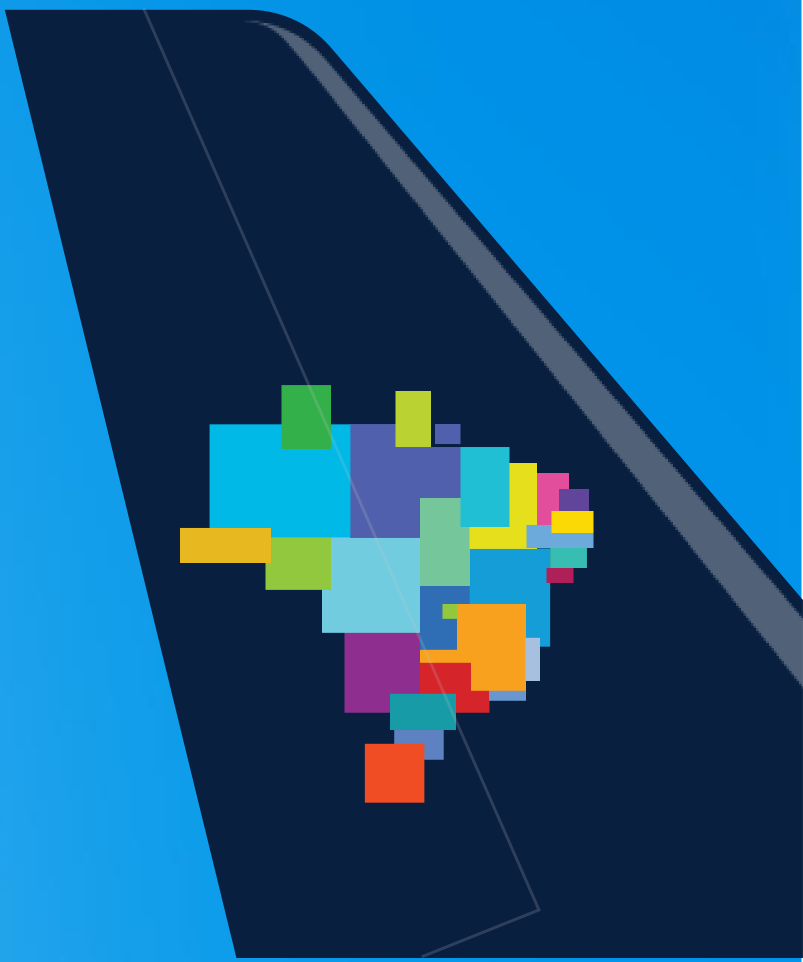
o céu é Azul

Individual and Consolidated Financial Statements 2023 Azul S.A.



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Management Comments

2023 was a year of many records for Azul: R$19 billion in revenue, a RASK of R$42.48 cents, up 5% from full-year 2022 even with a capacity increase of 11%, and an EBITDA of R$5.2 billion, an increase of R$2.0 billion year over year. In addition to this outstanding financial performance, we were the second most on-time airline in 2023 after reaching the number one spot in 2022. This is a true testament to our incredible crewmembers who delivered a world-class experience to our 30 million customers this year, each and every day. I want to thank them for their passion and dedication.

Azul continues to be unique. Our network strength: we serve 160 destinations, roughly 100 more than anyone else, enabled by flexible fleet which allows us to access and stimulate demand that was never explored before. These structural competitive advantages have only grown over time as we stay true to our business model. These advantages are only further strengthened by our non-ticket businesses: loyalty, vacations, cargo, ancillaries and charters, all of them fast-growing, high-margin ventures. With Brazil very much in our DNA we are extremely proud to partner with the Brazilian Olympic Committee to support team Brazil in the Paris 2024 Summer games.

For the fourth quarter we delivered an all-time record revenue of R$5.0 billion, an all-time record RASK of R$45.30 cents, a record fourth quarter EBIT margin of 17.6% and record fourth quarter EBITDA margin of 29.2%, one of the highest in the world. EBITDA margin improved 7.6 percentage points for the year and 4.5 percentage points for the quarter, clearly demonstrating our ability to continue increasing margins in spite of higher fuel and higher currency. This clearly demonstrates the strength of our business model and our sustainable competitive advantages.

Immediate liquidity remains solid at R$3.0 billion, representing 16.2% our annual revenues. Including long-term investments and receivables, security deposits and reserves, our total liquidity was R$6.1 billion even after paying down debt and making investments to prepare our operations for 2024 growth, as we continue to see a very positive demand environment in Brazil.

With overall revenue growth of 17.2% from 2022 to 2023, it is fair to say that demand for Azul's products and services has never been stronger. Our loyalty business Azul Fidelidade is larger than ever, now with 17 million members with record monthly active users, points redemptions, recurring revenue and credit card revenue. Our vacations business Azul Viagens continues its impressive growth trajectory and is now the second largest vacations business in Brazil. Gross bookings are increasing 50% year-over-year as we take advantage of strong leisure demand and opportunities to increase aircraft utilization with unique nonstop flights. Our cargo business grew in the fourth quarter, in the opposite direction of global trends, by expanding our diversified customer base with even more retailers, manufacturers, and e-commerce operators in Brazil who value our reliable, far-reaching logistic solutions.

In 2023 we continued our deleveraging process, reaching a leverage of 3.7x in 2023, a reduction of 2 full points in one year, and in line with our guidance. This achievement was reached after a successful, amicable capital optimization plan developed and negotiated swiftly in a manner to protect and maximize value to all of our stakeholders. We are confident we will continue reducing our leverage organically and estimate to end 2024 with a leverage of approximately 3x below our pre-pandemic levels. With the success of this plan, we now have a liquidity position and capital structure that matches our unique strategy and operational performance.

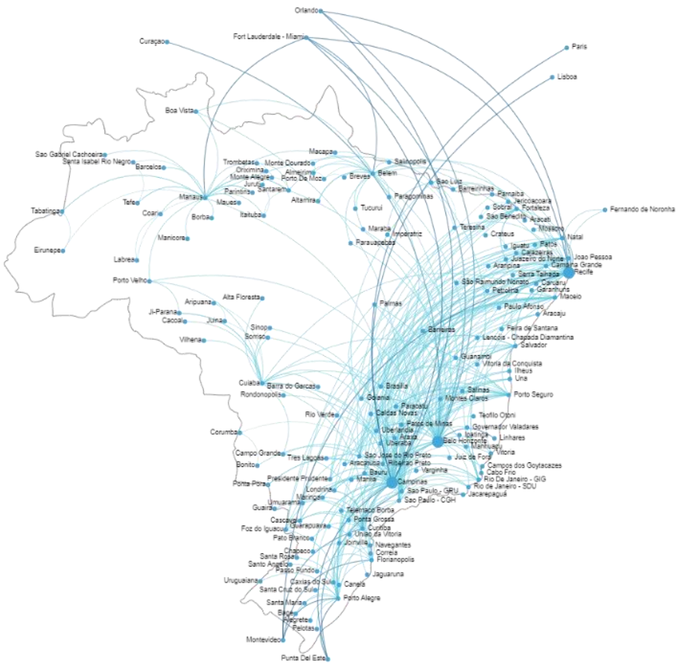
Our growth this year, we have made critical investments in our operation, our maintenance capabilities and our staffing. In addition, we have secured strategic partnerships with our OEM partners to ensure our fleet reliability and availability. We are aware that the global operating environment is challenging, and want to make sure that we are ahead of the curve.

We are more confident than ever in our ability to make Azul an even more efficient and profitable airline going forward, and with the strong momentum and encouraging demand environment we are witnessing, we updated our 2024 EBITDA guidance to R$6.5 billion. We are laser-focused on strengthening our business, driving growth and margins in all of our business units, and continuously generating more value to all of our stakeholders.

We thank all of our Crewmembers, partners and stakeholders for the confidence and support last year and look forward to even more successful and rewarding 2024.

John Rodgerson, CEO of Azul S.A.

Azul in 2023



- ✓ Largest airline in Brazil in cities served and departures, with more than 1,000 peak daily flights to more than 160 destinations.
- ✓ Operating fleet with 183 aircraft with an average age of 7.4 years (excluding Cessna aircraft)
- ✓ 39% of domestic departures and 28% market share (RPK)
- ✓ The second most on-time airline in the world

Aviation market

2023 was, once again, a year of strong demand for Azul, with significant improvements in capacity, revenue and earnings compared to the previous year.

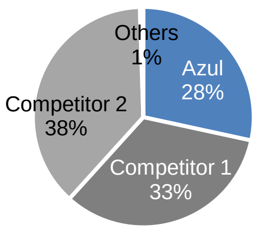
In 2023, international demand fully recovered to 2019 levels, in the domestic side, business travels also fully recovered and, the number of tourism travel remained growing.

As a result, operating revenue reached once again an all-time record, as travel demand remained strong. Total operating revenue reached R$18.7 billion, up 17.2% above 2023.

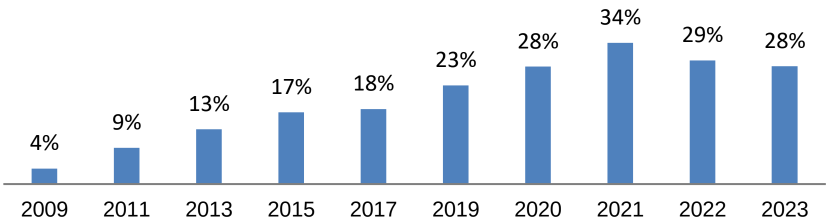
RASK were also at record levels, reaching R$42.48 cents, an increase of 5.4% compared to 2022.

During the year, Azul gradually rebuilt its network, ending the year with a capacity increase of 11.2% year-over -year, and a 12.2% increase in RPKs, resulting in a load factor of 80.4%.

Market Share[1] (Domestic RPK, 2023)



Azul's Domestic Market[1] (RPK %)



[1]Source: Anac

Consolidated Results

Income statement (R$ million)[1]	**2023**	**2022**	**% ∆**
Operating Revenue			
Passenger revenue	17,362.9	14,595.6	19.0%
Cargo revenue and other	1,331.7	1,352.5	-1.5%
Total operating revenue	**18,694.6**	**15,948.1**	**17.2%**
Operating Expenses			
Aircraft fuel	5,890.5	6,561.3	-10.2%
Salaries and benefits	2,397.3	1,954.6	22.6%
Depreciation and amortization	2,314.3	2,094.4	10.5%
Airport fees	1,056.9	911.2	16.0%
Traffic and customer servicing	807.6	641.9	25.8%
Sales and marketing	779.3	699.0	11.5%
Maintenance and repairs	686.2	592.1	15.9%
Other	1,862.7	1,357.8	37.2%
Total Operating Expenses	**15,794.7**	**14,812.4**	**6.6%**
Operating Result	**2,899.9**	**1,135.7**	**155.3%**
Operating margin	15.5%	7.1%	+8.4 p.p.
EBITDA	**5,214.2**	**3,230.1**	**61.4%**
EBITDA margin	27.9%	20.3%	+7.6 p.p.
Financial Result			
Financial income	220.1	277.3	-20.6%
Financial expenses[2]	(5,363.5)	(4,558.1)	17.7%
Derivative financial instruments, net[2]	19.9	438.2	-95.5%
Foreign currency exchange, net	1,562.8	1,327.4	17.7%
Result Before Income Taxes	**(660.8)**	**(1,379.6)**	**-52.1%**
Income tax and social contribution	-	-	n.a.
Deferred income tax and social contribution	(39.5)	-	n.a.
Net Result[2]	**(700.3)**	**(1,379.6)**	**-49.2%**
Net margin	-3.7%	-8.7%	+4.9 p.p.
Adjusted Net Result[2] [3]	**(2,421.0)**	**(2,667.6)**	**-9.2%**
Adjusted net margin[2] [3]	-13.0%	-16.7%	+3.8 p.p.
Shares outstanding[4]	347.5	347.7	0.0%
EPS	(2.02)	(3.97)	-49.2%
EPS (US$)	(0.40)	(0.77)	-47.5%
EPADR (US$)	(1.21)	(2.31)	-47.5%
Adjusted EPS[3]	(6.97)	(7.67)	-9.2%
Adjusted EPS[3] (US$)	(1.39)	(1.49)	-6.1%
Adjusted EPADR[3] (US$)	(4.18)	(4.46)	-6.1%

[1] Operating results were adjusted for non-recurring items.
[2] Excludes the conversion right related to the convertible debentures.
[3] Adjusted net result and EPS/EPADR were adjusted for unrealized derivative results and foreign currency. One ADR equals three preferred shares (PNs).
[4] Shares outstanding do not include the dilution related to the convertible and equity instruments.

Operating Data[1]	**2023**	**2022**	**% ∆**

ASK (million)	44,006	39,579	11.2%
Domestic	34,367	33,605	2.3%
International	9,639	5,974	61.3%
RPK (million)	35,399	31,561	12.2%
Domestic	27,180	26,517	2.5%
International	8,219	5,044	62.9%
Load factor (%)	80.4%	79.7%	+0.7 p.p.
Domestic	79.1%	78.9%	+0.2 p.p.
International	85.3%	84.4%	+0.8 p.p.
Average fare (R$)	593.0	531.0	11.7%
Passengers (thousands)	29,278	27,485	6.5%
Block hours	550,843	518,813	6.2%
Aircraft utilization (hours per day)[2]	10.0	9.2	8.6%
Departures	316,896	304,429	4.1%
Average stage length (km)	1,159	1,105	4.8%
End of period operating passenger aircraft	183	177	3.4%
Fuel consumption (thousands of liters)	1,291,297	1,206,925	7.0%
Fuel consumption per ASK	29.3	30.5	-3.8%
Full-time-equivalent employees	15,248	13,543	12.6%
End of period FTE per aircraft	83	77	8.9%
Yield (R$ cents)	49.05	46.25	6.1%
RASK (R$ cents)	42.48	40.29	5.4%
PRASK (R$ cents)	39.46	36.88	7.0%
CASK (R$ cents)	35.89	37.42	-4.1%
CASK ex-fuel (R$ cents)	22.51	20.85	8.0%
Fuel cost per liter (R$)	4.56	5.44	-16.1%
Break-even load factor (%)	68.0%	74.1%	-6.1 p.p.
Average exchange rate (R$ per US$)	5.00	5.16	-3.3%
End of period exchange rate	4.90	5.22	-6.1%
Inflation (IPCA/LTM)	4.46%	5.79%	-1.3 p.p.
WTI (average per barrel, US$)	77.66	93.72	-17.1%
Heating oil (US$ per gallon)	2.81	3.55	-20.7%

[1]Operating results were adjusted for non-recurring items
[2]Excludes Cessna aircraft

Operating Revenue

In 2023, Azul´s total operating revenue increased R$2.7 billion or 17.2%, reaching a record of R$18.7 billion. Passenger revenue increased 19.0% on 11.2% more capacity compared to the same period last year, boosted by the full recovery of corporate and international passenger demand and the outstanding performance of our other businesses.

Cargo revenue and other reached R$1.3 billion in 2023, 1.5% lower than 2022, mainly due to the 40.4% reduction in international cargo operations.

RASK and PRASK reached all-time records of R$42.48 cents and R$39.46 cents, respectively, enabled by our rational capacity deployment and the sustainable competitive advantages of our business model. Compared to 2022, RASK and PRASK increased 5.4% and 7.0%, respectively.

The table below sets forth the breakdown of our operating revenue and expenses per ASK basis for the periods indicated:

R$ cents[1]	2023	2022	% Δ
Operating revenue per ASK			
Passenger revenue	39.46	36.88	7.0%
Cargo revenue and other	3.03	3.42	-11.4%
Operating revenue (RASK)	**42.48**	**40.29**	**5.4%**
Operating expenses per ASK			
Aircraft fuel	13.39	16.58	-19.3%
Salaries and benefits	5.45	4.94	10.3%
Depreciation and amortization	5.26	5.29	-0.6%
Airport fees	2.40	2.30	4.3%
Traffic and customer servicing	1.84	1.62	13.2%
Sales and marketing	1.77	1.77	0.3%
Maintenance and repairs	1.56	1.50	4.2%
Other operating expenses	4.23	3.43	23.4%
Total operating expenses (CASK)	**35.89**	**37.42**	**-4.1%**
Operating income per ASK (RASK-CASK)	**6.59**	**2.87**	**129.7%**

[1]Operating results were adjusted for non-recurring items.

Operating Expenses

In 2023, Azul recorded operating expenses of R$15.8 billion, compared to R$14.8 billion in 2022, representing an increase of 6.6%, mainly due to the capacity and revenue increase of 11.2% and 17.2%, respectively in addition to investments made in the fourth quarter to support 2024 growth and maximize fleet availability to benefit from the continued strong demand environment, offset by a 16.1% reduction in jet fuel price per liter and 3.3% average depreciation of the real against the dollar.

The breakdown of our main operating expenses compared to 2022 is as follows:

- **Aircraft fuel** decreased 10.2% to R$5,890.5 million, even with a 11.2% increase in total capacity, mostly due to a 16.1% reduction in fuel price per liter (excluding hedges) and a reduction in fuel burn per ASK as a result of our more efficient next-generation fleet.
- **Salaries and benefits** increased 22.6%, mainly driven by our capacity increase of 11.2% in 2023, a 5.5% union increase in salaries paid two months in advance as a result of collective bargaining agreements applicable to all airline employees in Brazil, insourcing of certain activities to reduce total costs, and hirings made in the quarter to support 2024 growth.
- **Depreciation and amortization** increased 10.5% or R$219.8 million, driven by the increase in the size of our fleet compared to 2022.
- **Airport fees** increased 16.0% or R$145.7 million, mostly driven by the 11.2% increase in total capacity, in particular our 61.3% growth in international capacity, which drives higher fees.
- **Traffic and customer servicing expenses** increased R$165.7 million, mostly due to the 6.5% increase in passengers, 4.1% increase in departures, in addition to 4.5% inflation in the period.
- **Sales and marketing** increased 11.5%, or R$80.3 million, mostly driven by a 19.0% increase in passenger revenue, offset by savings from the insourcing of marketing activities.

- **Maintenance and repairs** increased R$94.1 million compared to 2022, mostly driven by a higher number of maintenance events to maximize aircraft availability and support 2024 growth, partially offset by a higher share of maintenance events insourced, 3.3% average depreciation of the real against the dollar and cost savings from the renegotiation of our engine maintenance agreements.

- **Other** increased R$504.9 million, mainly driven by the increase in judicial claims, 11.2% increase in passenger capacity and higher training expenses as we are preparing ourselves for 2024 growth, in addition to an increase of revenue-driven IT expenses, crewmembers accommodations, cargo last-mile operations, and flight contingencies

Liquidity and Financing

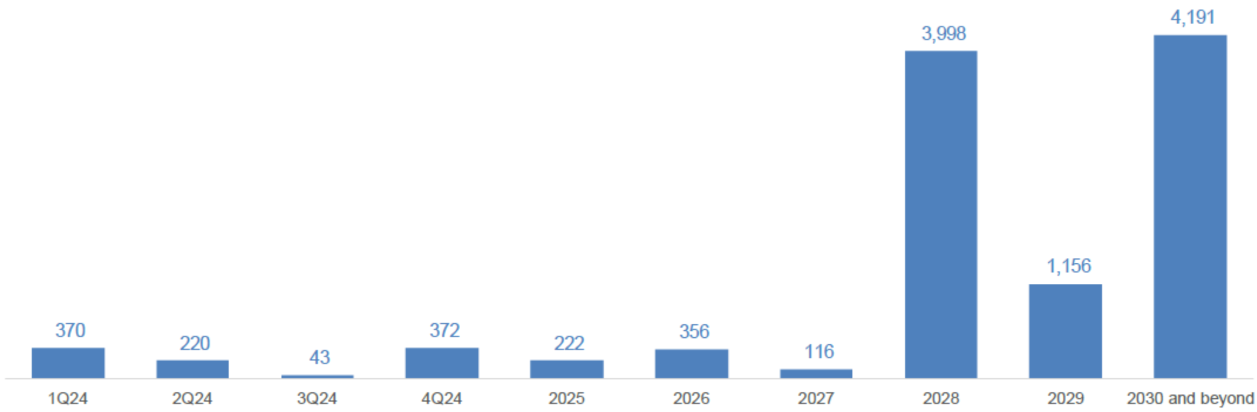
Azul ended the year with R$3.0 billion in immediate liquidity, including cash and cash equivalents, accounts receivable and short-term investments, R$478.8 million higher than the same period in 2022 even after paying more than R$8.1 billion in leases, loans, deferral repayments, maintenance reserves, interest and capital expenses. This immediate liquidity represents 16.2% of our LTM revenues.

Total liquidity including deposits, maintenance reserves, long-term investments and receivables was R$6.1 billion as of December 31, 2023. This does not include spare parts or other unencumbered assets, such as our business unit Azul Cargo.

Liquidity (R$ million)	2023	2022	% ∆
Cash, cash equivalents and short-term investments	1,897.3	668.3	183.9%
Accounts receivable	1,124.0	1,874.2	-40.0%
Immediate liquidity	**3,021.3**	**2,542.5**	**18.8%**
Cash as % of LTM revenue	16.2%	15.9%	+0.2 p.p.
Long-term investments and receivables	796.5	838.9	-5.1%
Security deposits and maintenance reserves	2,293.5	2,539.6	-9.7%
Total Liquidity	**6,111.4**	**5,921.0**	**3.2%**

Azul's debt amortization schedule as of December 31, 2023 is set out below. The chart converts our dollar-denominated debt to reais using the quarter-end foreign exchange rate of R$4.90.

Loans and financing debt amortization as of December 31st, 2023
(R$ million converted at R$4.90 reais per dollar)[1]



[1] Excludes convertible debentures, equity instruments and OEMs' notes.

Gross debt increased 6.3% or R$1,370.1 million compared to December 31, 2022, mostly due to a successful capital raise of R$3,831.0 million in the third quarter, the increase in present value of our lease liabilities from the reduction in discount rate from 21.3% to 16.5%, and the 6.1% end of period depreciation of the Brazilian real, partially offset by our continued deleveraging process with more than R$5.0 billion in payments of loans and leases during the year.

Loans and financing (R$ million)[1]	2023	2022	% ∆
Lease liabilities	11,805.1	13,771.3	-14.3%
Lease notes	1,030.8	-	n.a.
Finance lease liabilities	650.7	811.5	-19.8%
Other aircraft loans and financing	399.4	792.2	-49.6%
Loans and financing	9,299.5	6,440.5	44.4%
% of non-aircraft debt in local currency	10%	19%	-9.2 p.p.
% of total debt in local currency	4%	6%	-0.3 p.p.
Gross debt	**23,185.6**	**21,815.5**	**6.3%**

[1]Considers the effect of hedges on debt, net of aircraft sublease receivables; excludes convertible debentures.

As of December 31, 2023, Azul's average debt maturity excluding lease liabilities and convertible debentures was 4.7 years, with an average interest rate of 11.0%. Average interest rate on local and dollar-denominated obligations were equivalent to CDI + 5% and 10.5%, respectively.

Azul's leverage ratio measured as net debt to LTM EBITDA decreased 2 full points year-over-year, from 5.7x to 3.7x, in line with our guidance. We are confident in our ability to continue reducing leverage organically and we forecast to end 2024 with leverage of approximately 3x.

Key financial ratios (R$ million)	2023	2022	% ∆
Cash[1]	3,817.9	3,381.4	12.9%
Gross debt[2]	23,185.6	21,815.5	6.3%
Net debt	19,367.7	18,434.1	5.1%
Net debt / EBITDA (LTM)	3.7x	5.7x	-2.0x

[1]Includes cash and cash equivalents, short-term and long-term investments, and receivables.
[2] Excludes convertible debentures.

Fleet

As of December 31, 2023, Azul had a passenger operating fleet of 183 aircraft and a passenger contractual fleet of 189 aircraft, with an average aircraft age of 7.4 years excluding Cessna aircraft. At the end of 2023, the 6 aircraft not included in our operating passenger fleet consisted of (i) 3 Embraer E1s subleased to Breeze, and (iii) 1 ATR and 2 Embraer E1s being prepared to exit the fleet.

Azul ended the year with approximately 82% of its capacity coming from next-generation aircraft, far higher than any competitor in the region.

Passenger Contractual Fleet[1]	2023	2022	% ∆
Airbus widebody	11	14	-21.4%
Airbus narrowbody	55	52	5.8%
Embraer E2	20	14	42.9%
Embraer E1	42	49	-14.3%
ATR	37	41	-9.8%
Cessna	24	24	-
Total[1]	**189**	**194**	**-2.6%**
Aircraft under operating leases	*164*	*168*	*-2.4%*

[1] Includes 7 subleased aircraft.

Passenger Operating Fleet	2023	2022	% ∆
Airbus widebody	11	11	-
Airbus narrowbody	55	51	7.8%
Embraer E2	20	13	53.8%
Embraer E1	37	43	-14.0%
ATR	36	37	-2.7%
Cessna	24	22	9.1%
Total	**183**	**177**	**3.4%**

Environmental, Social and Governance ("ESG") Responsibility

The table below presents Azul's key ESG information, according to the Sustainability Accounting Standards Board (SASB) standard for the airline industry.

ESG Key Indicators	2023	2022	% Δ
Environmental			
Fuel			
Total fuel consumed per ASK (GJ / ASK)	1,102	1,146	-3.8%
Total fuel consumed (GJ x 1000)	48,508	45,338	7.0%
Fleet			
Average age of operating fleet[1] (years)	7.4	7.1	4.2%
Social			
Labor Relations			
Employee gender: male (%)	59.4%	59.8%	-0.4 p.p.
Employee gender: female (%)	40.6%	40.2%	0.4 p.p.
Employee monthly turnover (%)	0.7%	0.9%	-0.2 p.p.
Employee covered under collective bargaining agreements (%)	100%	100%	-
Volunteers (#)	6,012	4,324	39%
Governance			
Management			
Independent directors (%)	92%	91%	0.7 p.p.
Percent of Board members that are women (%)	25%	18%	7.0 p.p.
Board of Directors' average age (years)	58	58	0.2%
Director meeting attendance (%)	99%	96%	3 p.p.
Board size (#)	12	11	9.1%
Participation of women in leadership positions (%)	38%	40%	-2 p.p.

[1] Excluding Cessna aircraft

Declaration of the officers on the individual and consolidated financial statements

In accordance with item VI of article 27 of CVM Resolution No. 80, of March 29, 2022, the Board of Directors declares that it reviewed, discussed and agreed with the individual and consolidated financial statements for the year ended December 31, 2023.

Barueri, April 12, 2024.

John Peter Rodgerson
CEO

Alexandre Wagner Malfitani
Vice President of Finance and Investor Relations

Antonio Flavio Torres Martins Costa
Technical Vice President

Abhi Manoj Shah
Vice President of Revenue

Directors' statement on the independent auditor's report

In accordance with item V of article 27 of CVM Resolution No. 80, of March 29, 2022, the Board of Directors declares that it reviewed, discussed and agreed with the opinion expressed in the independent auditor's report on the examination of the individual and consolidated financial statements relating to for the year ending December 31, 2023.

Barueri, April 12, 2024.

John Peter Rodgerson
CEO

Alexandre Wagner Malfitani
Vice President of Finance and Investor Relations

Antonio Flavio Torres Martins Costa
Technical Vice President

Abhi Manoj Shah
Vice President of Revenue

Summary report of the statutory audit committee

Presentation and general information

The Statutory Audit Committee is an advisory body directly linked to the Board of Directors, with operational autonomy and own budget, for advisory purposes, for:

(i) Engaging and removing the independent auditor;

(ii) Supervising the independent auditor's activities as to:

(a) its independence;
(b) the quality of the services provided; and
(c) the adequacy of the services provided to meet the Company needs;

(iii) Supervising the Company's internal controls and internal audit areas;

(iv) Supervising the activities of the Company's financial statements preparation function;

(v) Monitoring the quality and integrity of the Company's internal control mechanisms;

(vi) Monitoring the quality and integrity of the Company's quarterly information, interim and annual financial statements;

(vii) Monitoring the quality and integrity of the information and measurements disclosed on the basis of adjusted accounting data and non-accounting data that add elements not addressed by the structure of the usual reports on the Company's financial statements;

(viii) Assessing and monitoring the Company's risk exposures, and also requiring in-depth information about policies and procedures regarding:

(a) management fees;
(b) the use of Company assets; and
(c) expenses incurred in the Company's name;

(ix) Assessing and monitoring, together with management and the internal audit function, the adequacy of the Company transactions with related parties and their respective disclosures; and

(x) Preparing the annual summary report to be presented together with the financial statements, containing the description of:

(a) its activities, the results and conclusions reached and recommendations made; and
(b) any situations in which there is a significant disagreement among Company management, the independent auditor and the Statutory Audit Committee in relation to the Company's financial statements.

Summary of statutory audit committee activities in 2023

Internal audit and internal controls

(i) Review and approval of the major Company risks;

(ii) Analysis and approval of the planning of projects related to obtaining the 404 certification (Sarbanes-Oxley Act) and internal audit to be carried out in 2024;

(iii) Monitoring the addressing of deficiencies in internal controls identified in previous years and during the year ended December 31, 2023;

(iv) Analysis of the audit work carried out in light of inquiries of independent auditors;

(v) Monitoring of the services carried out in 2023;

(vi) Analysis and authorization of request of adjustments to the audit plan; and

(vii) Monitoring of internal control tests for certification to meet the requirements of Sections 302 and 404 of the Sarbanes-Oxley Act.

Independent audit

(i) Analysis and approval of the information provided by Ernst & Young Auditores Independentes S.S. for the year ended December 31, 2023; and

(ii) Analysis of the planning and strategy of Ernst & Young Auditores Independentes S.S. for the year 2024.

Individual and consolidated financial statements

(i) Review and recommendation to the Board of Directors as to the approval of the Company's individual and consolidated financial statements;

(ii) Monitoring of the provisions for risks and accounting estimates;

(iii) Analysis of the proposals for guarantees and approval to be resolved by the Board of Directors.

Opinion of the statutory audit committee

In compliance with the legal provisions, the Statutory Audit Committee reviewed the management report and the individual and consolidated financial statements for the year ended December 31, 2023. Based on this review and also considering the information and clarifications provided by the Company management and by Ernst & Young Auditores Independentes S.S. during the year, the Statutory Audit Committee expressed a favorable opinion on the management report and on the individual and consolidated financial statements for the year ended December 31, 2023, together with the independent auditor's report issued by Ernst & Young Auditores Independentes S.S., recommending the Board of Directors to approve them.

Barueri, April 12, 2024.

Sergio Eraldo de Salles Pinto
Member, Coordinator of the Audit Committee and Financial Specialist

Gilberto Peralta
Member of the Audit Committee

Renata Faber Rocha Ribeiro
Member of the Audit Committee

Fiscal board's report

The members of the Fiscal Council of Azul S.A. ("Company"), in compliance with the provisions of article 163, items II, III and VII, of Law No. 6,404/76, examined (i) the annual management report for the fiscal year ended on December 31, 2023; (ii) the financial statements for the fiscal year ended December 31, 2023, accompanied by the independent auditor report; and (iii) the management's proposal to amend article 5, caput, of the Company's Bylaws, to reflect the capital increases approved, within the limit of the Company's authorized capital, at the Board of Directors Meetings held on 10 August 2023 and February 9, 2024. Based on the examinations carried out, the information and clarifications received in meetings with management, independent external auditor and the Audit Committee and also considering the report of the independent auditor, the members of the Fiscal Council of the Company are of the opinion that the aforementioned documents and matters are capable of being considered by the General Assembly and have expressed their support for approval by the General Assembly.

Barueri, April 12, 2024.

Mariana Cambiaghi Lourenço
Member and president of the fiscal council

Gabriela Soares Pedercini
Member of the fiscal council

Rene Santiago dos Santos
Member of the fiscal council

Building a better working world

Independent auditor's report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Officers
Azul S.A.
Barueri - São Paulo

Opinion

We have audited the accompanying individual and consolidated financial statements of Azul S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023 and the statement of operations, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Azul S.A. as at December 31, 2023, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the individual and consolidated financial statements' section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the overall individual and consolidated financial statements, and in forming our opinion on the individual and consolidated financial statements. Therefore, we did not express a separate opinion on these matters. For each of the matters below, a description of how our audit has addressed them, including any comments on the results of our procedures is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section, including those relating to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

<u>Revenue from passenger transportation (including breakage)</u>
As disclosed in Note 34 to the individual and consolidated financial statements, in the year ended December 31, 2023, the Company's revenues arising from the provision of passenger transportation services, net of taxes, amounted to R$17,227,728 thousand. Revenue from passenger transportation is recognized after the effective provision of the transportation service, with the segments sold and not flown recorded under the heading "Transportation to be carried out and loyalty program", net of the estimated revenue from the expiration of unused tickets (also known as "breakage"). The recognition of breakage revenue considers estimates with a reasonable degree of professional judgment on the part of the executive board, such as the expected expiration of unused tickets, with these assumptions being evaluated by the executive board based on historical data. Additionally, the process of selling tickets and recognizing passenger transportation revenue is extremely dependent on information technology systems.

This matter was considered significant for our audit due to the aspects mentioned above and the relevance of the amounts related to the financial statements taken as a whole.

How our audit addressed this matter

Our audit procedures included, among others: (i) understanding the process implemented by the executive board on the recognition of revenue from passenger transportation, including advance receipt for the provision of air carrier services and other auxiliary services recorded under the heading of transportation to be performed in Liabilities and determination of the estimate resulting from the expected expiration of unused tickets (breakage); (ii) validating advance receipt for the provision of air carrier services, including confirmation of balances receivable with credit card administrators; (iii) verifying recognition of the respective revenue, including analysis of the adequacy of manual entries; (iv) analyzing the changes in revenue balances considering our expectations; (v) reviewing the assumptions and reprocessing of the calculations performed by the executive board to determine the breakage. The identification of significant deficiencies in internal controls in the revenue process and accounting closing process changed our assessment of the extent of our planned substantive procedures to obtain sufficient and appropriate audit evidence. As a result of our audit procedures, we identified audit adjustments indicating the need to complement the amounts recognized under Transportation to be carried out and loyalty program. This adjustment was recorded by the executive board taking into consideration its materiality in the overall financial statements.

We also assessed the adequacy of the disclosures made by the Company included in Note 34 to the financial statements.

Based on the result of audit procedures performed, which is consistent with the executive board's assessment, we consider the Company's passenger transportation revenue recognition policies (including breakage) acceptable to support the judgments, estimates and information included in the context of the financial statements taken as a whole.

Maintenance reserves

As disclosed in Note 11 to the individual and consolidated financial statements, at December 31, 2023 the Company had recorded maintenance reserves, net of losses, which totaled R$1,874,958 thousand (current and noncurrent assets). Under the terms of certain contracts with aircraft lessors, the Company is committed to performing maintenance or reimbursing the lessor based on the actual condition of the fuselage, engines and parts with a finite useful life.

The recoverability of maintenance reserve deposits is assessed by the executive board based on a comparison of the amounts expected to be reimbursed upon the next maintenance of the leased aircraft and engines. Impairment losses are recognized as expenses under profit or loss for the year.

This matter was considered significant for our audit due to the relevance of the amounts involved, the degree of judgment applied in determining the estimates of maintenance costs to be incurred, and the need for the executive board to monitor the recoverability of these reserve deposits.

How our audit addressed this matter

Our audit procedures included, among others: (i) general understanding of the internal control environment, including the criteria adopted by the executive board for recording the maintenance reserve and the estimate of maintenance costs to be incurred; (ii) confirming with certain lessors the reserve deposit balance for maintenance for each contract; (iii) selecting a sample of contracts and checking their respective terms; and (iv) analyzing the recoverability of maintenance reserve deposits, prepared by the executive board.

We also assessed the adequacy of the disclosures made by the Company included in Note 11 to the financial statements.

Based on the result of audit procedures performed, which is consistent with the executive board's assessment, we consider acceptable the accounting criteria and policies for measuring maintenance reserve deposits to support the judgments, estimates and information included in the context of the financial statements taken as a whole.

Continuity of business operations

The individual and consolidated financial statements were prepared using the going-concern basis of accounting, premised on the fact that the Company is in business and expects to continue operating for a foreseeable future of at least 12 months from the statement of financial position date. This assumption takes into consideration that the executive board does not intend to liquidate the Company or interrupt its operations or has no realistic alternative but these ones. Note 2 to the individual and consolidated financial statements details how the Company's executive board concluded that there is a reasonable expectation regarding its operational continuity to support the preparation of the financial statements using this assumption.

The Company incurred a loss of R$2,380,456 thousand in the year ended December 31, 2023, and on that date, it has capital deficiency (individual and consolidated) of R$21,327,848 thousand, as well as consolidated current liabilities exceeding total consolidated current assets by R$9,704,733 thousand. The executive board's assessment described in referred to note includes measures already implemented and in progress to maintain continuity of business operations. The calculations that support the assumptions of expected profitability and cash flow require the executive board to make judgments with a high degree of subjectivity. Therefore, due to the degree of judgment involved in the preparation of cash flow projections and in the assessment of the adequacy of the use of the going concern assumption by the Company's executive board in the preparation of the financial statements, we consider this to be a significant audit matter.

How our audit addressed this matter

Our audit procedures included, among others, (i) obtaining and analyzing the assessment prepared by the Company's executive board regarding significant uncertainties related to the ability to continue as a going concern and evaluating the cash flow projections prepared by the Company for the next 12 months from the statement of financial position date, considering actual and estimated data when preparing these projections; (ii) the assistance of our valuation specialists to assist us in analyzing the assumptions used in determining the cash flow projections, considering realized results, as well as the consistency of the projections made compared to realization for the last periods; (iii) the evaluation of the adequacy of the Company's disclosures, included in Note 2 to the individual and consolidated financial statements.

Based on the result of audit procedures performed, which is consistent with the executive board's assessment, we consider acceptable the judgment of the Company's executive board that there is no material uncertainty related to operational continuity in the context of the financial statements taken as a whole.

Modifications to right-of-use asset and aircraft lease liabilities

The Company has recorded right-of-use assets and lease liabilities for contracts covered by NBC TG 06 (R3) (IFRS 16), mainly related to aircraft leasing. As of December 31, 2023, the Company had a balance of right-of-use aircraft assets, net of accumulated depreciation, of R$6,862,385 thousand, as per Note 17.2, in addition to aircraft lease liabilities of R$14,909,157 thousand, as per Notes 20.2 and 20.3.

This matter was considered significant for our audit due to the significance of the amounts involved, the high volume of modifications to aircraft contracts, as well as the uncertainties inherent to this type of calculation and the degree of judgment that must be exercised by the executive board in determining the relevant assumptions, which include, among others, the discount rate used.

How our audit addressed this matter

Our audit procedures included, among others, (i) analyzing the inventory of modified lease contracts, in addition to verifying the adherence of these contracts to the scope of the standards under NBC TG 06 (R3) (IFRS16), (ii) assessing the reasonableness of the criteria adopted by the executive board for a sample of contracts, in addition to recalculating the amounts measured by the board for these transactions, (iii) verifying recognition of the effects of changes to the correct accrual period; and (iv) analyzing the criteria adopted by the board to determine the discount rate (incremental financing rate) used to measure the lease liability. The identification of significant deficiencies in internal controls in the lease process changed our assessment of the extent of our planned substantive procedures to obtain sufficient and appropriate audit evidence.

We also assessed the adequacy of the disclosures made by the Company in Notes 17.2, 20.2 and 20.3 to the financial statements.

Based on the result of the audit procedures performed, which is consistent with the executive board's assessment, we consider acceptable the accounting criteria and policies for modifying right-of-use assets and aircraft lease liabilities to support the judgments, estimates and information included in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2023, prepared under the responsibility of Company's executive board and presented as supplementary information for IFRS purposes were submitted to audit procedures performed in conjunction with the audit of the Company's individual and consolidated financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these individual and consolidated statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The executive board is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this respect.

Responsibilities of the executive board and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could, individually or as a whole, reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit 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 internal control of Company and its subsidiaries.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or future conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicate all potential relationships or matters that could materially affect our independence, including, where applicable, the respective safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, April 12, 2024.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-034519/O

Emerson Pompeu Bassetti
Accountant CRC SP-251558/O

AZUL S.A.

Statement of financial position

December 31, 2023 and 2022

(In thousands of Brazilian reais – R$)

		Parent company		Consolidated	
Assets	**Note**	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Current assets					
Cash and cash equivalents	6	2,809	8,117	1,897,336	668,348
Accounts receivable	8	-	-	1,109,408	1,803,998
Aircraft sublease	9	-	-	14,592	70,193
Inventories	10	-	-	799,208	721,738
Deposits	11	7,802	8,409	515,692	1,025,168
Taxes recoverable	12	4,984	11,572	219,433	234,891
Derivative financial instruments	24	-	-	21,909	36,054
Related parties	30	216,388	-	-	-
Advances to suppliers	13	-	-	221,051	121,697
Other assets		2,079	2,089	245,518	189,849
Total current assets		234,062	30,187	5,044,147	4,871,936
Non-current assets					
Long-term investments	7	-	-	780,312	733,043
Aircraft sublease	9	-	-	16,210	105,860
Deposits	11	70	77	1,777,803	1,514,393
Derivative financial instruments	24	-	-	-	235,896
Related parties	30	1,578,332	-	-	-
Other assets		-	-	143,781	328,005
Investments	15	760,782	761,125	-	-
Property and equipment	16	-	-	2,295,851	1,953,089
Right-of-use assets	17	-	-	9,011,558	7,552,548
Intangible assets	18	-	-	1,463,247	1,426,523
Total non-current assets		2,339,184	761,202	15,488,762	13,849,357
Total assets		2,573,246	791,389	20,532,909	18,721,293

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

AZUL S.A.

Statement of financial position
December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

Liabilities and equity	Note	Parent company December 31, 2023	Parent company December 31, 2022	Consolidated December 31, 2023	Consolidated December 31, 2022
Current liabilities					
Loans and financing	19	-	-	1,100,051	1,112,940
Reverse factoring	23	-	-	290,847	753,352
Leases	20	216,388	-	3,687,392	4,025,948
Convertible debt instruments	21	25,807	14,789	25,807	14,789
Accounts payable	22	10,651	24	2,277,841	2,517,828
Airport taxes and fees	25	-	-	588,404	831,897
Air traffic liability and loyalty program	26	-	-	5,205,876	4,140,025
Salaries and benefits	27	2,344	2,485	474,797	479,412
Taxes payable	28	506	633	142,168	193,588
Derivative financial instruments	24	-	-	68,905	69,365
Provisions	29	-	-	736,430	834,288
Related parties	30	52,129	-	-	-
Other liabilities		-	-	150,362	82,673
Total current liabilities		307,825	17,931	14,748,880	15,056,105
Non-current liabilities					
Loans and financing	19	-	-	8,598,861	6,119,759
Leases	20	1,443,351	-	11,459,019	10,556,885
Convertible debt instruments	21	1,175,803	1,388,930	1,175,803	1,388,930
Accounts payable	22	119,841	-	1,320,927	516,971
Airport taxes and fees	25	-	-	1,171,679	502,872
Taxes payable	28	-	-	112,287	71,595
Derivative financial instruments	24	-	-	840	175,210
Deferred income tax and social contribution	14	39,526	-	39,526	-
Provisions	29	30	-	2,404,423	2,408,706
Related parties	30	683,763	-	-	-
Provision for loss on investment	15	20,130,955	18,392,028	-	-
Other liabilities		-	-	828,512	931,760
Total non-current liabilities		23,593,269	19,780,958	27,111,877	22,672,688
Equity	31				
Issued capital		2,314,821	2,313,941	2,314,821	2,313,941
Advance for future capital increase		789	61	789	61
Capital reserve		2,029,610	1,970,098	2,029,610	1,970,098
Treasury shares		(9,041)	(10,204)	(9,041)	(10,204)
Other comprehensive income		3,106	5,281	3,106	5,281
Accumulated losses		(25,667,133)	(23,286,677)	(25,667,133)	(23,286,677)
		(21,327,848)	(19,007,500)	(21,327,848)	(19,007,500)
Total liabilities and equity		2,573,246	791,389	20,532,909	18,721,293

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

AZUL S.A.

Statement of operations

Years ended December 31, 2023 and 2022

(In thousands of Brazilian reais – R$, except basic and diluted loss per share)

		Parent company		Consolidated	
		Years ended			
	Note	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Passenger revenue		-	-	17,227,728	14,594,945
Other revenues		-	-	1,326,697	1,353,122
Total revenue	34	-	-	18,554,425	15,948,067
Cost of services	35	-	-	(15,178,018)	(13,161,965)
Gross profit		-	-	3,376,407	2,786,102
Selling expenses		-	-	(820,029)	(721,008)
Administrative expenses		(62,428)	(58,797)	(502,190)	(353,874)
Other income and (expenses)		71,624	13,504	(393,094)	(281,665)
	35	9,196	(45,293)	(1,715,313)	(1,356,547)
Equity	15	(1,805,476)	(1,052,381)	-	-
Operating (loss) profit		(1,796,280)	(1,097,674)	1,661,094	1,429,555
Financial income		3,824	21,683	220,141	277,289
Financial expenses		(603,046)	(240,250)	(5,608,771)	(4,793,782)
Derivative financial instruments, net		(25,249)	519,815	(238,458)	958,005
Foreign currency exchange, net		79,821	74,059	1,625,064	1,406,566
Financial result	36	(544,650)	375,307	(4,002,024)	(2,151,922)
Loss before IR and CSLL		(2,340,930)	(722,367)	(2,340,930)	(722,367)
Deferred income tax and social contribution	14	(39,526)	-	(39,526)	-
Loss for the year		(2,380,456)	(722,367)	(2,380,456)	(722,367)
Basic loss per common share – R$	32	(0.09)	(0.03)	(0.09)	(0.03)
Diluted loss per common share – R$	32	(0.09)	(0.03)	(0.09)	(0.03)
Basic loss per preferred share – R$	32	(6.85)	(2.08)	(6.85)	(2.08)
Diluted loss per preferred share – R$	32	(6.85)	(2.08)	(6.85)	(2.08)

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

Statement of comprehensive (loss) income

Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

		Parent company and Consolidated	
		Years ended	
	Note	December 31, 2023	December 31, 2022
Loss for the year		(2,380,456)	(722,367)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Post-employment benefit	29	(2,175)	(518)
Total comprehensive (loss) income		(2,382,631)	(722,885)

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

AZUL S.A.

Statement of changes in equity
Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

Description	Note	Issued capital	Advance for future capital increase	Treasury shares	Capital reserve	Other comprehensive income	Accumulated losses	Total
At December 31, 2021		2,290,876	120	(11,959)	1,946,471	5,799	(22,564,310)	(18,333,003)
Loss for the year		-	-	-	-	-	(722,367)	(722,367)
Post-employment benefit	29	-	-	-	-	(518)	-	(518)
Total comprehensive income		-	-	-	-	(518)	(722,367)	(722,885)
Share buyback	31	-	-	(3,923)	-	-	-	(3,923)
Share-based payment (*)	31/33	23,065	(59)	5,678	23,627	-	-	52,311
At December 31, 2022		2,313,941	61	(10,204)	1,970,098	5,281	(23,286,677)	(19,007,500)
Loss for the year		-	-	-	-	-	(2,380,456)	(2,380,456)
Post-employment benefit	29	-	-	-	-	(2,175)	-	(2,175)
Total comprehensive income		-	-	-	-	(2,175)	(2,380,456)	(2,382,631)
Share buyback	31	-	-	(6,826)	-	-	-	(6,826)
Share-based payment (*)	31/33	880	728	7,989	59,512	-	-	69,109
At December 31, 2023		2,314,821	789	(9,041)	2,029,610	3,106	(25,667,133)	(21,327,848)

(*) Refers to the receipt of the exercise of stock options, transfers of treasury shares for the payment of RSU net of income tax and the vesting of share-based compensation plans.

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

AZUL S.A.

Statement of cash flows

Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	Years ended			
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cash flows from operating activities				
Loss for the year	(2,380,456)	(722,367)	(2,380,456)	(722,367)
Adjustments to reconcilie net (loss) for the year to net cash flow				
Depreciation and amortization	-	-	2,404,223	2,094,448
Gain (loss) from impairment of assets and onerous contracts	-	-	(245,636)	(1,102,791)
Derivative financial results, net	25,249	(519,815)	238,458	(958,005)
Share-based payment	-	-	71,643	(18,250)
Foreign currency exchange, net	(79,073)	(73,236)	(1,616,363)	(1,464,235)
Financial income and expenses, net	601,009	235,636	5,313,867	3,968,455
Provisions	3,221	10,702	(160,957)	438,375
Asset write-offs	-	-	269,486	208,923
Result from modification of lease contracts and provision	-	-	(204,017)	(93,113)
Result in the write-off or sale of fixed assets, right of use, intangible assets and inve	-	(14,212)	297,349	147,311
Deferred income tax and social contribution	39,526	-	39,526	-
Sale and leaseback	-	-	6,356	(33,155)
Equity	1,805,476	1,052,381	-	-
Adjusted net (loss) profit	14,952	(30,911)	4,033,479	2,465,596
Changes in operating assets and liabilities				
Accounts receivable	-	-	876,955	(1,107,114)
Aircraft sublease	-	-	19,485	68,393
Inventories	-	-	(153,502)	(159,486)
Deposits	7	(8,519)	(453,090)	(606,219)
Taxes recoverable	6,588	2,996	16,312	(122,338)
Derivative financial results, net	-	-	(137,998)	477,581
Advances to suppliers	-	97	(2,888,463)	(629,450)
Other assets	98	(4,458)	(128,116)	(186,128)
Accounts payable	10,629	(3,047)	2,795,585	2,274,014
Airport taxes and fees	-	-	227,996	356,067
Air traffic liability and loyalty program	-	-	1,134,387	963,680
Salaries and benefits	(3,333)	(10,530)	13,151	113,828
Taxes payable	(1,008)	(1,100)	(26,793)	7,131
Provisions	-	-	(237,456)	(179,391)
Other liabilities	-	-	72,589	(129,019)
Total changes in operating assets and liabilities	12,981	(24,561)	1,131,042	1,141,549
Interest paid	(100,928)	(105,891)	(1,724,830)	(1,169,830)
Net cash provided (used) by operating activities	(72,995)	(161,363)	3,439,691	2,437,315
Cash flows from investing activities				
Short-term investments				
Acquisition of short-term investments	-	-	-	(10,422)
Redemption of short-term investments	-	-	-	11,939
Restricted cash	-	-	6,145	-
Payment for acquisition of subsidiary	-	-	-	(30,317)
Investment	-	(152,000)	-	-
Cash received on sale of property and equipment	-	419,110	-	518,739
Cash received in the sale and leaseback operation	-	-	91,688	321,266
Acquisition of intangible assets	-	-	(168,971)	(198,525)
Acquisition of property and equipment	-	(404,898)	(464,354)	(624,239)
Acquisition of capitalized maintenance	-	-	(338,990)	(628,293)
Net cash used by investing activities	-	(137,788)	(874,482)	(639,852)
Cash flows from financing activities				
Loans and financing				
Proceeds	-	-	4,733,292	200,000
Repayment	-	-	(1,907,123)	(819,182)
Reverse factoring	-	-	(831,477)	(818,274)
Lease payment	-	-	(2,353,262)	(2,772,581)
Payment of convertible debt instruments	(542,496)	-	(542,496)	-
Payment of costs with proceeds	(119,362)	-	(486,658)	(12,633)
Related parties	734,901	(4,776)	-	-
Advance for future capital increase	789	61	789	61
Capital increase	819	22,945	819	22,945
Treasury shares	(6,826)	(3,923)	(6,826)	(3,923)
Net cash provided (used) by financing activities	67,825	14,307	(1,392,942)	(4,203,587)
Exchange rate changes on cash and cash equivalents	(138)	(596)	56,721	673
Increase (decrease) in cash and cash equivalents	(5,308)	(285,440)	1,228,988	(2,405,451)
Cash and cash equivalents at the beginning of the year	8,117	293,557	668,348	3,073,799
Cash and cash equivalents at the end of the year	2,809	8,117	1,897,336	668,348

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

AZUL S.A.

Statement of value added

Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

	Note	Parent company		Consolidated	
		Years ended			
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Gross sales revenue					
Passenger revenue	34	-	-	17,229,732	15,020,757
Other revenues	34	-	-	1,487,286	1,513,582
Expected loss	8	-	-	(3,150)	(6,267)
		-	-	18,713,868	16,528,072
Inputs acquired from third parties					
Aircraft fuel		-	-	(5,890,485)	(6,561,288)
Materials, energy, third-party services and others		(19,092)	(5,633)	(6,195,152)	(4,759,308)
Insurances		(12,245)	(13,514)	(89,492)	(103,216)
	35	(31,337)	(19,147)	(12,175,129)	(11,423,812)
Gross value added		(31,337)	(19,147)	6,538,739	5,104,260
Retentions	35				
Depreciation and amortization		-	-	(2,404,223)	(2,094,448)
Impairment and onerous contracts		-	-	245,636	1,102,791
Net value added		(31,337)	(19,147)	4,380,152	4,112,603
Value added received in transfers					
Equity	15	(1,805,476)	(1,052,381)	-	-
Financial income	36	3,824	21,683	220,141	277,289
Other revenues		71,703	-	-	-
		(1,729,949)	(1,030,698)	220,141	277,289
Value added to be distributed		(1,761,286)	(1,049,845)	4,600,293	4,389,892
Distribution of value added:					
Personnel [(a)]					
Salaries and wages		23,838	10,163	1,611,215	1,349,322
Benefits		6,261	13,398	331,550	197,943
F.G.T.S.		580	519	140,134	121,973
	35	30,679	24,080	2,082,899	1,669,238
Taxes, fees and contributions					
Federal		40,017	2,066	388,760	756,841
State		-	-	53,141	48,228
Municipal		-	-	8,733	5,343
		40,017	2,066	450,634	810,412
Third party capital					
Financial expenses	36	603,046	240,250	5,608,771	4,793,782
Derivative financial instruments, net	36	25,249	(519,815)	238,458	(958,005)
Foreign currency exchange, net	36	(79,821)	(74,059)	(1,625,064)	(1,406,566)
Rentals	36	-	-	225,051	203,398
		548,474	(353,624)	4,447,216	2,632,609
Own capital					
Loss for the year		(2,380,456)	(722,367)	(2,380,456)	(722,367)

(a) Not including INSS in the amount of R$192 in the parent company R$325,465 in the consolidated, as it is in the federal tax line.

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

1. OPERATIONS

Azul S.A. ("Azul"), together with its subsidiaries ("Company") is a corporation governed by its bylaws, as per Law No. 6404/76 and by the corporate governance level 2 listing regulation of B3 S.A. – Brasil, Bolsa, Balcão ("B3"). The Azul was incorporated on January 3, 2008, and its core business comprises the operation of regular and non-regular airline passenger services, cargo or mail, passenger charter, provision of maintenance and hangarage services for aircraft, engines, parts and pieces, aircraft acquisition and lease, development of frequent-flyer programs, development of related activities and equity holding in other companies since the beginning of its operations on December 15, 2008.

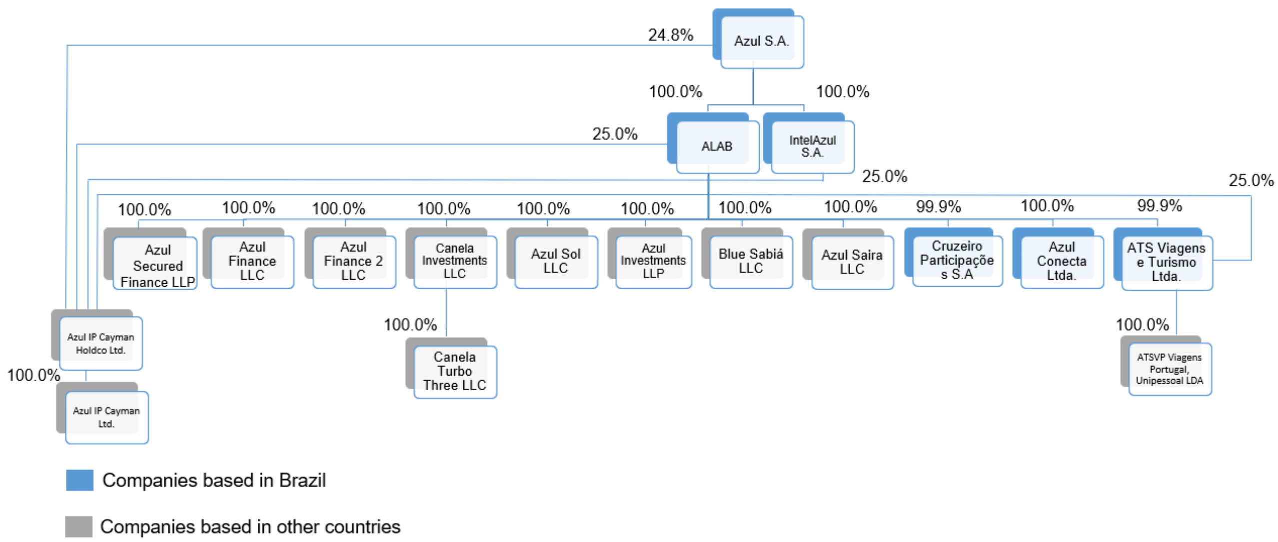
The Azul carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. ("ALAB") and Azul Conecta Ltda. ("Conecta"), which hold authorization from government authorities to operate as airlines and ATS Viagens e Turismo Ltda ("Azul Viagens").

The Azul shares are traded on B3 and on the New York Stock Exchange ("NYSE") under tickers AZUL4 and AZUL, respectively.

The Azul is headquartered at Avenida Marcos Penteado de Ulhôa Rodrigues, 939, 8th floor, in the city of Barueri, state of São Paulo, Brazil.

1.1 Organizational structure

The Company organizational structure as of December 31, 2023 is as follows:



(In thousands of Brazilian reais – R$, unless otherwise indicated)

The table below lists the operational activities in which the Azul subsidiaries are engaged, as well as the changes in ownership that occurred in year, when applicable.

					% equity interest	
Company	Type of investment	Main activity	State	Country	December 31, 2023	December 31, 2022
Azul IP Cayman Holdco Ltd. (Azul Cayman Holdco)	Direct	Holding of equity interests in other companies	George Town	Cayman Islands	24.8%	-
Azul IP Cayman Ltd. (Azul Cayman)	Indirect	Intellectual property owner	George Town	Cayman Islands	100.0%	-
IntelAzul S.A. (IntelAzul)	Direct	Frequent-flyer program	São Paulo	Brazil	100.0%	100.0%
Azul IP Cayman Holdco Ltd. (Azul Cayman Holdco)	Indirect	Holding of equity interests in other companies	George Town	Cayman Islands	25.0%	-
Azul Linhas Aéreas Brasileiras S.A. (ALAB)	Direct	Airline operations	São Paulo	Brazil	100.0%	100.0%
Azul IP Cayman Holdco Ltd. (Azul Cayman Holdco)	Indirect	Holding of equity interests in other companies	George Town	Cayman Islands	25.0%	-
Azul Conecta Ltda. (Conecta)	Indirect	Airline operations	São Paulo	Brazil	100.0%	100.0%
ATS Viagens e Turismo Ltda. (Azul Viagens)	Indirect	Travel packages	São Paulo	Brazil	99.9%	99.9%
ATSVP Viagens Portugal, Unipessoal LDA (Azul Viagens Portugal)	Indirect	Travel packages	Lisbon	Portugal	100.0%	-
Azul IP Cayman Holdco Ltd. (Azul Cayman Holdco)	Indirect	Holding of equity interests in other companies	George Town	Cayman Islands	25.0%	-
Cruzeiro Participações S.A (Cruzeiro)	Indirect	Holding of equity interests in other companies	São Paulo	Brazil	99.9%	99.9%
Azul Investments LLP (Azul Investments)	Indirect	Funding	Delaware	USA	100.0%	100.0%
Azul SOL LLC (Azul SOL)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Azul Finance LLC (Azul Finance)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Azul Finance 2 LLC (Azul Finance 2)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Blue Sabiá LLC (Blue Sabiá)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Canela Investments LLC (Canela)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Canela Turbo Three LLC (Canela Turbo)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Azul Saira LLC (Azul Saira)	Indirect	Aircraft financing	Delaware	USA	100.0%	100.0%
Azul Secured Finance LLP (Azul Secured)	Indirect	Funding	Delaware	USA	100.0%	-

The company Azul Viagens Portugal was incorporated on March 2023, the *Azul Secured* on May 2023 and the companies Azul *IP Cayman Holdco* and Azul *IP Cayman* on June 2023.

1.2 Seasonality

The Company's operating revenues depend substantially on the general volume of passenger and cargo traffic, which is subject to seasonal changes. Our passenger revenues are generally higher during the summer and winter holidays, in January and July respectively, and in the last two weeks of December, which corresponds to the holiday season. Considering the distribution of fixed costs, this seasonality tends to cause variations in operating results between the quarters of the fiscal year. It should be noted that the COVID-19 pandemic impacted the behavior related to the frequency of travels of the Company's customers, in the first quarter of 2022, thus impacting the accumulated result for the year presented for comparative purposes.

2. NET WORKING CAPITAL AND CAPITAL STRUCTURE

2.1 Contextualization

Throughout the year ended December 31, 2023, the Company focused its efforts on executing the debt restructuring plan. Discussions with creditors began at the end of 2022, with the signing of agreements concentrated in the third and fourth quarter of 2023. The main actions taken in this process are presented in detail below, however, it is necessary to clarify the facts and conditions that led the Company to promote such restructuring:

From the founding of the Company until the outbreak of the COVID-19 pandemic, Azul demonstrated through its results the strengths of its economic foundations. As an airline with a differentiated business strategy, supported by its regional routes, where there was very little or even no competition, until that moment the Company had shown exponential growth.

As is generally known, on March 2020, the World Health Organization ("WHO") classified the COVID-19 as a "public health emergency of international concern" and declared it a pandemic. From this moment, a sharp rupture was noted in the global economic activity, unleashing an unprecedented global economic crisis.

It is worth remembering that the speed of spread and contagion of the disease has caused countries around the world, including Brazil, to adopt measures to recommend social distancing, travel restrictions and the closure of borders. Therefore, the airline industry was one of the first and hardest hit in its operations and results.

To face this absolutely challenging scenario, the Company, through its Executive Committee, started to monitor and establish operational and financial strategies to go through this period of crisis until the resumption of operations. Among the main actions to achieve the established strategies, the following stand out:

2.1.1 Resizing of the airline network

One of the first and most important actions taken by Management in response to the economic crisis unleashed by the COVID-19 pandemic was the resizing of its airline network, with reductions in capacity that reached its peak in April 2020. At this moment, the volume of ASKs (seat-kilometers offered) offered in the domestic market accounted for only 13% of the volume of the same period of 2019, represented by approximately 70 daily flights, and in turn the demand reduced to 11% of the total of the previous year. Remembering that until then the Company operated almost 1,000 daily flights. This situation severely impacted the Company's ability to generate cash and be able to honor financial commitments made in the pre-pandemic period.

2.1.2 Cost reductions

Faced with the difficulties imposed by the pandemic scenario, the Company adopted several measures to reduce its fixed and variable costs, including: (i) suspension of hiring, (ii) launch of unpaid leave and voluntary dismissal programs; (iii) reduction of salaries of executive committee members and directors; (iv) reduction of general salary expenses by around 65%, in the period between March and August 2020, through adherence to Provisional Measure (MP) 936/20; and (v) collective agreement to reduce the working hours of pilots and flight attendants for 18 months.

2.1.3 Strengthening of cash

Throughout the period, with the evolution of the pandemic, Management endeavored to keep the cash levels necessary to face the crisis, requiring reaching new agreements with suppliers, bank creditors and lessors, within this scope the main actions taken were:

- access to the capital market through the issuance of debentures;
- postponement of payment of gain and profit sharing of 2019;
- negotiation of new payment conditions with suppliers for cash preservation;
- suspension of business travels and discretionary expenses;
- negotiation to reduce airports fees;
- agreement for postponement of delivery of aircraft model E2;

- agreement with lessors with a reduction of approximately 77% of the cash outflow for the period between April and December 2020;
- renegotiation of the conditions and maturities of debentures and obligations of FINAME; and
- issuance of debentures convertible into shares in the amount of R$1,745,900 (equivalent to US$323,195) with maturity in 5 years and interest of 7.5% p.a. in the first year and 6.0%p.a. from the second year onwards, with semi-annual settlements.

2.1.4 Scenario after the COVID-19 pandemic

After the most critical moments due to the COVID-19 pandemic have passed, both the global and Brazilian economies are facing additional problems such as:

- abrupt increases in oil prices that directly impact aircraft fuel costs;
- significant devaluation of the Real against the US$;
- growth in inflation rates in the most developed markets such as the United States and Europe;
- shortage of credit, causing a significant increase in interest rates for raising funds; and
- crisis in the supply chain of maintenance materials that puts adverse pressure on costs for the Company.

Given this situation, Management, in December 2022, established a strategy to renegotiate all its debts, whose execution extends throughout 2023 due to the large number of stakeholders involved and the complexity of the topics under discussion, as follows:

2.1.4.1 Issuance of simple debentures

On June 2023, the Board of Directors approved the issuance of simple debentures, non-convertible into shares, with security interest and additional personal guarantee, in a single series, from ALAB respectively, in the total amount of R$600,000, with a nominal unit value of R$1, rate equivalent to CDI 6.0% p.a. and maturity in June, 2024. The resources were fully and exclusively used to pay for aircraft fuel.

2.1.4.2 Issuance of debt securities 2028 – *“Senior notes 2028”*

In July 2023, the subsidiary *Azul Secured* issued and priced a debt securities issue of R$3,831,040 (equivalent to US$800,000) in principal amount, with funding costs of R$187,658.

Nominal interest corresponds to 11.9% p.a., and will be paid quarterly, on February, May, August, and November of each year, starting on November 2023.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

The principal Senior Notes 2028 amount of the notes will mature in August, 2028, unless redeemed or repurchased in advance and canceled in accordance with the terms of issuance, by Company.

In October 2023, the subsidiary *Azul Secured* issued additional notes in the principal amount of R$186,005 (equivalent to US$36,778). Such notes were issued in exchange for the aggregate principal amount of R$190,819 (equivalent to US$37,730) of the Senior Notes 2024.

In February 2024, the subsidiary *Azul Secured* issued additional notes in the principal amount of R$740,585 (equivalent to US$148,700). Such notes were issued to qualified institutional investors.

2.1.4.3 Debt securities exchange offers ("exchange offer")

In June, 2023, the Company announced that its subsidiary Azul Investments launched:

- an offer exchange debt securities with interest of 5.9% p.a. due 2024 ("Senior Notes 2024") for debt securities with interest of 11.5% p.a. due 2029, and

- an offer to exchange debt securities with interest of 7.3% p.a. due 2026 ("Senior Notes 2026)", for debt securities with interest of 10.9% p.a. due 2030.

In July and October 2023, the subsidiary Azul Investments concluded its exchange offers and, therefore the subsidiary *Azul Secured* issued:

- R$1,410,967 (equivalent to US$294,215) in principal amount of 11.5% p.a. debt securities due 2029 (which were issued in exchange for R$1,410,967 (equivalent to US$294,215) of the aggregate principal amount of the Senior Notes 2024);

- R$2,725,010 (equivalent to US$568,219) in the principal amount of 10.9% p.a. debt securities due 2030 (which were issued in exchange for R$2,725,166 (equivalent to US$568,252) of the aggregate principal amount of the Senior Notes 2026); and

- R$186,005 (equivalent to US$36,778) in principal amount of 11.5%p.a. debt securities due 2028 (which were issued in exchange for R$190,819 (equivalent to US$37,730) of the aggregate principal amount of the Senior Notes 2024).

In total, 90.0% of the principal amount of the Senior Notes 2024 and 2026 were exchanged for debt securities 2029 and 2030, as shown below:

Description	US$	% exchanged
5.9% Senior notes 2024	331,945	83.0%
7.3% Senior notes 2026	568,252	94.7%
Total	900,197	90.0%

2.1.4.4 Renegotiation of convertible debentures

In July and August 2023, the Company and the debenture holders made changes to the original conditions of the convertible debenture debts. In summary:

- Conversion Price: from R$32.26 to R$22.78 per preferred share;
- Nominal interest rate: 6.0% p.a. to 12.3% p.a.; and
- Maturity October 2025 to October 2028.

The mandatory early redemption corresponds to R$542,496 (equivalent to US$108,900) and was determined as follows:

- the redemption value of each eligible debenture was 120% of the updated nominal unit value of the debentures, that is, the updated nominal unit value of the debentures plus a premium of 20% on the value; and
- all interest and monetary updates incurred and not paid.

2.1.4.5 Renegotiation of lease obligations

In March 2023, agreements were signed (“forbearance agreements”) between the Company and its main lessors. Such contracts aimed to temporarily suspend payments related to aircraft leases, while new deadlines and methods for paying obligations were being negotiated, mainly deferrals negotiated during the COVID-19 pandemic, as well as the difference between the contractual leasing rates of Azul and current market rates.

During the year ended December 31, 2023, the Company defined the renegotiation conditions and entered into definitive agreements with the lessors, who agreed to receive negotiable debt securities maturing in 2030 ("Notes") and debt with the possibility of settlement in Azul preferred shares or cash, at the Company's discretion ("Equity") in order to reflect the Company's new cash generation, its improved capital structure and the reduction in its credit risk.

Until December 31, 2023, the Company had renegotiated 119 lease contracts. In general, the conditions agreed between the Company and lessors are as follows:

- Notes: R$1,385,115 (equivalent to US$286,014), with interest to be paid quarterly from December 2023, with interest of 7.5% p.a., and principal maturity in June 2030; and
- Equity: R$2,178,740 (equivalent to US$450,032), and consecutive quarterly payments, starting in July 2024.

The costs incurred in these renegotiations correspond to R$84,421 and were recorded in the statements of operations, as required by CPC 48 – Financial Instruments, equivalent to IFRS 9.

2.1.4.6 Renegotiation of obligations with accounts payable of aircraft services and parts

Negotiations with suppliers of aircraft services and parts for mostly followed the same model as the renegotiation of lease obligations, that is, the Company issued:

(In thousands of Brazilian reais – R$, unless otherwise indicated)

- Notes: R$408,541 (equivalent to US$84,386), with interest to be paid quarterly from December 2023, with interest of 7.5% p.a. and principal maturity in June 2030; and

- Equity: R$159,775 (equivalent to US$33,002), with consecutive quarterly payments, starting in January 2025.

2.2 Net working capital and capital structure

As of December 31, 2023, after the renegotiations, the Company's working capital and equity position are as shown below:

Description	December 31, 2023	December 31, 2022	Variation
Net working capital	(9,704,733)	(10,184,169)	479,436
Equity	(21,327,848)	(19,007,500)	(2,320,348)

The variation in the balance of net working capital, which represents a reduction in the deficit of approximately 4.7%, is specifically a consequence of the debt restructuring actions presented in note 2.1.4.

The increase in the negative position of equity is mainly due to the Company's negative financial result, which exceeds by R$2,380,456 the operating profit.

In view of the above, despite the increase in the negative equity position, Management assessed and concluded that the Company is capable of continuing its operations and fulfilling its obligations in accordance with the contracted maturities. This assessment is based on the Company's business plan approved by the Board of Directors in December, 2023 and the entire liability restructuring process described in these financial statements. The Company's business plans include planned future actions, macroeconomic and aviation sector assumptions, such as level of demand for air transport with corresponding increase in traffic and fares, estimated exchange rates and fuel prices. The Company's Management monitors and informs the Board of Directors about performance in relation to the approved plan.

Based on this conclusion, these individual and consolidated financial statements were prepared based on the going concern principle.

2.3 Acceleration of fleet transformation

In 2019, the Company's Management approved the replacement plan for the Embraer E195 (“E1”) model aircraft. On the same date, the Company signed letters of intent to sublease a total of 54 aircraft and 4 engines to other airline operators (“operators”). The change in the intended use of the aircraft triggered a review to verify the recoverability of the assets (impairment), which resulted in the recognition of a loss of R$2,075,582 and the constitution of an onerous contracts of R$821,751 at that time.

Until December 31, 2022, there were partial reversals of provisions for impairment and onerous contracts, in the amount of R$1,102,791 corresponding to 46 aircraft and 4 engines, resulting from changes due to the economic consequences of the COVID-19 pandemic.

Until December 31, 2023, there was a reversal of provisions for impairment, in the amount of R$245,636, resulting from the decision not to continue with plans to sublease the aircraft. It is worth remembering that these aircraft have never stopped being operated by the Company and will remain in use until the end of the lease contracts.

2.3.1 Breakdown of balances of provision impairment and onerous contracts

	Consolidated	
Description	**December 31, 2023**	**December 31, 2022**
Provision for *(impairment)* of right-of-use assets	-	(110,349)
Provision for *(impairment)* of property and equipment	(143,790)	(279,077)
Total provision for *(impairment)* of Company assets	(143,790)	(389,426)
Total	(143,790)	(389,426)

2.3.2 Movement of provision impairment and onerous contracts

	Consolidated		
Description	**Impairment of assets**	**Onerous contracts**	**Total**
At December 31, 2021	(912,154)	(693,407)	(1,605,561)
Reversals	516,157	586,634	1,102,791
Consumption	-	178,126	178,126
Interest incurred	-	(100,975)	(100,975)
Foreign currency exchange	-	29,622	29,622
Transfers	6,571	-	6,571
At December 31, 2022	(389,426)	-	(389,426)
Reversals	245,636	-	245,636
At December 31, 2023	(143,790)	-	(143,790)

3. DECLARATION OF MANAGEMENT, BASIS OF PREPARATION AND PRESENTATION OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Company's individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting practices adopted in Brazil include those included in the Brazilian corporation law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC"), approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM").

The Company's individual and consolidated financial statements have been prepared based on the real ("R$") as a functional and presentation currency. All currencies shown are expressed in thousands unless otherwise noted.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

The Company operates mainly through its aircraft and other assets that support flight operations, making up its cash generating unit (CGU) and its only reportable segment: air transport.

The preparation of the Company's individual and consolidated financial statements requires Management to make judgments, use estimates and adopt assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. However, the uncertainty related to these judgments, assumptions and estimates can lead to results that require a significant adjustment to the carrying amount of assets, liabilities, income, and expenses in future years.

When preparing these individual and consolidated financial statements of the Company, Management used the following disclosure criteria to understand the changes observed in the equity and in its performance, since the end of the last fiscal year ended December 31, 2022, disclosed on March 6, 2023: (i) regulatory requirements; (ii) relevance and specificity of the information on the operations; (iii) informational needs of users of the individual and consolidated financial statements; and (iv) information from other entities participating in the passenger air transport market and cargo.

Management confirms that all relevant information specific to the individual and consolidated financial statements, is presented and corresponds to that used by Management when carrying out its business management activities.

As a result of improvements made to the presentation of some items in the balance sheets and cash flow statements for the current year, the following reclassifications were carried out to ensure comparability of balances from the previous year:

	Parent company		
	December 31, 2022		
Statement of financial position	**As reported**	**Reclassifications**	**Reclassified**
Assets			
Current assets			
Prepaid expenses	2,089	(2,089)	-
Other assets	-	2,089	2,089
Liabilities and equity			
Current assets			
Loans and financing	14,789	(14,789)	-
Convertible debt instruments	-	14,789	14,789
Non-current assets			
Loans and financing	1,388,930	(1,388,930)	-
Convertible debt instruments	-	1,388,930	1,388,930
Total	1,405,808	-	1,405,808

(In thousands of Brazilian reais – R$, unless otherwise indicated)

	Consolidated		
	December 31, 2022		
Statement of financial position	**As reported**	**Reclassifications**	**Reclassified**
Assets			
Current assets			
Prepaid expenses	182,891	(182,891)	-
Other assets	6,958	182,891	189,849
Non-current assets			
Prepaid expenses	319,000	(319,000)	-
Other assets	9,005	319,000	328,005
Liabilities and equity			
Current assets			
Loans and financing	1,127,729	(14,789)	1,112,940
Convertible debt instruments	-	14,789	14,789
Insurance payable	84,985	(84,985)	-
Accounts payable	2,432,843	84,985	2,517,828
Reimbursement to customers	13,822	(13,822)	-
Other liabilities	68,851	13,822	82,673
Non-current assets			
Loans and financing	7,508,689	(1,388,930)	6,119,759
Convertible debt instruments	-	1,388,930	1,388,930
Total	11,754,773	-	11,754,773

	Parent company		
	December 31, 2022		
Statements of Cash Flows	**As reported**	**Reclassifications**	**Reclassified**
Cash flows from investing activities			
Prepaid expenses	1,008	(1,008)	-
Other assets	(5,466)	1,008	(4,458)
Insurance payable	393	(393)	-
Accounts payable	(3,440)	393	(3,047)
Total	(7,505)	-	(7,505)

	Consolidated		
	December 31, 2022		
Statements of Cash Flows	**As reported**	**Reclassifications**	**Reclassified**
Changes in operating assets and liabilities			
Prepaid expenses	(274,563)	274,563	-
Other assets	88,435	(274,563)	(186,128)
Insurance payable	(1,404)	1,404	-
Accounts payable	2,275,418	(1,404)	2,274,014
Reimbursement to customers	(169,967)	169,967	-
Other liabilities	40,948	(169,967)	(129,019)
Cash flows from investing activities			
Acquisition of property and equipment	(1,252,532)	628,293	(624,239)
Acquisition of capitalized maintenance	-	(628,293)	(628,293)
Total	706,335	-	706,335

(In thousands of Brazilian reais – R$, unless otherwise indicated)

	Parent company		
	December 31, 2022		
Statements of value added	**As reported**	**Reclassifications**	**Reclassified**
Inputs acquired from third parties			
Materials, energy, third-party services and others	(19,147)	13,514	(5,633)
Insurances	-	(13,514)	(13,514)
	(19,147)	-	(19,147)

	Consolidated		
	December 31, 2022		
Statements of value added	**As reported**	**Reclassifications**	**Reclassified**
Inputs acquired from third parties			
Materials, energy, third-party services and others	(4,780,859)	21,551	(4,759,308)
Insurances	(81,665)	(21,551)	(103,216)
	(4,862,524)	-	(4,862,524)

The individual and consolidated financial statements have been prepared based on the historical cost, except for the items significant:

Fair value:

- Short-term investments classified as cash and cash equivalents;
- Short-term investments;
- Derivative financial instruments; and
- Debenture conversion right.

Other:

- Investments accounted for under the equity method.

3.1 Approval and authorization for issue of the individual and consolidated financial statements

The approval and authorization for issue of these individual and consolidated financial statements occurred at the Board of Directors' meeting held on April 12, 2024.

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted by the Company are described in each corresponding explanatory note, except those that refer to more than one explanatory note, described below. The accounting policies have been consistently applied for the comparative years presented and for the Company's individual and consolidated financial statements.

4.1 Consolidation

The consolidated financial statements include information about the Company and its subsidiaries in which held direct or indirect control. Control of a subsidiary is achieved when Company is exposed, or has rights, to variable returns in such subsidiaries and has the power to influence the investee's operating and financial decisions.

The financial statements of the subsidiaries have been prepared using the same accounting policies as the Company.

All assets, liabilities, equity, income, and expenses related to transactions between related parties are eliminated in full in the consolidation process.

4.2 Impairment

Annual review for impairment indicators to assess events or changes in economic, technological, or operating conditions that may indicate that an asset is impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value, less costs to sell and its value in use. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, a provision for impairment is set up by adjusting the carrying amount.

The previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited, so that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount previously determined, net of depreciation or amortization.

In estimating the asset's value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the cash-generating unit.

4.3 Statement of value added ("SVA")

Its purpose is to evidence the wealth generated by the Company and its distribution during a given year, and is presented by the Company as required by Brazilian corporate law as part of its individual financial statements and as supplementary information to the consolidated financial statements, as it is not an expected or mandatory statement according to IFRS standards, being prepared based on information obtained from the accounting records following the provisions contained in CPC 09 - Statement of value added.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

4.4 Main accounting estimates

As disclosed in explanatory note 3, Management makes judgments that have a significant effect on the amounts recognized in the individual and consolidated financial statements, namely:

Description	Note
Provision for impairment of aircraft and engines and onerous contracts	2.3
Provision for losses with maintenance reserves	11
Analysis of the recoverable value of goodwill and slots	18
Revenue from ticket breakage and loyalty programs	26
Provision for return of aircraft and engines	29.1.1
Provision for tax, civil, labor and other risks	29.1.2

The Company continually reviews the assumptions used in its accounting estimates. The effect of revisions to accounting estimates is recognized in the financial statements in the year in which such revisions are made.

4.5 New or amended accounting standards and principles effective in 2023

The following accounting standards came into force from January 1, 2023.

Norm	Charge	Applicability
CPC 23 - equivalent to IAS 8	Defining accounting estimates	Yes, but no changes
CPC 26 - equivalent to IAS 1 and IFRS Practice statement 2	Disclosure of accounting policies	Yes, but no changes
CPC 32 - equivalent to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Simple Transaction	Yes
CPC 32 - equivalent to IAS 12	Pillar Two Model Rules	No
CPC 50 - equivalent to IFRS 17	Insurance contracts	No

4.6 New or amended accounting standards and principles, effective from 2024 onwards

The following accounting standards came into force on January 1, 2024 and, in Management's opinion, will not significantly impact the Company's balance sheet or statement of operations.

Norm	Charge
CPC 26 (R1) - equivalent to IAS 1	Classification of liabilities as current and non-current
CPC 06 (R2) - equivalent to IFRS 16	Lease liabilities in a sale and leaseback transaction
CPC 03 (R2) - equivalent to IAS 7 e CPC 40 - equivalent to IFRS 7	Reverse factoring
CPC 02 - equivalent to IAS 21	The effects of changes in exchange rates
CPC 12 (R1)	Adjust to present value

(In thousands of Brazilian reais – R$, unless otherwise indicated)

4.7 Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate in effect at the date the transactions take place. Monetary assets and liabilities designated in foreign currency are determined based on the exchange rate in effect on the balance sheet date, and any difference resulting from currency conversion is recorded under the heading "Foreign currency exchange, net" in the statements of operation for the year.

The exchange rates to Brazilian reais are as follows:

	Exchange rate					
	Years ended					
	Final rate			Average rate		
Description	December 31, 2023	December 31, 2022	Variation %	December 31, 2023	December 31, 2022	Variation %
U.S. dollar	4.8413	5.2177	-7.2%	4.9553	5.1655	-4.1%
Euro	5.3516	5.5694	-3.9%	5.3325	5.4420	-2.0%

5. SEGMENT INFORMATION

The Company considers that it has a single reportable segment: air transport. This segment corresponds to 99.0% of the Company's revenues and combines passenger and cargo transport. It has a functional relationship, making them inseparable from other revenues and reflects the way in which the Company's Management analyzes financial information to make decisions. The main decision makers are the executive directors.

The Company segregates revenues as shown below:

Revenue	December 31, 2023	%
Air transport	18,374,696	99.0%
Other income	179,729	1.0%
Total	18,554,425	100.0%

6. CASH AND CASH EQUIVALENTS

6.1 Accounting policies

Cash and cash equivalents include cash balances, bank deposits and short-term investments with immediate liquidity, which are readily convertible into a known amount of cash with an insignificant risk of change in value. Financial investments designated as cash equivalents classified in this group are measured at fair value through profit or loss.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

6.2 Breakdown of cash and cash equivalents

		Parent company		Consolidated	
Description	Weighted average rate p.a.	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cash and bank deposits	-	1,709	5,784	271,857	101,737
Cash equivalents:					
Bank Deposit Certificate - CDB	100.9% of CDI	-	2,333	1,354,020	352,971
Repurchase agreements	94.7% of CDI	1,100	-	268,432	210,443
Time Deposit [(a)]	3.4%	-	-	2,985	2,616
Others	-	-	-	42	581
		2,809	8,117	1,897,336	668,348

(a) Investment in U.S. dollar.

7. LONG-TERM INVESTMENTS

7.1 Accounting policies

In the presentation and measurement of the financial investments, the Company considers the provisions of CPC 48 - Financial Instruments, equivalent to IFRS 9, which determines that financial assets shall be initially measured at fair value less costs directly attributable to their acquisition. In turn, the subsequent measurement is divided into two categories:

7.1.1 Amortized cost

Long-term investments are measured at amortized cost when all the following conditions are met:

- The Company plans to hold the financial asset to collect cash flows set forth in contract;
- Contractual cash flows represent solely payments of principal and interest (“SPPI”); and
- The Company did not opt for the fair value methodology to eliminate measurement inconsistencies or an “accounting mismatch”.

7.1.2 Fair value

- Through comprehensive income: short-term investments shall be measured at fair value through comprehensive income when both of the following conditions are met:

(i) the Company plans to hold the financial asset to collect cash flows set forth in contract and sell the asset; and
(ii) contractual cash flows represent SPPI.

- Through profit or loss: it is a residual category, in other words, the Company does not plan to hold the financial asset to collect cash flows set forth in contract and/or sell the asset, it shall be measured at fair value through profit or loss.

Financial instruments designated at fair value through profit or loss are used to eliminate or significantly reduce an accounting mismatch and are therefore measured at fair value.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

7.2 TAP Bond

On March 14, 2016, the Company acquired series A convertible debt issued by TAP ("TAP Bond") in the amount of €90 million. The TAP Bond has a maturity of 10 years from its issuance, with annual interest of 3.75% until September 20, 2016, and 7.5% in subsequent years. The accrued interest will be paid on the maturity date or early redemption of the securities, whichever occurs first.

TAP Bond is being measured at fair value through profit or loss.

7.3 Breakdown of long-term investments

			Consolidated	
Description	average rate p.a.	Maturity	December 31, 2023	December 31, 2022
TAP Bond	7.5%	Sep-26	780,312	733,043
			780,312	733,043

8. ACCOUNTS RECEIVABLE

8.1 Accounting policies

Accounts receivables are measured based on the invoiced amount, net of expected losses on receivables, and approximate the fair value given their short-term nature.

Considering the requirements of CPC 48 - Financial Instruments, equivalent to IFRS 9, the allowance for expected losses on receivables are measured by applying the simplified approach, through the use of historical data, projecting the expected loss over the life of the contract, by segmenting the receivables portfolio into groups that have the same pattern of collection and according to the respective maturities. Additionally, for certain cases, the Company carries out individual analyses to assess the risks of collection of the receivables to recognize an additional provision, if necessary.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

8.2 Breakdown of accounts receivable

	Consolidated	
Description	**December 31, 2023**	**December 31, 2022**
Local currency		
Credit card companies	498,609	1,109,197
Cargo and travel agencies	282,654	282,438
Travel package financing entities	29,203	135,168
Loyalty program partners	114,932	69,035
Others	40,121	41,973
Total local currency	965,519	1,637,811
Foreign currency		
Credit card companies	18,556	15,913
Reimbursement receivable for maintenance reserves	57,528	78,801
Airline partner companies	8,612	39,612
Clearinghouse - agencies and cargo	30,533	26,363
Others	55,894	29,582
Total foreign currency	171,123	190,271
Total	1,136,642	1,828,082
Allowance for expected credit losses	(27,234)	(24,084)
Total net	1,109,408	1,803,998

In Brazil, credit card receivables are not exposed to credit risk of the cardholder. The balances can easily be converted into cash, when necessary, by discounting of these receivables with credit card companies.

During the year ended December 31, 2023, the Company anticipated the receipt of R$10,359,302 in accounts receivable from credit card administrators, without right of return, with an average rate of 1.0% on the anticipated amount. On the same date, the balance of accounts receivable is net of R$3,349,391 due to such advances (R$1,735,432 on December 31, 2022).

(In thousands of Brazilian reais – R$, unless otherwise indicated)

The breakdown of accounts receivable by maturity, net of allowance for expected losses, is as follows:

	Consolidated	
Description	**December 31, 2023**	**December 31, 2022**
Not past due		
Up to 30 days	645,669	583,523
31 to 60 days	111,142	177,992
61 to 90 days	45,650	140,758
91 to 180 days	73,458	397,205
181 to 360 days	94,227	344,541
	970,146	1,644,019
Past due		
Up to 30 days	69,913	55,941
31 to 60 days	6,043	9,377
61 to 90 days	46,085	3,313
91 to 180 days	15,769	2,441
181 to 360 days	568	11,334
Over 360 days	884	77,573
	139,262	159,979
Total	1,109,408	1,803,998

Until March 22, 2024, of the total amount due within 90 days, R$51,409 was received.

The movement of the allowance for expected losses is as follows:

	Consolidated	
Description	**December 31, 2023**	**December 31, 2022**
Balances at the beginning of the year	(24,084)	(17,817)
Additions	(34,183)	(17,333)
Reversal	29,098	10,750
Write-off of uncollectible amounts	1,935	316
Balances at the end of the year	(27,234)	(24,084)

9. AIRCRAFT SUBLEASE

9.1 Accounting policies

The aircraft subleases are transactions whereby the lessee, in this case the Company, subleases an asset that is leased from a third party, thus becoming an intermediate lessor. CPC 06 (R2) – Leases, equivalent to IFRS 16, requires an intermediate lessor to classify the sublease as finance or operating.

Considering that the contracts entered into by the Company up to December 31, 2023, cover most of the term of the head lease, the subleases were accounted for as follows:

(In thousands of Brazilian reais – R$, unless otherwise indicated)

- Derecognition of the right-of-use asset related to the head lease and recognition of the receivables arising from the sublease contracts at present value;
- Recognition in profit or loss for the year of any difference between the right of use written off and the receivables arising from the sublease contract at present value;
- Maintenance of the lease obligations of the host contract in the statement of financial position;
- Recognition of financial income over the term of the sublease, and
- Recognition of financial expenses relating to obligations of the host lease contract.

As of December 31, 2023, the Company has 3 aircraft under sublease (8 aircraft of December 31, 2022).

9.2 Breakdown of aircraft sublease

	Consolidated	
Description	December 31, 2023	December 31, 2022
2023	-	89,293
2024	15,386	70,396
2025	15,386	50,127
2026	4,001	7,951
Gross sublease	34,773	217,767
Accrued interest	(3,971)	(25,838)
Provision for losses	-	(15,876)
Net sublease	30,802	176,053
Current	14,592	70,193
Non-current	16,210	105,860

10. INVENTORIES

10.1 Accounting policies

Inventory balances mainly comprise parts and materials for maintenance. Inventories are measured at average acquisition cost plus expenses such as non-recoverable taxes, customs expenses, and transportation expenses. Expenses with freight on transfers between operational bases are not capitalized. Provisions for obsolescence of inventories are recorded for items not expected to be realized.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

10.2 Breakdown of inventories

	Consolidated	
Description	December 31, 2023	December 31, 2022
Maintenance materials and parts	825,499	741,101
Flight attendance, uniforms and others	21,367	21,922
Provision for losses	(47,658)	(41,285)
Total net	799,208	721,738

Set out below is the movement of the provision for losses:

	Consolidated	
Description	December 31, 2023	December 31, 2022
Balances at the beginning of the year	(41,285)	(38,935)
Additions	(23,151)	(5,652)
Reversal	16,778	3,302
Balances at the end of the year	(47,658)	(41,285)

11. DEPOSITS

11.1 Accounting policies

11.1.1 Security deposits

Security deposits are represented by amounts deposited by the Company, mostly to the lessors of aircraft and engines, as guarantee for the fulfillment of the lease contract. Security deposits do not bear interest and are reimbursable at the end of the contracts. Judicial deposits are also classified in this group.

11.1.2 Maintenance reserves

Certain master lease agreements provide for the payment of aircraft and engine maintenance reserves made to the lessors to be held as collateral for the performance of major maintenance activities, and therefore these deposits are reimbursable upon completion of the maintenance event in an amount equal to or less than:

- the amount of the maintenance reserve held by the lessor associated with the specific maintenance event; or

- the costs related to the specific maintenance event.

Substantially all these maintenance reserve payments are calculated based on an aircraft utilization measure, such as flight hours or cycles.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

As of the date of these individual and consolidated financial statements, we assess whether the maintenance reserve deposits required by the master lease agreements are expected to be recovered through reimbursement of future expenses with carrying out with the performance of qualifying maintenance on the leased assets. Maintenance deposits expected to be recovered are held in assets, and the amounts identified as non-recoverable are readily transferred to statement of operations.

Aircraft and engine maintenance reserves are classified as current or non-current depending on the dates on which the amounts are expected to be recovered.

11.2 Breakdown of deposits

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Security deposits	7,872	8,486	418,537	374,960
Maintenance reserves	-	-	2,153,310	2,610,943
Total	7,872	8,486	2,571,847	2,985,903
Provision for loss	-	-	(278,352)	(446,342)
Total net	7,872	8,486	2,293,495	2,539,561
Current	7,802	8,409	515,692	1,025,168
Non-current	70	77	1,777,803	1,514,393

(In thousands of Brazilian reais – R$, unless otherwise indicated)

The movement of security deposits and maintenance reserves is as follows:

	Parent company	Consolidated		
Description	Security deposits	Security deposits	Maintenance reserves	Total
At December 31, 2021	-	319,530	1,644,889	1,964,419
Additions	8,549	123,796	714,079	837,875
Transfers	(30)	(48,688)	(14,847)	(63,535)
Provision inclusions and (reversals), net	-	-	(15,110)	(15,110)
Use by the lessor	-	-	(59,721)	(59,721)
Foreign currency exchange	(33)	(19,678)	(104,689)	(124,367)
At December 31, 2022	8,486	374,960	2,164,601	2,539,561
Additions	212	234,972	357,759	592,731
Transfers	(220)	(169,432)	(417,725)	(587,157)
Provision inclusions and (reversals), net	-	-	135,284	135,284
Use by the lessor	-	-	(221,054)	(221,054)
Foreign currency exchange	(606)	(21,963)	(143,907)	(165,870)
At December 31, 2023	7,872	418,537	1,874,958	2,293,495
At December 31, 2023				
Current	7,802	64,788	450,904	515,692
Non-current	70	353,749	1,424,054	1,777,803
At December 31, 2022				
Current	8,409	77,241	947,927	1,025,168
Non-current	77	297,719	1,216,674	1,514,393

The movement of the allowance for maintenance reserves losses is as follows:

	Consolidated	
Description	December 31, 2023	December 31, 2022
Balances at the beginning of the year	(446,342)	(459,643)
Additions	(44,789)	(74,691)
Reversals	180,073	59,581
Foreign currency exchange	32,706	28,411
Balances at the end of the year	(278,352)	(446,342)

12. TAXES RECOVERABLE

12.1 Accounting policies

Recoverable taxes represent rights that will be realized through offsets against taxes payable arising from the Company's operating activities. The Company continually reviews the realizability of these assets and, when necessary, provisions are made to ensure that these assets are accounted for at their realizable value. These amounts are presented net of a provision for losses, which is immaterial for additional disclosures.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

12.2 Breakdown of taxes recoverable

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
PIS and COFINS	-	-	73,029	135,176
Taxes withheld	67	8,064	121,216	39,528
IRPJ and CSLL	4,917	3,508	8,315	29,359
ICMS	-	-	19,940	21,661
Others	-	-	(3,067)	9,167
	4,984	11,572	219,433	234,891

13. ADVANCE TO SUPPLIERS

13.1 Accounting policies

Advances to suppliers represent advance payment for goods or services that will be delivered in the future. These amounts are presented net of provisions for losses in the amount of R$28,676 (R$23,057 as of December 31, 2022).

13.2 Breakdown of advances to suppliers

	Consolidated	
Description	December 31, 2023	December 31, 2022
Local currency	118,442	90,810
Foreign currency	102,609	30,887
	221,051	121,697

14. INCOME TAX AND CONTRIBUTION

14.1 Accounting policies

14.1.1 Current taxes

In Brazil, current taxes comprise corporate income tax (“IRPJ”) and social contribution on profit (“CSLL”), which are calculated monthly based on taxable profit, after offsetting tax losses and negative basis social contribution, limited to 30% of real profit. A rate of 15% plus an additional 10% for IRPJ and 9% for CSLL applies to this base.

The result from foreign subsidiaries is subject to taxation in accordance with the rates and legislation in force. In Brazil such income is taxed in accordance with Law No. 12,973/14, in which it provides that the parent company, directly or indirectly, of a company abroad adds the results of its subsidiaries when calculating the real profit for the period.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

14.1.2 Deferred taxes

Deferred taxes represent credits and debits on tax loss carryforwards, as well as temporary differences between the tax and accounting bases. Deferred tax and contribution assets and liabilities are classified as non-current. An impairment loss on these assets is recognized when the Company's internal studies indicate that the future use of these credits is not likely.

Deferred tax assets and liabilities are presented net if there is a legally enforceable right to set off tax liabilities against tax assets, and if they are related to taxes levied by the same tax authority on the same taxable entity; therefore, for presentation purposes, balances of tax assets and liabilities which do not meet the legal criteria for realization are disclosed separately. Deferred tax assets and liabilities shall be measured at the rates that are expected to be applicable in the period in which the asset is realized or the liability is settled, based on the tax rates and legislation in force at the reporting date. The projections of future taxable profits on tax loss carryforwards are prepared based on the business plans and are reviewed and approved annually by the Board of Directors.

14.1.3 Uncertainty over income tax treatments

On January 1, 2019, the accounting standard ICPC 22 – Uncertainty over Income Tax Treatments, equivalent to IFRIC 23, became effective, addressing the application of recognition and measurement requirements when there is uncertainty over income tax treatments.

The Company analyzes relevant tax decisions of higher courts and whether they conflict in any way with the positions adopted. For known uncertain tax positions, when necessary, the Company establishes a provision based on the legal opinions issued by its legal advisors. The Company evaluates continuously the positions taken in which there are uncertainties about the tax treatment adopted.

14.1.4 International Tax Reform – Pillar Two Model Rules

The changes to CPC 32 – Taxes on profit, equivalent to IAS 12, were introduced in response to the Organization for Economic Co-operation and Development ("OECD") Pillar Two rules on Base Erosion and Profit Shifting ("BEPS").

The changes had no impact on the Company's individual and consolidated financial statements.

14.2 Breakdown of deferred taxes

	Parent company			Consolidated		
Description	December 31, 2022	Profit or loss	December 31, 2023	December 31, 2022	Profit or loss	December 31, 2023
Deffered assets						
Breakage	-	-	-	(176,884)	(19,039)	(195,923)
Foreign currency exchange	-	(191,219)	(191,219)	-	(191,219)	(191,219)
Leases	-	-	-	(5,067,497)	868,127	(4,199,370)
Others	-	-	-	(516)	(541)	(1,057)
	-	(191,219)	(191,219)	(5,244,897)	657,328	(4,587,569)
Deffered liabilities	-	151,693	151,693	5,244,897	(696,854)	4,548,043
Total income tax and deferred social contribution	-	(39,526)	(39,526)	-	(39,526)	(39,526)
Provision for deferred taxes	-	(39,526)	(39,526)	-	(39,526)	(39,526)

(In thousands of Brazilian reais – R$, unless otherwise indicated)

14.3 Reconciliation of the effective income tax rate

	Parent company		Consolidated	
	Years ended			
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Loss before income tax and social contribution	(2,340,930)	(722,367)	(2,340,930)	(722,367)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	795,916	245,605	795,916	245,605
Adjustments to determine the effective rate				
Result from investments not taxed abroad	-	-	298,972	100,586
Equity	(613,862)	(357,810)	-	-
Unrecorded benefit on tax losses and temporary differences	(171,934)	(21,381)	(1,189,039)	(700,826)
Mark to market of convertible instruments	(8,584)	176,737	(8,584)	176,737
Permanent differences	(41,062)	(43,151)	43,764	154,669
Rate differential	-	-	24,377	29,189
Others	-	-	(4,932)	(5,960)
	(39,526)	-	(39,526)	-
Deferred income tax and social contribution	(39,526)	-	(39,526)	-
Income tax and social contribution credit	-	-	-	-
Effective rate	-1.7%	0%	-1.7%	0%

The Company has tax losses that are available indefinitely for offset against 30% of future taxable profits on which deferred tax assets were not created as it is not probable that future taxable profits will be available for the Company to use the benefits thereof, as below:

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Tax losses and negative bases	924,637	437,395	18,325,916	12,863,038
Tax loss (25%)	231,159	109,349	4,581,479	3,215,760
Negative social contribution base (9%)	83,217	39,366	1,649,332	1,157,673

15. INVESTMENTS

15.1 Accounting policies

In the individual financial statements, investments represent the Company's equity interest in subsidiaries. Investments are initially stated at cost and subsequently adjusted using the equity method. The Company does not have equity interests in companies over which it does not hold the control.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

15.2 Direct investments

Description	Company equity interest		
	Paid-up capital	Voting capital	Equity
At December 31, 2022			
ALAB	100.0%	100.0%	(18,392,028)
IntelAzul	100.0%	100.0%	(19,866)
Goodwill – IntelAzul	100.0%	100.0%	780,991
Total			(17,630,903)
At December 31, 2023			
ALAB	100.0%	100.0%	(20,130,955)
IntelAzul	100.0%	100.0%	(20,209)
Goodwill – IntelAzul	100.0%	100.0%	780,991
Azul Cayman Holdco [(a)]	24.8%	24.8%	-
Total			(19,370,173)

(a) Considering indirect investments, the Company's share totals 99.8%.

15.3 Movement of the investments

Description	ALAB	IntelAzul	Total
At December 31, 2021	(17,522,749)	763,059	(16,759,690)
Equity	(1,050,447)	(1,934)	(1,052,381)
Capital increase	152,000	-	152,000
Share-based payment	29,686	-	29,686
Post-employment benefit	(518)	-	(518)
At December 31, 2022	(18,392,028)	761,125	(17,630,903)
Equity	(1,805,133)	(343)	(1,805,476)
Share-based payment	68,381	-	68,381
Post-employment benefit	(2,175)	-	(2,175)
At December 31, 2023	(20,130,955)	760,782	(19,370,173)
Investments			760,782
Provision for loss on investment			(20,130,955)

16. PROPERTY AND EQUIPMENT

16.1 Accounting policies

Property and equipment, are stated at acquisition cost.

Depreciation is calculated according to the estimated economic useful life of each asset using the straight-line method. The estimated economic useful lives, residual values and depreciation methods are reviewed annually and the effects of any changes in estimates are accounted for prospectively.

When there are indications of assets recorded with values that exceed their recovery values, the Company must estimate the recoverable value of the asset.

An item of property and equipment is derecognized upon its disposal or when no future economic benefits are expected from the continued use of the asset. Any gains or losses arising on the sale or derecognition of an item are determined by the difference between the amount received on the sale and the carrying amount of the asset and are recognized in statements of operation.

The Company receives credits from manufacturers when purchasing certain aircraft and engines, which can be used to pay for maintenance services. These credits are recorded as a reduction in the acquisition cost of aircraft and related engines.

During the year ended December 31, 2023, the Company hired experts to review the useful life of the assets. This review had no impact on these financial statements.

16.1.1 Sale and leaseback transactions

First, sale and leaseback transactions are analyzed within the scope of CPC 47– Revenue from Contracts with Customers, equivalent to IFRS 15, in order to verify whether the performance obligation has been satisfied, and therefore to account for the sale of the asset. If this requirement is not met, it is a financing with the asset given as guarantee.
If the requirements related to the performance obligation set out are met, the Company measures a right-of-use asset arising from the sale and leaseback transaction in proportion to the carrying amount of the asset related to the right of use retained by the Company. Accordingly, only the gains or losses related to the rights transferred to the buyer-lessor are recognized.

During the year ended December 31, 2023, the Company carried out "sale and leaseback" transactions for an engine, where the revenue, net of sales costs, corresponds to a loss of R$6,356 (gain of R$33,155 on December 31, 2022) and is recognized under the heading "Other costs of services provided".

16.1.2 Advance payments for acquisition of aircraft

Prepayments for the acquisition of aircraft during the manufacturing phase are recorded in fixed assets.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

16.2 Breakdown of property and equipment

	Consolidated					
Description	Weighted average rate (p.a.)	December 31, 2022	Acquisitions	Write-offs	Transfers [b]	December 31, 2023
Cost						
Aircraft [a]		2,656,771	388,247	(392,148)	21,243	2,674,113
Improvements		524,075	104,167	(97,188)	24,358	555,412
Equipment and facilities		222,482	30,296	(56,968)	-	195,810
Others		32,205	2,340	(5,314)	-	29,231
Construction in progress		44,243	88,991	(13,984)	(23,155)	96,095
Advance payments for acquisition of aircraft		109,487	192,399	-	(3,846)	298,040
		3,589,263	806,440	(565,602)	18,600	3,848,701
Depreciation						
Aircraft [a]	9%	(965,066)	(230,143)	119,285	-	(1,075,924)
Improvements	14%	(214,411)	(71,643)	97,067	-	(188,987)
Equipment and facilities	11%	(151,732)	(25,139)	56,011	-	(120,860)
Others	8%	(25,888)	(2,715)	5,314	-	(23,289)
		(1,357,097)	(329,640)	277,677	-	(1,409,060)
Property and equipment		2,232,166	476,800	(287,925)	18,600	2,439,641
Impairment		(279,077)	-	135,287	-	(143,790)
Total property and equipment, net		1,953,089	476,800	(152,638)	18,600	2,295,851

(a) Includes aircraft, engines, simulators, and equipment flight.
(b) The transfer balances are between the “Property and equipment”, “Right of use assets” and “Intangible assets".

	Consolidated					
Description	Weighted average rate (p.a.)	December 31, 2021	Acquisitions	Write-offs	Transfers [b]	December 31, 2022
Cost						
Aircraft [a]		2,519,231	815,578	(903,072)	225,034	2,656,771
Improvements		506,678	7,869	(9,213)	18,741	524,075
Equipment and facilities		199,119	18,767	(407)	5,003	222,482
Others		29,905	2,073	(20)	247	32,205
Construction in progress		52,174	47,427	(5,009)	(50,349)	44,243
Advance payments for acquisition of aircraft		85,607	23,880	-	-	109,487
		3,392,714	915,594	(917,721)	198,676	3,589,263
Depreciation						
Aircraft [a]	9%	(811,322)	(223,828)	108,911	(38,827)	(965,066)
Improvements	10%	(174,092)	(48,399)	8,080	-	(214,411)
Equipment and facilities	11%	(129,236)	(22,721)	225	-	(151,732)
Others	12%	(22,400)	(3,492)	4	-	(25,888)
		(1,137,050)	(298,440)	117,220	(38,827)	(1,357,097)
Property and equipment		2,255,664	617,154	(800,501)	159,849	2,232,166
Impairment		(294,490)	-	15,413	-	(279,077)
Total property and equipment, net		1,961,174	617,154	(785,088)	159,849	1,953,089

(a) Includes aircraft, engines, simulators and flight equipment.
(b) The balances of transfers are between the “Aircraft sublease”, “Property and equipment”, “Right-of-use assets” and “Other assets”.

17. RIGHT-OF-USE ASSETS

17.1 Accounting policies

CPC 06 (R2) – Leases, equivalent to IFRS 16, establishes the principles for the recognition, measurement, presentation and disclosure of leasing operations and requires lessees at the start date of the contract to recognize a lease liability to make payments and an asset representing the right to use the underlying asset during the lease term ("ROU"). Lesses must separately recognize interest expenses on the lease liability and the depreciation expense of the right-of-use asset in the statements of operation.

Lessees are also required to reassess the lease liability in the event of certain events, for example, a change in the lease term, or a change in future lease payment flows as a result of a change in an index or rate used to determine such payments. In general, the lessee must recognize the remeasurement amount of the lease liability as an adjustment to the right-of-use asset.

Considering the dollar-denominated environment in which the Company raises funds, in determining the discount rate the Azul used as a basis the funding rates on the start and/or modification dates of the lease agreements in foreign currency.

17.1.1 Componentization of aircraft

At the receipt and initial recognition of right-of-use assets, the Company allocates the total cost of the aircraft between five major components: airframe, auxiliary power unit ("APU"), or propeller landing gear and two engines. The useful life of each component it is limited to the final term of the contract/and or the estimated useful life of the asset component, the smaller of the two.

17.1.2 Capitalization of heavy maintenance events

Heavy maintenance events that increase the useful life of assets are capitalized. Such contracts can be of the "power-by-the-hour" type, in which the amounts owed to maintenance providers are calculated based on the flight hours and cycles.

Subsequently, they are depreciated during the respective period of use considering the shorter period between the next scheduled maintenance or until the end of the lease of the two. Repairs and other routine maintenance are appropriate to the results during the year in which they are incurred.

17.1.3 Recognition of contractual obligations relating to return of aircraft

The costs resulting from the maintenance events that will be carried out immediately before the return of the aircraft to the lessors are recognized at present value, increasing the value of the asset as a balancing item to an obligation, if they can be reasonably estimated. Assets are depreciated on a straight-line basis over the lease contract term, while liabilities are updated by interest rates and exchange effects.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

17.2 Breakdown of right-of-use assets

	Consolidated						
Description	Weighted average rate (p.a.)	December 31, 2022	Acquisitions	Write-offs	Modifications	Transfers [b]	December 31, 2023
Cost							
Aircraft [a]		12,753,324	1,063,167	(833,855)	1,281,755	15,548	14,279,939
Maintenance of aircraft and engines		1,938,788	568,874	(892,072)	(30,128)	(33,426)	1,552,036
Restoration of aircraft and engines		1,819,438	501,864	(455,967)	(165,725)	-	1,699,610
Others		226,621	21,763	-	76,266	-	324,650
		16,738,171	2,155,668	(2,181,894)	1,162,168	(17,878)	17,856,235
Depreciation							
Aircraft [a]	8%	(7,228,226)	(958,351)	769,937	-	(914)	(7,417,554)
Maintenance of aircraft and engines	17%	(1,159,612)	(327,401)	870,634	-	-	(616,379)
Restoration of aircraft and engines	31%	(628,522)	(557,984)	455,967	29,038	-	(701,501)
Others	22%	(58,914)	(50,329)	-	-	-	(109,243)
		(9,075,274)	(1,894,065)	2,096,538	29,038	(914)	(8,844,677)
Right-of-use assets		7,662,897	261,603	(85,356)	1,191,206	(18,792)	9,011,558
Impairment		(110,349)	-	110,349	-	-	-
Right-of-use assets, net		7,552,548	261,603	24,993	1,191,206	(18,792)	9,011,558

(a) Includes aircraft, engines, and simulators.
(b) The balances of transfers are between the “Property and equipment”, “Right-of-use assets” and “Intangible assets”.

	Consolidated						
Description	Weighted average rate (p.a.)	December 31, 2021	Acquisitions	Write-offs	Modifications	Transfers [b]	December 31, 2022
Cost							
Aircraft [a]		11,476,271	1,436,969	(66,458)	49,271	(142,729)	12,753,324
Maintenance of aircraft and engines		1,542,856	628,293	(209,458)	(15,242)	(7,661)	1,938,788
Restoration of aircraft and engines		1,387,738	678,685	(246,985)	-	-	1,819,438
Others		89,226	193,359	(67,416)	11,452	-	226,621
		14,496,091	2,937,306	(590,317)	45,481	(150,390)	16,738,171
Depreciation							
Aircraft [a]	7%	(6,438,766)	(847,541)	19,254	-	38,827	(7,228,226)
Maintenance of aircraft and engines	20%	(1,052,190)	(313,613)	206,191	-	-	(1,159,612)
Restoration of aircraft and engines	34%	(380,649)	(468,050)	220,177	-	-	(628,522)
Others	44%	(19,240)	(39,674)	-	-	-	(58,914)
		(7,890,845)	(1,668,878)	445,622	-	38,827	(9,075,274)
Right-of-use assets		6,605,246	1,268,428	(144,695)	45,481	(111,563)	7,662,897
Impairment		(605,651)	-	488,731	-	6,571	(110,349)
Right-of-use assets, net		5,999,595	1,268,428	344,036	45,481	(104,992)	7,552,548

(a) Includes aircraft, engines, and simulators.
(b) The balances of transfers are between the “Aircraft sublease”, “Property and equipment”, “Right-of-use assets”, “Intangible assets” and “Other assets”.

18. INTANGIBLE ASSETS

18.1 Accounting policies

18.1.1 Finite useful life

Intangible assets acquired are measured at cost at the time of their initial recognition. After initial recognition, intangible assets with finite useful lives, generally software, are stated at cost, less accumulated amortization, and accumulated impairment losses, where applicable. Intangible assets generated internally, excluding development costs, are not capitalized and the expense is reflected in the statements of operations for the year when was incurred.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

18.1.2 Indefinite useful life

18.1.2.1 Goodwill

This category records the values corresponding to the goodwill arising from the business combinations of IntelAzul and Conecta. The goodwill value is tested annually by comparing the carrying value of the CGU with the value in use. Management makes judgments and establishes assumptions to assess the impact of macroeconomic and operational changes, to estimate future cash flows and measure the recoverable value of assets.

18.1.2.2 Rights of operations in airports (slots)

In the business combination of IntelAzul and Conecta, slots were acquired that were recognized at their fair values on the acquisition date and are not amortized. The estimated useful life of these rights was considered indefinite due to several factors and considerations, including applications and authorizations for permission to operate in Brazil and limited availability of operating rights at the most important airports in terms of air traffic volume. The value of slots is tested annually by comparing the book value with the value in use.

18.2 Breakdown of intangible assets

	Consolidated					
Description	Weighted average rate (p.a.)	December 31, 2022	Acquisitions	Write-offs	Transfers [c]	December 31, 2023
Cost						
Goodwill [a]		901,417	-	-	-	901,417
Slots [b]		126,547	-	-	-	126,547
Software		946,516	251,683	(422,080)	192	776,311
		1,974,480	251,683	(422,080)	192	1,804,275
Amortization						
Software	19%	(547,957)	(182,264)	389,193	-	(341,028)
		(547,957)	(182,264)	389,193	-	(341,028)
Total intangible assets, net		1,426,523	69,419	(32,887)	192	1,463,247

(a) Goodwill, in the amounts of R$753,502 and R$147,915, arises from the acquisition of IntelAzul. (formerly TRIP Linhas Aéreas S.A.) in 2012 and Conecta (formerly Two Táxi Aéreo Ltda.) in 2020, respectively, and refers to the consideration transferred, less the fair value of assets acquired, and liabilities assumed, net.

(b) As part of the allocation of the purchase price for the acquisition of IntelAzul. (formerly TRIP Linhas Aéreas S.A.) and Conecta (formerly Two Táxi Aéreo Ltda.) the Company recognized the value of exploration licenses for certain airport slots, asset with an indefinite useful life.

(c) The balances of transfers are between “Property and equipment”, “Right-of-use assets, and "Intangible assets”.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

Description	Consolidated Weighted average rate (p.a.)	December 31, 2021	Acquisitions	Write-offs	December 31, 2022
Cost					
Goodwill [(a)]		901,417	-	-	901,417
Slots [(b)]		126,547	-	-	126,547
Software		748,049	198,525	(58)	946,516
		1,776,013	198,525	(58)	1,974,480
Amortization					
Software	17%	(417,975)	(129,982)	-	(547,957)
		(417,975)	(129,982)	-	(547,957)
Total intangible assets, net		1,358,038	68,543	(58)	1,426,523

(a) Goodwill, in the amounts of R$753,502 and R$147,915, arises from the acquisition of IntelAzul. (formerly TRIP Linhas Aéreas S.A.) in 2012 and Conecta (formerly Two Táxi Aéreo Ltda.) in 2020, respectively, and refers to the consideration transferred, less the fair value of assets acquired, and liabilities assumed, net.

(b) As part of the allocation of the purchase price for the acquisition of IntelAzul. (formerly TRIP Linhas Aéreas S.A.) and Conecta (formerly Two Táxi Aéreo Ltda.) the Company recognized the value of exploration licenses for certain airport slots, asset with an indefinite useful life.

18.3 Impairment of intangible assets without a finite useful life

On December 31, 2023, the Company carried out annual recoverability tests of the book value, through the discounted cash flow of the cash generating unit.

The assumptions used in the impairment tests of goodwill and slots are consistent with the Company's operating plans and internal projections, prepared for a period of five years. After this period, a perpetuity rate of growth of operating projections is assumed. The discounted cash flow that determined the value in use of the cash-generating unit was prepared according to the Company’s business plan approved by the Board of Directors in December, 2023.

The following assumptions were considered:

- Fleet and capacity: plan for operational fleet, utilization and capacity of aircraft in each route;
- Passenger revenue: historical revenue per seat per kilometer flown with growth in line with the Company's business plan;
- Operating costs: specific performance indicators by cost line, in line with the Company's business plan, as well as macroeconomic assumptions; and
- Investment needs: aligned with the Company’s business plan.

The macroeconomic assumptions commonly adopted include the Gross Domestic Product (“GDP”) and projections of the US dollar, both obtained from the Focus Report issued by the Central Bank of Brazil, in addition to future kerosene barrel prices and interest rates, obtained from specific Bloomberg disclosures.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

The result of the goodwill and slots impairment test demonstrated that the estimated recoverable value is significantly greater than the carrying value allocated to the cash generating unit and, therefore, no adjustment to the recoverable value to be recorded during the year ended 31 was identified. December 2023. To calculate the recoverable value, a pre-tax discount rate of 11.4% (11.5% as of December 31, 2022) and a growth rate in perpetuity of 3.0% (3.0% as of December 31, 2022).

Description	December 31, 2023	December 31, 2022
Carrying amount - Goodwill and slots	1,027,964	1,027,964

19. LOANS AND FINANCING

19.1 Accounting policies

Loans and financing are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

19.2 Movement of loans and financing

				Consolidated										Consolidated			
Description	Average nominal rate p.a.	Effective rate	Maturity	December 31, 2022	Funding (–) costs	Transfers [(a)]	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Effects of restriction [(b)]	Amortized cost	December 31, 2023	Principal payable	Interest accrued	Amortized cost	December 31, 2023
In foreign currency – US$																	
Senior notes – 2024	5.9%	6.3%	Oct-24	2,097,402	-	(1,596,972)	-	(92,985)	76,569	(157,024)	1,212	3,897	332,099	329,472	3,441	(814)	332,099
Senior notes – 2026	7.3%	7.8%	Jun-26	3,095,665	-	(2,725,010)	-	(126,950)	121,218	(253,595)	34,278	6,966	152,572	153,701	464	(1,593)	152,572
Sênior notes – 2028	11.9%	13.5%	Aug-28	-	3,643,382	186,005	-	(173,450)	218,885	31,138	-	16,771	3,922,731	4,051,093	42,960	(171,322)	3,922,731
Sênior notes – 2029	11.5%	11.5%	May-29	-	-	1,410,967	(277,961)	(52,893)	65,165	20,267	-	-	1,165,545	1,153,751	11,794	-	1,165,545
Sênior notes – 2030	10.9%	10.9%	May-30	-	-	2,725,010	-	(112,453)	140,308	24,648	-	-	2,777,513	2,750,921	26,592	-	2,777,513
Aircraft, engines and others	6.5%	9.3%	Mar-29	731,224	-	(1,067)	(402,994)	(42,727)	47,720	(53,401)	-	5,524	284,279	283,965	1,808	(1,494)	284,279
	Sofr 1M +4,6%	10.0%	May-26	-	79,222	-	-	-	196	(332)	-	-	79,086	78,890	196	-	79,086
				5,924,291	3,722,604	(1,067)	(680,955)	(601,458)	670,061	(388,299)	35,490	33,158	8,713,825	8,801,793	87,255	(175,223)	8,713,825
In local currency - R$																	
Working capital	CDI + 3,1%	CDI +3,1%	Feb-24	496,997	301,098	-	(770,795)	(59,807)	58,454	-	-	1,544	27,491	27,190	301	-	27,491
			Sep-25	2,675	-	-	(546)	(155)	183	-	-	-	2,157	2,157	-	-	2,157
Debentures	CDI + 5,4%	16.3%	Dec-28	747,170	585,661	-	(431,530)	(123,907)	131,629	-	-	10,049	919,072	913,521	28,409	(22,858)	919,072
Aircraft and engines and others	Selic + 5,5%	17.4%	May-25	19,284	-	-	(4,697)	(4,714)	2,868	-	-	30	12,771	12,851	-	(80)	12,771
	6.3%	6.3%	Mar-27	42,282	-	-	(18,600)	(2,111)	1,912	-	-	113	23,596	23,596	-	-	23,596
				1,308,408	886,759	-	(1,226,168)	(190,694)	195,046	-	-	11,736	985,087	979,315	28,710	(22,938)	985,087
Total in R$				7,232,699	4,609,363	(1,067)	(1,907,123)	(792,152)	865,107	(388,299)	35,490	44,894	9,698,912	9,781,108	115,965	(198,161)	9,698,912
Current				1,112,940									1,100,051				1,100,051
Non-current				6,119,759									8,598,861				8,598,861

(a) The balance of transfers is between “Loans and financing” and “Leases”.
(b) Refers mainly to the acceleration of the amortization of funding costs considered extinguished in accordance with the requirements of paragraph 33.6 of CPC 48 - Financial instruments equivalent to IFRS 9, which determines that a substantial modification of the terms of a liability existing financial obligation, or a portion thereof, will be accounted for with an extinguishment of such obligation.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

Consolidated											
Description	Average nominal rate p.a.	Effective rate	Maturity	December 31, 2021	Funding (–) costs	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	December 31, 2022
In foreign currency – US$											
Senior notes – 2024	5.9%	6.3%	Oct-24	2,236,910	-	-	(120,924)	120,487	(146,308)	7,237	2,097,402
Senior notes – 2026	7.3%	7.8%	Jun-26	3,298,018	-	-	(227,525)	222,675	(208,927)	11,424	3,095,665
Aircraft and engines	6.0%	9.3%	Mar-29	1,096,955	-	(306,668)	(43,061)	52,940	(74,467)	5,525	731,224
	Libor 3M + 2.6%	Libor 3M + 2,6%	Mar-22	1,561	-	(1,428)	-	6	(139)	-	-
				6,633,444	-	(308,096)	(391,510)	396,108	(429,841)	24,186	5,924,291
In local currency - R$											
Working capital	CDI + 3.9%	18.6%	Feb-24	643,699	227,467	(369,623)	(108,887)	104,030	-	311	496,997
	2.9%	2.9%	Sep-25	23,202	-	(20,728)	(1,031)	1,232	-	-	2,675
Debentures [(a)]	CDI + 5.0%	16.3%	Dec-27	733,017	(12,308)	(74,056)	(50,908)	147,029	-	4,396	747,170
Aircraft and engines	Selic + 5.5%	17.4%	May-25	28,038	-	(8,350)	(4,374)	3,910	-	60	19,284
	6.2%	CDI + 6,2%	Mar-27	84,330	-	(42,324)	(3,863)	4,017	-	122	42,282
				1,512,286	215,159	(515,081)	(169,063)	260,218	-	4,889	1,308,408
Total in R$				8,145,730	215,159	(823,177)	(560,573)	656,326	(429,841)	29,075	7,232,699
Current				984,266							1,112,940
Non-current				7,161,464							6,119,759

Consolidated				
Description	Principal payable	Interest accrued	Amortized cost	December 31, 2022
In foreign currency – US$				
Senior notes – 2024	2,087,079	21,798	(11,475)	2,097,402
Senior notes – 2026	3,130,620	9,457	(44,412)	3,095,665
Aircraft and engines	733,697	4,669	(7,142)	731,224
	-	-	-	-
	5,951,396	35,924	(63,029)	5,924,291
In local currency - R$				
Working capital	495,631	1,798	(432)	496,997
	2,648	27	-	2,675
Debentures [(a)]	694,921	70,820	(18,571)	747,170
Aircraft and engines	19,386	18	(120)	19,284
	42,397	7	(122)	42,282
	1,254,983	72,670	(19,245)	1,308,408
Total in R$	7,206,379	108,594	(82,274)	7,232,699
Current				1,112,940
Non-current				6,119,759

(a) The amount of R$12,308 refers to costs to be amortized due to the renegotiation of debentures.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

19.3 Schedule of amortization of debt

Description	Consolidated	
	December 31, 2023	December 31, 2022
2023	-	1,112,940
2024	1,100,051	2,397,036
2025	222,201	234,919
2026	355,930	3,306,081
2027	116,146	172,205
After 2027	7,904,584	9,518
	9,698,912	7,232,699
Current	1,100,051	1,112,940
Non-current	8,598,861	6,119,759

19.4 Main loan and financing operations

19.4.1 Funding occurred in 2023

19.4.1.1 Working capital

During the first quarter, the subsidiary ALAB raised R$302,252 at costs of R$1,154, a rate equivalent to CDI+6.4% p.a. and a single payment of interest and principal in June 2023. During the second quarter, the payment deadline was postponed to September 2023 and the interest rate was postponed to CDI+6.5% p.a. In July 2023 the balance was paid in advance.

19.4.1.2 Debentures

During the second quarter, the subsidiary ALAB granted the 11th issue of simple debentures, not convertible into shares, of the type with real guarantee, with additional personal guarantee, in a single series, in the principal amount of R$600,000, with a nominal unit value of R$1, costs of R$11,872, rate equivalent to CDI+6.0% p.a. and maturity in June 2024. Interest will be amortized monthly. The resources were fully and exclusively used to pay for the supply aircraft.

19.4.1.3 Senior notes 2028

In July 2023, the subsidiary *Azul Secured* completed a private offering of senior debt securities in the amount principal of R$3,831,040 (equivalent to US$800,000), costs funding were from R$187,658, with interest of 11.9% p.a. paid quarterly starting in November 2023 and principal due in August 2028. The net proceeds will be used to pay certain debts, obligations, and other corporate purposes.

In October 2023, the subsidiary *Azul Secured* issued additional notes in the principal amount of R$186,005 (equivalent to US$36,778). Such notes were issued in exchange for the aggregate principal amount of R$190,819 (equivalent to US$37,730) of the Senior Notes 2024.

19.4.1.4 Aircraft and engines

In November 2023, the subsidiary Azul Finance financed R$79,222, with interest of 4.6% p.a. plus the variation in the Secured Overnight Financing Rate ("SOFR") and maturity in May 2026.

19.4.2 Renegotiations occurred in 2023

19.4.2.1 Debentures

During the first quarter, the subsidiary ALAB renegotiated the terms of the debentures, with a principal amount of R$700,000, costs of R$2,467 to extend the maturity date from December 2027 to December 2028. There was no change in interest rates.

In accordance with CPC 48 - Financial Instruments, equivalent to IFRS 9, the Company concluded that the renegotiation does not fall within the scope of debt extinguishment. For this reason, any costs or fees incurred were deducted from the debt balance.

19.4.2.2 Aircraft and engines

During the first quarter, the subsidiary ALAB renegotiated the deferral of the payment from March 2023 to December, 2023 of an installment in the amount of R$194,330, changing the weighted average rate from 6.5% p.a. to 7.4% p.a. Linked to this renegotiation, in the second quarter, the weighted average rate of the entire contract was renegotiated, changing from 7.4% p.a. to 8.6% p.a. In December 2023 the balance was paid in advance.

In accordance with CPC 48 - Financial Instruments, equivalent to IFRS 9, the Company concluded that the renegotiation does not fall within the scope of debt extinguishment. For this reason, any costs or fees incurred were deducted from the debt balance.

19.4.2.3 Senior notes

On June, 2023, the Company announced that its subsidiary *Azul Investments* launched:

- an offer exchange debt securities with interest of 5.9% p.a. due 2024 ("Senior Notes 2024") for debt securities with interest of 11.5% p.a. due 2029, and

- an offer to exchange debt securities with interest of 7.3% p.a. due 2026 ("Senior Notes 2026)" for debt securities with interest of 10.9% p.a. due 2030.

In July and October 2023, the subsidiary Azul Investments concluded its exchange offers and as a consequence the subsidiary *Azul Secured* issued:

- R$1,410,967 (equivalent to US$294,215) in principal amount with interest of 11.5% p.a. due 2029 (which were issued in exchange for R$1,410,967 (equivalent to US$294,215) in aggregate principal amount of the "Senior Notes 2024");

- R$2,725,010 (equivalent to US$568,219) in the principal amount with interest of 10.9% p.a. maturing in 2030 (which were issued in exchange for R$2,725,166 (equivalent to US$568,252) in the principal amount of the "Senior Notes 2026"); and

(In thousands of Brazilian reais – R$, unless otherwise indicated)

- R$186,005 (equivalent to US$36,778) in principal amount with interest of 11.5% p.a. due 2028 (which were issued in exchange for R$190,819 (equivalent to US$37,730) in aggregate principal amount of "Senior Notes 2024").

In total, 90.0% of the principal value of the 2024 and 2026 Senior Notes was exchanged for 2028, 2029 and 2030 debt securities, as shown below:

Description	US$	% exchanged
5.9% Senior notes 2024	331,945	83.0%
7.3% Senior notes 2026	568,252	94.7%
Total	900,197	90.0%

Due to debt renegotiations, the amount of R$199,635 was recorded in the statements of operations, under the heading "Debt restructuring". The amount refers to R$35,490 of the effects of extinguishing the debt and R$164,145 of new costs incurred, not capitalized as it concerns the extinguishment of the original debts.

19.5 Covenants

As of December 31, 2023, the Company has loans and financing subject to covenants related to the indebtedness level and the debt service coverage ratio.

Covenant related to:	Restrictive clause relating to:	Frequency of measurement	Required	Reached
9th and 10th issue of debentures	Annual	(i) Adjusted debt service coverage ratio (DSCR). (ii) Financial leverage .	(i) equal to or greater than 1.2; and (ii) less than or equal to 6.5 in 2023; 5.0 in 2024 and 2025; and 4.5 in 2026 and 2027.	Waiver
11ª issue of debentures	Annual	(i) index obtained by adjusted net debt/adjusted EBITDA.	(i) financial leverage less than or equal to 3.75x, as of December 31, 2023 .	Reached
Engine maintenance financing	Quarterly/Annual	(i) Adjusted debt service coverage ratio (DSCR); and (ii) Financial leverage	(i) equal to or greater than 1.2; and (ii) less than or equal to 5.5.	Waiver
Aircraft financing	Annual	(i) Adjusted debt service coverage ratio (DSCR) (ii) Financial leverage	(i) equal to or greater than 1.2; and (ii) less than or equal to 6.5.	Waiver

The Company requested a waiver from the counterparty and obtained them for the year ending December 31, 2023. Therefore, the related debt continues to be classified in these financial statements in accordance with the contractual flow originally established.

19.6 Guarantees

The package of guarantees for the debt renegotiations and the issuance of Senior Notes 2028, which took place during 2023, consists of the fiduciary assignment of the flow of receivables from Azul Viagens and the loyalty program and the fiduciary sale of the loyalty program's intellectual property. The Senior Notes 2028 and the Convertible Debentures are guaranteed in the first degree and the Senior Notes 2029 and 2030 are guaranteed in the second degree.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

20. LEASES

20.1 Accounting policies

Lease liabilities are recognized, measured, presented, and disclosed in accordance with CPC 06 (R2) – Leases, equivalent to IFRS – 16, against right-of-use assets, the accounting policies adopted by the Company for leasing operations are presented in note 17.

20.2 Renegotiations

During the year ending December 31, 2023, the Company defined and began to sign definitive agreements with the lessors, who agreed to receive negotiable debt securities maturing in 2030 and shares priced to reflect Azul's new cash generation, its improved capital structure and the reduction of its credit risk.

Until December 31, 2023, the Company had renegotiated 119 lease contracts under these new conditions. In general, the conditions agreed between the Company and lessors are as follows:

- Notes: R$1,385,115 (equivalent to US$286,104), with interest to be paid quarterly from December 2023, with interest of 7.5% p.a., and principal maturity in June 2030; and

- Equity: R$2,178,740 (equivalent to US$450,032), with interest-free and consecutive quarterly payments, starting in July 2024.

The costs incurred in these transactions correspond to R$84,421 and were recorded as statements of operations as required by CPC 48 – Financial Instruments, equivalent to IFRS 9.

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Leases	-	-	12,455,827	14,582,833
Leases - *Notes*	-	-	1,030,845	-
Leases - *Equity*	1,659,739	-	1,659,739	-
	1,659,739	-	15,146,411	14,582,833
Current liabilities	216,388	-	3,687,392	4,025,948
Non-current assets	1,443,351	-	11,459,019	10,556,885

(In thousands of Brazilian reais – R$, unless otherwise indicated)

20.3 Movement of Leases

Consolidated											
Description	Average remaining term	Weighted average rate	December 31, 2022	Additions	Modifications	Payments	Interest incurred	Transfers [b]	Write-offs	Foreign currency exchange	December 31, 2023
Lease without purchase option:											
Aircraft [a]	8.1	16.3%	13,585,810	1,086,943	1,090,251	(2,834,794)	2,209,708	(2,544,154)	(103,107)	(922,775)	11,567,882
Others	4.6	10.3%	185,527	21,763	76,266	(55,934)	19,194	-	-	(9,562)	237,254
Lease with purchase option:											
Aircraft [a]	5.0	13.8%	811,496	-	70,806	(192,819)	99,766	(90,815)	-	(47,743)	650,691
Total			14,582,833	1,108,706	1,237,323	(3,083,547)	2,328,668	(2,634,969)	(103,107)	(980,080)	12,455,827
Current			4,025,948								3,349,056
Non-current			10,556,885								9,106,771

(a) Includes aircraft, engines, and simulators.
(b) The transfer balances are between "Loans and financing", "Leases"; "Leases: Notes and Equity"; "Accounts payable" and "Other liabilities".

Consolidated										
Description	Average remaining term	Weighted average rate	December 31, 2021	Additions	Modifications	Payments	Interest incurred	Write-offs	Foreign currency exchange	December 31, 2022
Lease without purchase option:										
Aircraft [a]	7.6	21.3%	13,724,647	1,507,577	55,342	(3,220,152)	2,400,049	(1,123)	(880,530)	13,585,810
Others	4.9	9.8%	71,869	193,360	11,452	(38,031)	15,798	(67,416)	(1,505)	185,527
Lease with purchase option:										
Aircraft [a]	5.8	18.5%	1,094,059	113,231	(113,993)	(345,503)	117,281	-	(53,579)	811,496
Total			14,890,575	1,814,168	(47,199)	(3,603,686)	2,533,128	(68,539)	(935,614)	14,582,833
Current			3,497,665							4,025,948
Non-current			11,392,910							10,556,885

(a) Includes aircraft, engines, and simulators.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

20.4 Leases – Notes

Consolidated								
Description	Average remaining term	Weighted average rate	December 31, 2022	Additions	Interest incurred	Transfers [(a)]	Foreign currency exchange	December 31, 2023
Financing with lessors - Notes	6.5	14.8%	-	11,097	36,292	1,018,404	(34,948)	1,030,845
Total			-	11,097	36,292	1,018,404	(34,948)	1,030,845
Current			-					121,948
Non-current			-					908,897

(a) The transfer balances are between “Leases” and “Leases: Notes and Equity”.

20.5 Leases – Equity

Parent Company and Consolidated								
Description	Average remaining term	Weighted average rate	December 31, 2022	Additions	Interest incurred	Transfers [(a)]	Foreign currency exchange	December 31, 2023
Financing with lessors - Equity	3.6	14.6%	-	17,270	55,597	1,640,771	(53,899)	1,659,739
Total			-	17,270	55,597	1,640,771	(53,899)	1,659,739
Current			-					216,388
Non-current			-					1,443,351

(a) The transfer balances are between “Leases” and “Leases: Notes and Equity”.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

20.6 Schedule of amortization of leases

Description	Consolidated December 31, 2023	Consolidated December 31, 2022
2023	-	4,387,911
2024	3,570,147	4,162,958
2025	2,851,258	3,579,587
2026	2,615,718	3,237,509
2027	2,226,313	2,909,201
After 2027	9,594,071	8,512,031
Minimum lease payments	20,857,507	26,789,197
Financial charges	(8,401,680)	(12,206,364)
Present value of minimum lease payments	12,455,827	14,582,833
Current	3,349,056	4,025,948
Non-current	9,106,771	10,556,885

20.7 Schedule of amortization of leases – Notes

Description	Consolidated December 31, 2023
2024	130,432
2025	103,883
2026	103,883
2027	103,883
After 2027	1,644,823
Minimum lease payments	2,086,904
Financial charges	(1,056,059)
Present value of minimum lease payments	1,030,845
Current	121,948
Non-current	908,897

There were no comparative balances as of December 31, 2022.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

20.8 Schedule of amortization of Leases – Equity

Description	Parent Company and Consolidated December 31, 2023
2024	235,897
2025	726,247
2026	726,247
2027	490,348
Minimum lease payments	2,178,739
Financial charges	(519,000)
Present value of minimum lease payments	1,659,739
Current	216,388
Non-current	1,443,351

There were no comparative balances as of December 31, 2022.

20.9 Covenants

As of December 31, 2023, the Company has lease liabilities subject to covenants related to the indebtedness level and the debt service coverage ratio.

Covenant related to:	Indicators for the measurement	Frequency of measurement	Required	Reached
Aircraft financing	Annual	(i) Adjusted debt service coverage ratio (DSCR); and (ii) Financial leverage	(i) equal to or greater than 1.2; and (ii) less than or equal to 5.5.	Waiver

The Company requested a waiver from the counterparty, and obtained it for the year ending December 31, 2023. Therefore, the related debt continues to be classified in these financial statements in accordance with the contractual flow originally established.

21. CONVERTIBLE DEBT INSTRUMENTS

21.1 Accounting policies

As required by CPC 48 – Financial Instruments, equivalent to IFRS 9, the right to convert convertible debentures into shares was measured at fair value through profit or loss as it is an embedded derivative.

21.2 Renegotiations

In July 2023, the Company concluded the renegotiation of the convertible debentures, with a principal value of R$1,745,900, changing the maturity date from October 2025 to October 2028, at a nominal rate of 6.0% p.a. to 12.3% p.a. and the conversion price from R$32.26 to R$22.78.

In accordance with CPC 48 – Financial Instruments, equivalent to IFRS 9, the Company concluded that the renegotiation of the debentures falls within the scope of debt extinguishment. Therefore, the values recorded were extinguished and a new debt was recorded. For this reason, any costs or fees incurred were recognized in statements of operations.

Due to the modification of the debt, the amount of R$352,430, composed of the effect of the restructuring of R$233,068 (expense of R$346,555 related to the extinction and reconstitution of the conversion right and income of R$113,487 related to the extinction and reconstitution of the debt) and R$119,362 of new costs incurred, was recorded in the statements of operating, under the heading “Restructuring of debentures”.

The balance presented below debentures includes the right to convert the debt into Company shares in the amount of R$488,775 (R$116,971 as of December 31, 2022).

(In thousands of Brazilian reais – R$, unless otherwise indicated)

21.3 Movement of convertible debt instruments

Parent Company and Consolidated												
Description	Average nominal rate p.a.	Effective rate (a)	Maturity	December 31, 2022	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Restructuring result	Amortized cost	December 31, 2023
In foreign currency – US$												
Debentures	12.3%	12.3%	Oct-28	1,403,719	25,249	(542,496)	(100,928)	242,608	(62,232)	233,068	2,622	1,201,610
Total in R$				1,403,719	25,249	(542,496)	(100,928)	242,608	(62,232)	233,068	2,622	1,201,610
Current				14,789								25,807
Non-current				1,388,930								1,175,803

(a) Does not consider the conversion right.

Parent Company and Consolidated										
Description	Average nominal rate p.a.	Effective rate (a)	Maturity	December 31, 2021	Variation of conversion right	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	December 31, 2022
In foreign currency – US$										
Debentures	6,0% a 7,5%	6.6%	Oct-25	1,873,001	(519,815)	(105,891)	231,103	(79,212)	4,533	1,403,719
Total in R$				1,873,001	(519,815)	(105,891)	231,103	(79,212)	4,533	1,403,719
Current				39,124						14,789
Non-current				1,833,877						1,388,930

(a) Does not consider the conversion right.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

21.4 Schedule of amortization

	Parent Company and Consolidated	
Description	December 31, 2023	December 31, 2022
2023	-	14,789
2024	25,807	-
2025	-	1,388,930
After 2026	1,175,803	-
	1,201,610	1,403,719
Current	25,807	14,789
Non-current	1,175,803	1,388,930

22. ACCOUNTS PAYABLE

22.1 Accounting policies

Amounts payable to suppliers are initially recognized at fair value and subsequently increased, when applicable, by the corresponding charges and monetary and exchange variations.

22.2 Breakdown of accounts payable

As described in note 2.1.4.6, negotiations with suppliers of aircraft services and parts mostly followed the same model as the renegotiation of lease obligations, i.e. the Company issued Notes in the equivalent amount of R$408,541 (equivalent to US$84.386), with interest of 7.5% p.a. to be paid quarterly from December 2023, and principal due in June 2030),as well as Equity, in the total amount of R$159,775 (equivalent to US$33,002), with consecutive quarterly payments, starting in January 2025.

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Accounts payable	10,651	24	3,077,225	3,034,799
Accounts payable - *Notes*	-	-	401,702	-
Accounts payable - *Equity*	119,841	-	119,841	-
	130,492	24	3,598,768	3,034,799
Current	10,651	24	2,277,841	2,517,828
Non-current	119,841	-	1,320,927	516,971

(In thousands of Brazilian reais – R$, unless otherwise indicated)

22.3 Movement of accounts payable

22.3.1 Accounts payable – *Notes*

	Consolidated				
Description	December 31, 2022	Addition	Interest incurred	Foreign currency exchange	December 31, 2023
Financing with accounts payable - *Notes*	-	401,824	8,357	(8,479)	401,702
Total	-	401,824	8,357	(8,479)	401,702
Current	-				11,624
Non-current	-				390,078

22.3.2 Accounts payable – *Equity*

	Parent company and consolidated				
Description	December 31, 2022	Addition	Interest incurred	Foreign currency exchange	December 31, 2023
Financing with accounts payable - *Equity*	-	118,809	3,347	(2,315)	119,841
Total	-	118,809	3,347	(2,315)	119,841
Non-current	-				119,841

23. REVERSE FACTORING

23.1 Accounting policies

The Company promotes negotiations with suppliers with the aim of extending their payment terms. In this way, agreements were signed with financial institutions that allow the anticipation from their suppliers, mainly fuel, with interest rates ranging between 1.19% and 1.27% p.m.

When the notes payable are included in the drawn risk, this amount is transferred from the item “Accounts payable” to “Reverse factoring”.

23.2 Movement of reverse factoring

Description	Consolidated
At December 31, 2021	3,694
Addition	1,541,948
Interest incurred	79,460
Interest paid	(53,476)
Payment	(818,274)
At December 31, 2022	753,352
Addition	391,676
Interest incurred	17,010
Interest paid	(39,714)
Payment	(831,477)
At December 31, 2023	290,847

(In thousands of Brazilian reais – R$, unless otherwise indicated)

24. DERIVATIVE FINANCIAL INSTRUMENTS

24.1 Accounting policies

Variations in interest rates, exchange rates and aviation fuel prices expose the Company and its subsidiaries to risks that may affect their financial performance. In order to mitigate such risks, the Company contracts derivative financial instruments. Operations present the variation in their fair value recorded directly in the financial result.

24.2 Breakdown of derivative financial instruments

	Consolidated					
Changes in fair value	Interest rate swap	Forward - fuel	Option fuel	Forward - foreign currency	Conversion right debentures [(a)]	Total
At December 31, 2021	(213,257)	9,383	-	270,640	(636,786)	(570,020)
Gains (losses) recognized in result	33,519	440,065	-	(35,394)	519,815	958,005
nents (receipts)	568	(478,149)	-	-	-	(477,581)
At December 31, 2022	(179,170)	(28,701)	-	235,246	(116,971)	(89,596)
Gains (losses) recognized in result	(34,075)	(168,378)	13,796	(24,552)	(25,249)	(238,458)
Payments (receipts)	213,245	136,977	(1,530)	(210,694)	-	137,998
ructuring [(b)]	-	-	-	-	(346,555)	(346,555)
At December 31, 2023	-	(60,102)	12,266	-	(488,775)	(536,611)
Rights with current derivative financial instruments	-	757	21,152	-	-	21,909
Obligations with current derivative financial instruments	-	(60,019)	(8,886)	-	-	(68,905)
Obligations with non-current derivative financial instruments	-	(840)	-	-	-	(840)
Non-current convertible instruments	-	-	-	-	(488,775)	(488,775)
	-	(60,102)	12,266	-	(488,775)	(536,611)

(a) Balance recorded in the parent company.

(b) Refers to the effects of the extinction and reconstitution of the conversion right.

25. AIRPORT TAXES AND FEES

25.1 Accounting policies

The amounts payable in airport taxes and fees are initially recognized at fair value and subsequently increased, when applicable, by the corresponding charges and monetary and exchange variations.

25.2 Breakdown of airport taxes and fees

	Consolidated	
Description	December 31, 2023	December 31, 2022
Airport fees	1,490,514	1,087,232
Boarding tax	248,689	213,093
Others	20,880	34,444
	1,760,083	1,334,769
Current	588,404	831,897
Non-current	1,171,679	502,872

(In thousands of Brazilian reais – R$, unless otherwise indicated)

26. AIR TRAFFIC LIABILITY AND LOYALTY PROGRAM

26.1 Accounting policies

This represents the Company's obligations for the early receipt of air transport services and other auxiliary services related to the main obligation with its customers. They are accounted for at the amount of the transaction and as they are non-monetary items they are not subject to exchange differences or monetary adjustment of any nature. These obligations are extinguished with the provision of the transport services against operating income in the statements of operations for the year.

26.2 Breakdown of air traffic liability and loyalty program

	Consolidated	
Description	December 31, 2023	December 31, 2022
Air traffic liability and loyalty program	5,782,121	4,660,271
Breakage	(576,245)	(520,246)
	5,205,876	4,140,025
Average use term [a]	56 days	48 days

(a) Does not consider the loyalty program.

27. SALARIES AND BENEFITS

27.1 Accounting policies

Salary and social security obligations are initially recognized at fair value, on an accrual basis.

27.2 Breakdown salaries and benefits

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Short-term benefits	2,344	2,485	473,060	478,568
Share-based payment	-	-	1,737	844
	2,344	2,485	474,797	479,412

28. TAXES PAYABLE

28.1 Accounting policies

Taxes payable represent tax obligations arising from the Company's operating activities, mainly from the passengers and cargo transport.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

28.2 Breakdown of taxes payable

	Parent company		Consolidated	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Government installment payment program federal	-	-	157,970	96,547
PIS and COFINS	2	2	4,231	55,385
Taxes withheld	421	535	76,520	49,906
Import taxes	83	96	13,483	15,189
Others	-	-	2,251	48,156
	506	633	254,455	265,183
Current	506	633	142,168	193,588
Non-current	-	-	112,287	71,595

In the first quarter of 2023, the Company paid federal taxes in 60 months in the amount of R$103,650. As of December 31, the Company does not have overdue amounts.

29. PROVISIONS

29.1 Accounting policies

29.1.1 Provision for return of aircraft and engines

Aircraft and engines negotiated under lease without purchase options regularly provide for contractual obligations establishing conditions for the return of these assets.

In this way, the Company provides for return costs, since these are present obligations arising from past events and which will generate future disbursements, which are measured with reasonable certainty.

These expenses basically refer to aircraft reconfiguration (interior and exterior), obtaining licenses and technical certifications, verifications of returns, maintenance, painting, etc., as established in the contract. The cost of return is initially recognized at present value as part of the cost of right-of-use assets, and the provision for aircraft return costs is recorded in the “Provisions” account. After initial recognition, the liability is updated according to the capital remuneration rate estimated by the Company, with a corresponding entry recorded in the financial result. Any changes in the estimate of expenses to be incurred are recognized prospectively against the right of use asset or in the statement of operations for the year if the right-of-use balance is insufficient.

29.1.2 Tax, civil, labor and other risks

The Company is a party to several legal and administrative proceedings, mainly in Brazil. Assessments of the likelihood of loss in these cases include an analysis of the available evidence, the hierarchy of laws, the available case laws, the most recent court decisions and their significance in the legal system, as well as the assessment of external lawyers.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

The Company's Management believes that the provision for tax, civil and labor risks is sufficient to cover any losses on legal and administrative.

29.1.3 Post-employment benefits

The Company recognizes actuarial liabilities related to health insurance benefits offered to its employees in accordance with CPC 33 (R1) – Employee Benefits, equivalent to IAS 19. Actuarial gains and losses are recognized in other comprehensive income based on the actuarial report prepared by independent experts, while the current service cost and interest cost are recognized in profit or loss for the year.

29.2 Breakdown of provisions

	Consolidated				
Description	Return of aircrafts and engines [(a)]	Tax, civil, labor and other risks [(b)]	Onerous contracts	Post-employment benefit	Total
At December 31, 2021	2,241,439	558,982	693,407	5,761	3,499,589
Additions	678,252	181,136	(586,634)	113	272,867
Write-offs	(228,034)	(179,391)	(178,126)	-	(585,551)
Interest incurred	144,563	-	100,975	609	246,147
Effect of change in financial assumptions	-	-	-	(888)	(888)
Effect of plan experience	-	-	-	1,406	1,406
Foreign currency exchange	(160,954)	-	(29,622)	-	(190,576)
At December 31, 2022	2,675,266	560,727	-	7,001	3,242,994
Additions	501,864	216,778	-	115	718,757
Modifications	(250,134)	-	-	-	(250,134)
Write-offs	(401,014)	(237,313)	-	-	(638,327)
Interest incurred	239,078	17,581	-	760	257,419
Benefit paid by the plan	-	-	-	(141)	(141)
Effect of change in financial assumptions	-	-	-	(23)	(23)
Effect of plan experience	-	-	-	2,198	2,198
Foreign currency exchange	(191,890)	-	-	-	(191,890)
At December 31, 2023	2,573,170	557,773	-	9,910	3,140,853
At December 31, 2023					
Current	497,525	238,905	-	-	736,430
Non-current	2,075,645	318,868	-	9,910	2,404,423
At December 31, 2022					
Current	654,897	179,391	-	-	834,288
Non-current	2,020,369	381,336	-	7,001	2,408,706

(a) Nominal discount rate 10.7% p.a. (11.2% p.a. as of December 31, 2022).
(b) Considers provision for civil risks in the amount of R$30 in the parent company.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

29.2.1 Tax, civil, labor and other risks

The balances of the proceedings with estimates of probable and possible losses are shown below:

	Consolidated			
	Probable loss		Possible loss	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Tax	284,638	263,495	432,109	376,510
Civil	131,464	107,980	49,930	57,871
Labor	141,671	121,842	68,789	43,423
Other	-	67,410	-	-
	557,773	560,727	550,828	477,804

29.2.1.1 Tax

29.2.1.1.1 Probable loss

The Company discusses the non-application of the additional charge of 1% of COFINS on imports of aircraft, parts and components, in the amount of R$219,695 (As of December 31, 2022 R$209,496). Such classification is due to decisions from higher courts considering the legality of the collection of the additional charge on the imports made by airlines.

29.2.1.1.2 Possible loss

On 2022, the Company was assessed by the Federal Revenue Service due to alleged infringement relating to Social Security Contribution on Gross Revenue ("CPRB" or payroll tax relief), totaling approximately R$255,042. Tax assessment notices are being discussed at the administrative and judicial levels.

The Company has social security distribution in the amount of R$ 69,768 related to the non-incidence of the Employer's Social Security Contribution on the amounts deducted under private pension and health plan. The discussion is based on the fact that the expenses are not included in the concept of remuneration and, therefore, are not subject to collection.

The values are dispersed and it is not possible to highlight any specific process.

29.2.1.2 Civil

The Company has civil lawsuits, mainly related to compensation actions in general, such as flight delays and cancellations, lost and damaged luggage, among others. The values are dispersed, and it is not possible to highlight any specific process.

29.2.1.3 Labor

The Company has labor complaints, mainly related to discussions related to overtime, hazard pay, unhealthy conditions and equal pay. The values are scattered, and it is not possible to highlight any specific process.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

29.2.1.4 Others

The amounts recorded under this heading are related to the contingent liability assumed as a result of the business combination with Conecta. During the year ended December 31, 2023, the process was concluded and the Company was ordered to pay R$3,776, so the reversal of 63,634 was recorded in the statements of operations for the year.

29.2.2 Post-employment benefit

Below are the assumptions used to calculate post-employment benefits:

	Consolidated	
Weighted average of assumptions	December 31, 2023	December 31, 2022
Nominal discount rate p.a.	9.92%	10.96%
Actual discount rate p.a.	5.79%	5.78%
Estimated inflation rate in the long term p.a.	3.90%	4.90%
HCCTR - Average nominal inflation rate p.a.	7.02%	8.05%
HCCTR - Actual nominal inflation rate p.a.	3.00%	3.00%
Mortality table	AT-2000 downrated by 10%	AT-2000 downrated by 10%

30. RELATED-PARTY TRANSACTIONS

30.1 Accounting policies

Transactions with related parties were entered into in the ordinary course of the Company's business, at prices, terms and financial charges according to the conditions established between the parties. Such operations include, among other aspects, shared service agreements and loan agreements.

30.2 Related-party transactions

30.2.1 Balances

In compliance with accounting standards, such transactions were duly eliminated for consolidation purposes.

As disclosed in explanatory note 2 of this quarterly information, the Company underwent a major process of restructuring its debts, which included the issuance of *Senior Notes 2028*, Exchange offer, convertible debentures, renegotiation of lease and supplier debts through the issuance of Notes and Equity. Were carried out through subsidiaries in the name of ALAB and/or Azul.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

Parent company			
Creditor	Debtor	Type of operation	December 31, 2023
Azul	Investment	Debt securities exchange offers - costs	8,464
Azul	Secured	Issuance of debt securities 2028 - costs	6,676
Azul	ALAB	Renegotiation of obligations with suppliers - Equity	119,841
Azul	ALAB	Renegotiation of lease obligations - Equity	1,659,739
ALAB	Azul	Renegotiation of convertible debentures - costs	(496)
ALAB	Azul	Loan	(86,659)
Secured	Azul	Renegotiation of convertible debentures - costs	(9,685)
Secured	Azul	Loan	(639,052)
			1,058,828
Rights with related parties current			216,388
Rights with related parties non-current			1,578,332
Obligations with current related parties			(52,129)
Obligations with related parties non-current			(683,763)

There were no comparative balances as of December 31, 2022.

Revenue	Expense	Type of operation	December 31, 2023	December 31, 2022
Azul	ALAB	Debt forgiveness from loan operations	71,703	-
Azul	ALAB	Loan	-	49,062
ALAB	Azul	Loan	(4,801)	-
			66,902	49,062

30.2.2 Compensation of key management personnel

The Company´s employees are entitled to profit sharing based on certain goals agreed annually. In turn, executives are entitled to bonus based on statutory provisions proposed by the Board of Directors and approved by the shareholders. The amount of profit sharing is recognized in profit or loss for the year in which the goals are achieved.

Key management personnel comprise the directors, officers and members of the Executive Committee and directors. Expenses incurred with remuneration and the respective charges, paid or payable, are shown below:

	Consolidated	
	Years ended	
Description	December 31, 2023	December 31, 2022
Short-term benefits	19,429	58,788
Post-employment benefit	595	-
Share-based payment	63,529	(17,441)
	83,553	41,347

Stock-based compensation plan, considers the option plan, RSU and phantom shares. Such plans are expected to be settled in up to eight years and, therefore, and does not represent a cash outflow.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

30.2.3 Guarantees and pledges granted by the Parent Company

The Company has granted guarantees on rental properties for some of its executives and the total amount involved is not significant.

30.2.4 Technology service sharing contract

The Company carried out transactions with Águia Branca Participações S.A. one of its shareholders, for the sharing of information technology resources for an indefinite period. The total amount of services acquired during year ended December 31, 2023 was R$52 (R$52 as of December 31, 2022), recorded under the heading “Other income and (expenses)”, in the statement of operations. As of December 31, 2023, there were no amounts to be paid as a result of this transaction.

30.2.5 Ticket sales contract

On March, 2018, the Company entered into a ticket sales contract with Caprioli Turismo Ltda., a travel agency owned by the Caprioli family (which holds an indirect stake in the Company through TRIP former shareholders), whereby Caprioli Turismo Ltda. is granted a R$20 credit line for the purchase and resale of tickets for flights operated by the Company. This credit line is guaranteed by a non-interest bearing promissory note in the same amount payable.

30.2.6 Aircraft sublease

The Company signed sublease agreements for three aircraft with Breeze Aviation Group (“Breeze”), an airline founded by the controlling shareholder of Azul, headquartered in the United States. The transaction was voted and approved by 97% of the Azul's shareholders at the Extraordinary General Meeting held on March 2020. Following good corporate practices, the controlling shareholder did not participate in the voting.

As of December 31, 2023, the operations with Breeze as recorded the following balances:

		Consolidated		
Creditor	Debtor	Type of operation	December 31, 2023	December 31, 2022
ALAB	Breeze	Aircraft sublease	30,802	67,056
ALAB	Breeze	Maintenance reservation refund	3,901	-
Breeze	ALAB	Maintenance reservation refund	(19,559)	(14,456)

		Consolidated		
Revenues	Expenses	Type of operation	December 31, 2023	December 31, 2022
ALAB	Breeze	Interest incurred	5,824	7,589

(In thousands of Brazilian reais – R$, unless otherwise indicated)

30.2.7 Lilium

In August 2021, the Company announced plans to make a strategic partnership with *Lilium GmbH*, a wholly owned subsidiary of *Lilium N.V*. *(“Lilium)*, which has ultimately become a related party as the Company’s Board of Directors’ Chairman was elected independent member of *Lilium’s* Board of Directors.

As of December 31, 2023 and 2022, the Company has no outstanding balances with *Lilium*.

30.2.8 Azorra

In August 2022, the Company made agreements for purchase and sale of aircraft and engines with entities that are part of *Azorra Aviation Holdings LLC. (“Azorra”)* group, which has become a related party as the Company’s Board of Directors’ Chairman was elected independent member of Azorra’s Board of Directors.

The transactions between the Company and the Azorra group are shown below:

Consolidated				
Creditor	Debtor	Type of operation	December 31, 2023	December 31, 2022
ALAB	Azorra	Maintenance reserves	-	107,286
ALAB	Azorra	Security deposits	4,643	3,913
Azorra	ALAB	Leases	(302,947)	(113,832)
Azorra	Azul Investments	Leases - *Notes*	(74,572)	-
Azorra	Azul	*Leases - Equity*	(102,683)	-

Revenues	Expenses	Type of operation	December 31, 2023	December 31, 2022
Azorra	ALAB	Interest incurred	17,106	10,983

31. EQUITY

31.1 Issued capital

	Parent company and Consolidated			
	Value		Quantity	
Description	Company’s capital	AFAC [(a)]	Common shares	Preferred shares
At December 31, 2021	2,290,876	120	928,965,058	333,680,010
Capital payment	-	(23,065)	-	-
Share-based payment	23,065	23,006	-	1,943,398
At December 31, 2022	2,313,941	61	928,965,058	335,623,408
Capital payment	880	(880)	-	-
Share-based payment	-	1,608	-	124,388
At December 31, 2023	2,314,821	789	928,965,058	335,747,796

(a) Advance for future capital increase.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

As established in the Company's bylaws, each common share entitles you to 1 (one) vote. Preferred shares of any class do not confer voting rights, however, they provide their holders with:

- Capital repayment priority;
- The right to be included in a public offer for the purchase of shares, due to the transfer of control of the Company, under the same conditions and for a price per share equivalent to seventy-five (75) times the price per share paid to the controlling shareholder;
- The right to receive amounts equivalent to seventy-five (75) times the price per common share after the division of remaining assets among shareholders; and
- The right to receive dividends equal to seventy-five (75) times the amount paid for each common share.

Company shareholding structure is presented below:

	Parent company and Consolidated					
	December 31, 2023			December 31, 2022		
Shareholder	Common shares	Preferred shares	% economic participation	Common shares	Preferred shares	% economic participation
David Neeleman	67.0%	2.2%	4.5%	67.0%	2.2%	4.5%
Acionistas Trip [(a)]	33.0%	4.0%	5.0%	33.0%	4.4%	5.4%
United Airlines Inc	-	8.0%	7.8%	-	8.0%	7.8%
Blackrock	-	5.0%	4.8%	-	5.0%	4.8%
Others	-	80.7%	77.8%	-	80.3%	77.4%
Treasury shares	-	0.1%	0.1%	-	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) This refers to Trip Participações S.A., Trip Investimentos Ltda. and Rio Novo Locações Ltda.

The Company is authorized, by resolution of the Board of Directors, to increase the issued capital, regardless of any amendments to bylaws, with the issue of up to 230,000,000 (two hundred and thirty million) new preferred shares. The Board of Directors will set the conditions for the issue, including price and payment term.

31.2 Treasury shares

31.2.1 Accounting policies

Own equity instruments that are acquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the fair value, if the share is reissued, is recognized in the share premium.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

31.2.2 Movement of treasury shares

	Parent company and Consolidated		
Description	Number of shares	Amount paid	Average cost (in R$)
At of December 31, 2021	384,529	11,959	31.10
Repurchase	313,102	3,923	12.53
Transfers	(347,632)	(5,678)	-
At December 31, 2022	349,999	10,204	29.15
Repurchase	591,866	6,826	11.53
Transfers	(441,866)	(7,989)	-
At December 31, 2023	499,999	9,041	18.08

As of November, 2022 approved the repurchase plan for 1,300,000 preferred shares maturing in 18 months, to keep them in treasury for a subsequent payment of the installments of the Restricted Stock plan. Until December 31, 2023, within the said plan, the Company reacquired 851,868 shares.

32. EARNINGS (LOSS) PER SHARE

32.1 Accounting policies

The basic result per share is calculated by dividing the net income for the year attributed to the Company's controlling shareholders by the weighted average number of all classes of shares in circulation, except treasury shares, during the year.

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of shares outstanding, xcept those in treasury shares, by instruments potentially convertible into shares. However, due to the losses reported in the years ended December 31, 2023 and 2022, these instruments issued by the company have a non-dilutive effect and therefore were not considered in the total number of shares outstanding to determine the diluted loss per share.

Although there are differences between common and preferred shares as to voting and preemptive rights in the event of liquidation, the Company's preferred shares do not grant the right to receive fixed dividends. Preferred shares have economic power and the right to receive dividends 75 times greater than common shares. Accordingly, the Company considers that the economic power of preferred shares is greater than that of common shares. Therefore, the profit or loss for the year attributable to the controlling shareholders is allocated proportionally in relation to the total economic participation of the amount of common and preferred shares.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

32.2 Earnings (loss) per share calculation

	Parent company and Consolidated Years ended	
Description	December 31, 2023	December 31, 2022
Numerator		
Loss for the year	(2,380,456)	(722,367)
Denominator		
Weighted average number of common shares	928,965,058	928,965,058
Weighted average number of preferred shares	335,145,967	335,021,274
Economic value of preferred shares	75	75
Weighted average number of equivalent preferred shares [a]	347,532,168	347,407,475
Weighted average number of equivalent common shares [b]	26,064,912,583	26,055,560,608
Weighted average number of presumed conversions	220,081,929	77,059,124
Weighted average number of preferred shares that would have been issued the average share price at the market price	4,041,744	3,290,760
Average share price at market price (in reais)	14.35	18.17
Basic loss per common share – R$	(0.09)	(0.03)
Diluted loss per common share – R$	(0.09)	(0.03)
Basic loss per preferred share – R$	(6.85)	(2.08)
Diluted loss per preferred share – R$	(6.85)	(2.08)

(a) This refers to the participation in the value of the Company's total equity, calculated as if all 928,965,058 common shares had been converted into 12,386,201 preferred shares at the conversion ratio of 75 common shares for each preferred share.

(b) This refers to the participation in the value of the Company's total equity, calculated as if the weighted average of preferred shares had been converted into common shares at the conversion ratio of 75 common shares for each one preferred share.

33. SHARE-BASED PAYMENT

33.1 Accounting policies

The Company offers executives share-based compensation plans to be settled with Company shares or cash, according to which the Company receives services as consideration.

The cost of instruments is measured based on fair value on the date they were granted or on the date of these financial statements for phantom shares. To determine the fair value of purchase options, the Company uses the Black-Scholes model.

The cost of transactions settled with equity securities is recognized in profit or loss under “Salaries and Benefits”, together with a corresponding increase in the “Capital reserve” or “Salaries and social charges” liability for phantom shares, over the period in which performance and/or service condition are met, ending on the date on which the employee acquires full right to the award (vesting date) or settlement and cancellation for phantom shares. The outstanding liability is revalued at fair value on the date of this financial statement.

33.2 Compensation plans

The Company has three share-based compensation plans: the Stock Option Plan (“Option Plan”), the Restricted Stock Plan (“RSU”) and the Stock Purchase Plan ("phantom Shares"). All of them aim to stimulate and promote the alignment of the objectives of the Company, shareholders, management and employees, and mitigate the risks in the generation of value of the Company by the loss of its executives, strengthening their commitment and productivity in the long-term results.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

The movement of the plans is shown below:

	Parent company and Consolidated			
	Number of shares			
Description	Stock option plan	RSU	Phantom shares	Total
At December 31, 2021	3,923,686	1,366,386	5,136,682	10,426,754
Granted	17,089,417	1,006,779	-	18,096,196
Exercised	(1,943,398)	(479,098)	-	(2,422,496)
Canceled	-	(98,666)	(4,810,210)	(4,908,876)
At December 31, 2022	19,069,705	1,795,401	326,472	21,191,578
Granted	1,800,000	500,000	-	2,300,000
Exercised	(124,388)	(609,313)	(22,884)	(756,585)
Canceled	(223,633)	(142,023)	(56,658)	(422,314)
At December 31, 2023	20,521,684	1,544,065	246,930	22,312,679

Description	December 31, 2023	December 31, 2022
Share price (in reais)	16.01	11.01
Weighted average price of the stock option (in reais)	12.93	11.84
Weighted average price of the phantom shares (in reais)	10.35	-
Cash inflow stock option plan	1,608	23,006
Flat cash inflow of p*hantom* shares	237	-
Total obligation regarding phantom shares	1,736	844
Income tax regarding RSU transfer	3,239	1,427

The expenses of share-based compensation plans are shown below:

	Years ended	
Description	December 31, 2023	December 31, 2022
Stock option	61,646	29,368
RSU	9,093	1,366
Phantom shares	904	(48,984)
	71,643	(18,250)

Due to the reduction in the value of the share, in the year ended December 31, 2022, from R$24.36 to R$11.01, there was a decrease in the estimated remuneration of phantom shares and consequently a reversal of the expense recorded in previous periods.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

33.3 Assumptions

33.3.1 Stock option plan

During the third quarter the 2023, the Company granted one programs with the following conditions:

Date of grant	Option exercise price (in R$)	Everage fair value of the option on the grant (in R$)	Historical volatility	Expected dividend	Average risk-free rate of return	Exercise rate per tranche	Deadline remainder of vesting period (in years)	Purchasing period up to (years)	Total options granted	Total outstanding options	Total options available for exercise
December 11, 2009	3.42	1.93	47.7%	1.1%	8.8%	25.0%	-	4.0	5,032,800	182,870	182,870
March 24, 2011	6.44	4.16	54.8%	1.1%	12.0%	25.0%	-	4.0	1,572,000	84,000	84,000
April 5, 2011	6.44	4.16	54.8%	1.1%	12.0%	25.0%	-	4.0	656,000	6,200	6,200
June 30, 2014	19.15	11.01	40.6%	1.1%	12.5%	25.0%	-	4.0	2,169,122	708,993	708,993
July 1, 2015	14.51	10.82	40.6%	1.1%	15.7%	25.0%	-	4.0	627,810	177,592	177,592
July 1, 2016	14.50	10.14	43.1%	1.1%	12.2%	25.0%	-	4.0	820,250	280,124	280,124
July 6, 2017	22.57	12.82	43.4%	1.1%	10.3%	25.0%	-	4.0	680,467	442,796	442,796
March 14, 2017	11.85	4.82	50.6%	1.1%	11.3%	20.0%	-	5.0	9,343,510	-	-
August 8, 2022	11.07	8.10	70.0%	-	13.0%	25.0%	2.6	4.0	1,774,418	1,731,390	439,962
August 8, 2022	11.07	6.40	68.8%	-	13.2%	25.0%	1.6	4.0	1,514,999	1,399,999	669,500
August 19, 2022	11.07	7.39	67.2%	-	13.6%	100.0%	-	1.0	4,900,000	4,824,333	4,824,333
August 19, 2022	11.07	11.54	74.6%	-	12.7%	33.0%	3.6	5.0	8,900,000	8,900,000	-
July 7, 2023	15.60	10.80	75.4%	-	11.6%	25.0%	3.5	4.0	1,800,000	1,783,387	-
									39,791,376	20,521,684	7,816,370

33.3.2 Restricted stock option plan

During the third quarter the 2023, the Company granted one programs with the following conditions:

Date of grant	Exercise rate per tranche	Fair value of share (in R$)	Remaining term of the vesting period (in years)	Purchasing period up to (years)	Total granted	Total not exercised
July 7,2019	25.0%	51.65	-	4.0	170,000	-
June 19, 2020	25.0%	21.80	0.4	4.0	1,382,582	255,126
July 7, 2021	25.0%	42.67	1.5	4.0	300,000	118,661
July 7, 2022	25.0%	11.72	2.5	4.0	335,593	230,693
July 7, 2022	25.0%	11.72	2.5	4.0	671,186	444,761
July 7, 2023	25.0%	19.32	3.5	4.0	500,000	494,824
					3,359,361	1,544,065

33.3.3 Phantom shares

Date of grant	Option exercise price (in reais)	Average fair value of option	Historical volatility	Expected dividend	Average risk-free rate of return	Exercise rate per tranche	Remaining term of the vesting period (in years)	Purchasing period up to (years)	Total options granted	Total outstanding	Total options available for exercise
August 7, 2018	20.43	3.89	74.9%	-	10.0%	25.0%	-	4.0	707,400	53,520	53,520
July 7, 2019	42.09	1.08	74.9%	-	10.0%	25.0%	-	4.0	405,000	-	-
April 30, 2020	10.35	7.87	74.9%	-	10.0%	33.3%	-	3.0	3,250,000	153,160	153,160
April 30, 2020	10.35	8.60	73.8%	-	9.8%	25.0%	0.3	4.0	1,600,000	38,820	38,820
August 17, 2021	33.99	3.46	71.4%	-	9.8%	25.0%	1.6	4.0	580,000	1,430	1,430
									6,542,400	246,930	246,930

34. SALES REVENUE

34.1 Accounting policies

34.1.1 Revenue from passenger transport

Revenue from passenger transport is recognized when air transportation is actually provided. Tickets sold, but not yet used are recorded as "Air traffic liability and loyalty program" account, net of breakage revenue estimate (note 26).

Breakage revenue consists of calculating, on a historical basis, tickets issued that will expire due to non-use, that is, passengers who have purchased tickets and are very likely not to use them. For the purposes of recognizing this revenue, the average periods for providing air transport services are also considered, and these assumptions are included in a statistical model that determines the estimate of the breakage rate to be adopted. At least annually, the calculations are reviewed in order to reflect and capture changes in customer behavior regarding ticket expiration.

Other revenues that include charter services, flight rescheduling fees, baggage dispatch and other additional services are recognized along with the primary passenger transport obligation passengers.

In the loyalty program, customers accumulate points based on the amount spent on air transportation and in accordance with the partners' rules. The amount of points earned depends on the customer's category in the loyalty program, market, fare class and other factors including promotional campaigns.

Through historical data, the Company estimates the points that will expire without being used and recognizes the corresponding revenue in the issue of the point (breakage) considering the average exchange term.

After the sale of a ticket, the Company recognizes a portion of ticket sales as revenue when the transportation service occurs and defers the portion corresponding to loyalty program points in accordance with CPC 47 – Customer Contract Revenue, equivalent to IFRS 15.

The Company determines the estimated selling price of the air transportation and points as if each element had been sold on a separate basis and was therefore based on the stand-alone selling price.

The Company also sells loyalty program points to customers and partners, including credit card companies, financial institutions and retail companies. The related revenue is deferred and recognized when points are redeemed, based on the weighted average price of points sold.

Points not used are recorded under "Air traffic liability and loyalty program", until their effective use or expiration.

34.1.2 Other income

Other revenues mainly include the transportation of cargo and travel packages and are recognized when performance obligations are met.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

34.2 Breakdown of sales revenue

Description	Consolited Years ended December 31, 2023	Consolited Years ended December 31, 2022
Passenger revenue	17,229,732	15,020,757
Other revenues	1,487,286	1,513,582
Total	18,717,018	16,534,339
Taxes levied		
Passenger revenue	(2,004)	(425,812)
Other revenues	(160,589)	(160,460)
Total taxes [(a)]	(162,593)	(586,272)
Total revenue	18,554,425	15,948,067

(a) As of January 1, 2023, the PIS and COFINS rates on revenues arising from regular passenger air transport activities were reduced to zero, in accordance with Law 14,592/2023.

Revenues by geographical location are as follows:

Description	Consolited Years ended December 31, 2023	Consolited Years ended December 31, 2022
Domestic revenue	14,675,974	13,013,202
Foreign revenue	3,878,451	2,934,865
Total revenue	18,554,425	15,948,067

(In thousands of Brazilian reais – R$, unless otherwise indicated)

35. COSTS AND EXPENSES BY NATURE

	Parent company		Consolidated	
	Years ended			
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cost of service				
Aircraft fuel	-	-	(5,890,485)	(6,561,288)
Salaries and benefits	-	-	(2,274,180)	(1,817,219)
Airport taxes and fees	-	-	(1,059,258)	(911,246)
Auxiliary services for air transport	-	-	(807,563)	(641,900)
Maintenance	-	-	(898,282)	(616,209)
Depreciation and amortization [a]	-	-	(2,393,864)	(2,054,668)
Impairment and onerous contracts	-	-	245,636	1,102,791
Insurance	-	-	(77,247)	(89,702)
Other	-	-	(2,022,775)	(1,572,524)
	-	-	(15,178,018)	(13,161,965)
Selling expenses				
Salaries and benefits	-	-	(40,765)	(22,005)
Advertising and publicity	-	-	(779,264)	(699,003)
	-	-	(820,029)	(721,008)
Administrative expenses				
Salaries and benefits	(30,871)	(25,632)	(93,419)	(115,344)
Depreciation and amortization [a]	-	-	(10,359)	(8,655)
Insurance	(12,245)	(13,514)	(12,245)	(13,514)
Other	(19,312)	(19,651)	(386,167)	(216,361)
	(62,428)	(58,797)	(502,190)	(353,874)
Other income (expenses), net				
Idleness - Depreciation and amortization	-	-	-	(31,125)
Other [b]	71,624	13,504	(393,094)	(250,540)
	71,624	13,504	(393,094)	(281,665)
Total	9,196	(45,293)	(16,893,331)	(14,518,512)

(a) Net of PIS and COFINS credits in the amount of R$1,753 in the year.

(b) Revenue at the parent company refers to debt forgiveness from loan operations between Azul and ALAB

In 2022, as a consequence of the reduction in the number of flights operated during the period of the COVID-19 pandemic and by analogy to the provisions of CPC 16 (R1) - Inventories, equivalent to IAS 2, expenses with depreciation of flight equipment not directly related with the revenues generated in the period, called idleness, were reclassified from the “Costs of services provided” group to the “Other revenues and (expenses)” group.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

36. FINANCIAL RESULT

36.1 Accounting policies

The financial result income and expenses include interest income, leases, loans and financing, exchange differences, changes in the fair value of financial assets and liabilities measured at fair value through profit or loss, gains and losses on derivative instruments, commissions and bank charges, among others. Interest income and expenses are recognized in the statement of profit or loss using the effective interest method.

36.2 Breakdown of financial result

	Parent company		Consolidated	
	Years ended			
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Financial income				
Interest on short-term investments	272	20,249	91,353	198,290
Sublease receivables	-	-	13,314	60,930
TAP Bond fair value	-	-	66,053	-
Others	3,552	1,434	49,421	18,069
	3,824	21,683	220,141	277,289
Financial expenses				
Interest on loans and financing	-	-	(865,107)	(656,326)
Interest on lease	-	-	(2,420,557)	(2,533,128)
Interest on convertible instruments	(242,608)	(231,103)	(242,608)	(231,103)
Interest on factoring credit card receivables	-	-	(334,896)	(211,528)
Interest on provisions	-	-	(257,419)	(246,147)
Interest on reverse factoring	-	-	(17,010)	(79,460)
Interest accounts payable and airport taxes and fees	-	-	(418,066)	(282,434)
Guarantee commission	-	-	(142,937)	(158,651)
Amortized cost of loans and financing	-	-	(44,894)	(29,075)
Amortized cost of convertible instruments	(2,622)	(4,533)	(2,622)	(4,533)
Cost of financial operations	(581)	-	(84,453)	(69,416)
TAP Bond fair value	-	-	(25,736)	(181,726)
Debt restructuring	-	-	(199,635)	-
Restructuring of debentures	(352,430)	-	(352,430)	-
Others	(4,805)	(4,614)	(200,401)	(110,255)
	(603,046)	(240,250)	(5,608,771)	(4,793,782)
Derivative financial instruments, net	(25,249)	519,815	(238,458)	958,005
Foreign currency exchange, net	79,821	74,059	1,625,064	1,406,566
Financial result, net	(544,650)	375,307	(4,002,024)	(2,151,922)

(In thousands of Brazilian reais – R$, unless otherwise indicated)

37. RISK MANAGEMENT

37.1 Accounting policies

Operating activities expose the Company and its subsidiaries to the following financial risks: (i) market risk, related to interest rate, fuel price and exchange rate, (ii) credit risk and (iii) liquidity risk.

The risks are monitored by the Company's management and can be mitigated through the use of swaps, terms and options, interest, in the oil markets and currency.

All activities with derivative financial instruments for risk management are carried out by specialists with skill, experience, and adequate supervision. It is the Company's policy not to operate transactions for speculative purposes.

37.2 Fair value hierarchy of financial instruments

The following hierarchy is used to determine the fair value of financial instruments:

Level 1: quoted prices, without adjustment, in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the fair value recorded are directly or indirectly observable; and

Level 3: techniques that use data that have a significant effect on the fair value recorded that are not based on observable market data.

The fair value hierarchy of the Company's consolidated financial instruments, as well as the comparison between book value and fair value, are identified below:

			Parent company			
			Carrying amount		Fair value	
Description	Note	Level	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Assets						
Cash and cash equivalents	6	2	2,809	8,117	2,809	8,117
Liabilities						
Convertible debt instruments	21	2	(712,835)	(1,286,748)	(712,835)	(1,286,748)
Convertible debt instruments - conversion right	21	2	(488,775)	(116,971)	(488,775)	(116,971)

			Consolidated			
			Carrying amount		Fair value	
Description	Note	Level	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Assets						
Cash and cash equivalents	6	2	1,897,336	668,348	1,897,336	668,348
Long-term investments	7	2	780,312	733,043	780,312	733,043
Derivative financial instruments	24	2	21,909	271,950	21,909	271,950
Liabilities						
Loans and financing	19	2	(9,698,912)	(7,232,699)	(9,796,608)	(6,187,389)
Convertible instruments	21	2	(712,835)	(1,286,748)	(712,835)	(1,286,748)
Convertible instruments - conversion right	21	2	(488,775)	(116,971)	(488,775)	(116,971)
Derivative financial instruments	24	2	(69,745)	(244,575)	(69,745)	(244,575)

(In thousands of Brazilian reais – R$, unless otherwise indicated)

Financial instruments whose fair value approximates their book value, based on the conditions established, mainly due to the short maturity of these assets and liabilities, have not been disclosed.

37.3 Market risks

37.3.1 Interest rate risk

37.3.1.1 Sensitivity analysis

As of December 31, 2023, the Company held financial assets and liabilities linked to various types of rates. In the sensitivity analysis of non-derivative financial instruments, the impact on annual interest was only considered on positions with values exposed to such fluctuations:

	Consolidated					
	Exposure to CDI		Exposure to SOFR		Exposure to LIBOR	
Description	Rate (p.a.)	December 31, 2023	Weighted Rate (p.a.)	December 31, 2023	Weighted rate (p.a.)	December 31, 2023
Exposed assets (liabilities), net	11.7%	674,747	5.3%	(423,134)	5.6%	(93,687)
Effect on profit or loss						
Interest rate devaluation by -50%	5.8%	(39,205)	2.7%	11,297	2.8%	2,618
Interest rate devaluation by -25%	8.7%	(19,602)	4.0%	5,648	4.2%	1,309
Interest rate appreciation by 50%	17.5%	39,205	8.0%	(11,297)	8.4%	(2,618)
Interest rate appreciation by 25%	14.6%	19,602	6.7%	(5,648)	7.0%	(1,309)

Assets and liabilities linked to LIBOR are being reviewed and will be updated using alternative published rates. The Company estimates that the updated cash flows will be economically equivalent to the original ones.

37.3.2 Aircraft fuel price risk ("QAV")

The price of fuel may vary depending on the volatility of the price of crude oil and its derivatives. To mitigate losses linked to variations in the fuel market, the Company had, as of December 31, 2023, forward and options transactions on fuel (note 24).

37.3.2.1 Sensitivity analysis

The following table demonstrates the sensitivity analysis in US dollars of the price fluctuation of QAV liter:

	Consolidated	
	Exposure to price	
Description	Average price per liter (in reais)	December 31, 2023
Aircraft fuel	4.85	(5,890,485)
Effect on profit or loss		
Devaluation by -50%	2.43	2,945,243
Devaluation by -25%	3.64	1,472,621
Appreciation by 50%	7.28	(2,945,243)
Appreciation by 25%	6.06	(1,472,621)

(In thousands of Brazilian reais – R$, unless otherwise indicated)

37.3.3 Foreign exchange risk

The foreign exchange risk arises from the possibility of unfavorable exchange differences to which the Company's cash flows are exposed.

The equity exposure to the main variations in exchange rates is shown below:

	Parent company			
	Exposure to US$		Exposure to €	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Assets				
Cash and cash equivalents	706	5,420	388	377
Deposits	7,802	8,409	-	-
Related parties	1,578,332	-	-	-
Total assets	1,586,840	13,829	388	377
Liabilities				
Convertible instruments	(1,201,610)	(1,419,738)	-	-
Leases	(1,659,739)	-	-	-
Accounts payable	(119,888)	-	-	-
Related parties	(649,232)	-	-	-
Total liabilities	(3,630,469)	(1,419,738)	-	-
Net exposure	(2,043,629)	(1,405,909)	388	377
Net exposure in foreign currency	(422,124)	(269,450)	73	69

	Consolidated			
	Exposure to US$		Exposure to €	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Assets				
Cash and cash equivalents	82,975	56,487	4,092	8,052
Long-term investments	-	-	780,312	733,043
Accounts receivable	115,024	166,012	2,876	-
Aircraft sublease	30,802	176,053	-	-
Deposits	2,196,474	2,471,349	-	-
Other assets	26,207	12,636	-	-
Total assets	2,451,482	2,882,537	787,280	741,095
Liabilities				
Loans and financing	(8,889,048)	(5,879,553)	-	-
Leases	(14,043,101)	(14,525,385)	-	-
Convertible instruments	(1,201,610)	(1,419,738)	-	-
Accounts payable	(2,040,546)	(1,031,059)	-	-
xes and fees	(21,994)	(20,320)	-	-
Provisions and other liabilities	(2,681,857)	(3,020,947)	-	-
Total liabilities	(28,878,156)	(25,897,002)	-	-
Net exposure	(26,426,674)	(23,014,465)	787,280	741,095
Net exposure in foreign currency	(5,458,590)	(4,410,845)	147,111	133,066

(In thousands of Brazilian reais – R$, unless otherwise indicated)

37.3.3.1 Sensitivity analysis

	Parent company			
	Exposure to US$		Exposure to €	
Description	Closing rate	December 31, 2023	Closing rate	December 31, 2023
Exposed assets (liabilities), net	4.8413	(2,043,629)	5.3516	388
Effect on profit or loss				
Foreign currency devaluation by -50%	2.4207	1,021,815	2.6758	(194)
Foreign currency devaluation by -25%	3.6310	510,907	4.0137	(97)
Foreign currency appreciation by 50%	7.2620	(1,021,815)	8.0274	194
Foreign currency appreciation by 25%	6.0516	(510,907)	6.6895	97

	Consolidated			
	Exposure to US$		Exposure to €	
Description	Closing rate	December 31, 2023	Closing rate	December 31, 2023
Exposed assets (liabilities), net	4.8413	(26,426,674)	5.3516	787,280
Effect on profit or loss				
Foreign currency devaluation by -50%	2.4207	13,213,337	2.6758	(393,640)
Foreign currency devaluation by -25%	3.6310	6,606,669	4.0137	(196,820)
Foreign currency appreciation by 50%	7.2620	(13,213,337)	8.0274	393,640
Foreign currency appreciation by 25%	6.0516	(6,606,669)	6.6895	196,820

37.4 Credit risk

Credit risk is inherent to the Company's operating and financial activities, mainly disclosed in cash and cash equivalents, long-term investments, accounts receivable, aircraft sublease, security deposits and maintenance reserves. Financial assets classified as cash and cash equivalents are deposited with counterparties that have a minimum investment grade rating in the assessment made by agencies S&P Global Ratings, Moody's or Fitch (between AAA and A+). The TAP Bond is guaranteed by intellectual property rights and credits related to the TAP mileage program.

Credit limits are established for all customers based on internal classification criteria and the carrying amounts represent the maximum credit risk exposure. Outstanding receivables from customers are frequently monitored by the Company and, when necessary, allowances for expected credit losses are recognized.

Derivative financial instruments are contracted on the over-the-counter market (OTC) from counterparties with a minimum investment grade rating, or on commodities and futures exchanges (B3 and NYMEX), which substantially mitigates the credit risk. The Company assesses the risks of counterparties in financial instruments and diversifies its exposure periodically.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

37.5 Liquidity risk

The maturity schedules of the Company's consolidated financial liabilities as of December 31, 2023 are as follows:

	Consolidated				
Description	Carrying amount	Contractual cash flow	Until 1 year	From 2 to 5 years	After 5 years
Loans and financing	9,698,912	15,035,043	2,068,226	10,066,315	2,900,502
Reverse factoring	290,847	294,164	294,164	-	-
Leases	15,146,411	25,123,150	3,936,476	13,921,792	7,264,882
Convertible debt Instruments	1,201,610	1,883,787	143,109	1,740,678	-
Accounts payable	3,598,768	3,988,050	2,370,980	1,138,958	478,112
Airport taxes and fees	1,760,083	2,019,044	759,679	1,259,365	-
Derivative financial instruments	69,745	69,745	68,905	840	-
	31,766,376	48,412,983	9,641,539	28,127,948	10,643,496

37.6 Capital management

The Company seeks capital alternatives to satisfy its operational needs, aiming at a capital structure that it considers adequate for the financial costs and the maturity dates of funding and its guarantees. The Company's continuously monitors its net indebtedness, see note 2 with details of the Company's actions in the year ended December 31, 2023.

(In thousands of Brazilian reais – R$, unless otherwise indicated)

38. NON-CASH TRANSACTIONS

	Consolidated													
Description	Acquisition of property and equipment	Acquisition of capitalized maintenance	Acquisition of intangible	Maintenance reserves	Reverse factoring	Loans and financing	Sale and leaseback	Compensation of sublease	Compensation of lease	Acquisition of lease	Addition the ARO	Modification	Transfers	Total
Accounts receivable	-	-	-	-	-	-	-	-	(401,267)	-	-	-	587,157	185,890
Aircraft sublease	-	-	-	-	-	-	-	(39,505)	-	-	-	-	-	(39,505)
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	22,110	22,110
Deposits	-	-	-	116,173	-	-	-	-	-	-	-	-	(587,157)	(470,984)
Advances to suppliers	-	-	-	-	-	-	-	-	-	-	-	-	(2,783,489)	(2,783,489)
Property and equipment	208,154	-	-	-	-	79,222	(3,845)	-	(641)	5,052	-	-	73,310	361,252
Right-of-use assets	-	229,884	-	-	-	-	-	-	-	1,084,930	501,864	987,188	(18,792)	2,785,074
Intangible assets	-	-	82,712	-	-	-	-	-	-	-	-	-	192	82,904
Loans and financing	-	-	-	-	-	(79,222)	-	-	-	-	-	-	1,067	(78,155)
Leases	-	-	-	-	-	-	-	39,505	239,000	(1,137,073)	-	(1,237,322)	(24,207)	(2,120,097)
Accounts payable	(208,154)	(229,884)	(82,712)	(116,173)	391,676	-	3,845	-	38,950	10,785	-	-	2,672,703	2,481,036
Reverse factoring	-	-	-	-	(391,676)	-	-	-	-	-	-	-	-	(391,676)
Provisions	-	-	-	-	-	-	-	-	-	-	(501,864)	250,134	97,819	(153,911)
Other assets and liabilities	-	-	-	-	-	-	-	-	123,958	36,306	-	-	(40,713)	119,551
As of December 31,2023 (Unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Consolidated											
Description	Sublease	Acquisition of property and equipment	Maintenance reserves	Factoring	Consumption in credit	Sale and leaseback	Loans and financing	Reclassifications	Lease	Modification of the lease agreement	Transfers	Total
Accounts receivable	-	-	-	-	-	-	-	-	(84,429)	-	15,537	(68,892)
Aircraft sublease	(55,948)	-	-	-	-	-	-	-	(40,586)	-	-	(96,534)
Deposits	-	-	147,416	-	-	(8,916)	27,792	-	-	-	-	166,292
Inventories	-	-	-	-	-	-	-	-	-	-	(7,321)	(7,321)
Advances to suppliers	-	-	-	-	-	-	-	-	-	-	(687,731)	(687,731)
Property and equipment	-	279,406	-	-	-	11,150	-	-	65,370	-	171,798	527,724
Right-of-use assets	55,948	-	-	-	-	-	-	-	2,378,433	45,481	(159,850)	2,320,012
Loans and financing	-	-	-	-	-	-	(27,792)	-	-	-	-	(27,792)
Leases	-	-	-	-	-	-	-	-	(1,640,102)	47,199	-	(1,592,903)
Accounts payable	-	(279,406)	(147,416)	1,541,948	42,771	(2,234)	-	462,485	-	-	44,673	1,662,821
Reverse factoring	-	-	-	(1,541,948)	-	-	-	-	-	-	-	(1,541,948)
Airport fees	-	-	-	-	-	-	-	(760,839)	-	-	-	(760,839)
Taxes	-	-	-	-	-	-	-	298,354	-	-	-	298,354
Provisions	-	-	-	-	-	-	-	-	(678,252)	-	406,160	(272,092)
Other assets and liabilities	-	-	-	-	(42,771)	-	-	-	-	-	216,734	173,963
Result	-	-	-	-	-	-	-	-	(434)	(92,680)	-	(93,114)
	-	-	-	-	-	-	-	-	-	-	-	-

(In thousands of Brazilian reais – R$, unless otherwise indicated)

39. COMMITMENTS

39.1 Aircraft acquisition

Through contracts with manufacturers and lessors, the Company committed to acquiring certain aircraft, as follows:

	Consolidated	
Description	December 31, 2023	December 31, 2022
Lessors	31	32
Manufacturers	96	112
	127	144

The amounts shown below are brought to present value using the weighted discount rate for lease operations, equivalent to 15.8% (21.0% on December 31, 2022) and do not necessarily represent a cash outflow, as the Company is evaluating the acquisition of financing to meet these commitments.

	Consolidated	
Description	December 31, 2023	December 31, 2022
2023	-	2,025,240
2024	916,053	1,544,642
2025	1,290,764	1,969,208
2026	4,991,454	2,414,533
2027	4,359,775	1,361,299
After 2027	4,889,906	4,650,961
	16,447,952	13,965,883

39.2 Letters of credit

The position of the letters of credit in use by the Company follows, for the following purposes:

	Consolidated			
	December 31, 2023		December 31, 2022	
Description	R$	US$	R$	US$
Security deposits and maintenance reserve	1,979,883	408,957	2,453,336	470,194
Bank guarantees	9,161	-	44,563	-
	1,989,044	408,957	2,497,899	470,194

40. SUBSEQUENT EVENTS

40.1 Issuace of debt securities

In February 2024, the subsidiary *Azul Secured* issued additional notes in the principal amount of R$740,585 (equivalent to US$148,700) of the 2028 Senior Notes. The additional notes were issued to qualified institutional investors. The net proceeds will be used by the Company for general corporate purposes.

40.2 Renegotiation of lease obligations

In February 2024, the Company signed definitive agreements with the lessor of 17 aircraft where it renegotiated a new payment profile and the receipt of part of the debt in Equity.

40.3 Sublease

In February 2024, the Company finalized the sublease agreement for an aircraft, returning to the Company's operations.

40.4 Debentures

In March 2024, the Company announced the second issue of simple debentures, not convertible into shares, in the amount of R$250,000, maturing in 2027, quarterly interest of CDI + 6% p.a., without guarantees.