multiplus

FINANCIAL STATEMENTS 2012

Comments of performance

Year ended December 31, 2012

To Our Shareholders

The Company ended 2012 with 10.9 million members and a network of 369 partnerships, highlighting the new partnerships dedicated to redemptions in addition to the grocery partners.

In 2012, management worked continuously for network's strategic consolidation, adding important coalition partners like Editora Abril and the groceries Muffato and Y.Yamada, that operates in Parana and Pará, respectively. To stimulate further redemptions in retail partners, Multiplus participated in some importante seasonal promotional offers such as Black Friday and Christmas sales, and also designed some joint targeted offers with Raia drugstore and Cori apparel store that presented outstanding results.

Regarding Multiplus results, the Company closed 2012 with 85.1 billion points issued. The Gross Billings of points totaled R$1,870 million. Multiplus posted R$1,476 million as revenue from services and points redeemed and a net income of R$50,7 million, representing a net margin of 15.2%.

OPERATING PERFORMANCE

Operating data	2011	2012	2012 vs 2011
Member (million)	9.4	10.9	15.6%
Partnerships	190.0	369.0	94.2%
Points issued (billion)	76.2	85.2	11.8%
TAM Linhas Aéreas – TLA	20.2	17.4	-13.9%
Bank, Retail, Industrial and Services	55.9	67.7	21.1%
Points redeemed (billion)	49.8	65.9	32.3%
Air tickets	48.7	62.3	27.9%
Other produts/services	1.1	3.5	237.0%
Breakage Ratio (LTM, %)	24.1%	21.0%	-3.1p.p.
Employees	109	150	37.6%

Partnerships: total of 369.0, a 94.2% growth vs 2011 due to the company's strategy to build its diversified partnership network.

Points issued: 85.2 billion points, 11.8% higher than 2011, due to a solid increase in the number of points sold to companies in the banking, retail, industrial and services sectors to offer Multiplus points to its customers.

Points Redeemed: 65.9 billion Multiplus points redeemed in 2012, mainly due to the growth of points issued.

Breakage (average of last 12 months): 21.3% in 2012, compared to 24.1% in 2011.

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FINANCIAL PERFORMANCE

Gross Billings of points

(R$ thousand)	2011	2012	2012 vs 2011
Gross billing of points	1,525	1,871	22.7%
TAM Linhas Aéreas – TLA	338	227	-33.0%
Banking, Retail, Industrial and Services	1,187	1,644	38.5%

Gross Billings of points: R$1,871 million in 2012, an increase of 22.7% over 2011 mainly due to an 38.5% increase in the gross billings of points sold to banks, retail, industrial and services.

Income Statement

(R$ thousand) Income statement	2011	2012	2012 vs 2011
Net Revenue	1,247	1,476	18.4%
Total cost of services rendered	(842)	(1,092)	29.7%
Total operating expenses	(94)	(146)	55.3%
Total cost and operating expenses	(937)	(1,238)	32.1%
Operating income	310	238	(23.2%)
Financial income/expenses	102	87	(14.7%)
Derivative designated as cash flow hedge	(7)	17	342.9%
Equity share of result of joint venture	0	(2)	N.A.
Income before income tax and social contribution	405	340	(16.1%)
Income tax and social contribution	(131)	(116)	(11.5%)
Net income	274	224	(18.2%)

Revenue from services and points redeemed: R$1,476 million in 2012 compared to R$1,247 million in 2011 mainly due to growth of points redeemed.

Costs of services and points redeemed: R$1,092 million in 2012 compared to R$842 million in 2011 due to the increase in the amount of Multiplus points available to be redeemed.

Operating expenses: R$146 million in 2012 compared to R$94 million in 2011 mainly due to the increase in personnel, in advisory and consultancy expenses, mainly related to IT area and e in marketing campaigns to promote the new Multiplus brand, such as joint marketing actions with partners and point of sale materials.

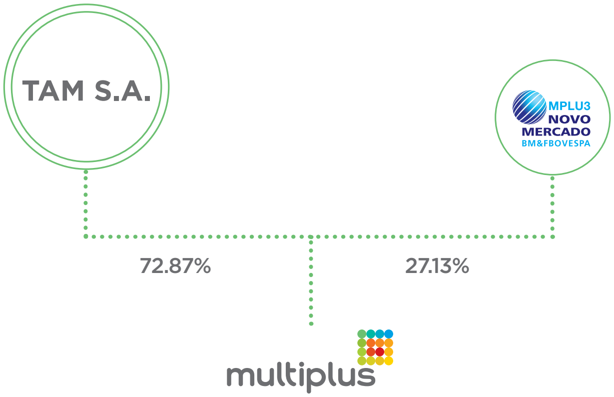
Financial results: R$87 million in 2012 compared to R$102 million in 2011 mainly reflecting the interest earned on the investment of Multiplus' cash, net of other financial expenses such as interest expenses, financial transaction tax and hedge accounting operations.

Net Income: R$224 million in 2012 compared to R$274 million in 2011 mainly due to the BRL depreciation and the breakage revenue provision reversal.

CAPITAL MARKETS

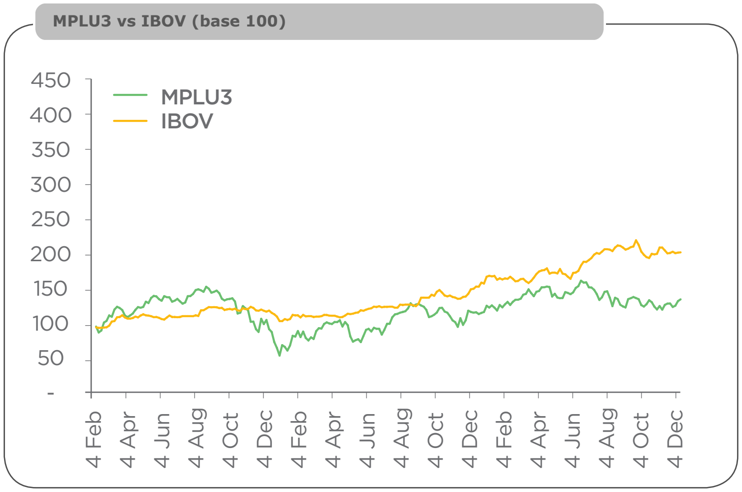
Ownership Structure

The ownership structure of Multiplus is as follows:



Stock Performance

The shares of Multiplus S.A. closed December 31, 2012 at R$47.72 (up 265.3% since the IPO), representing a market capitalization of R$7.7 billion. In 2012 the shares depreciated 55.4% compared to an appreciation of 7.4% of Ibovespa index (IBOV) and the average daily financial volume was R$ 16.7 million.



Balance sheet

Year ended December 31 (Amounts expressed in thousands of reais)

Asset	Note	2012	2011
Current			
Cash and cash equivalent	6	39,811	9,186
Financial assets at fair value through profit or loss	4.5	849,870	880,535
Financial assets held-to-maturity	7	150,426	
Accounts receivable	8	138,430	147,449
Taxes recoverable		3,780	5,219
Related parties	9	16,964	39,425
Derivative financial instruments	10		2,465
Advance to suppliers	11	11,572	8,208
Other accounts receivable		1,537	715
		1,212,390	1,093,202
Non current			
Financial assets held-to-maturity			138,009
Deferred tax and social contribution	12	16,011	18,542
Derivative financial instruments	10	194	77
Judicial deposits		5	
Advance to suppliers	11	9,645	16,416
Investments	13	4,369	
Property, plant and equipment		2,530	1,381
Intangible	14	56,965	40,807
		89,719	215,232
Total asset		1,302,109	1,308,434

The accompanying notes are an integral part of these financial statements.

Liability	Note	2012	2011
Current			
Accounts payable		59,824	114,884
Salaries and payroll taxes		10,214	7,825
Tax, charges and contributions	15	3,839	13,423
Income tax and social contribution		11,719	
Interest on own capital and dividends			65,355
Derivative financial instruments	10	27,303	20,489
Deferred income	16	1,025,952	794,297
Other accounts payable		9,878	4,615
		1,148,729	1,020,888
Non current			
Derivative financial instruments	10	4,011	28,408
Deferred income	16	123	
		4,134	28,408
Total liability		1,152,863	1,049,296
Equity			
Share capital	17 (b)	102,886	93,722
Capital reserves		(3,714)	(11,869)
Profit reserves		87,713	211,496
Carrying value adjustments		(37,639)	(34,211)
Total equity		149,246	259,138
Total liability and equity		1,302,109	1,308,434

The accompanying notes are an integral part of these financial statements.

Income statement

Year ended December 31 (Amounts expressed in thousands of reais)

	Note	2012	2011
Net revenue	19	1,476,014	1,246,812
Costs of services and redeemed points	20	(1,092,431)	(842,068)
Gross profit		383,583	404,744
Selling	20	(41,062)	(32,371)
General and administrative	20	(104,914)	(62,124)
Operating profit		237,607	310,249
Finance income	22	89,073	102,022
Finance expenses	22	(1,869)	(305)
Derivatives designated as cash flow hedge	22	17,647	(6,584)
Financial result		104,851	95,133
Equity share of results of joint venture	13	(2,203)	
Profit before income tax and social contribution		340,255	405,382
Tax income and social contribution	12 (a)	(115,950)	(131,136)
Profit for the year		224,305	274,246
Earnings per share –R$			
Basic	23	1.38860	1.70010
Diluted	23	1.38166	1.69170

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income

Year ended December 31 (Amounts expressed in thousands of reais)

	2012	2011
Profit for the year	224,305	274,246
Other comprehensive income		
Cash flow hedge	(298)	(53,515)
Cash flow hedge – realized	(4,896)	1,680
Deferred income tax and social contribution	1,766	17,624
	(3,428)	(34,211)
Total comprehensive income	220,877	240,035

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

Year ended December 31 (Amounts expressed in thousands of reais)

		Capital reserve		Profit reserves				
	Share capital	Capital reserve	Share-based payments	Legal reserve	Retained earnings	Carrying value adjustments	Accumulated profit	Total
As December 31, 2010	**692,385**	**(23,322)**	**1,538**	**5,919**	**82,083**			**758,603**
Profit for the year							274,246	274,246
Cash flow hedge						(53,515)		(53,515)
Cash flow hedge - realized						1,680		1,680
Deferred income tax and social contribution						17,624		17,624
Total comprehensive income						**(34,211)**	**274,246**	**240,035**
Capita reduction – EGM (i) 03/18/2011, effective on 06/22/2011	(600,014)							(600,014)
Capital increase – BDM (ii) 10/10/2011	1,351							1,351
Share-based payments			9,915					9,915
Destination of the retained earnings:								
IOC paid (iii) – BDM 12/20/2010, effective on 01/07/2010					(16,936)			(16,936)
Dividends paid - BDM 03/01/2011					(65,147)			(65,147)
Destination of the profit for the year:								
Legal reserve				12,825			(12,825)	
Minimum mandatory dividend:								
IOC paid – BMD 12/20/2011 – R$ 0.11636/share							(22,092)	(22,092)
Dividends proposed – R$ 0.28863/share							(46,577)	(46,577)
Distributable profit reserve					192,752		(192,752)	
Total transactions with owners	**(598,663)**		**9,915**	**12,825**	**110,669**		**(274,246)**	**(739,500)**
As December 31, 2011	**93,722**	**(23,322)**	**11,453**	**18,744**	**192,752**	**(34,211)**		**259,138**

The accompanying notes are an integral part of these financial statements.

		Capital reserve		Profit reserves				
	Share capital	Capital reserve	Share-based payments	Legal reserve	Retained earnings	Carrying value adjustments	Accumulated profit	Total
As December 31, 2012	**93,722**	**(23,322)**	**11,453**	**18,744**	**192,752**	**(34,211)**		**259,138**
Profit for the year							224,305	224,305
Cash flow hedge						(298)		(298)
Cash flow hedge - realized						(4,896)		(4,896)
Deferred income tax and social contribution						1,766		1,766
Total comprehensive income						**(3,428)**	**224,305**	**220,877**
Capital increase (Note 17 (b))	9,164							9,164
Share-based payments			8,155					8,155
Dividends paid – BDM 02/09/2012, effective on 02/23/2012					(192,752)			(192,752)
Destination of the profit for the year:								
Legal reserve				1,833			(1,833)	
Dividends paid - BDM 11/7/2012, effective on 11/19/2012 – R$ 0.90661/share							(146,810)	(146,810)
IOC paid - BDM 11/7/2012, effective on 11/19/2012 – R$ 0.05265/share							(8,526)	(8,526)
Distributable profit reserve					67,136		(67,136)	
Total transactions with owners	**9,164**		**8,155**	**1,833**	**(125,616)**			**(330,769)**
As December 31, 2012	**102,886**	**(23,322)**	**19,608**	**20,577**	**67,136**	**(37,639)**		**149,246**

The accompanying notes are an integral part of these financial statements.

(i) EMG – Extraordinary Meeting General (ii) IOC – Interest on Own Capital (iii) BDM – Board of Directors Meeting

Statement of cash flow – indirect method

Year ended December 31, (Amounts expressed in thousands of reais)

	Note	2012	2011
As December 31			
Profit for the year		224,305	274,246
Adjustment of:			
Provision for profit sharing		6,061	5,734
Deferred income tax and social contribution	12 (a)	4,296	299
Depreciation and amortization	20	5,841	5,022
Stock option plan		8,155	9,915
Cost to be incurred		5,676	3,217
Charges			(168)
Foreign Exchange losses(gains) and interest expense		73	
Provision for impairment of accounts receivable	8	584	
Ineffective portion - hedge transaction	22	(17,647)	6,584
Equity share of result of joint venture	13	2,203	
Changes in assets and liabilities			
Financial assets at fair value through profit or loss		30,665	(121,748)
Financial assets held-to-maturity		(12,417)	(88,735)
Accounts receivable		8,398	(56,548)
Taxes recoverable	11	1,439	(1,450)
Related parties		22,461	418,785
Advance to suppliers		3,407	
Derivative financial instruments		(2,782)	(12,064)
Other accounts receivable		(822)	(24,486)
Accounts payable		(55,060)	2,644
Salaries and social charges		(3,671)	(3,870)
Tax, charges and contributions		66,020	119,332
Income tax and social contribution (recoverable/payable)		11,719	
Deferred income		231,778	179,747
Other accounts payable		(415)	1,017
Cash generated from operating activities		540,267	717,473
Taxes paid		(76,815)	(111,552)

	Note	2012	2011
Net cash generated from operating activities		463,452	605,921
Cash flow from investment activities			
Purchases of property, plant and equipment		(601)	(575)
Purchases of intangible		(22,587)	(25,426)
Acquisition of investments	13	(6,571)	
Net cash flow used in investment activities		(29,759)	(26,001)
Cash flow from financing activities			
Capital reduction			(600,014)
Capital increase	17(b)	9,164	1,351
Dividends paid		(386,139)	(66,370)
Interest on own capital paid		(26,093)	(16,936)
Net cash flow used in financing activities		(403,068)	(681,969)
Increase (decrease) in cash and cash equivalent		30,625	(102,049)
Cash and cash equivalent at the beginning of the year		9,186	111,235
Cash and cash equivalent at the end of the year		39,811	9,186

The accompanying notes are an integral part of these financial statements.

Statement of added value

Year ended December 31 (Amounts expressed in thousands of reais)

	Note	2012	2011
Revenue			
Sales of goods, products and services	19	1,628,143	1,373,446
Provision for impairment of accounts receivable	8	(584)	
		1,627,559	1,373,446
Inputs acquired from third parties			
Cost of products, goods and services sold		(1,094,987)	(843,037)
Materials, energy, outsourced services and others		(95,350)	(54,254)
		(1,190,337)	(897,291)
Gross added value		437,222	476,155
Reductions			
Depreciation and amortization	20	(5,841)	(5,022)
Net added value		431,381	471,133
Value added received in transfer			
Equity share of results of joint venture	13	(2,203)	
Finance income		107,511	102,022
Total added value to be distributed		536,689	573,155

The accompanying notes are an integral part of these financial statements.

	Note	2012	2011
Distribution of added value		536,689	573,155
Personnel			
Direct remuneration		31,758	27,630
Benefits		2,019	1,171
F.G.T.S. – Employee Government Severance Fund		1,441	943
Taxes, charges and contributions			
Federal		272,482	260,542
Municipal		319	387
Remuneration of third party capital			
Interest		2,663	6,889
Rentals		1,702	1,347
Remuneration of own capital			
Dividends		146,810	46,577
Interest on own capital		8,526	22,092
Profit retained for the year		68,969	205,577

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

Year ended December 31, 2012 (In thousands of reais, unless otherwise stated)

1. GENERAL INFORMATION

Multiplus S.A. ("Multiplus" or the "Company") is domiciled in Brazil with its head office at Av. Nações Unidas 12,901 21st floor Torre Norte, Brooklin, São Paulo and was incorporated on August 6, 2009. Multiplus' main activities are: the development and management of customer loyalty programs, the sale of the rights to redeem rewards as part of customer loyalty programs, the creation of databases of individuals and legal entities, obtaining and processing information related to consumer habits, representation of other Brazilian or foreign companies, and rendering auxiliary services to sell assets and products, including (but not limited to) their import and export, as well as the acquisition of items and products related, directly and indirectly, to the performance of the previously described activities.

Multiplus S.A. was listed as a publicly traded company in the BM&FBovespa New Market on February 3, 2010 and made a Public Offering on February 5, 2010, obtaining proceeds of a gross amount of R$ 692,385, through the issue of 43,274,000 shares of common stock at the issue price of R$ 16.00 per share. This amount was reduced by costs of R$ 35,336 with a related tax effect of R$ 12,014, totaling R$ 23,322. All of the amounts obtained were recorded as capital according to the decision of the Board of Directors Meetings held on February 4, 2010 and March 1, 2010. The Company's shares are traded under the symbol MPLU 3.

The Company arose from corporate restructuring initiated by its parent company TAM S.A., through the segregation and transfer of the customer loyalty business of TAM Linhas Aéreas S.A. (TLA) to an independent entity, with the objective of rationalizing the operating, administrative and financial structures for TLA's customer loyalty business, as well as of obtaining more efficiency, profitability and independence. From January 1, 2010, the Company assumed exclusive management of the TAM Loyalty Program.

The main source of the Company's revenue arises from the issue of Multiplus (Loyalty) points for our commercial partners, including TLA, who offer these points to their participants for them to redeem rewards. The Company allows its participants to accumulate Multiplus points upon their purchases and redeem them for rewards through the programs of the Company's commercial partners.

In addition to the sale of points, the Company provides loyalty program management services to commercial partners. Currently, in accordance with an Operating Contract, Multiplus renders this service to TLA, which mainly consists of the operation of the TAM Loyalty Program. This contract is effective for 15 years, renewable for an additional five-year periods, and establishes the monthly fees payable by TLA for this service. Termination of the contract for any reason is not subject to any onus, fine or penalty, except for the reimbursement of investments made and not amortized, in order to comply with the Operating Contract.

The business model adopted by the Company differs from traditional alliances, being more flexible and providing benefits through two existing models: alliances and individual programs. Instead of replacing the partners' programs, the Company connects them to a wider network. Accordingly, the Company does not compete, but rather cooperates with the loyalty programs of its commercial partners, providing them with highly attractive redemption options and allowing our commercial partners to continue their relationships with their consumers.

The Company's commercial partners include major companies from different sectors of the economy, such as gas stations, bookshops, credit cards, banks and hotels among others. Other than traditional individual loyalty programs, the Company allows the participants in its commercial partners' loyalty programs to decide, through a Multiplus account, whether they will transfer their points to the different loyalty programs included in the Multiplus network or consolidate the accumulated points from different loyalty programs into a single Multiplus account.

These financial statements were approved for issue by Company's management on February 27, 2013.

1.1. LATAM Airlines Group S.A.

As per the material fact of June 22, 2012 by TAM, the companies TAM S.A. and LAN Airlines S.A. ("LAN") reported that they had successfully completed the Public Offer for Exchange of Shares for the cancellation of the Registration of Public Company evidenced by the shareholders' agreement on January 25, 2012 between TAM, LAN, TEP Chile S.A. and Holdco I S.A. Thus, LAN and TAM conclude, their merger transaction on June 22, 2012 and created LATAM Airlines Group S.A. ("LATAM").

TAM S.A. is the Company's parent with 72.87% of our share capital. The merger transaction between TAM and LAN did not alter the terms of the 15-year Operating Agreement signed on December 10, 2009 between Multiplus and TLA (Note 9).

1.2 Prismah Fidelidade S.A.

Multiplus and AIMIA Newco UK LLP ("Aimia") jointly control Companhia Brasileira de Serviços de Fidelização S.A. ("CBSF") which was incorporated on April 2, 2012 and became effective on June 29, 2012, and had its name changed to Prismah Fidelidade S.A. ("Prismah"), whose activities are rendering auxiliary services and development programs of loyalty/customer relationship programs and incentives for sales chain for companies through customer relationship management, technical consulting and technology consulting and through other programs or points currency exchange subject to conversion in to loyalty program points (Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil that include those in corporate law and the Pronouncements, Guidance and Interpretation issued by the Accounting Pronouncements Committee ("CPC") and approved by Brazilian Securities Commission ("CVM") and are in accordance with the international accounting standards (International Financial Reporting Standards – IFRS) issued by International Accounting Standards Board ("IASB").

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements have been prepared under the historical cost model and the fair value measurement model for derivative financial instruments.

2.2. Changes in accounting policy and disclosures

There are no new pronouncements, guidance and interpretations prevailing from 2012 that would be expected to have a material impact of the Company's financial statements.

2.3. Functional and presentation currency

Items included in the financial statements for the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") and are presented in Reais, that being the Company's functional currency.

2.4. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank deposits and short-term highly liquid investments with the original maturities of up to three months with insignificant risk of change in value (Note 6).

2.5. Financial assets

2.5.1. Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held for sale. There are no financial assets classified as available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for active and frequent trading. Derivatives are also classified as held for trading and included in the category, unless they have been designated as hedge instruments. Assets in this category are classified as current asset.

Gains or losses arising from the changes in the fair value of financial assets measured at fair value through profit or loss are recorded in the "Financial Result" in the period in which they occur, unless the instrument has been contracted in connection with another instrument. In this case, the variations are recognized in the same line item in the statement of operations as that which has been affected by this other instrument.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise trade accounts receivable, other receivables and cash and cash equivalents, except for certain short-term investments that meet the definition of assets at fair value through profit or loss.

(c) Held-to-maturity

Financial non-derivative assets with fixed or determinable payments and fixed maturity are classified with held-to-maturity when the Company has manifested the intention and financial capacity to do so.

2.5.2. Recognition and measurement of financial assets

Purchases and sales of financial assets are typically recognized on the trade-date. The financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value though profit or loss. The financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

2.5.3. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6. Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are assessed for indications of impairment at the end of each reporting period. Impairment losses are recognized if, and only if, there is effective evidence of impairment of the financial asset as a result of one or more events that occurred after its initial recognition, with effects on the estimated cash flows of this asset.

The criteria used to determine if there is an effective evidence of impairment may include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- The Company, for economic or legal reasons relating to the financial difficulty of the borrower, provides the borrower with a concession that it would not otherwise consider; or
- Probability of the debtor entering bankruptcy or financial reorganization; or
- Disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - The adverse changes in the payment status of borrowers in the portfolio;
  - The national or local economic conditions that correlate with defaults on the assets in the portfolio.

For certain categories of financial assets, such as accounts receivable, the assets that are considered as not impaired in an individual assessment may, subsequently, be assessed as impaired in a collective assessment. Objective evidences of impairment for the receivables portfolio may include the Company's past experience in the collection of payments and the increased number of delayed payments after a certain period of days, as well as observable changes in the national or local economic conditions related to defaults on receivables.

The carrying amount of the financial asset is reduced directly by the impairment loss for all financial assets, except for accounts receivable, in which the carrying amount is reduced through the use of a provision. Subsequent recoveries of amounts previously written off are credited to the provision. Any changes in the carrying amount of the provision are recorded in profit or loss.

2.7. Derivative financial instruments and hedging activity

Derivatives are initially recognized at fair value on the date a derivative contact is entered into and are subsequently re-measured at their value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The subsidiary Multiplus designates certain derivatives as hedge of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) (Note 10).

The Company decided to apply hedge accounting considering that revenue from the sales of points is recognized after billing to the financial institutions only at the moment when the participants in the loyalty program redeem their points for awards (the "curve of redemption of points") and that there is a mismatch between the moment at which points are billed and recognized as deferred revenue and the moment at which points are redeemed and revenue is recognized in the statement of operations. By applying hedge accounting management believes that it reduces the mismatch between the timing of the recognition of the effects of the derivative financial instruments in the income statement and the timing of the recognition of revenue with respect to the transactions being hedged. Management also expects that a highly effective hedge relationship will reduce the impact of the derivative instruments that is recognized under finance income and finance costs in the statement of operations.

The Company deems the cash flows from future sales of points to financial institutions as highly probable and categorizes the change in the intrinsic value of the derivative instruments contracted to protect those cash flows against exchange rate variations as "cash flow hedge" of such future sales. Derivative financial instruments designated as hedging instruments under hedge accounting are recognized as assets and liabilities in the balance sheet and are measured at fair value. The effective portion of changes in the intrinsic value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income within stockholder's equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of operations within finance income and finance costs. No significant amount of ineffectiveness has been recognized in the statement of operations for the periods presented.

The Company documents at the inception of the hedge relationship each operation, the relationship between hedging instruments and hedged items, including the risk management objectives and the strategy for entering into hedge transactions. The Company also documents, both at inception of the hedge relationship and on an ongoing basis, the calculations and /or assessments of whether intrinsic value of the derivative instruments designated as hedging instruments are highly effective in offsetting the change in cash flows in Reais attributable to the change in the exchange rate between the Brazilian real and the U.S dollar of the highly probable future sales of points.

In a "cash flow hedge", the Company hedges the changes in future cash flows from sales attributable to changes in the exchange rate and recognizes all changes in the fair value of the derivative financial instruments. The change in fair value attributable to the effective portion of the hedge relationship is recognized in other comprehensive income within shareholder's equity and the ineffective portion and the time value which is not part of the hedging relationship, is recognized directly in the income statement. The effective portion originally recognized in shareholder's equity in other comprehensive income, will only be released or recycled into the statement of operations when the hedged item affects the income statement (which is the moment when the points that were hedged are redeemed by the participants). However, when a hedged item expires or when a hedge operation no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholder's equity, at the time, remains in stockholders' equity until the moment in which the forecasted transaction is ultimately recognized in income.

The Company uses zero cost collars, swaps and forwards as hedging instruments and their fair value calculations are performed based on methodologies widely accepted by the market as the Black&Scholes options for, and the discounted cash flow for swaps and forwards. Significant data included in the model were:

- Price of the object-asset
- Exercise price
- Volatility in the price object-asset
- Interest rate risk free
- Length
- Interest rate on foreign currency

The hedging instruments are considered to be effective when the variation in the cash flow of the hedging instruments offsets between 80% and 125% of the changes in the hedged transaction.

For the calculations, are used as the data source information disclosed by BM&FBovespa and Central Bank of Brazil.

The Company has not classified any derivative instrument in "fair value hedge" or "net investment hedge" relationship.

2.8. Accounts receivable

Accounts receivable are amounts due from customers for sales of points performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less the provision for impairment. Owing to their short-term nature, the Company initially recognizes the accounts receivable at their original sale amount. An allowance for impairment is established when there is objective evidence that the Company will not be able to realize the amounts due under the original terms of the accounts receivable. The allowance is the difference between the book value and the recoverable value.

The Company records an allowance for doubtful accounts receivable which are overdue for more than 180 days, except for cases of renegotiations and related parties. The total of provision for losses is the difference between the carrying amount and recoverable amount (Note 8).

2.9. Income tax and social contribution current and deferred

The income tax and social contribution expense represents the sum of current and deferred taxes. Income tax and social contribution, current and deferred, are recognized in the income statement, except to the extent that they relate to items directly recognized in equity or other comprehensive income.

The expense for income tax and social contribution, current and deferred, is calculated on the basis of the tax laws enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Income tax and social contribution are presented net in liabilities when amounts payable or assets when amount paid in advance exceeds the total due on the date of the report.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The current and deferred income tax and social contribution is calculated at the enacted rates of 25% and 9%, respectively (Note 12).

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized, considering projections of future income based on internal assumptions and future economic scenarios which may, therefore, suffer changes. Company management revises these projections annually.

Deferred income tax and social contribution are offset and presented on a net basis when there is a legally enforceable right and the intention to offset current tax assets against current tax liabilities, in general when the deferred taxes relate to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different countries are typically shown separately, and not on a net basis.

2.10. Investments

(a) Joint venture

Jointly controlled entities are all entities over which the Company has joint control with one or more parties. Investments in jointly controlled entities are accounted for under the equity method. The Company's interest in joint ventures is recognized in the income statement (Note 13). When the Company's share of losses in the joint venture equals or exceeds the carrying amount of the investment, including any other receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

2.11. Intangible assets

(a) Software and IT projects

The software licenses are capitalized on the basis of costs incurred to acquire the software and make them ready for use. These costs are amortized over the estimated useful life, three up to ten years.

Costs associated with maintaining of software are recognized as an expense as incurred. Costs of development that are directly attributable to the design and testing of identifiable and unique products are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured

Ongoing costs of software development or maintenance are expensed as incurred.

2.12. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.13. Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due in one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, due to the short-term nature of most trade payables, they are usually recognized at the amount billed.

2.14. Deferred income

Deferred revenue comprises revenue related to the Multiplus Program (Note 2.20). Points sold are measured at their fair value on initial recognition, against accounts receivable, and are recognized as revenue when Multiplus points are redeemed.

2.15. Distribution of dividends and interest on own capital

Distribution of dividends and interest on own capital to the Company's shareholders are recognized as a liability in the Company's financial statements at the end of the year. The financial statements reflect only the minimum mandatory dividends, as provided in the Company's bylaws, of 25% of the net profit and prepayment approved by the Board of Directors.

Any amount above the minimum mandatory dividend is only accrued on the date it is approved by the shareholders in General Meeting Ordinary or the Meeting of the Board of Directors. The tax benefit of interest on own capital is recognized in the income statement.

2.16. Employee benefits

(a) Profit sharing

The Company recognizes a liability and an expense for profit-sharing, based on its Profit Sharing Program and some operating indicators. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Share-based payments

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) to the Company. The share-based compensation is measured at the fair value of the equity instruments at the Grant date. Details regarding the determination of fair value of these plans are described in Note 18.

The fair value of the employees services received in exchange for the grant of the options is recognized as an expense over the vesting period (the period in which the specific conditions must be fulfilled), excluding the impact of any non-market vesting conditions (for example, profitability or sales growth targets). Non-market vesting conditions are included in the assumptions used to define the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest, recognizing the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.17. Transaction costs

Transaction costs related to the Company's IPO were recorded, in accordance with CPC 08 - Transaction costs and premiums on issuance of securities, as a deduction from the initial amount of the proceeds, net of the income tax and social contribution effects.

2.18. Share capital

Capital comprises common shares which are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19. Provisions

The Company recognizes provisions when: (i) it has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are measured at the present value of expenditures required to settle the obligation, using a pre-tax rate, which reflects current market assessments of the time value of money and specific risks of the obligation. The increase in the obligation as a result of the passage of time is recognized as a finance cost. Provisions are presented net of the related judicial deposits.

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party, an asset is recognized, but only if the reimbursement is certain and the value can be measured reliably.

2.20. Revenue recognition

The invoicing of Multiplus points arising from the sale to commercial partners is initially recorded as deferred revenue upon the issuance of points. As the Multiplus points are redeemed, these amounts are recognized in the statement of operations as gross revenue. Revenue, therefore, comprises the amount of points redeemed and the amount of points expected not to be redeemed, (breakage) (Note 3(a)).

2.21. Costs and operating expenses recognition

The main Multiplus costs are related to points redeemed (including the award-points distributed), especially award-travel tickets. Operating expenses represent selling, general and administrative expenses, including salaries, payroll charges and benefits, shared services center, information systems, call center, legal, marketing and other (Note 20).

2.22. Finance revenue recognition

Interest revenue is recognized on the accrual basis, taking into consideration the outstanding principal and the effective interest rates up to maturity or the year-end (Note 22).

2.23. Segment information

Operating segment information is presented in a manner consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing the performance of operating segments, is the Chief Executive Officer. As the cost basis of the Company's operations is essentially fixed, although the decision maker assesses all the period based on revenues at different levels, Multiplus' performance is assessed as a whole, and it is concluded that there is only one operating segment.

2.24. New standards, amendments and interpretations not yet effective

Standards, amendments and interpretation not yet effective for IFRS were issued by the IASB for the year ended December 31, 2012, and have not been applied in preparing these financial statements. It is expected that these new standards will have no material effect on the Company's financial statements except for IFRS 9 Financial Instruments, which is mandatory from January 1, 2015 and may change the classification and measurement of financial assets held by the Company. The Company expects to adopt these standards early and the impact of its adoption has not yet been measured.

CPC has not yet issued equivalent to IFRS pronouncements cited above, but is expected to do so before the required date of their entry into force. The early adoption of IFRS pronouncements is subject to prior approval by CVM normative act.

The following rules and interpretations were issued by IASB, but are not in place for 2012 fiscal year.

- IFRS 9 – Financial instruments: addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces the parts of IAS 39 that relate to the classification and fair value measurement and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is applicable for periods beginning on or after January 1, 2015. The Company is evaluating the full impact of IFRS 9.

- IFRS 10 – Consolidated financial statements: replaces the current IAS 27 Consolidated and Separate financial statements and SIC 12 Consolidated – Special purposes entities. Changes the definition of control so that the same criteria are applied to all entities to determine control. Excludes guidance specific for investments entities. The standard is applicable for periods beginning on or after January 1, 2013. This standard was included as an amendment to the text of CPC 36 (R3) – Consolidated Financial Statement. This standard does not have any impact on the Company.
- IFRS 11 – Joint arrangements: replaces the current standards and interpretations on the subject (IAS 31 - (IAS 31 Interest in joint ventures). Reduces the types of joint arrangements to two: joint operations and joint ventures and eliminates the accounting policy choice of proportionate consolidation for jointly controlled entities and will be mandatory to use equity method for participants in joint venture. The standard is applicable for periods beginning on or after January 1, 2013. This standard was included as an amendment to the text of CPC 19 (R2) – Joint arrangements. The application of this standard does not impact on the Company, as the already registered investments are valued by the equity method.
- IFRS 12 – Disclosures of interest in other entities: replaces the disclosure requirements currently found in IAS 28 Investments in associates. Establishes the disclosure required for entities that report under IFRS 10 and IFRS 11 and requires entities to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associates with investments in subsidiaries, associates, joint ventures and unconsolidated entities/structures. The standard is applicable for periods beginning on or after January 1, 2013. This standard was considered in a new pronouncement CPC 45 – Disclosure of interest in other entities. The application of this standard does not impact on the Company.
- IFRS 13 – Fair value measurement: explains how to measure fair value and aims to enhance fair value disclosure. It applies when a standard requires or permits the measurement and disclosure of fair value and its the classification level (level 1, 2 or 3) of the items measured at fair value. This standard was issued in June 2011 and is applicable beginning on or after January 1, 2013. This standard was considered in a new pronouncement CPC 46 – Fair value measurement. The application of this standard does not impact on the Company.
- IAS 1 – Presentation of financial statement: amendments require companies to separate items presented in other comprehensive income into two groups, based on whether the items are made against the result or at a later time. Companies that present items of other comprehensive income before taxes must present the total taxes separately for these two groups. The amendment is applicable beginning on or after January 1, 2013. This standard does not impact on the Company.
- IAS 19 – Employee benefits: amendments relate to the elimination of the corridor approach, recognize all gains and losses in comprehensive income as they occur, to immediately recognize all past service costs in the income statement and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit, asset or liability. This standard was issued in June 2011 and is applicable beginning on or after January 1, 2013. This amendment was considered in the text of the pronouncement CPC 33(R1) – Employee benefits. The application of this standard does not impact on the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with CPC and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgments are constantly evaluated and are based on historical experience and other factors, among which is the expectation of future events considered reasonable under present circumstances. Accounting estimates, by definition, are not equivalent to actual results.

The estimates and assumptions that present a significant risk of a material adjustment in the book value of assets and liabilities during the coming year, are presented below:

(a) Estimation of points issued which not be used up to the due date – Breakage

The points are sold by Multiplus , but its revenue is only recognized when they are redeemed. However, since each point is given validity of two years some expire before the recovery. This situation is known as breakage and generates revenue free of cost. At the end of each month, the Company makes a provision equivalent to the amount of breakage revenue expected (called breakage liability) and promotes a gradual recognition of this revenue in the income statement.

The breakage liability is calculated based on 12-month average of the percentage of points issued and not used by maturiry, applied on turnover points. The gradual recognition of revenue from breakage is performed according to the 12-month average of completion of the redemption,the percentage of points earned and those redeemed during the period applied to the liability calculated as above and limited to the balance already recorded.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk management policy

The Company believes that risk management is a key objective to support its growth strategy and financial flexibility. Therefore, the Company developed its risk management strategy in order to provide an integrated approach to the risks to which it is exposed. Thus, Multiplus evaluates not only the impact of financial market trading variables on the results of the business (market risk), but also the risks from counterparty obligations (credit risks), those relating to operational activities (operational risks) and those from liquidity risks.

The Company is also subject to the risk management policy formalized by its parent company, TAM, which defines rules and allows the Treasury Department to enter into hedging operations. The risk management process is monitored by the Finance and Audit Committee of the Company in conjunction with the parent company's Risk Committee whose responsibilities, among others, are to:

- Decide on any increase in the percentage level of protection, within the limits established in the financial risks policy, based on strategic aspects, and monitor the comparison between the market and budgeted scenarios.
- Manage and administer the risk exposure.
- Monitor compliance with the risk policy.
- Establish financial limits for all the institutions authorized to carry out derivative transactions.
- Monitor the performance of derivative transactions.

The Treasury Department is responsible for, among other activities, the planning and implementation of the Risk Committee's decisions, certifying that the hedge transactions were contracted in conformity with market conditions and informing the Risk Committee of deviations from the Policy.

These derivatives are used in line with the parent company's policies, considering liquidity, impact on results and cost/benefit analysis of each position taken. Control over the use of derivatives includes ensuring that the derivatives contracted are in line with market rates.

The group's treasury risk management policy is to hedge between 25% and 100% of anticipated cash flows in each major foreign currency for the subsequent 12 months, periodically reviewed by the Risk Committee Approximately 100% of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

The Company does not enter into transactions involving financial instruments, including derivative financial instruments, with speculative purposes.

(a) Market risks

(i) Exchange rate risk

The Company is exposed to exchange rate risk arising from its normal commercial activities, considering that most of the point sale agreements with financial institutions are quoted in U.S. dollars. The variations to changes in exchange rates between R$/US$ can negatively affect the Company's cash flow, future billing and results. The risk that the Company is exposed to is a possible decrease in future cash flow due to an increase or reduction in the R$/US$ exchange rate.

At December 31, 2012 if the Real had been varied 10% compared to the US Dollar, with all other variables held constant, the finance result would be have a variation, higher/lower of R$ 44,507/ R$ 57,106 (2011 – R$ 19,041/R$ 1,283), mainly due to gains/losses on translation of foreign currency hedging transactions.

(ii) Interest rate risk

The Company's results are affected by changes in interest rates due to the impact those changes have on interest income earned on cash balances and short-term financial investments.

The Company does not have financial instruments for the protection of cash flow against variations in interest rates and maintains most of its cash in investments earning interest based on the CDI rate.

(b) Credit risk

The credit risk is managed internally and reviewed by the Audit and Finance Committee. Credit risk arises from cash and cash equivalents, financial instruments, and deposits at banks and other financial institutions, as well as from credit exposure to wholesale and retail customers and financial institutions, including outstanding accounts receivable. Currently, the Company's receivables are concentrated in financial institutions and the counterparty TLA. The limits of individual risks are determined based on internal or external classifications. The use of credit limits is periodically monitored.

The credit quality of financial assets that are neither past due or not impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The *ratings* are expressed on a notional scale. Each agency has a slightly different way to present ratings. The table below unifies the presentations into what we believe is the best rating scale.

Type of application	Liquidity	Maximum allocation	Minimum allocation	Value (R$) 2012
Exclusive investment fund	Immediate	100%	50%	849,870
CDB/Bank deposit (- AA- or better)	Maximum 4 years	50%	0%	150,426

• Shares by activity class:

Exposure	Participation in equity
CDI	45.54%
Selic	27.68%
Cash	14.33%
Pré	8.01%
IPCA	3.74%
Funds shares	0.67%
Dollar	0.03%

• By title:

Exposure	Participation in equity
Title Public Fixed Income	58.02%
Title Private Fixed Income	41.29%
FIDCs	0.69%

• Shares by product:

Exposure	Participation in equity
Financial bills (CDI)	31.84%
Financial bills treasury	28.36%
Cash / Committed operations	14.69%
Treasury bills	9.06%
CDB (CDI)	5.11%
Debentures	3.94%
Treasury notes –B series	3.84%
Treasury notes –F series	2.47%
FIDC	0.69%

• Rating:

Exposure	Participation in equity
AAA	30.03%
AA	9.66%
A	2.26%
Brazilian government securities	58.05%

(c) Liquidity risk

The Company's normal operation of selling loyalty program points before they are redeemed by participants generates positive cash flows, which minimizes its liquidity risk. The Company invests its surplus cash in restricted investment funds and bank securities, in adherence with the Investment Policy, which determines the maximum and minimum allocations per type of investment and the related terms. Each agency has a slightly different way to present ratings. The table above unifies the presentations into what we believe is the best rating scale.

Type of application	Liquidity	Maximum allocation
Exclusive investment fund	Immediate	100%
CDB / Bank deposit (- AA- or better)	Maximum 4 years	50%
CDB / Bank deposit (– A-; A+)	Maximum 3 years	30%
Notes sovereign (*offshore*)	6 to 18 months	20%
Other notes (*offshore*)	6 to 24 months	10%

Prudent liquidity risk management involves: (i) maintaining sufficient cash and short-term financial investments, (ii) checking the availability of funds through adequate credit lines and (iii) guaranteeing the capacity to close market positions.

The Company highly depends on TLA and financial institutions, which collectively represent almost all of the gross invoicing sources and revenue of the Company. A possible decrease in the sale of points to any of the main partners, for any reason, could have a significant adverse effect on the Company.

In the year ended December 31, 2012, the Company has no open contract advances to suppliers to purchase airline tickets. The last contract between the parties was signed on October 2012 in the amount of R$ 326 million.

4.2 Commercial risks management

(a) Risks related to the redemption of points

The main operating cost of the Company is the acquisition of points from alliance partners and products, particularly air tickets, for the granting of rewards to the Program participants. Part of the Company's revenue arises from the points which expire without being redeemed by the participants, known as breakage. The recognition of breakage as part of revenue is based on historical trends. A decrease in breakage is expected as the Company expands its network of commercial partners. The Company's expectation is to neutralize the breakage reduction through its policy of pricing points sold to the commercial partners. Should the points not be properly priced, or should the volume of redemptions exceed the Company expectations, profitability may be affected.

(b) Risk related to competition

The market for loyalty programs in Brazil is still in the development phase. As the operating market of the Company develops and competition increases, competitors may capture a certain portion of the Company's current or future business with its commercial partners or participants including the rewards acquired.

The factors that are among those that mitigate the increase of this risk are: (i) exclusivity clause: the agreements signed between Multiplus and the coalition partners contain an exclusivity clause of approximately two years, the most important of which is the operating agreement with TLA, whose validity is 15 years starting in 2010, (ii) current competition: the Company already competes with airlines company loyalty programs and other individual programs, especially in the relationship with the financial institutions and (iii) positive effect on the market: the emergence of other loyalty program networks could help publicize and increase understanding of the loyalty-building concept by members, favoring the growth of the market as a whole.

The Company`s success depends largely on its ability to attract and retain business partners who offer products and services at prices compatible with the expenditure of the participants in the Loyalty Program.

4.3. Operational risk management

(a) Technological risk

Multiplus adopts state-of-the-art technology in its IT systems and infrastructure, maintaining such assets updated and seeking to minimize exposure to the risks caused by technology obsoleteness. For this purpose, it also continuously invests in the renewal and upgrading of its IT systems, including hardware, software, processes and people.

(b) Fraud risk

The fraud risk associated with a loyalty partnership business model should never be underestimated, given that Multiplus interacts with thousands of people and countless commercial establishments on a daily basis. In order to reduce this risk, the organization adopts a strict policy on the responsibilities and access of rights of employees and partners. Separation of responsibilities, audit trails and the cross-checking of information in its systems and business processes help to mitigate the risk of fraud.

(c) Process risk

The complex nature of Multiplus' technological operations means that the impact of both system and process related changes represents a major risk for the business, and accordingly, must be very well planned and executed.

Accordingly, the Company adopts rigorous change management control that includes system integration environments and the approval of systems and production, separated and replicated among each other. The Company also employs rigid testing as well as system and documentation acceptance processes.

4.4. Additional sensitivity analysis - requirement CVM

The following are the impacts that would be generated by changes in the relevant risk variable to which the Company is exposed at the end of the year, considering the following factors, as determined by CVM Instruction 475/08:

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

(a) Financial investments

These mainly represent financial investments held by the Company in wholly-owned investment funds under the discretionary management of third parties. The custody and management of these investments are centralized in a single agent, independent of the managers. Additionally, the funds have independent audits and are regulated by the CVM.

- Portfolio dynamics - the fund managers can alter the portfolio composition at any time, at their discretion, within the limits of the Regulation. The sensitivity analysis assumes the maintenance of the portfolio composition existing at December 31, 2012, but this is not necessarily the case and may lead to inappropriate conclusions.
- Risk control - the funds' regulations establish market risk limits (Value at Risk) of 0.6% (Multimarket Funds) and 0.15% (Fixed-Income Funds), considering a time horizon of 21 business days and 95% confidence. The Company recognizes the limitations inherent to the risk control model, but believes it is efficient in preventing material losses. In addition to the risk control, the fund manager has the power to avoid transactions that exceed the fund risk limit; the Company also contracts an independent consultant to perform a weekly assessment of the fund risk levels.
- Restrictions imposed by the regulations - the funds' regulations expressly prohibit leverage. In addition to the market risk limit described above, there are additional limits for allocation to classes of assets of greater volatility.

(b) Derivative financial instruments

At December 31, 2012 we adopted a probability scenario of an Exchange rate of R$ 2.0435/US$. Based on the Projected cash flows for the year of 2013, we verified an increase in cash flow arising from the variation of 25% and 50% over the current rate, as shown below:

- Foreign Exchange cash flow hedge;
- Hedge item: certain values contracted in the corresponding period of billing pegged to the US dollar, which represents approximately 70% and 80% of total sales of the Company; and
- Instruments: collar R$ fixed rate vs. BRL vs. US$ fixed rate.

	25% R$ 2.5544/US$	-25% R$ 1.5326/US$	50% R$ 3.0653/US$	-50% R$ 1.0218/US$
January/March - 2013	(43,332)	25,960	(82,775)	64,787
April/June – 2013	(42,597)	25,812	(83,286)	64,128
July/September - 2013	(39,660)	26,211	(80,484)	62,994
October/December - 2013	(31,887)	23,334	(67,376)	53,985
January/March - 2014	(5,511)	6,436	(13,530)	13,077
R$/US$ - fluctuation	(162,987)	107,753	(327,451)	258,971

4.5. Fair value estimation

The Company discloses the fair value of financial instruments by level according to the following fair value measurement hierarchy:

- Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data. This category is not applicable to the Company at December 31, 2012.

The following table presents the Company's financial instruments that are measured at fair value: :

	Level 1	Level 2	2012 Total
Financial assets at fair value through profit or loss			
Restricted investment fund (i)	849,868		849,868
Bank deposit certificates ("CDB")		2	2
At December 31	849,868	2	849,870
Derivative financial asset			
Foreign exchange derivatives – *Collar*		194	194
At December 31		194	194
Derivative financial liability			
Foreign exchange derivatives - *Collar*		31,314	31,314
At December 31		31,314	31,314

	Level 1	Level 2	2011 Total
Financial assets at fair value through profit or loss			
Restricted investment fund (i)	769,814		769,814
Financial assets – bank deposits	27,128		27,128
Bank deposit certificates ("CDB")	83,593		83,593
At December 31	880,535		880,535
Derivative financial asset			
Foreign exchange derivatives – *Collar*		2,542	2,542
At December 31		2,542	2,542
Derivative financial liability			
Foreign exchange derivatives - *Collar*		48,897	48,897
At December 31		48,897	48,897

(i) Refere-se a títulos públicos, privados e CDBs.

Average earnings for the year of 8.74% a.a. (2011 – 12.1% a.a.), includes Brazilian government securities, corporate securities and committed operation.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1 and comprise the exclusive investment fund and bank deposit certificates - CDB. Each exclusive investment fund has a clear investment policy, with limits as to concentration of risk in the related investments.

The financial instruments recognized at fair value are determined as follows:

- (1) Brazilian Government securities – Corresponds to highly liquid Brazilian government securities that have prices available that correspond to transactions in an active market.
- (2) Corporate securities – Corresponds, typically, to debt securities for which fair value has been determined based upon actual transactions observed in organized markets (when available) or discounted cash flows using interest rates when actual transactions are not available.
- (3) Certificates of deposit and other bank deposits - Fair value has been estimated by discounting estimated cash flows using market interest rates as inputs.
- (4) Derivative financial instruments not traded in an exchange (over-the-counter). The Company estimates its fair value using a series of techniques such as Black-Scholes or even discounted cash flow models commonly used in the financial market, depending on the nature of the derivative. All models used are widely accepted in the market and reflect the contractual terms of the derivative. These models do not contain a high level of subjectivity, since the methodologies used in the models do not require significant judgment, and all inputs to the model are readily observable from actively quoted markets.

The factors that influence the price of options are: price of object-asset, exercise price, volatility in the price object-asset, interest rate risk free, length and interest rates on foreign currencies. For the calculations, are used as the data source information disclosed by BM&FBovespa and Central Bank of Brazil.

4.6. Capital management

The objective of capital management is to ensure that the Company continues as a going concern and at the same time, that it provides the maximum return to its stakeholders.

Management monitors capital on the basis of the gearing ratio measured by net debt (defined as total liabilities loss deferred income) as a percentage of total capital. Total capital is defined as the total of equity, as per the balance sheet, plus net debt.

The Company is not subject to any externally imposed capital requirements.

The gearing ratio is as follows:

	2012	2011
At December 31		
Total liability	1,152,863	1,049,296
(-) Deferred income	(1,025,952)	(794,297)
Net debt (1)	126,911	254,999
Total equity	149,246	259,138
Total capital (2)	276,157	514,137
Leverage ratio (1)/(2)	46.0%	49.6%

The decrease in the leverage ratio for the year ended December 31, 2012 resulted from: (i) net debt decrease R$ 128,088 due to: a) reduction its accounts payable with TLA; b) payment of dividends and interest on own capital related to the year ended 2011; c) increase deferred income; (ii) total of equity presented a reduction of R$ 109,892 resulting from interim dividends and interest on own capital related to the years ended December 31, 2012 and 2011 and the recording of derivative transactions designated for hedge accounting.

5. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivable	Financial assets at fair value through profit or loss	Financial assets held-to-maturity	Derivatives used for hedging	Total
Assets as per balance sheet					
Cash and cash equivalents	39,811				39,811
Financial assets at fair value through profit or loss		849,870			849,870
Financial assets held-to-maturity			150,426		150,426
Accounts receivable	138,430				138,430
Derivative financial instruments				194	194
At December 31, 2012	178,241	849,870	150,426	194	1,178,731

	Liabilities measured at amortized cost	Derivatives used for hedging	Total
Liabilities as per balance sheet			
Accounts payable and other obligations, excluding legal obligations	59,824		59,824
Derivative financial instruments		31,314	31,314
At December 31, 2012	59,824	31,314	91,138

	Loans and receivable	Financial assets at fair value through profit or loss	Financial assets held-to-maturity	Derivatives used for hedging	Total
Assets as per balance sheet					
Cash and cash equivalents	9,186				9,186
Financial assets at fair value through profit or loss		880,535			880,535
Accounts receivable	147,449				147,449
Derivative financial instruments				2,542	2,542
At December 31, 2011	156,635	880,535		2,542	1,039,712

	Liabilities measured at amortized cost	Derivatives used for hedging	Total
Liabilities as per balance sheet			
Accounts payable and other obligations, excluding legal obligations	114,884		114,884
Derivative financial instruments		48,897	48,897
At December 31, 2011	114,884	48,897	163,781

6. CASH AND CASH EQUIVALENTS

	2012	2011
Cash and bank deposits	39,811	9,186
At December 31	39,811	9,186

7. FINANCIAL ASSETS HELD-TO-MATURITY

The Company has funds invested in "Financial Letters", which have as a main characteristic the prohibition of full or part redemption, before the term agreed. Management believes that these types of applications should be classified as "Financial assets held-to-Maturity". On December 31, 2012, the Company classified the amount of R$ 150,426 as "Financial assets held-to-maturity" in the short term (2011 – R$ 138,009 on the long term).

8. ACCOUNTS RECEIVABLE

	2012	2011
Accounts receivable	139,014	147,449
(-) Provision for impairment	(584)	
At December 31	138,430	147,449

The provision for impairment was recorded as of the first quarter of 2012. All accounts receivable are denominated in Reais. The breakdown of balances by maturity is as follows:

	2012	2011
Not yet due	133,567	141,470
Overdue:		
Up to 60 days	4,513	5,092
From 61 to 90 days	193	105
From 91 to 180 days	157	271
From 181 to 360 days	175	173
More 360 days	409	338
At December 31	139,014	147,449

The maximum exposure to credit risk at December 31, 2012 is the book value of each type of receivable disclosed above.

9. RELATED PARTIES

The balances and transactions with related parties refer mainly to the contracts between the Company and TLA, as summarized below:

(a) Operating contract

Signed on December 10, 2009, this contract established the terms and conditions that regulate the relationship between the Company and TLA, regarding: (i) the transfer by TLA to the Company of the management, administration and operation of the TAM Loyalty Program; (ii) the continuity of TLA's customers participating in the Program, to receive benefits by means of points granted and (iii) the redemption of points by the Program's members through the Multiplus network. TLA paid to the Company R$ 3,240 (2011 – R$ 3,240), for this service during the year ended December 31, 2012. The agreement also established the conditions for the purchase and sale of points, purchase and sale of air tickets, the use of the database, management of the TAM Loyalty Program and related remuneration.

(b) Shared services contract

Signed on December 10, 2009, this contract established the terms, conditions and remuneration to be paid by the Company to TLA for the use of administrative services (accounting, financial and legal). In the year ended December 31, 2012, the Company paid R$ 7,626 (2011 – R$ 7,626) to TLA for administrative services.

(c) Commitment for purchase and sale of air tickets
Signed on January 15, 2010, this contract established the terms, conditions and remuneration that regulate the anticipated acquisition by the Company and the sale of air tickets by TAM, to be issued from time to time and used solely and exclusively to permit the members of the Multiplus Program to redeem points for air transportation services, under the terms of the Program Regulation and as set forth in the Operating Contract. These resources cannot be used for any other purpose.

For the year ended December 31, 2012, the Company has no contract advances to suppliers to purchase airlines tickets open. The last contract between the parties was signed on October 2012 in the amount of R$ 326 million.

9.1. Balance

	Prismah	TLA	TAM Viagens
At December 31, 2012			
Current asset			
Accounts receivable		15,744	
Current account	1,220		
Current liability			
Accounts payable (ii)		28,162	
Deferred revenue (iii)		214,700	681
		242,862	681

	BTG	TLA	TAM Viagens
At December 31, 2011			
Current asset			
Bank deposit certificates (CDB)	27,324		
Accounts receivable		15,547	
Cobranded (i)		39,425	
Derivative financial instruments (iv)	864		
	28,188	54,972	
Non current asset			
Derivative financial instruments	7		
Current liability			
Accounts payable (ii)		95,661	
Deferred revenue (iii)		268,897	239
Derivative financial instruments (iv)	8,276		
	8,276	364,558	239
Non current liability			
Derivative financial instruments (iv)	7,779		
	7,779		

	BTG	TLA	TAM Viagens
Equity	(14,639)		
Cash flow hedge (iv)	518		
Cash flow hedge – realized (iv)			
	(14,121)		

(i) The receivable balance from TLA relates to the transfer of funds from co-branded contracts (credit cards issued by financial institutions) and alliances with other companies, billed by TLA during the year ended December 31, 2011. The funds are being passed on by TLA to Multiplus as they are collected by TLA.
(ii) Refers to purchase tickets that Multiplus held monthly with TLA.
(iii) Balance of deferred income, arising from the sale of Multiplus points to TLA and TAM Viagens.
(iv) Operations contract with BTG Pactual. From July 2012, BTG has ceased to be a related party with Multiplus, therefore no longer has a representative on the Board of Directors of the Company.

9.2. Transactions

The transactions with related parties which affected the income statement are as follow:

	TLA	TAM Viagens	Total
At December 31, 2012			
Gross revenue from redeemed points (i)	209,471	207	209,678
Breakage revenue	87,870	100	87,970
Other revenue (ii)	3,240		3,240
Cost of redeemed points (iii)	(1,092,156)	(589)	(1,092,745)
General and administrative expense (iv)	(7,626)		(7,626)
Finance income (v)	2,115		2,115

	BTG Pactual	TLA	TAM Viagens	Total
At December 31, 2011				
Gross revenue from redeemed points (i)		203,203	147	203,350
Breakage revenue		95,045	92	95,137
Gross revenue – market-to-market (vi)	1,400			1,400
Other revenue (ii)		3,240		3,240
Cost of redeemed points (iii)		(912,867)	(712)	(913,579)
General and administrative expense (iv)		(7,626)		(7,626)
Finance income (vi)	2,324			2,324
Finance expense (vi)	(2,632)			(2,632)

(i) Amount related to the sale of Multiplus points to TLA and TAM Viagens, accrued in the period.
(ii) Refers to the remuneration of the management, administration and operation of the TAM Loyalty Program, as set out in the Operating Contract.
(iii) Gross amount related to the purchase of airline tickets and prize packs TAM Viagens as participants, since the income statement is presented at cost net of PIS and COFINS.
(iv) Refers to the remuneration paid to TLA for shared services, as set forth in the Shared Services Contract.
(v) Amount related to the advance purchase of airline tickets.
(vi) Amount related to hedge transactions contracts and Bank deposit certificates – CDB with BTG Pactual.

9.3. Key-management compensation

Key management personnel include the members of the Board of Directors, the President and the statutory directors. Remuneration paid or payable for their services is shown below:

	2012	2011
Current benefits		
Board Director's fees	687	396
Salaries, profit sharing and bonus	4,199	2,890
Defined contribution pension plan	103	84
Tax and social contribution	867	495
	5,856	3,865
Share-based payments	2,548	2,394
At December 31	8,404	6,259

Do not exist any other long and post-employee benefits to management's key-people in December 31th 2012.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The distribution of fair value by counterparty credit rating on December 31, 2012 and 2011 is as follow:

Counterparties with external credit ratings (*Standard&Poor's, Moody's or Fitch*)	Trading place	2012	2011
AAA*	*Over-the- counter*		(24,956)
AA+, AA or AA-*	*Over-the- counter*	(4,538)	(21,399)
BBB or –BBB	*Over-the- counter*	(26,582)	
At December 31		(31,120)	(46,355)
Current asset			2,465
Non current asset		194	77
At December 31		194	2,542
Current liability		(27,303)	(20,489)
Non current liability		(4,011)	(28,408)
At December 31		(31,314)	(48,897)
Equity			
Carrying value adjustment			
Hedge accounting		(53,813)	(53,515)
Hedge accounting - realized		(3,216)	1,680
Income tax and social contribution deferred		19,390	17,624
At December 31		(37,639)	(34,211)

(*) The ratings are expressed on a notional scale. Each agency has a slightly different way to present ratings. The table above unifies the presentations into what we believe is the best *rating* scale.

The total fair value of a hedging derivatives is classified as a non-current asset or liability if the remaining period to maturity of the hedged item is more than 12 months, and as a current asset or liability if it's less than 12 months.

Gains and losses resulting from changes in fair value are segregated between intrinsic value and time value. The intrinsic value corresponds to the effective portion of the cash flow hedge and is initially recorded in shareholders' equity and released to income at the same time that the hedge transaction is recorded in income, being the same time that the transaction became a protected place and considering the speed of redeemed points of object of hedge. The time value corresponds to the ineffective portion of cash flow hedge and it is recorded in a specific account in the Company's financial results.

The ineffective portion recognized in income due to cash flow hedging resulted in a gain of R$ 18,438 (2011 – zero) and a loss of R$ 791 (2011 – loss of R$ 6,584) (Note 22).

The Company monitors any significant concentration of financial instruments in a single counterparty. Internal policies require the reporting of excessive concentrations to the Financial Risk Committee. On December 31, 2012, the concentration of notional derivatives foreign exchange are concentrated in two counterparts *rating* BBB e -BBB. The Company believes this concentration of risk is acceptable.

No amounts were given as guarantees for the operations contracted.

The following table presents both the notional amount and fair value of outstanding derivatives segregated by maturity. The maturity date of the derivative is also the date on which highly probable sales of points are expected to be billed. Highly probable sales of points are expected to be recognized in income after being billed and Management expects that they will be recognized on average up to six months after billing:

	2013	2014	2015	Total
At December 31, 2012				
Notional amount – US$	(283,000)	(18,000)		(301,000)
Fair value – R$	(30,002)	(1,118)		(31,120)

	2013	2014	2015	Total
At December 31, 2011				
Notional amount – US$	303,000	265,000	2,000	570,000
Fair value – R$	(20,125)	(25,722)	(508)	(46,355)

11. ADVANCES TO SUPPLIERS

The Company enters into contract advances to its main suppliers in view of the demand for premium members of its loyalty program.

	2012	2011
Advances to suppliers	21,217	24,624
At December 31	21,217	24,624
Current	(11,572)	(8,208)
Non current	9,645	16,416

12. INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution assets and liabilities are offset when there is a legal right to offset tax credits against tax debts and provided that they refer to the same tax authority.

The movements in deferred income tax and social contribution assets and liabilities during the year ended December 31, 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follow:

	2011	Recognized in the income statement	Recognized in Equity	2012
Temporary differences:				
Provision for derivative losses / gains	15,761	(6,000)	820	10,581
Provision for derivatives not recognized in income	(571)		1,664	1,093
Financial transactions tax (IOF) on hedging operations	2,165		(718)	1,447
Other	1,187	1,703		2,890
Income tax and social contribution deferred tax	**18,542**	**(4,297)**	**1,766**	**16,011**
Deferred income tax and social contribution expected to be recovered within 12 months - Net	11,246			15,459
Deferred income tax and social contribution expected to be recovered in more than 12 months – Net	7,296			552

	2010	Recognized in the income statement	Recognized in Equity	2011
Temporary differences:				
Provision for derivative losses / gains		(269)	16,030	15,761
Provision for derivatives not recognized in income			(571)	(571)
Financial transactions tax (IOF) on hedging operations			2,165	2,165
Other	1,217	(30)		1,187
Income tax and social contribution deferred tax	**1,217**	**(299)**	**17,624**	**18,542**
Deferred income tax and social contribution expected to be recovered within 12 months - Net	1,217			11,246
Deferred income tax and social contribution expected to be recovered in more than 12 months – Net				7,296

(a) Income tax and social contribution expense

	2012	2011
Current	(111,653)	(130,837)
Deferred	(4,297)	(299)
At December 31	**(115,950)**	**(131,136)**

The tax on the Company's pre-tax profit differs from the theoretical amount that would arise using the tax rate applicable to Multiplus as follows:

	2012	2011
At December 31,	340,255	405,382
Profit before tax	34	34
Tax calculated at Brazilian standard tax rates applicable to profits - %		
Income tax and social contribution	(115,687)	(137,830)
Non deductible expenses	132	
Equity share of results of joint venture	(749)	
Share based payments	(2,773)	
Tax credit over interest on own capital paid	2,899	7,511
Culture incentive – Rouanet Law	1,500	
Adjustment to provision for the year 2011	(808)	
Other	(464)	(817)
Tax expense income tax and social contribution	(115,950)	(131,136)
Effective rate - %	34.1	32.3

The years 2009 to 2012 are open to review by the Brazilian tax authorities.

13. INVESTMENTS – JOINT VENTURE

Prismah Fidelidade S.A. is a joint venture with Aimia (Note 1.2), where the equity interest in the investee does not allow unilateral decisions that affects the return on investments. Multiplus owns 50% of shares of the investee and our share in this investment is accounted for under the equity method. The profit of this company is recognized in the income statement and the changes in reserves are recognized in our reserves of the investor.

(a) Movement of investments

	Number of shares	Capital amount
At December 31, 2011		
Fully paid capital – MG(*) Constituent	500	1
Capital increase approved by EGM(**) on September 18, 2012	6,571,500	6,571
Equity share of results of joint venture		(2,203)
At December 31, 2012	6,572,000	4,369

(*) Meeting of General
(**) EGM – Extraordinary General Meeting

(b) Information on joint venture

	2012
At December 31	
Share capital	13,144
Number of shares – total common	13,144,000
Held common	6,572,000
Ownership %	50.0
Equity	13,144
Carrying value adjustment	4,369
Loss of the period	(4,406)
Equity share of results of joint venture	(2,203)
Items of investee	
Current asset	8,902
Non-current asset	4,649
Current liability	4,814
Financial income	336
Loss in the period	(4,742)

14. INTANGIBLE

	Internally generated	Other intangible assets	Total
Cost	1,000	20,341	21,341
Accumulated amortization	(53)	(1,015)	(1,068)
At December 31, 2010	947	19,326	20,273
Additions	7,230	18,225	25,455
Transfers (i)	(8)	(21)	(29)
Amortization	(305)	(4,587)	(4,892)
At December 31, 2011	7,863	32,944	40,807
Cost	8,222	38,545	46,767
Accumulated amortization	(359)	(5,602)	(5,960)
At December 31, 2011	7,863	32,944	40,807
Additions	7,047	15,540	22,587
Transfers (i)		(911)	(911)
Amortization	(1,552)	(3,966)	(5,518)
At December 31, 2012	13,358	43,607	56,965
Cost	15,269	53,175	68,443
Accumulated amortization	(1,911)	(9,567)	(11,478)
At December 31, 2012	13,358	43,607	56,965

(i) Transfer to property, plant and equipment

Both for internally generated intangible assets as other intangible assets, the balance of IT projects refers mainly to the implementation of the Siebel system that controls the Program points, as well as the redemption and points sold by the partners. The system started operation in the month of August 2010 and amortization is to be over a period of up to ten years. The amortization recorded in the year ended December 31, 2012 has been fully allocated to general and administrative expenses (Note 20).

15. TAX, CHARGES AND CONTRIBUTION

	2012	2011
Social Integration Program (PIS) and Social Security Financing Contribution (COFINS)	3,666	3,408
Income tax withheld (Imposto de renda retido na fonte - IRPF)		3,405
Financial transactions tax (IOF)		6,396
Other	173	214
At December 31	3,839	13,423

16. DEFERRED REVENUE

The Company records deferred income based on the number of points outstanding and a historical average rate for the non-redemption of points (breakage) in the last 12 months. Multiplus points expire after two years from the date of issue. The balance of deferred income is as follows:

	2012	2011
Deferred revenue	882,797	666,371
Breakage provision	143,123	127,926
Other	155	
At December 31	1,026,075	794,297
Current	(1,025,952)	(794,297)
Non current	123	

17. EQUITY

(a) Authorized capital

At December 31, 2012 the authorized capital was R$ 1,200,000 (2011 - R$ 1,200,000) and may be increased up to this limit with the issue of common share, through a decision of the Board of Directors.

(b) Subscribed share capital

At December 31, 2012 subscribed and paid up share capital comprised 161,964,306 book-entry common shares (2011 – 161,371,285). Each common share confers to the owner the right to one vote in general stockholders meetings.

As per the Adhesion Agreement executed with Bovespa, the Company complies with the requirement to have a free float of 25% of its shares available trading in the market.

The movement of capital is summarized below:

	Number of shares	Capital amount
At December 31, 2010	161,294,000	692,385
Capital reduction approved by EGM on March 18,2011		(600,014)
Capital increase approved by BDM on October 10,2011	77,285	1,351
At December 31, 2011	161,371,285	93,722
Capital increase approved by BDM on September13,2012	483,882	6,833
Capital increase approved by BDM on October 24,2012	77,285	1,461
Capital increase approved by BDM on November 23,2012	31,854	870
At December 31, 2012	161,964,306	102,886

The market value of the Company's shares at December 31, 2012 was R$ 47.72 (2011 - R$ 32.25) per share

(c) Capital reserve

The capital reserve consists of the following reservation:

(i) Transaction costs incurred by the public offering of shares held on February 5, 2010, totaling R$ 23,322, net of tax (2011 – R$ 23,322).
(ii) The credits relating to the expenditure incurred on the plan of share-based compensation and which are transferred to retained earnings when the options are exercised or expire.

(d) Profit reserves

The profit reserve consists of the following reservation:

(i) Legal reserve: Brazilian Law requires that it is constituted by appropriating 5% (five percent) of profit for the year until the balance of the legal reserve reaches 20% of the amount of share capital
(ii) Retained earnings: in the form of the proposal of the management bodies of the General Meeting Assembly to hold as net income the amount that exceeds the minimum mandatory dividend

(e) Carrying value adjustment

The carrying value adjustment reserve includes the effective portion of the cumulative net change in fair value of hedging instruments of cash flow related to operations subject to protection have not yet been incurred. The amounts recorded in equity adjustments are reclassified, in whole or in part, in the result of the year, up on realization.

(f) Dividends

The by-laws determine the distribution of minimum mandatory dividends of 25% of profit for the year, adjusted as provided for in by-laws. Dividends payable were calculated as follows:

	2012	2011
At December 31		
Profit for the year	224,305	274,246
(-) Allocation to legal reserve – 5% (i)	(1,833)	(12,825)
Profit to be distributed	222,472	261,421
Minimum mandatory dividends – 25%	55,618	65,355
Total distribution proposed	222,472	261,421
(-) Interim dividends	(146,810)	
(-) Interest on own capital paid in advance, net of withholding income tax	(7,317)	(18,778)
(-) Withholding income tax on interest on own capital paid in advance	(1,209)	(3,314)
Balance of dividends proposed	67,136	239,329
Minimum mandatory dividends proposed to be distributed, in current liabilities		46,577
Distributable profits reserve – additional dividend proposed (ii)	67,136	192,752

(i) In 2012 the legal reserve reached its limit of 20% of capital share.
(ii) Refers to the proposal by the administrative bodies of the General Meeting, which exceeds the minimum mandatory dividend in the Statute.

	Deliberation		Total of dividends approved
At December 31, 2012			
Type of deliberation	BDM – 11/7/2012		
Date of payment	11/19/2012		
Type of distribution	IOC	Dividends	
Gross value	8,526	146,810	155,336
Withholding tax	(1,209)		(1,209)
Net value	7,317	146,810	154,127
Gross value per share	0.05265	0.90661	0.95926
Net value per share	0.04475	0.90661	0.95136
At December 31, 2011			
Type of deliberation	BDM - 11/23/2011	Directors – 12/31/2011	
Date of payment	01/10/2012	04/30/2012	
Type of distribution	IOC	Dividends	
Gross value	22,092	46,577	68,669
Withholding tax	(3,314)		(3,314)
Net value	18,778	46,577	65,355
Gross value per share	0.13690	0.28863	0.42553
Net value per share	0.11636	0.28863	0.40499

(g) Payments of dividends and interest on own capital
During the financial year 2012, the Company made the following payments and distributions of dividends and interest on own capital:

- On February 9, 2012, the Board of Directors approved the distribution of dividends for the remainder of the profits during the year 2011, amounting to R$ 239,329. The total dividends paid and interest on shareholders' equity for the period was R$ 258,107, net of tax.
- On November 7, 2012, the Board of Directors approved the distribuition of interim dividends of R$ 146,810 and interest on own capital of R$ 8,526 or R$ 7,317, net of tax.

18. SHARE-BASED PAYMENTS

The extraordinary stockholders meeting held on October 4, 2012 authorized the Board of Directors to grant stock options to employees for a dilution of up 3% of outstanding shares. The table below shows the changes incurred in the year 2012:

	Number of stock options outstanding	Weighted average exercise price - R$
At December 31, 2010	1,660,759	18.07
Cancelled	(6,196)	24.80
Exercised	(77,285)	17.49
At December 31, 2011	1,577,278	14.64
Granted	440,563	31.41
Cancelled	(533,559)	15.82
Exercised	(593,021)	15.48
At December 31, 2012	891,261	23.35

Under the plan, options for regular grants are divided into three equal tranches and employees can exercise one third of their options within two, three and four years, respectively if they are still employed by the Company at that time. The contractual life of the options is seven years after the grant date. The first extraordinary grant was divided into two equal tranches that can be exercised as follows: half of the options after three years, and the other half after four years. The second extraordinary grant was also divided into two equal tranches which can be exercised after one year and two years, respectively.

The options contain a "service condition" which depends only on the rendering of services by the employee for a defined period. Employees who leave the Company have an obligation to satisfy certain conditions in order to maintain their option rights.

As at June 30, 2011, the Company determined the exercise price of R$ 20.00 per share, for the Special Grant related to the hiring of the Company's current Chief Executive Officer, and the reduction in the exercise price by R$ 3.72 per share, due to the reduction in the Company's capital, for the other grants. The remeasurement of options based on the new exercise price resulted in an additional expense of R$ 3,114 which will be recognized prospectively during the remaining term of the grants.

On October 3, 2011, the Company fixed the exercise price of R$ 16.28 per share, relating to the special grant, due to the reduction in the Company's capital. The remeasurement of the options based on the new exercise price resulted in an additional expense of R$ 312, which will be recognized prospectively during the remaining term of the grants.

The options are valued using the Black-Scholes option pricing model. The following table shows details of changes in options, together with the variables used in valuing the options granted. The exercise price is adjusted by the IGP-M, as from the grant date up to the exercise date.

At December 31, 2012, the assumptions used to calculate the fair value of the options granted were as follows:

	1st Grant	2nd Grant	3th Grant	1st extraordinary Grant	2nd extraordinary Grant	3nd extraordinary grant	Total
Date	10/4/2010	11/8/2010	4/16/2012	10/4/2010	10/4/2010	4/16/2012	
Date of the last modification	6/30/2011	6/30/2011	N/A	6/30/2011	6/30/2011	N/A	
Number of shares	98,361	36,799	378,517	1,370,999	154,570	62,046	2,101,292
Exercise price at grant date of the last modification - R$	23.61	27.83	31.41	12.28	16.28	31.41	
Risk free interest rate - %	12.15	12.15	10.30	12.15	11.88	8.86	
Average term (years)	4.63	4.67	4.75	4.88	3.25	4.75	
Expected dividend yield - %	2.60	2.60	4.17	2.60	2.59	4.17	
Share price volatility - %	33.79	33.79	32.78	33.79	34.24	32.78	
Market share price at grant date - R$	26.90	31.55	38.36	26.90	26.90	38.36	
Market share price on the date of the last modification – R$	27.20	27.20	N/A	27.20	27.10	N/A	
Fair value at grant date - R$	11.58	14.06	14.68	16.91	10.53	13.86	
Fair value at Grant date in the date of modification – R$	12.17	10.71	N/A	17.35	14.29	N/A	
Average exercise price adjustment – 12/31/2012	27.33	32.21	33.65	14.36		33.65	
Remaining average term	3.92	3.96	4.69	4.13		4.67	
Number of options outstanding – 12/31/2012	61,463	2,245	362,272	403,235		62,046	891,261
Number of options exercisable – 12/31/2012							

Expected volatility is determined based on the historical price volatility of the Company's exchange-traded shares. The remaining average term is based on the expected exercise of the options.

19. REVENUE BY NATURE

	2012	%	2011	%	Period variation - %
At December 31					
Revenue					
Revenue of redeemed points	1,425,055	87.5	1,026,456	74.7	38.8
Hedge of points revenue	(14,433)	(0.9)	9,740	0.7	248.2
Breakage	214,254	13.2	318,743	23.3	32.8
Services rendered	3,240	0.2	3,240	0.2	0.0
Other revenue	27	0.0	15,267	1.1	(99.8)
Gross revenue	1,628,143	100.0	1,373,446	100.0	18.5
Taxes on revenue and other deductions	(152,129)		(126,634)		20.1
Net revenue	1,476,014		1,246,812		18.4

20. COST AND OPERATING EXPENSES BY NATURE

	Cost of services	Selling	General and administrative	Total	%
Personnel		7,277	31,863	39,140	3.2
Directors fees			687	687	0.1
Cost of points redeemed (i)	1,092,431			1,092,431	88.2
Depreciation and amortization (ii)			5,841	5,841	0.5
Outsources services		9,484	39,317	48,801	3.9
Selling and marketing		22,582		22,582	1.8
Other (iii)		1,719	27,206	28,925	2.3
At December 31, 2012	1,092,431	41,062	104,914	1,238,407	100.0
Personnel		4,924	27,424	32,348	3.5
Directors fees			396	396	0.0
Cost of points redeemed (i)	842,068			842,068	89.9
Depreciation and amortization (ii)			5,022	5,022	0.5
Outsources services		8,550	22,706	31,256	3.3
Selling and marketing		15,945		15,945	1.7
Other		2,952	6,576	9,528	1.1
At December 31, 2011	842,068	32,371	62,124	936,563	100.0

(i) Net of PIS and COFINS.

(ii) The Company conducted the analysis period of the useful lives of intangible assets. As a result of this review that aimed to reassess the useful life term, the remaining amortization period of the remaining life of the assets, an impact was recorded as a credit in the income statement, compared with the depreciation that would have been recorded based on estimates used in earlier period, amounting to R$ 2,578, net of tax.

(iii) The increase for December 31, 2012 compared to the same prior year period, due to the increased volume of points refunded.

21. EMPLOYEE BENEFITS

Personnel costs are comprised as follows:

	2012	2011
Salaries and bonuses	24,527	18,339
Share based payment	8,155	9,915
Defined contribution pension plan	340	166
Taxes and social contributions	6,118	3,928
At December 31	39,140	32,348

22. FINANCE RESULT

	2012	2011
Revenue		
Interest on financial investments	85,722	101,724
Interest from related parties	2,115	234
Other	1,236	64
At December 31	89,073	102,022
Expenses		
Interest expense	(155)	(121)
Bank expenses	(67)	(138)
Other	(1,647)	(46)
At December 31	(1,869)	(305)
Derivative designated as cash flow hedge		
Gains	18,438	
Losses	(791)	(6,584)
at December 31	17,647	(6,584)
Net finance result at December 31	104,851	95,133

23. EARNINGS PER SHARE

(a) Basic

The basic profit at December 31, 2012 was calculated based on profit attributable to common shareholders of the Company of R$ 224,305 (2011 - R$ 274,246) and the average number of common shares outstanding this year of 161,533 thousand (2011 – 161,311 thousand), as shown below:

	2012	2011
At December 31		
Profit attributable to equity holders of the Company	224,305	274,246
Weighted average of the number of common shares issued issue (thousands)	161,533	161,311
Basic earnings per share (R$/share)	1.38860	1.70010

(b) Diluted

Diluted earnings at December 31, 2012 was calculated based on profit attributable to common shareholders of the Company of R$ 224,305 (2011 – R$ 274,246) and the weighted average number of ordinary shares after adjusting for all potential common shares have a dilutive effect totaling 162,344 thousand shares at December 31, 2012 (2011 – 162,112 thousand) calculated as shown below:

	2012	2011
At December 31		
Profit attributable to equity holders of the Company	224.305	274,246
Weighted average of the number of common shares in issue (in thousands)	161.533	161,311
Adjustments for share options (in thousands)	811	801
	162.344	162,112
Diluted earnings per share (R$/share)	1.38166	1.69170

24. COMMITMENT FOR FUTURE

Company has obligations of contracting suppliers to develop their IT projects, maintenance of equipment and network environment. These values are not reflected in the balance sheet. The due have the following distribution by period:

	Amounts – R$ thousands
2013	3,300
2014	1,865
At December 31, 2012	5,165

25. CONTINGENT LIABILITIES

The Company has civil lawsuits involving risks of loss that the administration, based on the assessment of its legal advisors, classified as possible and is not therefore required provision as December 31, 2012. The estimated amounts are shown below:

	Amount – R$ thousand	Quantity
At December 31, 2012		
Probability of loss		
Possible	2,841	213

26. SUBSEQUENT EVENTS

On January 2013, Multiplus made a prepayment for purchase of air tickets of TAM Linhas Aéreas in the amount R$ 500,000 as approved at the meeting of the Board held on December 19, 2012, with the interest rate market.

On February 27, 2013, the Board of Directors approved the full distribution, subject to ratification by the Annual General Meeting, the profit reserve for the year ended December 31, 2012, made after the legal deductions and deductions from dividends and interest on own capital paid in advance being distributed as dividends the amount of R$ 64,068, corresponding to R$0.39557 per share, and interest on own capita in the amount of R$3,069, corresponding to R$0.01895 per share, or R$2,608, net of tax withholding, corresponding to R$0.01611 per share. The dividends and interest own on capital will be paid from March 18, 2013.

In February 2013 were entered into the following amendment of Operating Contract, signed between TLA and Multiplus on December 10, 2009: (i) 10th amendment to extend terms and conditions previously established until May 31, 2013, and (ii) 11th amendment which consolidates, among other conditions, the calculation of price points and air tickets, in order to maintain long-term stability and sharing of critical decisions, which will take effect from June 1, 2013, and which were approved by the Board of Directors on February 28, 2012.

Wellington de Oliveira – Accountant – 1SP259869/O-6

Independent auditors' report on the financial statements

To the Board of Directors and Shareholders
Multiplus S.A.

We have audited the accompanying financial statements of Multiplus S.A., which comprise the balance sheet as at December 31, 2012 and the statements of income, comprehensive income , changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Multiplus S.A. as at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

OTHER MATTERS

Supplementary information - statement of value added

We also have audited the statement of value added for the year ended December 31, 2012, which is the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. This statement was subject to the same audit procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Emphasis of matter - transactions with related parties

The Company carries out business transactions involving significant amounts with its parent company which are performed under the conditions of described in Note 9. Our conclusion is not qualified in respect of this matter.

São Paulo, February 28, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Luciano Jorge Moreira Sampaio Júnior
Contador CRC 1BA018245/O-1 "S" SP

Report of fiscal council

The members of Fiscal Counsil, undersigned, having examined the financial statement of Multiplus S.A., refers to year ended December 31, 2012, based on their work, the information provided by management and the independent auditor – PricewaterhouseCoopers auditors independent, understand that they are in condition to be submitted to the General Meeting of Shareholders of the Company.

São Paulo, February 28, 2013.

Counselors:

Edvaldo Massao Murakami
Antonio Fernando Siqueira Rodrigues
Antonio Sergio Bartilotti
Nilton Maia Sampaio
Eduardo Grande Bittencourt

Declaration from the board of executive officers on the financial statement and report of independent auditors

Declaration

By the instrument, the Chief Executive Officer and other Executive Officers of Multiplus S.A., a corporation publicy traded, based on Avenida das Nações Unidas, 12,901, in the city of São Paulo, enrolled with the CNPJ 11,094,546/0001-75, stated that:

(i) reviewed, discussed and agreed with the views expressed in the report of independent auditors on the financial statements of Multiplus for the year ended December 31, 2012, and
(ii) reviewed, discussed and agreed with the financial statements of Multiplus for the year ended December 31, 2012.

São Paulo, February 27, 2013.

Eduardo Campozana Gouveia
Chief Executive Officer

Sandoval Martins Pereira
Chief Financial Officer, Investor Relations and Director of Operations