



COMPREHENSIVE RESTRUCTURING AND RECAPITALIZATION TERM SHEET

The following comprehensive restructuring and recapitalization term sheet (this “**Term Sheet**”) summarizes the principal terms and conditions of a series of transactions to restructure principal indebtedness and lease and other obligations of Azul S.A. (“**Azul**” and together with its direct and indirect subsidiaries, the “**Company**”) and provide for a potential new money equity issuance (the “**Restructuring Transactions**”), comprising, among others set forth herein, the following principal transactions:

- a restructuring of certain lease liabilities and other financial obligations of the Company in light of concessions from the Company’s existing lessors and original equipment manufacturers (“**OEMs**”) on the terms set forth below in Section B;
- a short-term senior secured bridge financing consisting of US\$150 million of secured notes (the “**Bridge Notes**”) secured by the Azul Cargo Collateral (defined below) and additional assets and to be provided by the SteerCo (as defined below) on the terms set forth below in Section C;
- a superpriority facility consisting of up to US\$500 million of superpriority secured notes (the “**Superpriority Notes**”) which shall be secured by Azul Cargo Collateral in addition to a broader collateral package and backstopped by the SteerCo on the terms set forth below in Section D;
- amendments, exit consents and exchanges to restructure the Company’s 1L Notes, 2L Notes and Existing Convertible Debentures (each as defined below), including an equitization of a portion of existing 2L Notes on the terms set forth below in Section E;
- a potential equity issuance by the Company of at least US\$200 million of net cash proceeds; and
- certain amendments to the Company’s governance and share structure to be agreed as described in in Section F.

The Restructuring Transactions will be approved by the SteerCo holding at least 2/3 in aggregate principal amount of 1L Notes, 2029 Notes, 2030 Notes, the Existing Convertible Debentures and AerCap and shall be allocated to the SteerCo and holders of the foregoing instruments as set forth in Section A below.

This Term Sheet relates to a transaction support agreement dated October 27, 2024 entered into by Azul, the other Obligors (as defined below), the SteerCo and Azul’s main controlling shareholder (the “**Transaction Support Agreement**”).

THIS TERM SHEET IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR OTHER APPLICABLE LAWS.

In connection with the negotiation of the Restructuring Transactions contemplated by the Transaction Support Agreement, Azul entered into confidentiality agreements with the Supporting Bondholders, and Azul shared certain material non-public information with the Supporting Bondholders, which information was made available on Azul’s Investor Relations website on November 14, 2024 (the “cleansing information”). The Supporting Bondholders expressly disclaim any liability associated with the cleansing information, including updated projections included therein. The Restructuring Transactions remain subject to the satisfaction of certain conditions, including satisfactory agreement on structuring, governance, and transaction implementation, the review and assessment of projected financial information, completion of financial, commercial, legal and tax diligence satisfactory to the Supporting Bondholders, obtaining satisfactory concessions from other creditors (including as referred to herein), negotiation of definitive documentation satisfactory to the Supporting Bondholders, and receipt of any necessary corporate or regulatory approvals.

Section A: Allocations

Allocation of the Bridge Notes Commitment.....	(i) 80% of Bridge Notes shall be reserved for SteerCo holders of 11.930% Senior Secured First Out Notes due 2028 issued by Azul Secured Finance LLP (the “ 1L Notes ”) and convertible debentures due 2028 issued by Azul (the “ Existing Convertible Debentures ”) and (ii) 20% of Bridge Notes shall be reserved for SteerCo holders of 11.500% Senior Secured Second Out Notes due 2029 issued by Azul Secured Finance LLP (the “ 2029 Notes ”) and 10.875% Senior Secured Second Out Notes due 2030 issued by Azul Secured Finance LLP (the “ 2030 Notes ” and together with the 2029 Notes, the “ 2L Notes ”), in each case, pro rata based on such holder’s holdings of 1L Notes, 2L Notes and Convertible Debentures, as applicable within the SteerCo.
Allocation of the Superpriority Notes Commitment.....	(i) 80% of Superpriority Notes shall be reserved for holders of 1L Notes and Existing Convertible Debentures and (ii) 20% of Superpriority Notes shall be reserved for holders of 2L Notes, in each case, pro rata based on such holder’s holdings of outstanding 1L Notes, 2L Notes and Convertible Debentures.
Allocation of the Backstop Commitment.....	<p>The SteerCo shall backstop the issuance of Superpriority Notes.</p> <p>All SteerCo members shall enter into an agreement (the “Backstop Agreement”) on a date that is no later than the commencement of 1L/2L Exchange Offers and Consent Solicitations (as defined below), setting forth the terms on which such SteerCo members will backstop the full issuance of Superpriority Notes, acceptable in form and substance to the SteerCo members and the Obligors. In accordance with the Transaction Support Agreement, each SteerCo member agrees that it shall not transfer any of its backstop commitments unless the transferee becomes a party to the Backstop Agreement via joinder in accordance with the Backstop Agreement. In addition, each of the SteerCo members will agree that it will not transfer its holdings of 1L Notes, 2L Notes or Existing Convertible Debentures, respectively, in whole or in part, except, to a person that is already party, or becomes a party via joinder, to the Transaction Support Agreement and, once in effect, the Backstop Agreement.</p> <p>A backstop fee equal to 2.5% of the face amount of the Superpriority Notes shall be payable in kind to each party to the Backstop Agreement and earned upon execution of the Backstop Agreement (the “Backstop Fee”).</p>
SteerCo	As used herein, “ SteerCo ” means the steering committee of beneficial holders of, or investment advisors, sub-advisors, or managers of discretionary accounts or funds that beneficially hold more than 66.67% of the aggregate principal amount outstanding of each of the 1L Notes, each series of the 2L Notes and the Existing Convertible Debentures that are subject to the Transaction Support Agreement. Any decision or approval in this Term Sheet to be made by the SteerCo shall be made by the Required Consenting Creditors (as defined in the Transaction Support Agreement) in accordance with the provisions set forth in the Transaction Support Agreement (unless a different approval requirement is expressly contemplated in the Transaction Support Agreement for such matter).
Status of Issuer.....	Unless otherwise agreed, the Bridge Notes, the Superpriority Notes, the New 1L Notes, the New 2L Notes, New Exchangeable 2L Notes, and the 1L Notes Consent Fee Instrument shall be issued by an issuer that is a limited liability partnership formed under the laws of the State of Delaware (each such issuer, an “ Issuer ”). The Issuer will be a disregarded entity of Azul Linhas Aéreas Brasileiras S.A. for U.S. federal income tax purposes.

Section B: Restructuring of Lessor and OEM Obligations

Lessor Conditions Precedent to Bridge Notes Funding (“ Lessor Bridge CP ”).....	Prior to, or concurrently with, the funding of the Bridge Notes, Azul shall enter into binding term sheets or agreements with its lessors holding at least 60% of Azul’s outstanding lease obligations, the effectiveness of which are subject only to execution of definitive documentation and occurrence of the Superpriority Notes Closing Date, providing for the following and, in each case, in form and substance satisfactory to the SteerCo (collectively, the “ Lessor/OEM Agreements ”): <ul style="list-style-type: none">• an average 45-day rent holiday;• termination of existing lessor equity instrument agreements, or amendments thereto, in order to provide for the one-time issuance of an aggregate of up to 100 million new preferred shares; and• interest on the principal amount of the relevant 2030 unsecured lessor notes issued by Azul Investments LLP (the “Lessor Notes”) to be paid-in-kind for 18 months (to be achieved by issuance of new Lessor Notes in bilateral exchange for cancellation of such existing Lessor Notes).
Lessor Conditions Precedent to Superpriority Notes Funding (“ Lessor Superpriority CP ”)... ..	Prior to the Superpriority Notes Closing Date, the Lessor/OEM Agreements shall be in effect with respect to Azul’s outstanding lease and OEM obligations and Azul shall or shall cause all transactions provided therein to be implemented (subject only to funding the Superpriority Notes)
Lessor Conditions Precedent to Delayed Draw (“ Lessor Delayed Draw CPs ”).....	Prior to the Delayed Draw Escrow Release Date (as defined below), conditions relating to the following items shall be satisfied (or duly waived), in each case, as certified by the Independent Business Expert (as defined below): <ul style="list-style-type: none">• achievement of certain future cashflow savings to be obtained from OEMs, lessors and vendors for an agreed period (Azul is targeting approximately US\$100 million per year); and• payments on US\$150 million of agreed 2023 OEM deferrals to be further deferred beyond 2025; and• changes in the terms or cash settlement of the Lessor Notes on terms satisfactory to the Supporting Bondholders Notes (which may include further extended PIK interest).

Section C: Summary Terms of Bridge Notes

Bridge Notes.....	Senior Secured Bridge Notes due 2025 (the “ Bridge Notes ”).
Principal Amount	US\$150 million.
Issue Price.....	100.0% of principal amount of the Bridge Notes.
Coupon.....	Same as Superpriority Notes (see below) and payable at maturity.
Fees.....	<ul style="list-style-type: none">• 5.0% upfront fee on the face amount of the Bridge Notes, payable in kind as of the Bridge Closing Date.
Bridge Closing Date.....	October 30, 2024.
Bridge Maturity Date.....	January 28, 2025.
Issuer, Parent Guarantor and Subsidiary Guarantors	Same as Superpriority Notes (see below).
Bridge Conditions Precedent.....	<p>The issuance of the Bridge Notes on the Bridge Closing Date shall be subject to, among others, the following conditions precedent, in each case, satisfactory to SteerCo:</p> <ul style="list-style-type: none">i. the Bridge Notes shall have been issued within three (3) business days following the execution of the Transaction Support Agreement and satisfaction of all conditions to such funding (unless waived);ii. satisfaction of the Lessor Bridge CP;iii. amendments to the (i) Existing Convertible Debentures to permit the Convertible Debenture Interest Extension and (ii) 1L Notes and 2L Notes to permit the PIK Interest Amendment (each as defined below);iv. amendment and restatement of the Azul Cargo Intercreditor Agreement and Shared Collateral Intercreditor Agreement (the “Shared Collateral Intercreditor Agreement”) to provide, among other things, that TAP Notes and Credit Card Receivables (each as defined below) are Bridge Collateral (defined below) only and are not shared and to allow for Bridge Notes to be secured by Shared Collateral as described herein;v. Azul shall have retained an independent business expert acceptable to the SteerCo (the “Independent Business Expert”) whose mandate shall be approved by the SteerCo Advisors and shall include responsibility for, among other things, validating the Budget and performing necessary financial diligence within 30 days of the Bridge Closing Date, reviewing and certifying the Company’s efforts to achieve incremental savings and responsibility for reviewing financial information prepared by Azul to demonstrate achievement of incremental cost savings;vi. no Default or Event of Default under 1L Notes, 2029 Notes, 2030 Notes, the Existing Convertible Debentures or other material financial indebtedness in excess of US\$25 million;vii. the engagement letters between Azul and all advisors to the SteerCo (“SteerCo Advisors”) shall have been executed and remain in effect and Azul shall have paid, in cash, all reasonable and documented fees, costs and expenses incurred by the SteerCo Advisors and funded all retainers in accordance with the engagement letters and Definitive Documentation;

- viii. AerCap's lien on Azul Cargo Collateral shall be *pari passu* in right of payment and lien priority with the Azul Cargo Collateral granted to the Bridge Notes;
- ix. the lien on the Azul Cargo Collateral securing Azul's 2nd issuance of debentures (ISIN: BRAZULDBS009) (the "**November 2024 Debentures**") shall be discharged;
- x. the granting and perfection of Bridge Collateral and delivery of all required legal opinions acceptable to the SteerCo Advisors; provided that the following Bridge Collateral shall be perfected as follows (the "**Post-Closing Perfection Condition**"), provided that failure to comply with the Post-Closing Perfection Condition shall constitute an event of default under the Bridge Notes:
 - o TAP Notes: Perfected within 10 days following the Bridge Closing Date;
 - o Credit Card Receivables: Perfected within 60 days following the Bridge Closing Date (which period includes the registration of the lien with the applicable registries (CERC, CIP etc. within 15 days following the Bridge Closing Date) and the registration with the applicable registries of titles and documents (*cartório de registro de títulos e documentos*) within 10 days following the Bridge Closing Date);
 - o Azul Cargo Collateral: Perfected within 10 days following the Bridge Closing Date (except that completion of the registration of the amended IP fiduciary assignment with the INPI shall occur within 60 days following the Bridge Closing Date, provided that such 60-day period may be extended for an additional 60-day period in case the INPI requests additional supporting documents));
 - o Shared Collateral: No later than November 6, 2024 (the "**Shared Collateral Execution Date**") and perfected within 15 days following the Shared Collateral Execution Date (which period includes the registration of the lien with the applicable registries (CERC, CIP etc. within 15 days following the Bridge Closing Date) and the registration with the applicable registries of titles and documents (*cartório de registro de títulos e documentos*) within 10 days following the Bridge Closing Date), except that completion of the registration of (a) the amended IP fiduciary assignment with the INPI shall occur within 60 days following the Shared Collateral Execution Date, provided that such 60-day period may be extended for an additional 60-day period in case the INPI requests additional supporting documents); (b) the amendment to the articles of association of ATS Viagens e Turismo Ltda. related to the quota fiduciary transfer which shall be registered with the relevant board of trade within 30 days following the Shared Collateral Execution Date);
- xi. execution of Definitive Documentation related to the Bridge Notes acceptable to the SteerCo Advisors;
- xii. delivery of all approvals required to execute and perfect (subject to the Post-Closing Perfection Condition) all documents related to the issuance of the Bridge Notes, including but not limited to, corporate approvals, governmental approvals, regulatory approvals, licenses, certificates and third-party authorizations; and
- xiii. other conditions set forth in the note purchase agreement executed in connection with the issuance of the Bridge Notes.

The “**Convertible Debenture Interest Extension**” means an amendment, consented to by the requisite holders of the Existing Convertible Debentures for the Existing Convertible Debentures to extend the October 26, 2024 interest payment date through to the Bridge Maturity Date. The extended interest payment shall be payable in cash on or about the Superpriority Notes Closing Date, or, if earlier, upon an event of default under the Bridge Notes.

The “**PIK Interest Amendment**” means an amendment to the terms of the 1L Notes and the 2L Notes to permit the Issuer to elect to pay the interest payment due on November 28, 2024 in the form of PIK interest (i.e. interest accruing after November 28, 2024 is payable in cash); provided that, the terms of the 1L/2L Exchange Offers and Consent Solicitations shall provide for a cash payment due on the Superpriority Notes Closing Date in respect of the redemption of such PIK interest for each holder who participates in the 1L/2L Exchange Offers and Consent Solicitations with respect to all of such holder’s holdings of 1L Notes and 2L Notes.

Bridge Collateral The Obligors shall grant a fully perfected “first-out” lien (collectively, the “**Liens**”) in all of its rights, title and interests in the Shared Collateral, the Azul Cargo Collateral, the TAP Notes, and the Credit Card Receivables (each as defined below, collectively, the “**Bridge Collateral**”) (subject to the Post-Closing Perfection Condition).

- Azul Cargo Collateral, comprises:
 - an amended and restated fiduciary assignment (*cessão fiduciária*) in respect of (i) Azul Cargo credit card and debit card receivables in Brazilian *reais* and (ii) the Azul Cargo receivables deposit account governed by Brazilian law (the “**Azul Cargo Receivables Deposit Account**”) (Note: credit and debit card receivables in currencies other than Brazilian *reais* are subject to an obligation to deposit the proceeds thereof into the Azul Cargo Receivables Deposit Account);
 - existing account control agreement over the Azul Cargo Receivables Deposit Account;
 - an amended and restated fiduciary transfer (*alienação fiduciária*) in respect of the Azul Cargo intellectual property that is registered in Brazil, governed by Brazilian law;
 - a security agreement over the USD collateral account located in the United States, governed by New York law (which account is only used in the event of enforcement of the collateral).

The Bridge Notes indenture (and Superpriority Notes indenture) shall require Azul and its subsidiaries to cause all receivables (on a gross basis received from customers, credit cards, debit cards or otherwise) on account of the Azul Cargo Collateral to be deposited directly by the payor or to be deposited by Azul and its subsidiaries, in each case, into the Azul Cargo Receivables Deposit Account promptly upon receipt thereof and such funds shall remain in the Azul Cargo Receivables Deposit Account until applied in a manner to be agreed and set forth in the documentation governing the Bridge Notes (and Superpriority Notes). Such provisions shall be substantially similar to those included in the indentures governing the 2L Notes but, in connection with the Superpriority Notes, it will be reviewed and enhanced as agreed.

- A Portuguese law lien in respect of the unsecured Series A 7.500% Secured Bonds due 2026 issued by Transportes Aéreos Portugueses, SGPS, S.A. (ISIN: PTTTAAOM0004) and held by Azul Linhas (the “**TAP Notes**”), contemplating that any proceeds of the sale of the TAP Notes shall be deposited in a segregated account over which the holders of the Bridge Notes have a security interest pending application of the proceeds of such sale in accordance with the indenture with respect to the Bridge Notes; provided that any sale of the TAP Notes shall be approved by holders holding at least 80% in aggregate principal amount of the Bridge Notes.
- All present and future credit card receivables comprising all Amex, Elo and Diners credit card receivables of the Company with all acquirer entities (*credenciadoras*) on terms acceptable to the SteerCo, and all present and future Mastercard receivables that exceed the Minimum Collateral Amount (*Montante Mínimo de Garantia*, as defined in the “*Instrumento Particular de Contrato de Cessão Fiduciária de Direitos em Garantia e Outras Avenças*” dated as of June 5, 2024, as amended (in accordance with existing documents only) (“**Minimum Collateral Amount**” and, collectively, the “**Credit Card Receivables**”) on terms acceptable to the SteerCo. For clarification purposes, the security interest that benefit the holders of the Bridge Notes (i) shall not extend to the Mastercard Card receivables required to comply with the Minimum Collateral Amount, up to a maximum of BRL180 million; and (ii) includes any and all proceeds from the Mastercard Credit Card Receivables not required to comply with the Minimum Collateral Amount. Mastercard receivables for Azul’s passenger business were approximately R\$5.4 billion in the last twelve months.
- All collateral that currently secures the 1L Notes (the “**Shared Collateral**”).

Priority of the Bridge Notes The Bridge Notes rank senior in priority with respect to the Bridge Collateral. For the avoidance of doubt, as of the Bridge Closing Date, no other indebtedness shall be secured by the Bridge Collateral, other than (i) in accordance with the Azul Cargo Intercreditor Agreement, (A) AerCap’s current lien on Azul Cargo Collateral, which shall be *pari passu* in lien priority with the Bridge Notes and (B) the existing security interest of the 2L Notes on the Azul Cargo Collateral which will be “second out” in lien priority behind the Bridge Notes; and (ii) in accordance with the Shared Collateral Intercreditor Agreement, (A) the 1L Notes, the Existing Convertible Debentures and Aercap’s US\$46 million in secured obligations, which shall be *pari passu* in lien priority with the Bridge Notes and (B) the 2L Notes, which shall be “second out” in lien priority with the Bridge Notes, in each case, as a condition to funding thereof.

For the avoidance of doubt, the Bridge Notes will be “first-out” with respect to the Shared Collateral and no other liens shall encumber the TAP Notes and Credit Card Receivables.

Redemption and Repurchase of the Bridge Notes

Mandatory Redemption, Change of Control, etc.	Mandatory redemption upon a sale of Bridge Collateral or change of control, which shall require payments of the Bridge Make-Whole Redemption Price (as defined below), including for the avoidance of doubt, that 100% of the net proceeds of any disposal of the TAP Notes received during the life of the Bridge Notes shall be applied to redeem the Bridge Notes at par plus accrued interest (a “ TAP Notes Redemption ”). The principal amount of any TAP Notes Redemption shall permanently reduce the principal amount of Superpriority Notes to be issued.
Optional Redemption with a Make-Whole Premium.....	Issuer may redeem the Bridge Notes at its option, in whole or in part, at any time and from time to time, subject to a customary make whole at T+50 with the calculation of future interest payments based on the SOFR rate (with the margin applicable to PIK payments) in effect at the time of the issuance of the notice or redemption or other triggering event (the “ Bridge Make-Whole Redemption Price ”). In addition, the Bridge Make-Whole Redemption Price shall be payable (x) upon any acceleration of the Bridge Notes (whether as a result of an event of default, by operation of law or otherwise) (y) the occurrence of any full or partial satisfaction, release, payment, restructuring, reorganization, replacement, reinstatement, defeasance or compromise of any of the Bridge Notes in any insolvency proceeding or foreclosure or (z) any mandatory redemption.

Covenants and Events of Default in the Bridge Notes

Affirmative Covenants, Negative Covenants, Events of Defaults.....	Substantially similar to Superpriority Notes (see below) with tighter limitations on restricted payments, investments, debt and liens to reflect the bridge nature of the financing and limitations on payment of other indebtedness while the Bridge Notes are outstanding. Affirmative covenants shall include, among others, customary tax gross up. Events of default shall include a cross default to material indebtedness (as opposed to cross acceleration) and certain grace periods shall be shortened to reflect the bridge nature of the financing.
Minimum Liquidity.....	Quarterly liquidity requirement of at least R\$1.5 billion

Other Provisions of the Bridge Notes

Use of Proceeds	The Issuer shall use the proceeds of the Bridge Notes for (i) repayment in full of outstanding second series of non-convertible debentures issued by Azul (ISIN: BRAZULDBS009), (ii) redemption of the 2024 Notes (defined below), (iii) to pay fees of professionals and (iv) for payments to specific critical suppliers to be agreed with SteerCo as set forth in a schedule or line item of the Budget; provided that all disbursements shall be consistent with the Budget as certified by the Independent Business Expert.
Settlement and Transfer	Freely transferable notes registered in the name of each holder held in custody by UMB Bank, N.A. (i.e. as “Physical Notes” as defined in the Indenture). After closing, if requested by the SteerCo, such certificated notes will be exchanged for interests in a global note deposited with Cede & Co. and cleared by DTC.
Minimum Denomination.....	Minimum denomination of US\$1,000 and integral multiples of US\$1.00 in excess thereof.

Trustee and Collateral Agents.....	Same as Superpriority Notes (see below).
Governing Law	Same as Superpriority Notes (see below).
Issuance Format.....	Same as Superpriority Notes (see below).
Bridge Notes Mandatory Exchange	On the Superpriority Notes Closing Date, the Bridge Notes shall mandatorily convert into Superpriority Notes subject to the conditions herein.

Section D: Summary Terms of Superpriority Notes

Key Terms

Superpriority Notes.....	Superpriority Secured Notes.
Principal Amount	Up to US\$500 million of Superpriority Notes which shall be fully funded on the Superpriority Notes Closing Date with the gross proceeds in respect of: <ul style="list-style-type: none"> i. US\$400 million aggregate principal amount of the Superpriority Notes available following the Superpriority Notes Closing Date (which shall include US\$150 million Bridge Notes that shall be mandatorily exchanged into the Superpriority Notes); and ii. US\$100 million aggregate principal amount of the Superpriority Notes (such gross proceeds, the “Delayed Draw Escrow Amount”) initially funded on the Superpriority Notes Closing Date into a separate U.S. based U.S. dollar account of the Issuer in the name of the Collateral Agent (such account and the balance therein from time to time, the “Delayed Draw Escrow Account”), with the indenture providing that the balance in the Delayed Draw Escrow Account shall be available to the Issuer upon satisfaction of the Delayed Draw Conditions (defined below). Until made available, the Delayed Draw Escrow shall be pledged for the benefit of the Superpriority Notes as set for below.
Issue Price.....	100.0% of principal amount of the Superpriority Notes.
Coupon.....	The Superpriority Notes shall bear interest at SOFR + 8.25% if paid in cash or SOFR + 10.75% if paid in kind (PIK) and be payable at maturity; provided that any payments in kind shall only apply to the applicable margin and all SOFR portions of any Superpriority Note shall only be payable in cash; and provided further, the SOFR floor shall be 3.0%. The Issuer may elect to pay interest in cash or in-kind with respect to any interest period by delivering a written notice to the Trustee within two (2) business days of the commencement of such interest period, which notice shall state the form of interest payment with respect to such interest period and the total amount of interest to be paid on the applicable interest payment date.
Fees.....	<ul style="list-style-type: none"> • 2.5% upfront fee on the face amount of the Superpriority Notes, payable in kind as of the Superpriority Notes Closing Date (the “Superpriority Upfront Fee”); • Backstop Fee; and • 6.5% consent fee on the face amounts of the Existing Convertible Debentures and 1L Notes, respectively, payable on a pro rata basis to (i) all holders of the Existing Convertible Debentures

(“**Convertible Debentures Consent Fee**”) and (ii) holders of 1L Notes that participate in the exchange and consent solicitation described below (“**1L Notes Consent Fee**”).

The Convertible Debentures Consent Fee shall be payable in additional Amended Convertible Debentures (as defined below). The 1L Notes Consent Fee shall be issued in a separate issuance through a NY law governed instrument exchangeable into freely tradeable (as defined below) listed equity (or, at the option of each holders, freely tradeable ADRs) (the “**1L Notes Consent Fee Instrument**”).

Superpriority Notes Closing Date	The date of the satisfaction (or waiver, if applicable) of the conditions precedent set forth herein and the applicable Definitive Documents (defined below) for the funding of the Superpriority Notes (the “ Superpriority Notes Closing Date ”).
Maturity Date	The Superpriority Notes will mature on the date that is five (5) years after the issuance of the Superpriority Notes on the Superpriority Notes Closing Date (the “ Maturity Date ”).
Issuer.....	Azul Secured Finance II LLP (a newly-formed finance vehicle wholly-owned by Azul Linhas Aéreas Brasileiras S.A.).
Trustee.....	UMB Bank (in such capacity and together with its successors, the “ Trustee ”).
Collateral Agent.....	UMB Bank as U.S. Collateral Agent and TMF Brazil as Brazilian collateral agent (in such capacity and together with its successors, the “ Collateral Agents ”).
Parent Guarantor.....	Azul S.A.
Subsidiary Guarantors.....	Each of the Parent Guarantor’s subsidiaries existing on the Superpriority Notes Closing Date or in the future created or acquired (other than agreed immaterial subsidiaries); provided that in any event the Parent Guarantor, Issuer and Subsidiary Guarantors will constitute not less than 95% total assets and total revenues of the Company (the “ Subsidiary Guarantors ”) and together with the Parent Guarantor and the Issuer, the “ Obligors ”).
Conditions Precedent	The issuance of Superpriority Notes on the Superpriority Notes Closing Date shall be subject to, among others, the following conditions precedent, in each case, satisfactory to the SteerCo: <ul style="list-style-type: none"> i. Superpriority Notes Closing Date to occur not later than 90 days following Bridge Closing Date; ii. approval of budget (the “Budget”) acceptable to the SteerCo pursuant to the terms of the Transaction Support Agreement, within which, repayment of those certain 5.875% Senior Notes Due 2024 issued by Azul Investments LLP (the “2024 Notes”) plus all accrued and unpaid interest shall have occurred through funding of the Bridge Notes or otherwise; iii. agreement by Azul to continue to retain the Independent Business Expert on the terms described herein, through at least the date of the closing of a Qualifying Equity Issuance (defined below); iv. satisfaction of the Lessor Superpriority CP; v. payment in-kind of the Superpriority Upfront Fee, Consent Fees and Backstop Fees and payments due in respect of the PIK

- Interest Amendment and the Convertible Debenture Interest Extension;
- vi. engagement letters between Azul and all SteerCo Advisors shall remain effective and Azul shall have paid, in cash, all reasonable and documented fees, costs and expenses incurred by the SteerCo Advisors in accordance with the engagement letters and definitive documentation;
 - vii. satisfactory completion of confirmatory diligence;
 - viii. Azul shall have provided the SteerCo Advisors (unless otherwise agreed, and subject to there being no cleansing requirement) and the Independent Business Expert access to all information reasonably requested including free cash flow detail and reconciliation and provide a 13-week cash flow acceptable to the SteerCo;
 - ix. agreed form of Registration Rights Agreement (defined below);
 - x. no default or event of default under the Bridge Notes, 1L Notes, 2L Notes, Existing Convertible Debentures or other financial indebtedness;
 - xi. receipt of all necessary shareholder approvals, arrangements so as to comply with priority, waiver of preemptive rights by controlling shareholders and implementation of the Governance Conditions;
 - xii. all indemnification provisions in organizational documents or employment contracts shall remain intact on terms no less favorable;
 - xiii. payment of all fees of SteerCo Advisors;
 - xiv. full and complete release by AerCap's of its first lien on Azul Cargo Collateral;
 - xv. execution of the Definitive Documents related to the Superpriority Notes on terms acceptable to the SteerCo Advisors;
 - xvi. completion of all applicable steps described under "Implementation" below including, for the avoidance of doubt, successful completion 1L/2L Exchange Offers and Consent Solicitations with the minimum participation thresholds set forth herein and the issuance of the Amended Convertible Debentures (defined below);
 - xvii. implementation of the MIP (as defined below);
 - xviii. definitive binding agreements to implement the Governance Conditions (as defined below) as set forth in a schedule to the indenture with respect to the Superpriority Notes;
 - xix. the Company shall have provided the SteerCo with a schedule of all priority debt and claims existing on the Superpriority Notes Closing Date for purposes of calculating the Priority Debt Cap (defined below) and the Priority Debt Cap shall have been agreed;
 - xx. delivery of all approvals required to execute all documents related to the issuance of the Superpriority Notes, including but not limited to, corporate approvals, governmental approvals, regulatory approvals, licenses, certificates and third-party authorizations;
 - xxi. AerCap's lien on the Azul Cargo Collateral shall have been discharged;
 - xxii. the granting and perfection of Collateral (subject to any customary post-closing perfection conditions to be agreed) and delivery of all customary legal opinions acceptable to the SteerCo Advisors; and
 - xxiii. other customary closing conditions set forth in the Superpriority Notes note purchase agreement.

SteerCo Delayed Draw Conditions.....	<p>Release of the gross proceeds from the issuance of US\$100 million principal amount of Superpriority Notes (the “Delayed Draw Notes”) shall occur no later than four (4) months following the Superpriority Notes Closing Date (such release date, the “Delayed Draw Notes Escrow Release Date”) and shall be subject to the following condition (the “Delayed Draw Condition”); provided that the satisfaction of the Delayed Draw Condition shall be certified to the SteerCo by the Independent Business Expert:</p> <p style="margin-left: 40px;">i. satisfaction of the Lessor Delayed Draw CPs,</p> <p>provided, if the Delayed Draw Condition is not satisfied within the time period set forth above, the Issuer shall have the option to repay \$100mm of incremental funding at par, plus accrued interest.</p>
Collateral	<p>The Obligors shall grant Liens to secured the Superpriority Notes in all of its rights, title and interests in:</p> <ul style="list-style-type: none"> • the Shared Collateral; • Azul Cargo Collateral; • the TAP Notes; and • the US\$100 million of Superpriority Notes funded to the U.S. account prior to satisfaction of the Delayed Draw Conditions (collectively, the “Collateral”) (subject to any customary post-closing perfection conditions to be agreed). <p>For the avoidance of doubt, the Collateral shall include all the Bridge Collateral (described above) and shall include improvements in the collateral arrangements that may not have been made, in light of timing and other considerations, at the time of the issuance of the Bridge Notes and the Company shall use commercially reasonable efforts to grant and perfect any such additional available collateral and associated rights.</p> <p>Prior to disbursement upon satisfaction of the Delayed Draw Conditions, the US\$100 million of the Superpriority Notes shall be pledged pursuant to a security agreement over the USD collateral account located in the United States, governed by New York law.</p>
Indebtedness Secured by Collateral	<p>On the Superpriority Notes Closing Date and as a condition to closing, there shall be no other indebtedness or other obligations that is secured by the Collateral, other than (i) the Superpriority Notes, (ii) the New 1L Notes, (iii) the New 2L Notes, (iv) New Exchangeable 2L Notes, (v) Amended Convertible Debentures and (vi) US\$46 million in AerCap secured obligations (bridge loan) that shall be repaid by December 31, 2026, in each as specifically contemplated in this Term Sheet.</p>
New Intercreditor Agreement	<p>Shared Collateral Intercreditor Agreement and Cargo Intercreditor Agreement shall be terminated and replaced with a new Intercreditor Agreement (“New Intercreditor Agreement”). Terms of the New Intercreditor Agreement shall be substantially similar to the existing intercreditor agreements except where amended to reflect the new collateral structure and secured parties.</p>
Priority of the Superpriority Notes	<p>The Superpriority Notes rank senior in priority with respect to the Collateral and ahead of the Amended Convertible Debentures, New 1L Notes, New 2L Notes and New Exchangeable 2L Notes and as reflected in the New Intercreditor Agreement.</p>

Redemption, Prepayment and Repurchase of the Superpriority Notes

Mandatory Redemption, Change of Control, etc. Mandatory redemption upon, among others to be agreed, a sale of Collateral or change of control, which shall require payments of Make-Whole Redemption Price (as defined below); provided that the proceeds of any sale of the TAP Notes shall be applied to a mandatory offer to purchase New 1L Notes at par plus accrued interest.

Optional Redemption with a Make-Whole Premium..... Prior to the second anniversary of the Superpriority Notes Closing Date, any redemption of the Superpriority Notes shall be subject to a T+50 make-whole (with the margin applicable to PIK payments) and giving effect to the applicable Call Premium (defined below) (the "**Make-Whole Redemption Price**"). In addition, the Superpriority Make-Whole Redemption Price shall be payable upon the earlier of (x) any acceleration of the Superpriority Notes (whether as a result of an event of default, by operation of law or otherwise) (y) the occurrence of any full or partial satisfaction, release, payment, restructuring, reorganization, replacement, reinstatement, defeasance or compromise of any of the Superpriority Notes in any insolvency proceeding or foreclosure or (z) any mandatory redemption.

On or after the date that is the second anniversary of the Superpriority Notes Closing Date, the Superpriority Notes may be redeemed at the following redemption prices (the "**Call Premium**"):

- i. on the date that is the second anniversary of the Superpriority Notes Closing Date and during the twelve-month period thereafter, at par plus one half of coupon;
- ii. on the date that is the third anniversary of the Superpriority Notes Closing Date and during the twelve-month period thereafter, at par plus one quarter of coupon; and
- iii. on the date that is the fourth anniversary of the Superpriority Notes Closing Date and thereafter, at par.

In addition to the applicable redemption prices described above, the Issuer will pay accrued and unpaid interest to, but excluding, the redemption date.

Additional Amounts..... Tax gross-up provision (and associated tax redemption provision) consistent with 1L Notes.

Covenants in the Superpriority Notes Applicable to Azul and Subsidiaries

Affirmative Covenants..... The Definitive Documents shall contain affirmative covenants customary for financings of this type, subject to appropriate exceptions and qualifications to be agreed upon, including, without limitation:

- i. delivery of quarterly (within 60 days after the end of the first three fiscal quarters of each fiscal year) and annual (within 120 days after each completed fiscal year) financial statements, with annual financial statements accompanied by an opinion of an independent accounting firm;
- ii. Azul shall make the Independent Business Expert available to the SteerCo and the SteerCo Advisors;
- iii. notification to the Trustee of any Event of Default and certain other customary material events;
- iv. additional Guarantors and grantors;
- v. maintenance of registrar and paying agent;
- vi. corporate existence;

	<ul style="list-style-type: none"> vii. maintenance of ratings; viii. payment of taxes and other claims; ix. compliance certificate; x. further assurances with respect to maintenance of liens on Collateral; and xi. reports to holders.
Minimum Liquidity.....	Quarterly liquidity requirement to be agreed
Limitation on Incurrence of Indebtedness.....	<p>Incurrence of indebtedness restricted as follows with respect to Azul and its subsidiaries:</p> <ul style="list-style-type: none"> i. Additional incurrence and maintenance covenants to be agreed. ii. The parties shall agree on a paydown of priority debt and claims existing on the Superpriority Notes Closing Date satisfactory to the SteerCo (the "Priority Debt Cap"). The Priority Debt Cap shall not include lease payments, bona fide capex financing and PDPs; but shall include any lease payment deferrals or reduction in credits that do not offset existing lease obligations, which shall reduce the Priority Debt Cap on a dollar for dollar basis. The Priority Debt Cap shall terminate on July 1, 2026 so long as there is no default or event of default then outstanding. The Company shall provide the SteerCo with a schedule of all priority debt and claims on the Superpriority Notes Closing Date. iii. FNAC debt permitted, provided that Azul and the SteerCo shall agree on permitted use of proceeds of such FNAC debt in the indenture for the Superpriority Notes.
Limitations on Liens.....	<p>The Indenture shall include a limitation on liens with respect to Azul and its subsidiaries to be agreed. Company shall also be prohibited from granting any liens over the partnership interests of the Issuer or any assets of the Issuer.</p> <p>Negative pledge in respect of the Credit Card Receivables, with ability to grant liens in respect of financings, letters of credit and other working capital financings (including supplier financings), in each case denominated in Brazilian reais, up to a cap to be agreed. All other credit card receivables not part of the Credit Card Receivables shall have the same future use restrictions as the working capital basket described in the immediate preceding sentence.</p>
Limitation on Restricted Payments and Investments.....	The Indenture shall include a limitation on restricted payments and investments with respect to Azul and its subsidiaries to be agreed.
Additional Covenants	<p>In addition to the covenants described above, the indenture shall contain covenants that restrict the ability of Azul and its subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • dispose of the Collateral subject to the redemption requirement set forth above; • enter into certain transactions with affiliates; • enter into certain business activities; • merge or consolidate with another entity or sell, convey, transfer or dispose of assets; and • the Obligors shall ensure that the Superpriority Notes are secured by the Collateral (subject to permitted collateral liens), and have the right to receive payments from such Collateral, including the proceeds of any enforcement of Collateral, on a "first out" basis.

Events of Default	Similar to the 1L Notes, with updates to reflect financings of this type (including the termination or exit from the Azul cargo business, and except as otherwise noted herein).
Ratings	The Obligors shall use commercially reasonable efforts to obtain and maintain a rating of the Superpriority Notes from two of S&P, Moody's and Fitch within two months following the Superpriority Notes Closing Date. Such commercially reasonable efforts maintenance of credit rating obligation shall also be included in the provisions governing the New 1L Notes, the New 2L Notes, the New Exchangeable 2L Notes and the 1L Notes Consent Fee Instrument.

Other Provisions of the Superpriority Notes

Use of Proceeds	The Issuer shall use the proceeds of the Superpriority Notes for (i) mandatory redemption of the Bridge Notes and (ii) for general corporate purposes consistent with the Budget and with the approval of the Independent Business Expert.
Definitive Documentation.....	The Obligors will execute a definitive New York law governed purchase agreement, indenture, Superpriority Notes Indenture, New Intercreditor Agreement and other documents in furtherance or in connection therewith (collectively, the "Definitive Documents"), to evidence the Superpriority Notes and the grant of Liens (governed by the laws as described herein) on the Collateral, all of which will be in form and substance customary for transactions of this type, but acceptable to the Obligors, the SteerCo, the Trustee and the Collateral Agents, acting reasonably. The Definitive Documents shall be negotiated in good faith, shall be based on a precedent to be mutually agreed and shall contain the terms and conditions set forth in this Term Sheet and, to the extent any terms are not set forth in this Term Sheet, shall otherwise be usual and customary for transactions of this kind. The foregoing provisions, collectively, the "Documentation Principles."
Settlement	DTC (with indirect settlement available through Euroclear/Clearstream).
Governing Law	<ul style="list-style-type: none"> • Notes and Indenture: governed by the laws of State of New York; • Credit Card Receivables: governed by the laws of Brazil; • Shared Collateral: governed by the laws of Brazil and the Cayman Islands; • Azul Cargo Collateral: governed by the laws of the State of New York, Brazil and the Cayman Islands (as described above); and • TAP Notes: governed by the laws of Portugal.
Issuance Format.....	Section 4(a)(2) in the United States and Regulation S outside the United States, offered and sold only to QIBs / professional investors that each sign a customary investor representation letter.

Section E: Implementation

Implementation.....	The 1L Notes and 2L Notes shall be subject to concurrent exchange offers (including exit consents), as described below (the “ 1L/2L Exchange Offers and Consent Solicitations ”) with a minimum required participation of 66.6% in aggregate principal amount of 1L Notes and 95% in aggregate principal amount of each series of 2L Notes as further described below.
Amendment of Convertible Debentures.....	<p>On the Superpriority Notes Closing Date, the Existing Convertible Debentures shall be amended to provide for, among other things, the following (the “Amended Convertible Debentures”):</p> <ul style="list-style-type: none">• Convertible Debenture shall be restruck at a strike price equal to a 20% discount to 30-day VWAP (based on local share price, 15 days before and 15 days after the transaction close (which shall be the Superpriority Notes Closing Date)), subject to MFN for future equitizations or equity raises (in place of any antidilution provisions in the documents with respect to the Existing Convertible Debentures); and• Convertible Debentures shall be secured by the Collateral on a “second-out” basis behind the Superpriority Notes, but <i>pari passu</i> with the New 1L Notes.
Exchange of 1L Notes	On the Superpriority Notes Closing Date, the 1L Notes shall be exchanged for new 1L notes (the “ New 1L Notes ”) secured by the Collateral on a “second-out” basis behind the Superpriority Notes, but <i>pari passu</i> with the Amended Convertible Debentures.
2L Equitization	<p>On or prior to the Superpriority Notes Closing Date, the 2L Notes (including accrued interest thereon) shall have been exchanged for new 2L notes (“New 2L Notes”) including terms providing that the New 2L Notes shall be mandatorily partially equitized at a 15.0% discount to 30-day VWAP (based on local share price, 15 days before and 15 days after the event) into freely tradeable listed equity in the form of, at each holder’s option, ADRs or locally traded equity as follows:</p> <ul style="list-style-type: none">• Phase I: 10.0% within 30 days following the Superpriority Notes Closing Date;• Phase II: 25.0% upon satisfaction of the Delayed Draw Conditions; and• Phase III: 12.5% upon completion of an equity issuance of \$200 million or more (a “Qualifying Equity Issuance”) and completion of preferred shares (i.e. the current ‘common’-equivalent) equity issuance into NYSE listed securities, or as otherwise agreed; provided that Phase I, Phase II and Phase III shall occur sequentially. <p>All New Equity issued will be “freely tradable”, meaning the New Equity shall be listed and trading without restriction on the NYSE in the form of NYSE-listed ADRs.</p>

Exchange of 2L Notes	The terms of such newly issued 2L notes shall also provide that the remaining 2L Notes shall be exchanged into new 2L exchangeable notes (the “ New Exchangeable 2L Notes ”) with the following terms: <ul style="list-style-type: none"> • the New Exchangeable 2L Notes shall bear interest at a rate of 4.0% cash plus 6.0% PIK; • the strike price for the New Exchangeable 2L Notes shall be equal to a 20% discount to 30-day VWAP (based on local share price, 15 days before and 15 days after the transaction close (which shall be the Superpriority Notes Closing Date)); and • the New Exchangeable 2L Notes shall be in the form of a New York-law governed instrument (in a structure to be agreed given legal considerations) that will be mandatorily exchangeable at the option of Azul into freely tradeable listed equity (or, at the option of each holder, ADRs) or as otherwise agreed if, beginning 12 months after transaction close (which shall be the Superpriority Notes Closing Date), 47.5% of 2L Notes are equitized, the stock price is 175% of the strike price for 60 consecutive days and no less than 30 days has passed since all of the first 47.5% of 2L Notes has been equitized.
Registration Rights Agreement ..	Customary Registration Rights Agreement to be executed as of the Superpriority Notes Closing Date (the “ Registration Rights Agreement ”).

Section F: Other

Treatment of 2024 Notes.....	For the avoidance of doubt, all 2024 Notes plus all accrued and unpaid interest shall be paid from proceeds of the Bridge Notes when received or, if the maturity date of the 2024 Notes is prior to such date, from the Company’s existing cash on hand.
MIP	New MIP in an amount to be agreed on or prior to the Superpriority Notes Closing Date and to be negotiated and supported by SteerCo and adopted by the board of Azul based on performance and vesting metrics to be discussed.
Governance	Governance to be agreed by the Obligors and the SteerCo and included in a schedule to the indenture for the Superpriority Notes, but to include, without limitation, agreed changes to the size and composition of the board (and committees thereof) and agreed changes to the by laws and other constituent documents (collectively, the “ Governance Conditions ”).