

**Barueri, February 27, 2018 – Smiles Fidelidade S.A. (B3: SMLS3)** one of the largest loyalty programs in Brazil with over 13 million members, announces today its 4Q17 results. The financial and operational information in this report refers to the consolidated results of Smiles Fidelidade 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 and are in comparison with Smiles S.A. numbers.

## Net Income reaches the record of R\$ 760.6 million in 2017.

### Smiles Fidelidade S.A.

B3: SMLE3  
Novo Mercado  
Price: R\$ 83.09  
No. of shares: 124.007.953  
Market value: R\$ 10.3bn  
(close: 02/26/2018)

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

### 4Q17 Conference Call

February 28, 2018

In Portuguese and English:

(Simultaneous Translation)

11:00 a.m. (Brasília)

09:00 a.m. (US EST)

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[webcast \(Portuguese\)](#)

[webcast \(English\)](#)

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### HIGHLIGHTS

- ✓ In 2017 Miles Accrual was up 59.1% when compared to 2016, totalizing the record of 85.2 billion of miles.
- ✓ In 2017, the Gross Billings was up 11.3% when compared to 2016 and reaching the record of R\$ 1,908.1 million.
- ✓ In 2017 were registered 68.0 billion of miles redemption, introducing the increase of 56.2% in comparison to 2016.
- ✓ 3Q17 Net Revenue increased 16.5% compared to 2016, reaching the historic record of the Company of R\$ 1,804 million
- ✓ The Net Income increase 38.7% in comparison to 2016, reaching the record mark of 760.6 million.

Main Highlights	Unit	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
		Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
Miles accrual	bln	23.9	22.8	14.7	5.0%	63.4%	85.2	53.6	59.1%
Gol	bln	2.7	2.4	2.0	8.6%	35.2%	8.3	6.7	24.8%
Banks, retail and others	bln	18.2	17.2	12.7	5.9%	43.3%	64.1	46.9	36.7%
Smiles & Money	bln	3.1	3.2	-	(2.5%)	-	12.8	-	n/a
Smiles' program redemptions <sup>2</sup>	bln	18.4	17.1	11.7	7.5%	57.1%	68.0	43.5	56.2%
Total gross billings <sup>3</sup>	R\$ mn	511.9	500.4	454.0	2.3%	12.8%	1,908.1	1,714.7	11.3%
Total gross billings (ex-Gol) <sup>3</sup>	R\$ mn	482.1	472.2	429.0	2.1%	12.4%	1,824.2	1,616.2	12.9%
Net revenues	R\$ mn	478.3	440.8	449.4	8.5%	6.4%	1,804.1	1,548.1	16.5%
EBITDA <sup>1</sup>	R\$ mn	149.2	163.0	188.6	(8.5%)	(20.9%)	661.7	609.5	8.6%
EBITDA margin <sup>1</sup>	%	31.2%	37.0%	42.0%	(5.8 p.p.)	(10.8 p.p.)	36.7%	39.4%	(2.7 p.p.)
Net income	R\$ mn	123.0	339.5	161.6	(63.8%)	(23.9%)	760.6	548.3	38.7%
net margin	%	25.7%	77.0%	36.0%	(51.3 p.p.)	(10.2 p.p.)	42.2%	35.4%	6.8 p.p.

1. EBITDA is not an accounting measurement elaborated by the Company, reconciled with its financial statements. The EBITDA is composed by net income attributable to the Company's shareholders, added by net financial result, income tax and social contribution, 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 will be recognized as revenue in future periods, depending on the date of redemption by the program members.

## Message from Management

In the fourth quarter of 2017, Smiles continues to evolve both in operational and financial indicators. Among the operating indicators, we highlight the 63.4% increase in the number of miles accrued and the 57.1% increase in the volume of miles redeemed, comparing both indicators with the fourth quarter of 2016. In the year over year comparison, Smiles ended 2017 with an expressive growth of 59.1% in miles accrued and 56.2% in miles redeemed, reaching record levels.

Among financial indicators, the R\$ 511.9 million gross billings, which grew 12.8% in comparison with 4Q16, remains at higher levels than those of the loyalty industry. It is worth noting that this is the fifth consecutive quarter whose revenues grew over the same periods of the previous years. In 2017, the gross billings reached the record level of R\$ 1.9 billion, a 11.3% growth related to 2016.

**Claro partnership.** Engaged to offer the best experiences and exclusive benefits, Smiles and Claro celebrates a unique partnership in 4Q17. The traveler can convert Claro's points into Smiles miles and vice versa.

**Uber partnership.** In line with the company's innovative DNA this quarter were marked by the launch of Uber partnership. The traveler could both accrue miles with rides or redeem Uber rides with miles.

**Ingresso Rápido partnership.** Smiles took another step in evolving its partnership with entertainment companies. The client can buy concerts, theaters, festivals tickets with miles and/or collect miles buying with cash.

**Launch of the new co-branded credit card.** The company also launched the new co-branded Smiles credit card, which now has three issuing banks: Banco do Brasil, Bradesco and Santander. The Smiles card offers diverse benefits for the traveler like automatic accrual of miles into Smiles account, more miles per dollar spent, access to Gol Lounge, free first baggage in Gol's flights, preferred boarding with Gol among others. The new co-branded card is and an additional way to accelerate Smiles' miles accrual.

Our family has 124 smiling and enthusiastic employees. We remain confident and optimistic in building new opportunities towards loyalty sector, reaffirming our commitment to consolidate Smiles as South America's most innovative business platform and a company even more complete to the traveler.

Our mission is to turn miles into smiles :)

## Operating Performance

Operating data <sup>1</sup>	Unit	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
		Smiles Fid. S.A.	Smiles Fide. S.A.	Smiles S.A.			Smiles Fide S.A.	Smiles S.A.	
<b>Members</b>	<b>bn</b>	<b>13.7</b>	<b>12.8</b>	<b>12.0</b>	<b>7.8%</b>	<b>14.3%</b>	<b>13.7</b>	<b>12.0</b>	<b>14.3%</b>
<b>Miles accrual</b>	<b>bn</b>	<b>23.9</b>	<b>22.8</b>	<b>14.7</b>	<b>5.0%</b>	<b>63.4%</b>	<b>85.2</b>	<b>53.6</b>	<b>59.1%</b>
Gol	bn	2.7	2.4	2.0	8.6%	35.2%	8.3	6.7	24.8%
Banks, retail and services	bn	18.2	17.2	12.7	5.9%	43.3%	64.1	46.9	36.7%
Smiles & Money	bn	3.1	3.2	-	(2.5%)	-	12.8	-	-
<b>Smiles' redemption program</b>	<b>bn</b>	<b>18.4</b>	<b>17.1</b>	<b>11.7</b>	<b>7.5%</b>	<b>57.1%</b>	<b>68.0</b>	<b>43.5</b>	<b>56.2%</b>
Airline redemptions	bn	16.5	15.7	10.7	5.2%	55.1%	62.2	39.7	56.6%
Non-airline redemptions	bn	1.9	1.4	1.1	32.4%	77.0%	5.7	3.8	52.1%
<b>Breakage rate</b>	<b>%</b>	<b>18.5%</b>	<b>18.0%</b>	<b>17.1%</b>	<b>0.5 p.p.</b>	<b>1.4 p.p.</b>	<b>18.5%</b>	<b>17.1%</b>	<b>1.4 p.p.</b>

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

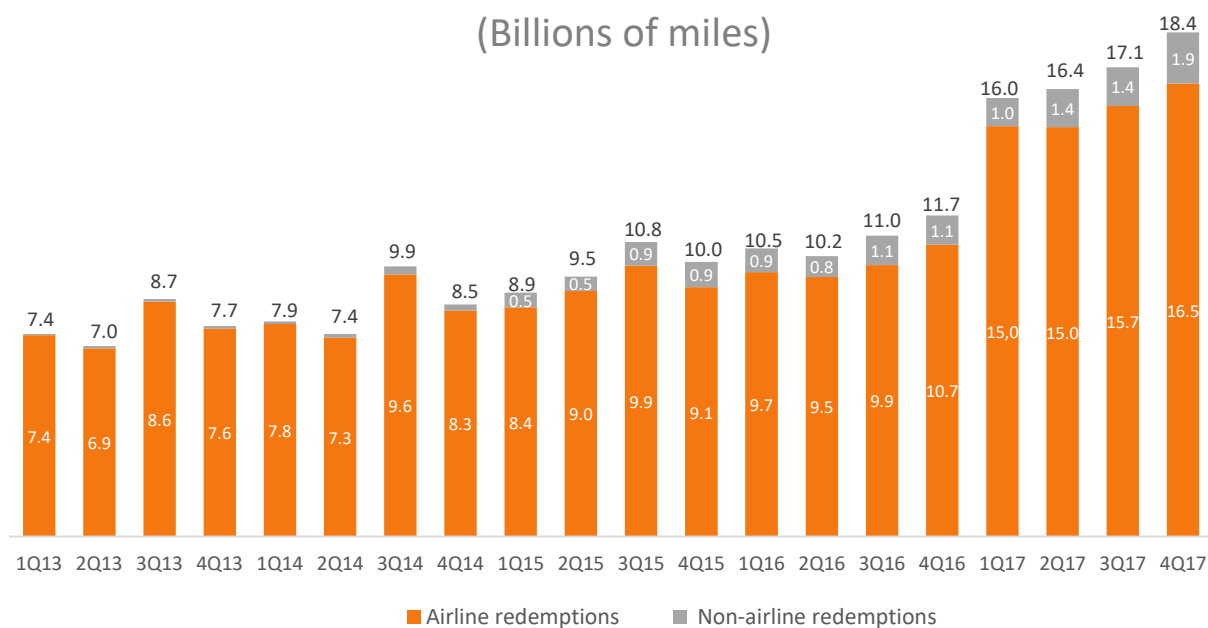
**Members:** The program reached 13.7 million customers in 4Q17, 14.3% up on 4Q16.

**Miles accrual:** The program's miles accrual increased by 63.4% in 4Q17 over 4Q16, boosted by the 43.3% increase in banks, retail and services accrual and the new dynamic of miles accrual from Gol that the customer who flight with Gol accrue more miles per real spent. The miles accrued from Gol was 35.2% higher than 4Q16

**Miles redemption:** The redemption of miles from the program in 4Q17 was 57.1% higher than 4Q16, reaching 18.4 billion miles in the period. The burn/earn ratio was 77.0% in 4Q17 and increase 1.4 bps in comparison to 4Q16.

## Miles redemption

(Billions of miles)



The Company continues to show sustainable growth in the volume of miles redeemed which were 57.1% this quarter in annual comparison, partially influenced by the new dynamic of Smiles & Money.

Operating data <sup>1</sup>	Unit	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
		Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Smiles' redemption program</b>	<b>bn</b>	<b>18.4</b>	<b>17.1</b>	<b>11.7</b>	<b>7.5%</b>	<b>57.1%</b>	<b>68.0</b>	<b>43.5</b>	<b>56.2%</b>
Gol + International Partners Tickets	bn	16.5	15.7	10.7	5.2%	55.1%	62.2	39.7	56.6%
Non-airline	bn	1.9	1.4	1.1	32.4%	77.0%	5.7	3.8	52.1%
<b>% of miles redeemed</b>									-
Gol + International Partners Tickets	%	89.8%	91.7%	90.9%	(1.9 p.p.)	(1.1 p.p.)	91.6%	91.3%	0.3 p.p.
Non-airline	%	10.2%	8.3%	9.1%	1.9 p.p.	1.1 p.p.	8.4%	8.7%	(0.3 p.p.)

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

**Breakage:** The breakage rate in the last twelve months increased by 0.5 p.p. over 3T17, reaching 18.5%.

## Financial Performance

Financial information summary	Unit	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
		Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Gross billings<sup>1</sup></b>	<b>R\$ mn</b>	<b>511.9</b>	<b>500.4</b>	<b>454.0</b>	<b>2.3%</b>	<b>12.8%</b>	<b>1,908.1</b>	<b>1,714.7</b>	<b>11.3%</b>
Gol	R\$ mn	29.8	28.2	25.0	5.4%	19.1%	83.9	98.5	(14.8%)
ex-Gol	R\$ mn	482.1	472.2	429.0	2.1%	12.4%	1,824.2	1,616.2	12.9%

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

**Gross billings:** Total gross billings climbed by 12.8% over 4Q16, current result of all the billings from the company.

In 2017, the billings increase 11.3% in comparison to the year before, reaching the record mark of 1,908.1 million.

Revenues (R\$ thousands)	Unit	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
		Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Gross redemption revenues</b>	<b>R\$ mn</b>	<b>527.3</b>	<b>486.7</b>	<b>495.6</b>	<b>8.3%</b>	<b>6.4%</b>	<b>1,989.9</b>	<b>1,706.7</b>	<b>16.6%</b>
Miles redemption revenue	R\$ mn	444.6	423.5	408.5	5.0%	8.8%	1,683.7	1,443.2	16.7%
Breakage revenue	R\$ mn	77.5	57.9	78.3	33.8%	(1.0%)	274.7	245.3	12.0%
Other revenues	R\$ mn	5.2	5.3	8.8	(1.2%)	(40.9%)	31.6	18.2	73.7%
Taxes and contributions	R\$ mn	(49.0)	(45.9)	(46.2)	6.7%	6.0%	(185.8)	(158.6)	17.1%
<b>Net revenues</b>	<b>R\$ mn</b>	<b>478.3</b>	<b>440.8</b>	<b>449.4</b>	<b>8.5%</b>	<b>6.4%</b>	<b>1,804.1</b>	<b>1,548.1</b>	<b>16.5%</b>

**Redemption revenue:** Gross revenues from miles redemption increased by 6.4% over 4Q16, mainly driven by the high level of from our users.

**Breakage revenue:** breakage revenue reached R\$ 77.5 million, stable compared to 4Q16.

**Other revenues:** Other revenues decreased by 40.9% in comparison with 4Q16, reaching R\$ 5.2 million. This item is mainly composed of cancellation fee, incentives to sell co-branded credit card and Gol's loyalty program's management fees. It is worth noting that revenue from the cancellation of Gol tickets is not being recognized on "other revenues" since 3Q17. This effect does not change the profitability of the company, considering that this mentioned revenue was absolutely reflected in the cost until 2Q17.

**Direct redemption margin:** 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 <sup>1</sup>	4T17	3T17	4T16	4T17 vs. 3T17 (%)	4T17 vs. 4T16 (%)	2017	2016	2017 vs. 2016 (%)
	Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Gross redemption revenue</b>	<b>447,964</b>	<b>425,426</b>	<b>408,489</b>	<b>5.3%</b>	<b>9.7%</b>	<b>1,683,673</b>	<b>1,443,237</b>	<b>16.7%</b>
Miles redemption revenue	447,964	425,426	287,527	5.3%	55.8%	1,683,673	1,063,983	58.2%
Money revenue	-	-	120,962	-	-	-	379,254	(100.0%)
(-) Direct Taxes	(41,437)	(39,352)	(37,785)	5.3%	9.7%	(155,740)	(133,499)	16.7%
<b>(=) Net redemption revenue (a)</b>	<b>406,527</b>	<b>386,074</b>	<b>370,704</b>	<b>5.3%</b>	<b>9.7%</b>	<b>1,527,934</b>	<b>1,309,738</b>	<b>16.7%</b>
(-) Cost of products purchase	(243,663)	(223,332)	(212,624)	9.1%	14.6%	(904,553)	(754,990)	19.8%
<b>(=) Redemption result (b)</b>	<b>162,864</b>	<b>162,742</b>	<b>158,080</b>	<b>0.1%</b>	<b>3.0%</b>	<b>623,381</b>	<b>554,748</b>	<b>12.4%</b>
% Direct redemption margin	40.1%	42.2%	42.6%	(2.1 p.p.)	(2.6 p.p.)	40,8%	42.4%	(1.6 p.p.)
<b>Other revenues (c)</b>	<b>71,788</b>	<b>54,719</b>	<b>78,719</b>	<b>31.2%</b>	<b>(8.8%)</b>	<b>276,195</b>	<b>238,371</b>	<b>15.9%</b>
Breakage revenues	77,499	57,937	78,310	33.8%	(1.0%)	274,699	245,334	12.0%
Other revenues	1,845	3,355	8,835	(45.0%)	(79.1%)	31,563	18,172	73.7%
(-) Direct taxes	(7,556)	(6,573)	(8,427)	15.0%	(10.3%)	(30,066)	(25,135)	19.6%
(-) Other costs	(12,895)	(12,346)	(14,346)	4.4%	(10.1%)	(45,917)	(37,866)	21.3%
<b>(=) Non- redemption results (d)</b>	<b>58,893</b>	<b>42,373</b>	<b>64,373</b>	<b>39.0%</b>	<b>(8.5%)</b>	<b>230,278</b>	<b>200,505</b>	<b>14.8%</b>
<b>Gross profit [e = b + d]</b>	<b>221,757</b>	<b>205,115</b>	<b>222,452</b>	<b>8.1%</b>	<b>(0.3%)</b>	<b>853,659</b>	<b>755,253</b>	<b>13.0%</b>
% Gross margin [e / (a + c)]	46.4%	46.5%	49.5%	(0.2 p.p.)	(3.1 p.p.)	47,3%	48.8%	(1.5 p.p.)

1. Gross Redemption Revenue considers other revenues related to redemption which are accounted on "Other Revenues".

Operating expenses (R\$ thousand)	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
	Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Operating expenses</b>	<b>(76.1)</b>	<b>(45.5)</b>	<b>(39.3)</b>	<b>67.3%</b>	<b>93.8%</b>	<b>(203.9)</b>	<b>(151.7)</b>	<b>34.4%</b>
Commercial expenses	(32.1)	(24.6)	(29.1)	30.6%	10.1%	(100.1)	(93.7)	6.9%
Administrative expenses	(29)	(20.9)	(10.1)	37.8%	184.6%	(85.1)	(56.6)	50.3%
Other expenses/revenues	(15)	-	-	n/a	n/a	(18.6)	(1.4)	1261.0%
<b>Non- recurrent operating expenses</b>	<b>(30.3)</b>	<b>(2.3)</b>	<b>-</b>	<b>1216.7%</b>	<b>n/a</b>	<b>(35.4)</b>	<b>-</b>	<b>n/a</b>
Business Development	(12.9)	-	-	n/a	n/a	(15.1)	-	n/a
Corporate Reorganization	(2.2)	(2.3)	-	(4.3%)	n/a	(5.1)	-	n/a
Netpoints' Write-off of Goodwill	(15.2)	-	-	n/a	n/a	(15.2)	-	n/a
<b>Recurrent operating expenses</b>	<b>(45.8)</b>	<b>(43.2)</b>	<b>(39.3)</b>	<b>6.1%</b>	<b>16.7%</b>	<b>(168.5)</b>	<b>(151.7)</b>	<b>11,1%</b>

**Operating expenses:** It's worth to emphasize that expenses in 2017 were impacted by three non-current effects (i) R\$15.2 million referred to the Netpoint's write-off of goodwill and (ii) R\$5.1 million referred to the corporate

reorganization and (iii) R\$15.1 million referred to expenses from business development. Excluded the non-recurrent effects, the operating expenses introduced an increase of 11.1%, in comparison of 2016, mainly related to (i) the increase of R\$8.0 million in selling and marketing expenses, (ii) increase of R\$4.3 million in services provided (iii) increase of R\$ 4.5 of IT expenses.

**Operating profit:** Smiles recorded operating adjusted profit of R\$ 145.6 million, 21.7% lower than 4Q16, representing an operating margin of 30.4%. In 2017, the operating profit excluded the non-recurrent effects reached R\$ 649.8 million, increasing 10,0% in comparison to the year before.

Other information (R\$ thousand)	4Q17	4Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
	Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
Equity method investment	-	-	2,829	n/a	(100.0%)	-	(2,530)	(100.0%)
Net financial result	45,211	52,367	53,350	(13.7%)	(15.3%)	199,946	218,382	(8.4%)
Financial expenses	(163)	(210)	(25)	(22.4%)	552.0%	(2,201)	(168)	n/a
Financial income	47,774	49,628	54,795	(3.7%)	(12.8%)	205,431	212,758	(3.4%)
Net exchange variation	(2,400)	2,949	(1,420)	(181.4%)	69.0%	(3,284)	5,792	(156.7%)
Income tax and social Contribution	(67,852)	127,513	(77,750)	(153.2%)	(12.7%)	(89,131)	(271,156)	(67.1%)

**Financial result:** the financial result increased by 15.3% over 4Q16, chiefly due to the negative exchange variation and the lowest income by the virtue of tax reduce.

**Net exchange 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 income tax and social contribution of 4Q17 were 35.6%, 1.2 p.p, lower than the official aliquot of 34%. The higher aliquot is related to the non-deduction of the tax over the effect of R\$15.2 million by the write-off of goodwill in Netpoints' investment. Considering this effect of the profit before the income tax and social contribution of the aliquot 32.9%.

**Net income:** Smiles' third-quarter net income totaled R\$ 123.0 million, accompanied with a net margin of 25.7%, 10.9 p.p. higher than in 4Q16. We emphasize that in this quarter the results had a negative impact by the write-off of goodwill of 15.2 million referred to Netpoints' investment and the hiring of a strategic consulting. In 2017, the net income reached the record mark of R\$760.6 million, introducing the increase of 43.7% in comparison to R\$529.4 of 2016.

## Income Statement

Income statement (R\$ thousand)	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
	Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Gross redemption revenues</b>	<b>527,308</b>	<b>486,718</b>	<b>495,634</b>	<b>8.3%</b>	<b>6.4%</b>	<b>1,989,935</b>	<b>1,706,743</b>	<b>16.6%</b>
Miles redemption revenue	444,589	423,497	408,489	5.0%	8.8%	1,683,673	1,443,237	16.7%
Breakage revenue	77,499	57,937	78,310	33.8%	(1.0%)	274,699	245,334	12.0%
Other revenues	5,220	5,284	8,835	(1.2%)	(40.9%)	31,563	18,172	73.7%
Taxes and contributions	(48,993)	(45,925)	(46,212)	6.7%	6.0%	(185,806)	(158,634)	17.1%
<b>Net revenues</b>	<b>478,315</b>	<b>440,793</b>	<b>449,422</b>	<b>8.5%</b>	<b>6.4%</b>	<b>1,804,129</b>	<b>1,548,109</b>	<b>16.5%</b>
<b>Reward redemption cost</b>	<b>(256,558)</b>	<b>(235,678)</b>	<b>(226,970)</b>	<b>8.9%</b>	<b>13.0%</b>	<b>(950,470)</b>	<b>(792,856)</b>	<b>19.9%</b>
Costs with airline ticket purchase	(203,282)	(197,115)	(200,242)	3.1%	1.5%	(795,879)	(698,487)	13.9%
Costs with other product and services purchases	(40,381)	(26,217)	(12,382)	54.0%	226.1%	(108,674)	(56,503)	92.3%
(-) Other cost	(12,895)	(12,346)	(14,346)	4.4%	(10.1%)	(45,917)	(37,866)	21.3%
<b>Gross profit</b>	<b>221,757</b>	<b>205,115</b>	<b>222,452</b>	<b>8.1%</b>	<b>(0.3%)</b>	<b>853,659</b>	<b>755,253</b>	<b>13.0%</b>
<i>gross margin</i>	46.4%	46.5%	49.5%	(0,2 p.p.)	(3,1 p.p.)	47.3%	48.8%	(1,5 p.p.)
<b>Operating expenses</b>	<b>(76,122)</b>	<b>(45,500)</b>	<b>(39,270)</b>	<b>67.3%</b>	<b>93.8%</b>	<b>(203,859)</b>	<b>(151,676)</b>	<b>34.4%</b>
Selling expenses	(32,079)	(24,562)	(29,131)	30.6%	10.1%	(100,129)	(93,696)	6.9%
Administrative expenses	(28,859)	(20,938)	(10,139)	37.8%	184.6%	(85,111)	(56,612)	50.3%
Other expenses/revenues	(15,184)	-	-	n/a	n/a	(18,619)	(1,368)	n/a
Equity method investment	-	-	2,829	n/a	(100.0%)	-	(2,530)	(100.0%)
<b>Operating profit</b>	<b>145,635</b>	<b>159,615</b>	<b>186,011</b>	<b>(8.8%)</b>	<b>(21.7%)</b>	<b>649,800</b>	<b>601,047</b>	<b>8.1%</b>
<i>operating margin</i>	30.4%	36.2%	41.4%	(5,8 p.p.)	(10,9 p.p.)	36.0%	38.8%	(2,8 p.p.)
Financial income	45,211	52,367	53,350	(13.7%)	(15.3%)	199,946	218,382	(8.4%)
Financial revenues	47,774	49,628	54,795	(3.7%)	(12.8%)	205,431	212,758	(3.4%)
Financial expenses	(163)	(210)	(25)	(22.4%)	552.0%	(2,201)	(168)	n/a
Exchange variation, net	(2,400)	2,949	(1,420)	(181.4%)	69.0%	(3,284)	5,792	(156.7%)
<b>EBT</b>	<b>190,846</b>	<b>211,982</b>	<b>239,361</b>	<b>-10.0%</b>	<b>(20.3%)</b>	<b>849,746</b>	<b>819,429</b>	<b>3.7%</b>
Income and social contribution taxes	(67,852)	127,513	(77,750)	(153.2%)	(12.7%)	(89,131)	(271,156)	(67.1%)
<b>Net income</b>	<b>122,994</b>	<b>339,495</b>	<b>161,611</b>	<b>(63.8%)</b>	<b>(23.9%)</b>	<b>760,615</b>	<b>548,273</b>	<b>38.7%</b>
<i>Net margin</i>	25,7%	77,0%	36,0%	(51,3 p.p.)	(10,3 p.p.)	42,2%	35,4%	6,8 p.p.



## Balance Sheet

Balance Sheet (R\$ thousand)	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)
	Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.		
<b>Assets</b>	<b>2,170,911</b>	<b>2,098,198</b>	<b>1,926,878</b>	<b>3.5%</b>	<b>12.7%</b>
Current	1,901,672	1,618,882	1,413,422	17.5%	34.5%
Cash and cash equivalents	446,191	203,675	253,659	119.1%	75.9%
Short-term investments	221,242	173,881	309,742	27.2%	(28.6%)
Trade receivable	352,640	343,812	167,864	2.6%	110.1%
Advances to suppliers	866,341	884,325	598,913	(2.0%)	44.7%
Credits with related parties	-	-	75,545	n/a	(100.0%)
Other credits and values	15,258	13,189	7,699	15.7%	98.2%
Noncurrent assets	269,239	479,316	513,456	(43.8%)	(47.6%)
Deferred taxes	211,993	238,188	62,665	(11.0%)	238.3%
Advances to suppliers	-	180,043	391,674	(100.0%)	(100.0%)
Judicial deposits and blocked escrows	16,943	15,020	-	12.8%	n/a
Investments	-	15,184	15,184	(100.0%)	(100.0%)
Property, plant and equipment	2,756	1,855	1,728	48.6%	59.5%
Intangible assets	37,547	29,026	34,832	29.4%	7.8%
Other credits and values	-	-	7,373	n/a	(100.0%)
<b>Liabilities</b>	<b>2,170,911</b>	<b>2,098,198</b>	<b>1,926,878</b>	<b>3.5%</b>	<b>12.7%</b>
Current	1,096,357	1,039,886	1,061,806	5.4%	3.3%
Suppliers	145,661	144,116	117,055	1.1%	24.4%
Salaries	18,270	15,525	14,863	17.7%	22.9%
Interest on equity payable	101,861	7,847	119,243	n/a	(14.6%)
Tax obligations	16,403	19,506	22,257	(15.9%)	(26.3%)
Obligations to related companies	30,394	24,127	-	26.0%	n/a
Advances from customers	14,727	52,845	6,454	(72.1%)	128.2%
Deferred revenues	768,688	773,521	781,934	(0.6%)	(1.7%)
Other liabilities	353	2,399	-	(85.3%)	n/a
Noncurrent liabilities	<b>202,835</b>	<b>204,510</b>	<b>229,725</b>	<b>(0.8%)</b>	<b>(11.7%)</b>
Suppliers	246	1,061	9,138	(76.8%)	(97.3%)
Provision for legal proceedings	14,385	14,034	1,262	2.5%	n/a
Deferred revenue	188,204	189,415	219,325	(0.6%)	(14.2%)
Other obligations	-	-	-	-	-
Capital stock	871,719	853,802	635,347	2.1%	37.2%
Capital to be subscribed	43,104	43,104	181,822	0.0%	(76.3%)
Cost of issue shares	(1,107)	(1,344)	(36,402)	(17.6%)	(97.0%)
Capital reserve	481,628	481,628	43,765	0.0%	n/a
Profit reserves	172	86	7,290	100.0%	(97.6%)
Share-based payment	8,621	-	36,364	n/a	(76.3%)
Additional dividend proposed	339,301	-	402,508	n/a	(15.7%)
Retained earnings	-	330,328	-	(100,0%)	n/a

## Statement of cash flows

Statement of Cash Flows (R\$ thousand)	4Q17	3Q17	4Q16	4Q17 vs. 3Q17 (%)	4Q17 vs. 4Q16 (%)	2017	2016	2017 vs. 2016 (%)
	Smiles Fid. S.A.	Smiles Fid. S.A.	Smiles S.A.			Smiles Fid. S.A.	Smiles S.A.	
<b>Net Income</b>	<b>122,994</b>	<b>339,495</b>	<b>161,611</b>	<b>(63.8%)</b>	<b>(23.9%)</b>	760,615	548,273	38.7%
Share-based payments	86	86	(97)	0.0%	n/a	408	820	(50.2%)
Deferred income and social contribution taxes	26,195	(170,655)	5,830	(115.3%)	349.3%	(149,328)	11,053	n/a
Provision for legal proceedings	3,403	5,070	403	(32.9%)	744.4%	11,940	1,904	527.1%
Depreciation and amortization	3,560	3,371	2,608	5.6%	36.5%	13,619	8,495	60.3%
Discounts in advance ticket purchases	(41,635)	(46,703)	(41,953)	(10.9%)	(0.8%)	(176,128)	(141,380)	24.6%
Exchange variations, net	(1,410)	894	1,560	(257.7%)	(190.4%)	(2,944)	(1,446)	103.6%
Interest and amortization of costs on loans	-	1	-	-100.0%	n/a	1,404	-	n/a
Financial restatement of income and social contribution taxes	-	(160)	-	-100.0%	n/a	(739)	-	n/a
Effects of Shareholder Transactions	-	-	-	n/a	n/a	-	-	n/a
Allowance for doubtful accounts	18	3	20	500.0%	(10.0%)	65	753	(91.4%)
Write-off of goodwill	15,184	-	-	n/a	n/a	15,184	-	n/a
Profit sharing	3,688	4,488	3,544	(17.8%)	4.1%	14,521	11,216	29.5%
Sale of fixed asset	-	782	-	-100.0%	n/a	-	-	n/a
Equity method investment	-	-	(2,829)	n/a	(100.0%)	-	2,530	(100.0%)
Change in equity interest in associate	-	-	-	n/a	n/a	-	1,368	-100.0%
Trade receivables	(8,846)	(56,441)	18,005	(84.3%)	(149.1%)	(184,841)	23,805	(876.5%)
Advances to suppliers	239,445	214,778	178,500	11.5%	34.1%	300,414	(134,796)	(322.9%)
Anticipated expending	-	-	-	n/a	n/a	-	-	n/a
Recoverable taxes	-	6	-	(100.0%)	n/a	-	-	n/a
Other credits / obligations	(4,005)	(6,078)	(3,762)	(34.1%)	6.5%	(7,604)	-11,161	(31.9%)
Suppliers	3,928	(1,832)	12,258	(314.4%)	(68.0%)	23,568	17,949	31.5%
Payment of labor lawsuits	-	-	-	n/a	n/a	-	-	n/a
Labor obligations	(943)	319	(452)	(395.6%)	108.6%	(11,308)	(9,317)	21.4%
Advances from customers	(38,118)	(25,063)	(71,869)	52.1%	(47.0%)	7,588	(7,005)	(208.3%)
Deferred revenue	(6,044)	17,123	(33,982)	(135.3%)	(82.2%)	(44,367)	13,752	(422.6%)
Tax obligations	38,778	17,598	63,115	120.4%	-38.6%	199,409	233,151	(14.5%)
Lawsuits and labor claims	(3,051)	(3,889)	(422)	(21.5%)	623.0%	(9,343)	(1,982)	371.4%
Credits with related companies	3,562	(3,562)	(30,256)	(200.0%)	(111.8%)	92,944	(24,959)	(472.4%)
Income and social contribution taxes paid	(40,557)	(18,984)	(71,060)	113.6%	(42.9%)	(192,500)	(226,500)	(15.0%)
Judicial deposits and blocked escrows	(1,923)	(605)	-	217.9%	n/a	(3,030)	-	n/a
Interest paid	-	(1)	-	(100.0%)	n/a	(1,161)	-	n/a
<b>Net cash flows from (used in) operating activities</b>	<b>314,309</b>	<b>270,041</b>	<b>190,862</b>	<b>16.4%</b>	<b>64.7%</b>	658,416	316,523	108.0%
Acquisition of property, plant and equipment and intangible assets	(12,981)	(644)	(88)	n/a	n/a	(17,362)	(3,859)	349.9%
Short-term investments	(47,361)	(123,813)	(105,504)	(61.7%)	(55.1%)	88,500	(45,650)	(293.9%)
Restrict Cash	-	-	-	n/a	n/a	-	-	n/a
Capital increase in affiliate	-	-	-	n/a	n/a	-	(3,439)	(100.0%)
Receipt for the asset sale	-	239	-	(100.0%)	n/a	-	-	n/a
<b>Net cash flows used in investing activities</b>	<b>(60,342)</b>	<b>(124,218)</b>	<b>(105,592)</b>	<b>(51.4%)</b>	<b>(42.9%)</b>	71,138	(52,948)	(234.4%)
Capital Stok	-	-	3,131	n/a	(100.0%)	3,784	6,481	(41.6%)
Capital Increase	-	-	3,131	n/a	(100.0%)	3,784	6,481	(41.6%)
Capital Reduce	-	-	-	n/a	n/a	-	-	n/a
Advances for Future Capital Increases	-	-	(2,950)	n/a	(100.0%)	4,043	-	n/a
Debtenture issues	-	-	-	n/a	n/a	-	-	n/a
Cost of issued shares	237	(1,344)	-	(117.6%)	n/a	(1,107)	-	n/a
Interest paid	-	-	-	n/a	n/a	-	-	n/a
Interest on equity paid, net of taxes	(12,707)	(12,582)	(16,043)	1.0%	(20.8%)	(547,040)	(351,386)	55.7%
Loans Payment	-	-	-	n/a	n/a	(15,000)	-	n/a
Stock Incorporated	-	-	-	n/a	n/a	-	-	n/a
Transactions with related parties	2,712	-	-	n/a	n/a	19,011	-	n/a
<b>Net cash flows from (used in) financing activities</b>	<b>(9,758)</b>	<b>(13,926)</b>	<b>(15,862)</b>	<b>(29.9%)</b>	<b>(38.5%)</b>	<b>(536,309)</b>	<b>(344,905)</b>	<b>55.5%</b>
Effect of exchange variation on cash and cash equivalents	(1,693)	72	-	n/a	n/a	(1,866)	-	n/a
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>242,516</b>	<b>131,969</b>	<b>64,408</b>	<b>83.8%</b>	<b>249.4%</b>	<b>192,379</b>	<b>(81,330)</b>	<b>(335.3%)</b>
Cash and cash equivalents at the beginning of the period	203,675	71,706	184,251	184.0%	10.5%	254,816	336,146	(24.2%)
<b>Cash and cash equivalents at the end of the period</b>	<b>446,191</b>	<b>203,675</b>	<b>253,659</b>	<b>119.1%</b>	<b>75.9%</b>	<b>446,195</b>	<b>254,816</b>	<b>75.1%</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 Santander, Bradesco and Banco do Brasil, and a wide network of retail partners. The current model works through (i) the accrual of Miles by Members 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 Members 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 Brazilian 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.

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

**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. Some values from this report may differ from the financial statements due to rounding.