiles presented results showing significant growth both in financial and operational indicators, especially the volume of miles redeemed together with net revenue evolution and operating margins improvement. It's worth highlighting that volume of miles redeemed benefitted from the attractiveness of the international airline partnerships combined with the high penetration of Gol's tickets redemptions. Smiles continued to add important partnerships and innovative products to its portfolio. At this sense, the Company implemented the integration of Rocketmiles and Localiza platforms to the Smiles platform, allowing Smiles customers to access all three platforms in a single environment. Smiles also launched the new 'É mais fácil' marketing campaign, which details how easy it is to travel with miles and shows Smiles as a complete travel platform.

Complete integration of Rocketmiles and Localiza platforms. In November, Smiles integrated 100% of its platform with Rocketmiles and Localiza, allowing Smiles customers to book airline tickets, hotel rooms and car rentals in a single environment. As a result, in addition to booking with miles or through the Smiles & Money, the Program member can now make their hotel reservations or rent a car by paying with cash, accruing miles to their Smiles account balance. With this complete integration, the Company continues aimed at its innovation strategy and focus on the traveler.

New Gol's accrual policy. Smiles and Gol's loyalty programs changes bring exclusive benefits to members by facilitating the category upgrade and the mile collection. Those changes are already in place, since January 1st, 2017. 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 collect at least 500 miles per flight. For more information, the client can access the website www.novasmiles.com.br.

Partnership with Via Varejo. Smiles has signed an agreement with Via Varejo, the e-commerce portal of Ponto Frio and Casas Bahia, for the redemption of products with miles. This new partnership strengthens the strategy of expanding and diversifying redemption options to Program members.

Launch of a new marketing campaign called 'É mais fácil'. The new campaign aims to present the facilities and benefits of traveling with miles, as well as seeking to position Smiles as a complete travel platform. The goal is to remind travelers that when they use Smiles products and services on their daily routine, they can accelerate the accrual of miles, with services such as hotel reservation, which can collect up to 15,000 miles per day, car rentals or by transferring credit card points.

In 4Q16, Smiles' net income increased 43.9% over 4Q15, mainly driven by a 70.3% growth in operational income. The operational result growth was due to the 28.8% evolution in net revenues, the 6.9 p.p. gross margin increase and the expansion of operating margin by 3.2 p.p. to gross margin gain. At the end of 4Q16, Smiles had 105 employees. We remain excited about the opportunities in the loyalty industry and are committed to position Smiles as an innovative business platform and a complete travel company.

Operating Performance

Operating Data ¹	Unit	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Members	mn	12.0	11.8	11.2	2.1%	7.8%	12.0	11.2	7.8%
Miles Accrual	mn	14,651	13,815	13,494	6.1%	8.6%	53,553	52,340	2.3%
Gol	mn	1,965	1,605	1,827	22.4%	7.5%	6,665	7,360	(9.4%)
Ex-Gol (Banks and Other)	mn	12,686	12,210	11,666	3.9%	8.7%	46,889	44,979	4.2%
Smiles' Program Redemptions	mn	11,729	10,999	10,032	6.6%	16.9%	43,495	39,197	11.0%
Airline Redemptions	mn	10,667	9,919	9,108	7.5%	17.1%	39,730	36,351	9.3%
Non-airline	mn	1,062	1,080	924	(1.7%)	14.9%	3,764	2,846	32.2%
Program's Burn/Earn	mn	80.1%	79.6%	74.3%	0.4 p.p.	5.7 p.p.	81.2%	74.9%	6.3 p.p.
Breakage Rate	%	17.1%	16.3%	16.1%	0.8 p.p.	1.0 p.p.	17.1%	16.1%	1.0 p.p.
% New Miles	%	99.9%	99.5%	95.7%	0.4 p.p.	4.2 p.p.	98.9%	91.9%	7.0 p.p.

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

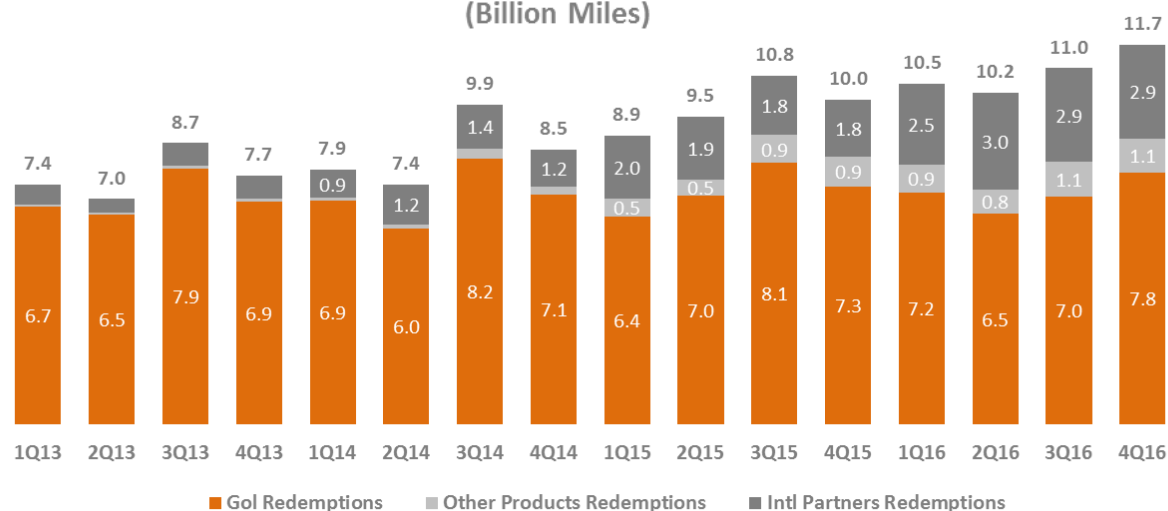
² The miles redemption corresponds to miles redeemed under the Smiles Program, including new miles and miles of legacy.

Participants and Partners: The program reached 12.0 million customers in 4Q16, a growth of 7.8% compared to 4Q15. In 4Q16, we have successfully implemented the integration of the Rocketmiles and Localiza platforms on our platform, unifying them in a single environment. This integration enhances the practicality of the Smiles platform and will allow a better experience for customers looking to book hotel rooms and car rentals. Additionally, the partnership with Via Varejo, parent company of the Casas Bahia and Ponto Frio brands, was launched for the redemption of products with Shopping Smiles. This expands the diversification of redemption options at Shopping Smiles.

Miles Accrual: The program's miles accrual increased 8.6% in the 4Q16 compared to 4Q15, boosted by the 8.7% YoY increase in ex-Gol partners' accruals.

Miles Redemption: The redemption of miles from the program in 4Q16 was 16.9% higher than 4Q15, reaching 11.7 billion miles in the period, the Company's historic record. The burn/earn ratio of the program reached 80.1%, a slight increase of 0.4 p.p. when compared to 3Q15, but a 5.7 p.p. increase over 4Q15. This evolution was mainly driven by the Black Friday effect on the volume of redemptions and the significant growth of Program's miles redeemed with international airline partners. In 2016, the volume of redemptions reached 43.5 billion miles, an increase of 11.0% compared to 2015, as a result of the significant growth of redemptions with international airline partners and with non-airline prizes.

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 4Q16, 63.9% up over 4Q15 and represented 24.7% of the total miles redeemed – 7.1 p.p. up over 4Q15. In 2016, redemptions with International Airline Partners reached 26.0% of total redemptions in the year, up 6.9 p.p. compared to 2015, mainly due to the increase in the attractiveness of this segment in the Company's portfolio, a result of the higher number of partnerships – which totaled 13 international partners by the end of 2016 – and increased seat availability through the implementation of search software improvements.

Operating Data ¹	Unit	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Smiles' Program Redemptions	mn	11,729	10,999	10,032	6.6%	16.9%	43,495	39,197	11.0%
Gol Tickets	mn	7,767	7,013	7,339	10.7%	5.8%	28,433	28,872	(1.5%)
International Partners Tickets	mn	2,900	2,906	1,769	(0.2%)	63.9%	11,297	7,479	51.1%
Non-airline	mn	1,062	1,080	924	(1.7%)	14.9%	3,764	2,846	32.2%
% of miles redeemed									
Gol Tickets	%	66.2%	63.8%	73.2%	2.5 p.p.	(6.9 p.p.)	65.4%	73.7%	(8.3 p.p.)
International Partners Tickets	%	24.7%	26.4%	17.6%	(1.7 p.p.)	7.1 p.p.	26.0%	19.1%	6.9 p.p.
Non-airline	%	9.1%	9.8%	9.2%	(0.8 p.p.)	(0.2 p.p.)	8.7%	7.3%	1.4 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, LTM, posted an increase of 1.0 p.p. when compared to 4Q15, reaching 17.1% rate.

Financial Performance

Financial Information Summary	Unit	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Gross Billings¹	R\$ mn	454.0	430.5	445.3	5.5%	1.9%	1,714.7	1,654.5	3.6%
Gol (Miles + Admin. Fee)	R\$ mn	25.0	25.5	28.6	(1.8%)	(12.6%)	98.5	108.2	(9.0%)
ex-Gol	R\$ mn	429.0	405.0	416.7	5.9%	2.9%	1,616.2	1,546.2	4.5%
ex-Gol Partners	R\$ mn	308.0	305.1	321.6	1.0%	(4.2%)	1,236.9	1,197.4	3.3%
Smiles & Money	R\$ mn	121.0	99.9	95.1	21.0%	27.3%	379.3	348.9	8.7%

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

Gross Billings: Gross billings were up 1.9% when compared to 4Q15, due to the 4.2% drop in ex-Gol miles billings and the drop of 12.6% in Gol billings, which was offset by the growth of 27.3% of Smiles & Money. In 2016, gross billings grew 3.6% compared to 2015, driven by the growth of 8.7% in Smiles & Money and 3.3% in ex-Gol miles billings.

Revenues (R\$ thousands)	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Gross Redemption Revenues	495,634	438,790	384,586	13.0%	28.9%	1,706,743	1,344,116	27.0%
Miles Redemption Revenue	408,489	372,890	323,243	9.5%	26.4%	1,443,237	1,172,322	23.1%
Miles Redemption	287,527	272,956	228,107	5.3%	26.0%	1,063,983	823,367	29.2%
Money portion of S&Money	120,962	99,934	95,136	21.0%	27.1%	379,254	348,955	8.7%
Breakage Revenues	78,310	60,617	48,957	29.2%	60.0%	245,334	150,908	62.6%
Other Revenues	8,835	5,283	12,386	67.2%	(28.7%)	18,172	20,886	(13.0%)
Direct Taxes	(46,212)	(40,534)	(35,625)	14.0%	29.7%	(158,634)	(124,595)	27.3%
Net Revenues	449,422	398,256	348,961	12.8%	28.8%	1,548,109	1,219,521	26.9%

Redemption Revenue: Gross revenues from miles redemption posted a 26.4% growth compared to 4Q15, driven by the 26.0% growth in revenues from miles redeemed and due to Smiles & Money revenues of 27.1%.

Miles Redemption: The revenue from miles redeemed increase of 26.0% compared to 4Q15 is mainly explained by the higher volume of miles redeemed, besides the larger participation of new miles on the total miles redeemed in the Program (95.7% in 4Q15 to 99.9% in 4Q16).

'Money' portion of Smiles & Money: Gross revenues for the portion of 'Money' on Smiles & Money Product increased by 27.1% compared to 4Q15, explained by growth in prizes redeemed on this product mode.

Breakage Revenue and expiration: In 4Q16, revenues from Breakage reached R\$78.3 million, posting an increase of 60.0% compared to 4Q15, driven by the higher number of miles expired.

Other Revenue: Other revenues were down by 28.7% when compared to 4Q15 reaching R\$8.8 million. This item is mainly composed of R\$1.5 million worth of program's management fees charged from Gol, and other revenues are mainly related to the commissioning of the co-branded credit card.

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	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Gross Redemption Revenues	408,489	372,890	323,243	9.5%	26.4%	1,443,237	1,172,322	23.1%
Miles Redemption	287,527	272,956	228,107	5.3%	26.0%	1,063,983	823,367	29.2%
Money Revenue	120,962	99,934	95,136	21.0%	27.1%	379,254	348,955	8.7%
(-) Direct Taxes	(37,785)	(34,492)	(29,900)	9.5%	26.4%	(133,499)	(108,440)	23.1%
(=) Net Redemption Revenue (a)	370,704	338,398	293,343	9.5%	26.4%	1,309,738	1,063,882	23.1%
Cost of Products Purchase	(212,624)	(182,431)	(186,539)	16.6%	14.0%	(754,990)	(637,986)	18.3%
(=) Redemption Result (b)	158,080	155,967	106,804	1.4%	48.0%	554,748	425,896	30.3%
% Direct Redemption Margin	42.6%	46.1%	36.4%	(3.4 p.p.)	6.2 p.p.	42.4%	40.0%	2.4 p.p.
Other Revenues (c)	78,719	59,858	55,618	31.5%	41.5%	238,371	155,639	53.2%
Breakage Revenues	78,310	60,617	48,957	29.2%	60.0%	245,334	150,908	62.6%
Other Revenues	8,835	5,283	12,386	67.2%	(28.7%)	18,172	20,886	(13.0%)
(-) Direct Taxes	(8,427)	(6,042)	(5,725)	39.5%	47.2%	(25,135)	(16,155)	55.6%
(-) Other Costs	(14,346)	(10,297)	(13,789)	39.3%	4.0%	(37,866)	(38,520)	(1.7%)
(=) Non Redemption results (d)	64,373	49,561	41,829	29.9%	53.9%	200,505	117,119	71.2%
Gross Profit [e = b + d]	222,452	205,528	148,633	8.2%	49.7%	755,253	543,015	39.1%
% Gross Margin [e / (a + c)]	49.5%	51.6%	42.6%	(2.1 p.p.)	6.9 p.p.	48.8%	44.5%	4.3 p.p.

Operating Expenses (R\$ thousand)	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Operating Expenses	(39,270)	(41,106)	(37,811)	(4.5%)	3.9%	(151,676)	(127,160)	19.3%
Commercial Expenses	(29,131)	(20,220)	(25,682)	44.1%	13.4%	(93,696)	(87,207)	7.4%
Administrative Expenses	(10,139)	(19,518)	(12,129)	(48.1%)	(16.4%)	(56,612)	(39,953)	41.7%
Other Expenses/ Revenues	-	(1,368)	-	n/a	n/a	(1,368)	-	n/a

Operating Expenses: Operating expenses remained practically stable when compared to 4Q15. In 2016, operating expenses were up by 19.3%, or an increase of R\$24.5 million, mainly related to (i) the increase of R\$10.8 million in commercial and marketing expenses, (ii) the increase of R\$6.2 million in service rendering (administrative expenses), and (iii) the increase of R\$4.7 million in personnel expenses (consolidated between commercial and administrative expenses).

Other Information (R\$ thousand)	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Equity Method Investment	2,829	(1,818)	(1,620)	(255.6%)	(274.6%)	(2,530)	(5,932)	(57.3%)
Net Financial Results	53,350	50,015	49,189	6.7%	8.5%	218,382	138,690	57.5%
Financial Expenses	(25)	(33)	(178)	(24.2%)	(86.0%)	(168)	(15,104)	(98.9%)
Financial Income	54,795	54,775	40,178	0.0%	36.4%	212,758	156,042	36.3%
Net Exchange Variation	(1,420)	(4,727)	9,189	(70.0%)	(115.5%)	5,792	(2,248)	(357.7%)
Taxes and Social Contribution	(77,750)	(67,895)	(46,069)	14.5%	68.8%	(271,156)	(178,691)	51.7%

Operating Profit: Smiles posted an operating profit of R\$186.0 million, 70.3% up over 4Q15, representing an operating margin of 41.4%. Operating profit growth is mainly result of the 28.8% increase in net revenues compared to 4Q15, the expansion of 6.9 p.p. in gross margin compared to 4Q15 and the improvement, additional to gross margin gains, of 3.2 p.p. in operating margin when compared to 4Q15.

Financial Results: The Financial result increased by 8.5% compared to 4Q15, due to a larger average cash position and the balance of the advanced purchase of Gol's tickets. In 4Q16, there were no new disbursements of resources by Gol.

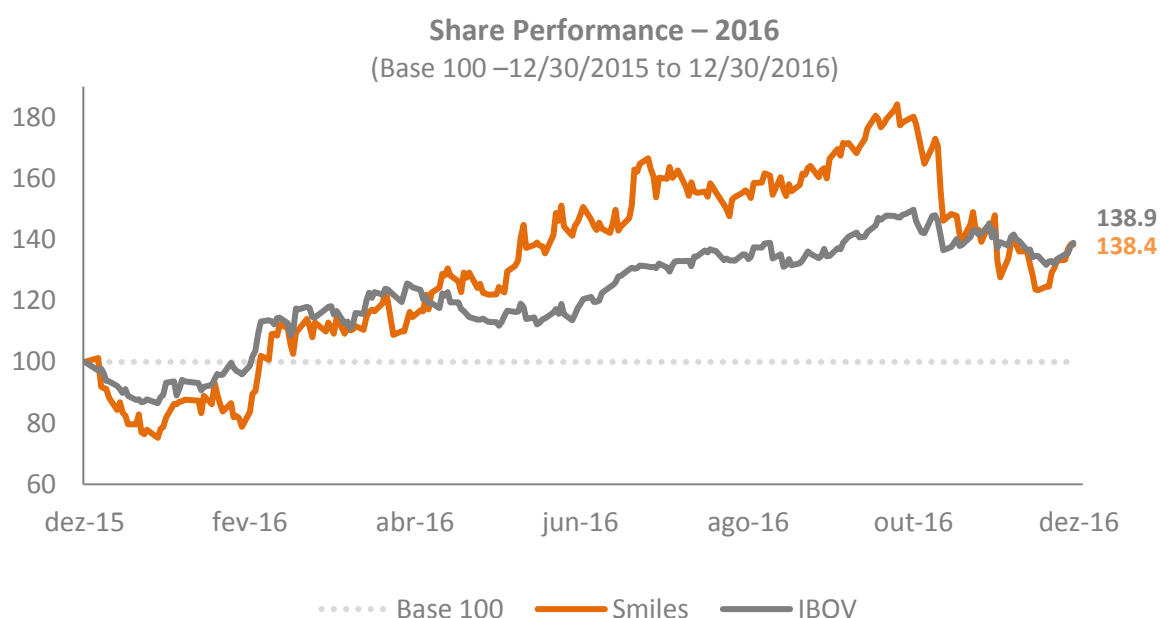
Net Exchange Rate Variation: The net exchange variation recorded in the period is chiefly explained by the variation in the foreign exchange rate of accounts payable outstanding in USD, related to the cost of international ticket redemptions.

Income Tax and Social Contribution: The effective income tax rate in 4Q16 was 32.5%, which is 1.5 p.p. lower than the fiscal tax rate of 34.0%, or R\$3.6 million lower. The lower income tax is mostly due to R\$1.2 million of tax benefit from interest on capital payment and also related to Equity Method Investment result not being considered to tax collection.

Net Income: Smiles posted a quarterly net income of R\$161.6 million, which represents a net margin of 36.0%, 3.8 p.p. higher than in 4Q15. In 2016, net income reached R\$548.3 million, up 48.2% compared to 2015, reaching a net margin of 35.4%, an increase of 5.1 p.p. compared to 2015.

Interest on Capital: Interest on capital payment, approved at the Board of Director’s Meeting held on December 26, 2016 was effectively paid on January 11, 2017, totaling R\$3.7 million.

Management Proposal for dividends distribution: The Board of Directors has approved the management proposal for the distribution of dividends that would result in a pay-out equivalent to 98.7%, with the retention of mandatory legal reserves only.



Share Performance: Smiles shares (SMLE3) are listed on the Novo Mercado (New Market), which is BM&FBOVESPA’s highest level of Corporate Governance. On December 31, 2016, the Company’s shares were quoted at R\$44.70, representing a market value of R\$5.5 billion, posting a positive return of 38.4% in 2016. For the same period, Bovespa’ Index – Ibovespa (the most important indicator of average share prices of stocks traded on the São Paulo Stock Exchange) posted a positive return of 38.9%.

Income Statement

Income Statement (R\$ thousand)	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)	2016	2015	2016 vs. 2015 (%)
Gross Redemption Revenues	495,634	438,790	384,586	13.0%	28.9%	1,706,743	1,344,116	27.0%
Miles Redemption Revenue	408,489	372,890	323,243	9.5%	26.4%	1,443,237	1,172,322	23.1%
Miles Redemption	287,527	272,956	228,107	5.3%	26.0%	1,063,983	823,367	29.2%
Money Revenue	120,962	99,934	95,136	21.0%	27.1%	379,254	348,955	8.7%
Breakage Revenues	78,310	60,617	48,957	29.2%	60.0%	245,334	150,908	62.6%
Other Revenues	8,835	5,283	12,386	67.2%	(28.7%)	18,172	20,886	(13.0%)
Direct Taxes	(46,212)	(40,534)	(35,625)	14.0%	29.7%	(158,634)	(124,595)	27.3%
Net Revenues	449,422	398,256	348,961	12.8%	28.8%	1,548,109	1,219,521	26.9%
Miles Redemption Cost	(226,970)	(192,728)	(200,328)	17.8%	13.3%	(792,856)	(676,506)	17.2%
Cost of Tickets Purchase	(200,242)	(168,525)	(171,690)	18.8%	16.6%	(698,487)	(601,562)	16.1%
Cost of Products Purchase	(12,382)	(13,906)	(14,849)	(11.0%)	(16.6%)	(56,503)	(36,424)	55.1%
(-) Other Cost	(14,346)	(10,297)	(13,789)	39.3%	4.0%	(37,866)	(38,520)	(1.7%)
Gross Profit	222,452	205,528	148,633	8.2%	49.7%	755,253	543,015	39.1%
<i>gross margin</i>	49.5%	51.6%	42.6%	(2.1 p.p.)	6.9 p.p.	48.8%	44.5%	4.3 p.p.
Operating Expenses	(39,270)	(41,106)	(37,811)	(4.5%)	3.9%	(151,676)	(127,160)	19.3%
Commercial Expenses	(29,131)	(20,220)	(25,682)	44.1%	13.4%	(93,696)	(87,207)	7.4%
Administrative Expenses	(10,139)	(19,518)	(12,129)	(48.1%)	(16.4%)	(56,612)	(39,953)	41.7%
Other Expenses/ Revenues	-	(1,368)	-	n/a	n/a	(1,368)	-	n/a
Equity Method Investment	2,829	(1,818)	(1,620)	(255.6%)	(274.6%)	(2,530)	(5,932)	(57.3%)
Operating Profit	186,011	162,604	109,201	14.4%	70.3%	601,047	409,923	46.6%
<i>operating margin</i>	41.4%	40.8%	31.3%	0.6 p.p.	10.1 p.p.	38.8%	33.6%	5.2 p.p.
Net Financial Result	53,350	50,015	49,189	6.7%	8.5%	218,382	138,690	57.5%
Financial Expenses	(25)	(33)	(178)	(24.2%)	(86.0%)	(168)	(15,104)	(98.9%)
Financial Income	54,795	54,775	40,178	0.0%	36.4%	212,758	156,042	36.3%
Net Exchange Variation	(1,420)	(4,727)	9,189	(70.0%)	(115.5%)	5,792	(2,248)	(357.7%)
EBT	239,361	212,619	158,390	12.6%	51.1%	819,429	548,613	49.4%
Taxes and Social Contrib.	(77,750)	(67,895)	(46,069)	14.5%	68.8%	(271,156)	(178,691)	51.7%
Net Income	161,611	144,724	112,321	11.7%	43.9%	548,273	369,922	48.2%
<i>Net Margin</i>	36.0%	36.3%	32.2%	(0.3 p.p.)	3.8 p.p.	35.4%	30.3%	5.1 p.p.

Balance Sheet

Balance Sheet (R\$ thousand)	4Q16	3Q16	4Q15	4Q16 vs. 3Q16 (%)	4Q16 vs. 4Q15 (%)
Assets	1,926,878	1,878,484	1,665,268	2.6%	15.7%
Current	1,413,422	1,174,667	1,447,318	20.3%	(2.3%)
Cash and Cash Equivalents	253,659	184,251	334,989	37.7%	(24.3%)
Short-term Investments	309,742	204,238	264,092	51.7%	17.3%
Accounts Receivable	167,864	185,889	192,422	(9.7%)	(12.8%)
Advances to Suppliers	598,913	550,797	601,359	8.7%	(0.4%)
Related-party Transactions	75,545	45,342	50,545	66.6%	49.5%
Other Credits	7,699	4,150	3,911	85.5%	96.9%
Non-Current	513,456	703,817	217,950	(27.0%)	135.6%
Deposits	-	-	-	n/a	n/a
Deferred Taxes	62,665	68,495	73,718	(8.5%)	(15.0%)
Advances to Suppliers	391,674	576,337	113,052	(32.0%)	246.5%
Investments	15,184	12,355	15,643	22.9%	(2.9%)
Property, Plant and Equipment	1,728	1,783	1,625	(3.1%)	6.3%
Intangible	34,832	37,687	13,912	(7.6%)	150.4%
Other Credits	7,373	7,160	-	3.0%	n/a
Liabilities	1,926,878	1,878,484	1,665,268	2.6%	15.7%
Current	1,061,806	1,041,934	954,746	1.9%	11.2%
Suppliers	117,055	102,812	84,032	13.9%	39.3%
Salaries, Wages and Benefits	14,863	11,771	12,964	26.3%	14.6%
Compusory Dividend Payable	119,243	16,053	65,769	642.8%	81.3%
Taxes Payable	22,257	29,639	12,257	(24.9%)	81.6%
Advances from Customers	6,454	78,323	13,459	(91.8%)	(52.0%)
Deferred Revenues	781,934	803,336	766,265	(2.7%)	2.0%
Non-Current	229,725	243,141	222,582	(5.5%)	3.2%
Suppliers	9,138	9,954	-	(8.2%)	n/a
Provisions Tax Soc. Sec. Lab. and Civil	1,262	1,281	1,340	(1.5%)	(5.8%)
Deferred Revenue	219,325	231,906	221,242	(5.4%)	(0.9%)
Shareholder's Equity	635,347	593,409	487,940	7.1%	30.2%
Issued Capital	181,822	181,641	146,164	0.1%	24.4%
Capital to be subscribed	-	-	-	n/a	n/a
Cost of Issue Shares	(36,402)	(36,402)	(36,402)	0.0%	0.0%
Capital Reserves	43,765	43,765	72,942	0.0%	(40.0%)
Profit Reserves	36,364	29,233	29,233	24.4%	24.4%
Additional Proposed Dividend	402,508	-	269,574	n/a	49.3%
Share-based Payments	7,290	7,349	6,429	(0.8%)	13.4%
Retained Earnings	-	367,823	-	(100.0%)	n/a

Cash Flow Statement

Cash Flow Statement (R\$ thousand)	3Q16	2Q16	3Q15	3Q16 vs. 2Q16 (%)	3Q16 vs. 3Q15 (%)			
Net Income	161,611	144,724	112,322	11.7%	43.9%			
Share-Based Payments	(7)	244	367	(102.9%)	(101.9%)			
Deferred Taxes	5,830	3,226	2,368	80.7%	146.2%			
Provisions for Lawsuits	403	499	644	(19.2%)	(37.4%)			
Depreciation and Amortization	2,608	3,175	1,052	(17.9%)	147.9%			
Obtained Discounts	(41,953)	(40,338)	(23,390)	4.0%	79.4%			
Exchange and Monetary Variations, Net	1,560	2,668	(9,245)	(41.5%)	(116.9%)			
Interest on loans	-	-	-	n/a	n/a			
Allowance for Doubtful Accounts	20	40	141	(50.0%)	(85.8%)			
Provision for Profit Sharing and Results	3,544	3,537	4,067	0.2%	(12.9%)			
Equity in Subsidiaries	(2,829)	1,818	1,621	(255.6%)	(274.5%)			
Affiliate equity changes	-	1,368	-	(100.0%)	n/a			
Accounts Receivable	18,005	(24,877)	(17,111)	(172.4%)	(205.2%)			
Advances to Suppliers	178,500	(5,700)	144,443	n/a	23.6%			
Other Credits	(3,762)	(1,008)	(1,805)	273.2%	108.4%			
Suppliers	12,258	(11,134)	(8,372)	(210.1%)	(246.4%)			
Salaries, Wages and Benefits	(452)	487	(865)	(192.8%)	(47.7%)			
Advances from Customers	(71,869)	(70,135)	(46,811)	2.5%	53.5%			
Deferred Revenue	(33,982)	(5,642)	68,450	502.3%	(149.6%)			
Taxes Payable	63,115	61,721	31,290	2.3%	101.7%			
Lawsuits	(422)	(667)	(368)	(36.7%)	14.7%			
Related-Party Transactions	(30,256)	(18,038)	(6,956)	67.7%	335.0%			
Income Tax and Social Contribut. Paid	(71,060)	(61,074)	(54,377)	16.4%	30.7%			
Net Operating Cash Flow	190,862	(15,106)	197,465	n/a	(3.3%)			
Acquisition of Fixed Assets	(88)	(2,281)	(1,126)	(96.1%)	(92.2%)			
Financial Investments	(105,504)	(22,953)	(134,602)	359.7%	(21.6%)			
Restricted Cash	-	-	-	n/a	n/a			
Capital Increase in Affiliated Co.	-	(3,439)	-	(100.0%)	n/a			
Investing Activities Cash Flow	(105,592)	(28,673)	(135,728)	268.3%	(22.2%)			
Capital Increase	3,131	137	-	n/a	n/a			
Advances for Future Capital Increase	(2,950)	-	-	n/a	n/a			
Interest on Loan	-	-	-	n/a	n/a			
Distributed Dividends/ IOC	(16,043)	-	(18,485)	n/a	(13.2%)			
Loan payment	-	-	-	n/a	n/a			
Financing Activities Cash Flow	(15,862)	137	(18,485)	n/a	(14.2%)			
Net Cash Flow	69,408	(43,642)	43,252	(259.0%)	60.5%			
Begin of period cash position	184,251	227,893	291,737	(19.2%)	(36.8%)			
End of period cash position	253,659	184,251	334,989	37.7%	(24.3%)			

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 between the date the miles were accrued and the date they were redeemed, and (iii) Breakage revenues if issued miles expire without being redeemed.

Glossary

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

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.

This release may contain forward-looking statements related to 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.