Quarterly Information (ITR)

AZUL S.A.

September 30, 2020
with auditor's report on review of quarterly information

Contents

Azul Reports Q3 Earnings and Sustainable Path Towards Full Recovery

São Paulo, November 16, 2020 – *Azul S.A., "Azul" (B3:AZUL4, NYSE:AZUL) the best airline in the world according to Tripadvisor, announces today its results for the Third Quarter of 2020 ("3Q20"). The following financial information, unless stated otherwise, is presented in Brazilian reais and in accordance with International Financial Reporting Standards (IFRS).*

Financial and Operating Highlights

- Azul successfully implemented its Management Plan, providing R$8.4 billion in working capital and cash savings between March 2020 and December 2021, not including variable cost savings from capacity reductions, better than the R$7 billion originally forecasted.

- Immediate liquidity[1] increased to R$2.30 billion, compared to R$2.25 billion at the end of the previous quarter. This does not include the R$1.7 billion of convertible debentures recently raised.

- Total liquidity reached R$6.9 billion, including long-term investments, unencumbered assets, maintenance reserves and deposits.

- Total lease liabilities decreased 7.5% quarter over quarter to R$12.8 billion as a result of contract renegotiations including payment deferrals, discounts and contractual changes.

- Domestic demand recovery in Brazil continues to be one of the fastest in the world. Azul's September domestic capacity was 49% of the same period last year, while December domestic capacity is expected to reach more than 80%.

- The airline will operate in 113 destinations at the end of 2020, which compares to 116 destinations at the beginning of the year, thus recovering 97% of the network in terms of cities served.

- Azul Cargo Express recorded 40% growth in gross sales compared to the same period last year. In addition, four Embraer E195 E1 passenger aircraft have been converted to dedicated freighters, further increasing the reach and the solutions portfolio of our logistics company.

- Azul's codeshare agreement with Latam Airlines has been implemented on a total of 151 combined nonstop routes. The codeshare agreement, one of the largest in the world, provides unparalleled connectivity and schedule flexibility in the Brazilian domestic market.

- Operating revenue totaled R$805.3 million, up from R$401.6 million in 2Q20, representing an increase of 100.5% quarter over quarter.

- Operating expenses, excluding non-recurring gains, increased 20.9% quarter over quarter. Compared to 3Q19, operating expenses decreased 40.4%, or R$1.0 billion, driven by lower capacity-related expenses and cost reduction initiatives.

- Operating loss totaled R$ 247.7 million, representing a negative margin of 30.8%. Excluding non-recurring gains, adjusted operating loss totaled R$671.8 million.

[1] Includes cash and equivalents, short-term investments and accounts receivables.

- Net loss, excluding exchange rate and unrealized hedges, totaled R$1.2 billion, or R$3.57 cents per preferred share, and US$1.99 cents per ADR.

Recent Developments

On October 2nd, Azul successfully concluded the sale of its equity participation in TAP as part of the restructuring effort led by the Portuguese government, raising approximately R$70 million in cash. Since the end of the third quarter, Azul also concluded negotiations with multiple financial partners to extend payment terms on some of its debt, removing R$657 million from short-term debt.
On November 12th, Azul successfully concluded a public offering in Brazil of more than R$1.7 billion of convertible debentures at a 6% yield and 27.5% conversion premium. The Company expects to use the net proceeds of the offering for working capital purposes, expansion of its logistics business, and other strategic opportunities.

COVID-19 Health and Safety

The health and safety of our crewmembers and customers continues to be Azul´s number one priority, and therefore Azul implemented a range of initiatives focused on this. Azul continues to innovate as it confidently welcomes back its customers. The Company's actions to guarantee safety and sustainability include:

- First airline in Brazil to introduce daily temperature checks for all crewmembers and require all customers and crewmembers to wear masks while on board.
- Intensified aircraft cleaning procedures between flights and deep cleaning of all aircraft during overnights.
- First airline in Latin America to use Honeywell's ultraviolet cabin cleaning system.
- All jets fitted with hospital-grade HEPA filters that remove at least 99.9% of all airborne particles, including the novel coronavirus.
- Only airline in the world to implement an innovative boarding process called "Tapete Azul", or Blue Carpet. This virtual boarding assistant projects a moving walkway in the gate area to provide distancing and increase boarding efficiency.
- First airline in Brazil to offer, without any cost, medical assistance to customers during international trips in case of a positive diagnosis of COVID-19.

These initiatives have contributed to increase customer confidence and support the strong market recovery in Brazil.

Management Comments

As always, I would like to start by thanking our crewmembers for their efforts during this quarter. As I look back on the remarkable progress we have made since the onset of the pandemic, I could not be more proud of the perseverance and focus of our team. Together, we have successfully implemented our Management Plan, secured our long-term liquidity, accelerated our network recovery and clearly put ourselves in a distinguished position as we emerge from this crisis.

Over the previous six months, Azul was the only airline in the Americas to maintain liquidity without raising cash. We ended September with cash, cash equivalents, short-term investments and accounts receivables of R$2.30 billion, compared to R$2.25 billion at the end of the second quarter. This cash increase was a significant improvement compared to the daily cash burn of R$3 million originally forecasted.

Most recently, we have further improved our liquidity with the successful issuance of more than R$1.7 billion of convertible debentures. Adding the proceeds of this offer to our end-of-quarter cash balance, our cash would be sufficient for more than 5 years at current cash burn levels. This robust liquidity position will secure our business and power our growth as we fully capture the recovering demand. It will also be instrumental in expanding our logistics business and exploring other strategic opportunities.

On the capacity side, we made significant progress during the quarter. The health and safety of our passengers is our number one priority, and this perception by the customers has been contributing to the recovery of domestic demand in Brazil, one of the fastest in the world. We remain true to our network strategy by being the only carrier in 76% of our routes. In addition, our diversified fleet gives us unique flexibility to adequately match capacity with demand. These factors give us confidence in our growth trajectory, and by the end of this year, we expect to operate over 80% of last year's domestic capacity. In terms of our route network, we will fly to 113 destinations in December, an almost complete recovery when compared to the 116 destinations we served prior to the crisis.

We grew at a record pace when we founded Azul twelve years ago. As we bring back our operations, we are exploring opportunities to rebuild the company in a more efficient way, with less overhead, and take advantage of structural changes in the industry. For example, through the need to preserve aircraft at the peak of the pandemic and then prepare them for the recovery, we accelerated the insourcing of several activities at our Campinas maintenance hangar. Customers have also looked for more self-service options in their travels, enabling us to intensify the use of technology, increasing productivity.

Azul Cargo Express, our logistics business, continued to grow at a strong pace, hitting revenue records every month. During the third quarter, Azul Cargo's gross sales grew 40% compared to the same period last year. This growth was driven by broad expansion in all segments of the cargo market, but especially in e-commerce. We have completed the conversion of four Embraer E195 E1 passenger aircraft for dedicated logistics operations and see strong market demand for this unique product. Our diversified network, combined with our dedicated assets, gives us a competitive advantage unmatched by any other logistics player in the region.

Looking ahead, we are very confident in our business model, leadership position and competitive advantages. With our Management Plan implemented, we now turn our focus fully to the demand recovery. This crisis has given us the ability to reimagine how Azul functions at every level, and our successful efforts to raise liquidity, rebuild our network and reduce costs have allowed us to become leaner and more efficient than ever.

John Rodgerson, CEO of Azul

Consolidated Financial Results

The following revised income statement and operating data should be read in conjunction with the quarterly results comments presented below. Prior periods have been restated to reflect adoption of the new IFRS 16 accounting standards.

Income statement (R$ million)	3Q20	3Q19	% Δ	9M20	9M19	% Δ
OPERATING REVENUES						
Passenger	624.5	2,887.9	-78.4%	3,560.4	7,809.9	-54.4%
Cargo and other revenues	180.8	142.9	26.6%	449.1	380.5	18.0%
Total operating revenues	**805.3**	**3,030.7**	**-73.4%**	**4,009.6**	**8,190.4**	**-51.0%**
OPERATING EXPENSES						
Aircraft fuel	226.1	811.3	-72.1%	1,057.7	2,254.1	-53.1%
Salaries, wages and benefits	309.6	483.5	-36.0%	1,007.6	1,366.2	-26.2%
Depreciation and amortization	445.9	393.2	13.4%	1,422.5	1,169.7	21.6%
Landing fees	73.8	193.2	-61.8%	319.4	530.6	-39.8%
Traffic and customer servicing	46.4	128.5	-63.9%	209.0	347.4	-39.8%
Sales and marketing	60.2	120.4	-50.0%	226.0	320.8	-29.5%
Maintenance materials and repairs	111.4	82.5	35.1%	345.3	211.4	63.3%
Other operating revenue / expenses	(220.5)	291.3	n.a.	534.6	782.6	-31.7%
Total operating expenses	**1,053.0**	**2,503.9**	**-57.9%**	**5,122.3**	**6,982.8**	**-26.6%**
Operating income	**(247.7)**	**526.8**	**n.a.**	**(1,112.7)**	**1,207.6**	**n.a.**
Operating Margin	*-30.8%*	*17.4%*	*n.a.*	*-27.8%*	*14.7%*	*n.a.*
EBITDA	**198.3**	**920.0**	**-78.4%**	**309.8**	**2,377.4**	**-87.0%**
EBITDA margin	*24.6%*	*30.4%*	*-5.7 p.p.*	*7.7%*	*29.0%*	*-21.3 p.p.*
Non-recurring items	**424.1**	**(24.6)**	**n.a.**	**205.7**	**(41.0)**	**n.a.**
Adjusted operating expenses	**1,477.1**	**2,479.4**	**-40.4%**	**5,328.0**	**6,941.8**	**-23.2%**
Adjusted operating income	**(671.8)**	**551.4**	**n.a.**	**(1,318.4)**	**1,248.6**	**n.a.**
Adjusted operating Margin	*-83.4%*	*18.2%*	*n.a.*	*-32.9%*	*15.2%*	*n.a.*
Adjusted EBITDA	**(258.0)**	**935.8**	**n.a.**	**71.9**	**2,393.2**	**-97.0%**
Adjusted EBITDA margin	*-32.0%*	*30.9%*	*n.a.*	*1.8%*	*29.2%*	*-27.4 p.p.*
FINANCIAL RESULT						
Financial income	12.3	20.1	-39.1%	45.9	59.0	-22.2%
Financial expenses	(575.7)	(322.6)	78.5%	(1,617.2)	(919.7)	75.8%
Derivative financial instruments	68.7	135.3	-49.2%	(1,478.0)	303.7	n.a.
Foreign currency exchange, net	(542.6)	(941.4)	-42.4%	(5,816.2)	(828.0)	602.5%
Result from related party transactions, net	81.1	24.8	226.5%	(776.4)	(26.2)	2868.9%
Income before income taxes	**(1,204.0)**	**(556.9)**	**116.2%**	**(10,754.7)**	**(203.5)**	**5184.6%**
Income tax and social contribution	2.2	(0.2)	n.a.	(5.2)	(1.9)	172.5%
Deferred income tax	(24.6)	6.6	n.a.	242.5	115.4	110.2%
Net income	**(1,226.3)**	**(550.5)**	**122.7%**	**(10,517.3)**	**(90.0)**	**11584.0%**
Net margin	*-152.3%*	*-18.2%*	*-134.1 p.p.*	*-262.3%*	*-1.1%*	*-261.2 p.p.*
Adjusted net income[1]	**(1,220.4)**	**145.0**	**n.a.**	**(3,683.7)**	**434.3**	**n.a.**
Adjusted net margin [1]	*-151.5%*	*4.8%*	*n.a.*	*-91.9%*	*5.3%*	*n.a.*
Weighted avg. of PN equivalent shares	342.1	340.9	0.4%	342.1	340.9	0.4%
Diluted EPS	(3.58)	(1.61)	121.9%	(30.74)	(0.26)	11541.8%
Diluted EPADR[2]	(2.00)	(1.22)	64.4%	(18.17)	(0.20)	8956.6%
Adjusted EPS	(3.57)	0.43	n.a.	(10.77)	1.27	n.a.
Adjusted EPADR[2]	(1.99)	0.32	n.a.	(6.37)	0.98	n.a.

[1] *Excludes non-recurring items, net unrealized hedge results and exchange rate gains and losses.*
[2] *One ADR equals three preferred shares (PNs).*

Operating Data	3Q20	3Q19	% Δ	9M20	9M19	% Δ
ASKs (million)	3,240	9,713	-66.6%	13,944	26,182	-46.7%
Domestic	*2,967*	*7,430*	-60.1%	*11,189*	*20,089*	-44.3%
International	*273*	*2,283*	-88.0%	*2,754*	*6,093*	-54.8%
RPKs (million)	2,540	8,192	-69.0%	11,100	21,861	-49.2%
Domestic	*2,333*	*6,194*	-62.3%	*8,909*	*16,635*	-46.4%
International	*207*	*1,998*	-89.6%	*2,191*	*5,226*	-58.1%
Load factor (%)	78.4%	84.3%	*-5.9 p.p.*	79.6%	83.5%	*-3.9 p.p.*
Domestic	*78.6%*	*83.4%*	*-4.8 p.p.*	*79.6%*	*82.8%*	*-3.2 p.p.*
International	*75.9%*	*87.5%*	*-11.6 p.p.*	*79.6%*	*85.8%*	*-6.2 p.p.*
Average fare (R$) [1]	262.4	391.5	-33.0%	362.7	384.8	-5.7%
Revenue passengers (thousands)	2,380	7,377	-67.7%	9,817	20,296	-51.6%
Block hours	45,325	130,240	-65.2%	179,951	367,864	-51.1%
Aircraft utilization (hours per day)	3.4	11.7	-70.8%	5.3	11.7	-54.9%
Departures	27,213	77,487	-64.9%	105,715	217,873	-51.5%
Average stage length (km)	1,054	1,070	-1.5%	1,107	1,044	6.0%
End of period operating passenger aircraft	139	131	6.1%	139	131	6.1%
Fuel consumption (thousands of liters)	101,858	319,428	-68.1%	444,947	885,004	-49.7%
Full-time-equivalent employees	9,557	12,392	-22.9%	9,557	12,392	-22.9%
End of period FTE per aircraft	69	95	-27.3%	69	95	-27.3%
Yield per passenger kilometer (cents)	24.59	35.25	-30.3%	32.08	35.73	-10.2%
RASK (cents)	24.86	31.20	-20.3%	28.76	31.28	-8.1%
PRASK (cents)	19.27	29.73	-35.2%	25.53	29.83	-14.4%
CASK (cents) [2]	45.59	25.53	78.6%	38.21	26.51	44.1%
CASK ex-fuel (cents) [2]	38.61	17.17	124.8%	30.63	17.90	71.1%
Fuel cost per liter	2.22	2.54	-12.6%	2.38	2.55	-6.7%
Break-even load factor (%)	143.8%	69.0%	*+74.8 p.p.*	105.8%	70.8%	*+35.0 p.p.*
Average exchange rate	5.38	3.97	35.4%	5.08	3.89	30.5%
End of period exchange rate	5.64	4.16	35.4%	5.64	4.16	35.4%
Inflation (IPCA - LTM)	3.14%	2.89%	*+0.2 p.p.*	2.86%	3.61%	*-0.8 p.p.*
WTI (average per barrel, US$)	40.92	56.44	-27.5%	38.19	57.89	-34.0%
Heating Oil (US$)	120.18	189.47	-36.6%	124.03	193.83	-36.0%

[1] *Impacted by the reduced international network.*
[2] *Adjusted for non-recurring items.*

Operating Revenue

In 3Q20, Azul recorded net revenues of R$805.3 million, compared to R$401.6 million in 2Q20, representing an increase of 100.5% quarter over quarter. Revenues were 73.4% lower than the same period last year due to the impact of the COVID-19 pandemic on passenger demand. Total RASK decreased 20.3% during the period.

Cargo and other revenue increased 26.6% compared to 3Q19, totaling R$180.8 million in 3Q20, mainly due to the increase in cargo revenue.

R$ cents	3Q20	3Q19	% ∆	9M20	9M19	% ∆
Operating revenue per ASK						
Passenger revenue	19.27	29.73	-35.2%	25.53	29.83	-14.4%
Cargo and other revenues	5.58	1.47	279.5%	3.22	1.45	121.6%
Operating revenue (RASK)	**24.86**	**31.20**	**-20.3%**	**28.76**	**31.28**	**-8.1%**
Operating expenses per ASK [1]						
Aircraft fuel	6.98	8.35	-16.4%	7.59	8.61	-11.9%
Salaries, wages and benefits	9.55	4.98	91.9%	7.23	5.22	38.5%
Depreciation and amortization	12.77	3.96	222.6%	9.97	4.37	128.1%
Landing fees	2.28	1.99	14.5%	2.29	2.03	13.1%
Traffic and customer servicing	1.43	1.32	8.3%	1.50	1.33	13.0%
Sales and marketing	1.86	1.24	49.9%	1.62	1.23	32.3%
Maintenance materials and repairs	3.44	0.85	305.1%	2.37	0.81	193.6%
Other operating expenses	7.28	2.84	156.7%	5.65	2.93	92.8%
Total operating expenses (CASK)	**45.59**	**25.53**	**78.6%**	**38.21**	**26.51**	**44.1%**
Operating income per ASK (RASK - CASK)	**(20.73)**	**5.68**	**n.a.**	**(9.46)**	**4.77**	**n.a.**

[1] *Adjusted for non-recurring items.*

Operating Expenses

Total operating expenses, excluding non-recurring gains, increased 20.9% compared to 2Q20. Operating expenses decreased 40.4%, or R$1.0 billion, year over year, mainly due to lower capacity-related expenses and cost reduction initiatives. The breakdown of our main operating expenses is as follows:

- **Aircraft fuel** decreased 72.1% year over year to R$226.1 million, mostly due to a 67% reduction in capacity and a 13% decrease in jet fuel prices.

- **Salaries, wages and benefits** decreased 36.0% year over year to R$309.6 million, mostly from the Company's negotiations with its unions to reduce fixed labor costs, partially offset by severance payments.

- **Depreciation and amortization** increased 7.6%, or R$29.3 million, driven by the net addition of 14 aircraft to the fleet over the last twelve months.

- **Landing fees** decreased 61.8%, or R$119.4 million, in 3Q20 compared to the same period last year, mostly due to the 67% reduction in capacity year over year.

- **Traffic and customer servicing** expenses decreased 63.9%, or R$82.1 million, mostly due to the 67.7% reduction in the number of passengers transported in 3Q20 compared to 3Q19.

- **Sales and marketing** decreased 50.0%, or R$60.2 million, mostly driven by a reduction of 78.4% in passenger revenue partly offset by an increase in cargo express shipments year over year, which have higher commission fees.

- **Maintenance materials and repairs** increased 35.1%, or R$29.0 million, mostly due to the 35.4% average depreciation of the Brazilian real against the U.S. dollar and maintenance events performed to prepare the fleet for operational recovery.

- **Other operating expenses,** excluding non-recurring items (see page 12) of R$424.1 million in 3Q20, decreased 14.4% year over year, mostly due to the reduction of variable costs partly offset by the 35.4% depreciation of the real, which impacted dollar-denominated expenses.

Non-Operating Results

Net financial results (R$ million)	3Q20	3Q19	% ∆	9M20	9M19	% ∆
Financial income	12.3	20.1	-39.1%	45.9	59.0	-22.2%
Financial expenses	(575.7)	(322.6)	78.5%	(1,617.2)	(919.7)	75.8%
Derivative financial instruments	68.7	135.3	-49.2%	(1,478.0)	303.7	n.a.
Foreign currency exchange, net	(542.6)	(941.4)	-42.4%	(5,816.2)	(828.0)	602.5%
Net financial results	**(1,037.4)**	**(1,108.5)**	**-6.4%**	**(8,865.5)**	**(1,385.0)**	**540.1%**

Net financial expenses increased R$253.2 million as a result of the 35.4% average depreciation of the Brazilian real and an increase in lease liabilities due to the net addition of 14 aircraft to our fleet over the last twelve months.

Derivative financial instruments resulted in a gain of R$68.7 million in 3Q20, mainly due to the 35.4% average depreciation of the Brazilian real against the Dollar.
As of September 30, 2020, Azul has hedged 11% of its expected fuel consumption for the next twelve months by using mostly heating oil derivatives.

Foreign currency exchange, net. Azul recorded a non-cash foreign currency loss of R$542.6 million, mainly due to the 3.0% depreciation of the Brazilian real from June 30, 2020 to September 30, 2020 that increased the amount of capitalized leases and debt denominated in foreign currency.

Liquidity and Financing

Azul closed the quarter with R$2.3 billion in immediate liquidity, equivalent to 31.7% of the Company's revenue in the last twelve months. The Company has no restricted cash nor minority interests in its subsidiaries. Considering deposits, maintenance reserves and other unencumbered assets, Azul's total liquidity was R$6.9 billion as of September 30, 2020.

Liquidity (R$ million)	3Q20	2Q20	% ∆	4Q19	% ∆
Cash and cash equivalents	1,435.7	1,566.4	-8.3%	1,647.9	-12.9%
Short-term investments	133.5	64.7	106.3%	62.0	115.4%
Accounts receivable	729.6	622.6	17.2%	1,165.9	-37.4%
Immediate liquidity	**2,298.9**	**2,253.7**	**2.0%**	**2,875.8**	**-20.1%**
Cash as % of LTM revenues	*31.7%*	*23.8%*	*+7.9 p.p.*	*25.1%*	*+6.6 p.p.*
Long-term investments	892.1	754.3	18.3%	1,397.7	-36.2%
Security deposits and maintenance reserves	2,398.5	2,273.0	5.5%	1,651.5	45.2%
Unencumbered assets	1,358.6	1,363.0	-0.3%	1,467.8	-7.4%
Total Liquidity	**6,948.0**	**6,644.0**	**4.6%**	**7,392.8**	**-6.0%**

Total debt decreased 4.8% to R$18.0 billion since June 30, 2020, mostly due to the 7.5% reduction in lease liabilities driven by the negotiations held with lessors as part of the Management Plan, partially offset by the 3.0% end-of-period depreciation of the Brazilian real from June 30, 2020 to September 30, 2020.

Thanks to the implementation of the Management Plan, the Company was able to reduce its lease liability to R$12.8 billion by the end of 3Q20, even though the Brazilian real depreciated 39.9% during 2020.

As of September 30, 2020, Azul's average debt maturity, excluding lease liabilities, was 3.1 years with an average interest rate of 5.2%. The average interest rates of local and dollar-denominated obligations were 4.2% and 5.6%, respectively.

Loans and financing (R$ million)	3Q20	2Q20	% ∆	4Q19	% ∆
Operating lease liabilities	12,016.9	13,112.0	-8.4%	11,118.4	8.1%
Finance lease liabilities	1,116.1	1,082.4	3.1%	988.3	12.9%
Sublease receivables	(344.3)	(371.2)	-7.2%	(279.5)	23.2%
Other aircraft loans and financing	1,346.8	1,389.2	-3.1%	1,060.5	27.0%
Loans and financing	3,825.6	3,649.2	4.8%	2,457.6	55.7%
Currency hedges	1.5	(2.1)	n.a.	(321.7)	n.a.
% of non-aircraft debt in local currency	*40%*	*40%*	+0.0 p.p.	*100%*	-59.9 p.p.
% of total debt in local currency	*9%*	*9%*	+0.8 p.p.	*18%*	-8.8 p.p.
Gross debt	**17,962.6**	**18,859.5**	**-4.8%**	**15,023.5**	**19.6%**
Short term	*3,524.6*	*3,223.9*	9.3%	*1,970.7*	78.9%
Long term	*14,437.9*	*15,635.6*	*-7.7%*	*13,052.9*	*10.6%*

The table below presents additional information related to our leases as of September 30, 2020:

(R$ million)	3Q20	2Q20	% ∆	4Q19	% ∆
Operating leases					
Payments made	192.4	95.6	101.2%	499.8	-61.5%
Weighted average remaining lease term	7.5	7.6	-1.3%	8.3	-8.8%
Finance leases					
Payments made	16.0	9.3	71.5%	52.0	-69.3%
Weighted average remaining lease term	3.7	4.1	-10.6%	4.2	-13.3%

Azul's key financial ratios and debt maturity are presented below:

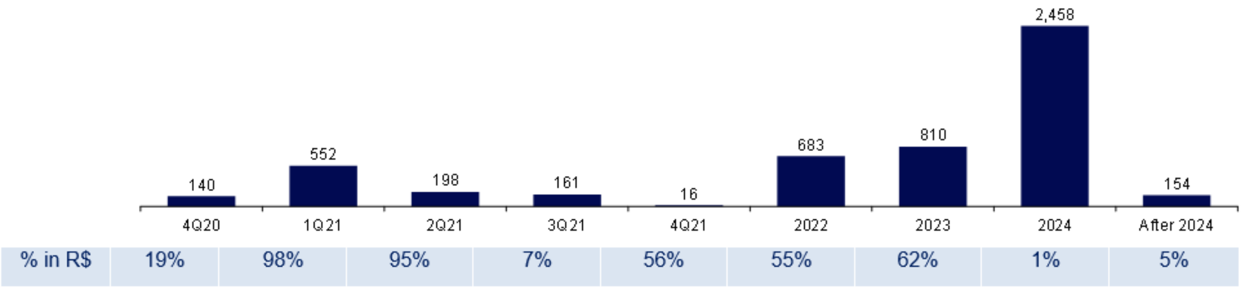
Key financial ratios (R$ million)	3Q20	2Q20	% ∆	4Q19	% ∆
Cash[1]	3,190.9	3,008.0	6.1%	4,273.5	-25.3%
Gross debt	17,962.6	18,859.5	-4.8%	15,023.5	19.6%
Net debt	14,771.6	15,851.5	-6.8%	10,750.1	37.4%
Net debt / EBITDA (LTM)	11.3	6.4	78.7%	3.0	282.5%

[1] Includes cash and cash equivalents, short-term investments, long-term investments and accounts receivables.

Azul's debt amortization schedule as of September 30, 2020 is reported below. Since the end of the quarter, the Company has reached commercial agreements with multiple financial partners to extend payment terms on some of its debt, removing R$657 million from short-term debt.

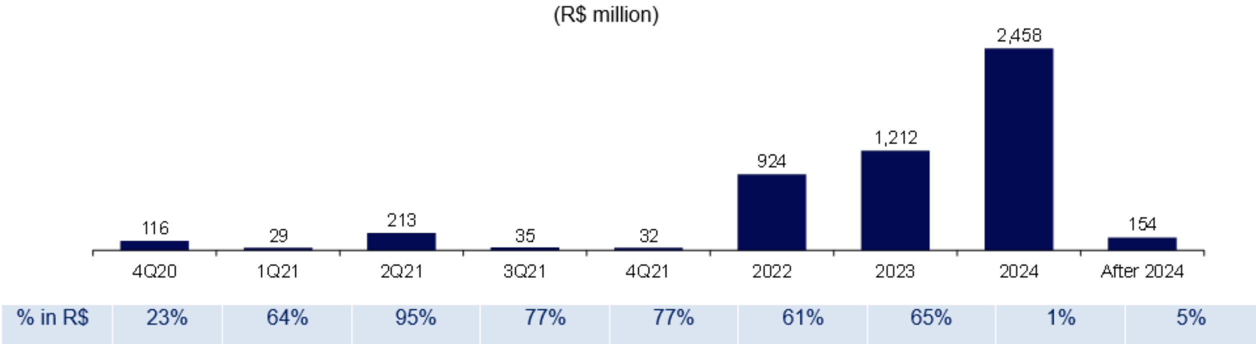
Non-aircraft Debt Amortization* - as of September 30th

(R$ million)



Non-aircraft Debt Amortization* – as of October 30, 2020**

(R$ million)



** Adjusted for currency swaps.*
***Excludes convertible debentures.*

Fleet and Capital Expenditures

As of September 30, 2020, Azul had a total passenger operating fleet of 139 aircraft and a contractual passenger fleet of 165 aircraft, with an average aircraft age of 6.0 years. The 26 aircraft not included in our operating fleet consisted of 13 aircraft subleased to TAP, 12 Embraer E-Jets that were in the process of exiting the fleet and one A320neo family aircraft in the process of entering service.

Contractual Passenger Fleet

Aircraft	Number of seats	3Q20	2Q20	% ∆	3Q19	% ∆
Airbus widebody	242-298	10	10	0.0%	9	11.1%
Airbus narrowbody	174-214	44	42	4.8%	32	37.5%
Embraer E2	136	5	5	0.0%	1	400.0%
Embraer E1	106-118	67	69	-2.9%	70	-4.3%
ATRs	70	39	39	0.0%	39	0.0%
Total[1]		**165**	**165**	**0.0%**	**151**	**9.3%**
Aircraft under operating leases		*148*	*146*	*1.4%*	*132*	*12.1%*

[1] Includes aircraft subleased to TAP.

Total Passenger Operating Fleet

Aircraft	Number of seats	3Q20	2Q20	% Δ	3Q19	% Δ
Airbus widebody	242-298	10	10	0.0%	9	11.1%
Airbus narrowbody	174-214	43	42	2.4%	32	34.4%
Embraer E2	136	5	5	0.0%	-	n.a.
Embraer E1	106-118	48	48	0.0%	57	-15.8%
ATRs	70	33	33	0.0%	33	0.0%
Total		**139**	**138**	**0.7%**	**131**	**6.1%**

Capex

Capital expenditures, excluding net proceeds from sale of property and equipment, totaled R$44.1 million in 3Q20, compared to R$305.4 million in 3Q19, mostly due to the capitalization of engine overhaul events and the acquisition of spare parts.

(R$ million)	3Q20	3Q19	% Δ	9M20	9M19	% Δ
Aircraft related	31.9	129.5	-75.4%	138.1	531.6	-74.0%
Maintenance and checks	-	133.0	-100.0%	80.7	394.4	-79.5%
Pre-delivery payments	1.5	2.6	-39.9%	20.8	21.5	-3.4%
Other	10.7	66.9	-84.0%	69.0	175.0	-60.6%
Engine maintenance credit facility (OPIC)	-	(26.7)	n.a.	-	(135.1)	n.a.
Acquisition of property and equipment	**44.1**	**305.4**	**-85.6%**	**308.7**	**987.5**	**-68.7%**
Net proceeds from sale of property and equipment	(45.7)	(59.4)	-23.1%	(45.7)	(59.4)	-23.1%
Net CAPEX	**(1.6)**	**246.0**	**-100.6%**	**263.0**	**928.1**	**-71.7%**

Non-Recurring Items

Since the onset of the COVID-19 pandemic, the Company has negotiated new lease terms with lessors, which included payment deferrals, discounts and contractual modifications. IFRS 16 rules require the remeasurement of the lease liability to reflect the modified terms, using the appropriate discount rate determined at the modification date, against the right-of-use asset (“RoU”). This remeasurement produced a net gain, which was treated as non-recurring along with other expenses related to the restructuring of our fleet in relation to the COVID-19 pandemic.

3Q20 Non-recurring adjustments	As recorded	Adjustment	Adjusted
Operating expenses	**1,053.0**	**424.1**	**1,477.1**
Depreciation and amortization	445.9	(32.2)	413.8
Other operating expenses	(220.5)	456.3	235.8
Operating income	**(247.7)**	**(424.1)**	**(671.8)**
Operating Margin	*-30.8%*	*-52.7 p.p.*	*-83.4%*
EBITDA	**198.3**	**(456.3)**	**(258.0)**
EBITDA Margin	24.6%	*-56.7 p.p.*	-32.0%
Net income	**(1,226.3)**	**(424.1)**	**(1,650.4)**
Diluted EPS	(3.58)	(1.24)	(4.82)
Diluted EPADR	**(2.00)**	**(0.69)**	**(2.69)**

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	9M20	9M19	% ∆
Environmental			
Fuel			
Total fuel consumed per ASK (GJ / ASK, million)	1,198.9	1,269.9	-5.6%
Total fuel consumed (GJ x 1000)	16,717	33,247	-49.7%
Fleet			
Average age of operating fleet	6.3	6.0	5.3%
Social			
Labor Relations			
Employee gender: (%) male	57.6	57.7	-0.1%
(%) female	42.4	42.3	0.1%
Employee monthly turnover (%)	1.5	1.6	-6.3%
% of employee covered under collective bargaining agreements	100	100	0.0%
Number and duration of strikes and lockout (# days)	0	0	n.a.
Volunteers	1,659	2,094	-20.8%
Customer & Company Behavior			
Amount of legal and regulatory fines and settlements associated with anti-competitive practices	0	0	n.a.
Safety			
Number of accidents	0	0	n.a.
Number of governmental enforcement actions and aviation safety	0	0	n.a.
Governance			
Management			
Independent directors (%)	80.0	81.8	-2.2%
Percent of board members that are women	10.0	9.1	10.0%
Board of directors average age	58	57	1.9%
Director meeting attendance (%)	100.0	88.6	12.8%
Board size	10	11	-9.1%
Participation of women in leadership positions (%)	39.7	39.1	1.5%

Glossary

Aircraft Utilization
Average number of block hours per day per aircraft operated.

Available Seat Kilometers (ASK)
Number of aircraft seats multiplied by the number of kilometers flown.

Completion Factor
Percentage of accomplished flights.

Cost per ASK (CASK)
Operating expenses divided by available seat kilometers.

Cost per ASK ex-fuel (CASK ex-fuel)
Operating expenses divided by available seat kilometers excluding fuel expenses.

EBITDA
Earnings before interest, taxes, depreciation, and amortization.

Load Factor
Number of passengers as a percentage of number of seats flown (calculated by dividing RPK by ASK).

Revenue Passenger Kilometers (RPK)
One-fare paying passenger transported one kilometer. RPK is calculated by multiplying the number of revenue passengers by the number of kilometers flown.

Passenger Revenue per Available Seat Kilometer (PRASK)
Passenger revenue divided by available seat kilometers (also equal to load factor multiplied by yield).

Revenue per ASK (RASK)
Operating revenue divided by available seat kilometers.

Stage Length
The average number of kilometers flown per flight.

Trip Cost
Average cost of each flight calculated by dividing total operating expenses by total number of departures.

Yield
Average amount paid per passenger to fly one kilometer. Usually, yield is calculated as average revenue per revenue passenger kilometer, or cents per RPK.

This press release includes estimates and forward-looking statements within the meaning of the U.S. federal securities laws. These estimates and forward-looking statements are based mainly on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of our preferred shares, including in the form of ADSs. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. In addition, in this release, the words "may," "will," "estimate," "anticipate," "intend," "expect," "should" and similar words are intended to identify forward-looking statements. You should not place undue reliance on such statements, which speak only as of the date they were made. Azul is not under the obligation to update publicly or to revise any forward-looking statements after we distribute this press release because of new information, future events or other factors. Our independent public auditors have neither examined nor compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. In light of the risks and uncertainties described above, the future events and circumstances discussed in this release might not occur and are not guarantees of future performance. Because of these uncertainties, you should not make any investment decision based upon these estimates and forward-looking statements.

In this press release, we present EBITDA, which is a non-IFRS performance measure and is not a financial performance measure determined in accordance with IFRS and should not be considered in isolation or as alternatives to operating income or net income or loss, or as indications of operating performance, or as alternatives to operating cash flows, or as indicators of liquidity, or as the basis for the distribution of dividends. Accordingly, you are cautioned not to place undue reliance on this information.

Executive Board Statement on the Parent Company and Consolidated Quarterly Information (ITR)

Under the provisions of CVM Instruction 480/09, the executive officers state that they have discussed, reviewed, and approved the Parent Company and Consolidated Quarterly Information (ITR) for the three and nine-month period ended on September 30, 2020.

São Paulo, November 10, 2020.

John Peter Rodgerson
Chief Executive Officer

Alexandre Wagner Malfitani
Chief Financial Officer and Investor Relations Officer

Executive Board Statement on the Independent Auditors' Review Report

Under the provisions of CVM Instruction 480/09, the Executive Board states that it has discussed, reviewed and agreed with the conclusion of the review report from the independent auditor, on the Parent Company and Consolidated Quarterly Information (ITR) related to the period of three and nine months ended on September 30, 2020.

São Paulo, November 10, 2020.

John Peter Rodgerson
Chief Executive Officer

Alexandre Wagner Malfitani
Chief Financial Officer and Investor Relations Officer

Audit Committee summary report

All the members of the Audit Committee, considering the documents presented and the information and clarifications provided by the Company's Executive Board and by Ernst & Young Auditores Independentes SS, reviewed the Interim Financial Statements related to the period of three and nine months ended on September 30, 2020. Based on this information, it expressed a favorable opinion on the Interim Financial Statements related to the period of three and nine months ended on September 30, 2020, accompanied by the report on the review of Parent Company and Consolidated Quarterly Information (ITR) to be issued by Ernst & Young Auditores Independentes SS, recommending to the Board Directors for approval.

São Paulo, November 10, 2020.

Gilberto de Almeida Peralta
Audit Committee Member

Sergio Eraldo de Salles Pinto
Audit Committee Member

Gelson Pizzirani
Audit Committee Member

São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
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A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Consolidated Financial Statements (Unaudited) prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, and with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Report on the review of interim financial information

The Shareholders, Board of Directors and Officers
Azul S.A.
Barueri – SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Azul S.A. (the "Company") contained in the Quarterly Information Form – ITR form as of September 30, 2020, which comprise the individual and consolidated statement of financial position on September 30, 2020, and the individual and consolidated statements of net income (loss) and of comprehensive income (loss) for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with the NBC TG 21 - Interim Financial Reporting and the international standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international standards on review engagements (NBC TR 2410 and *ISRE 2410* - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with the NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

São Paulo Corporate Towers
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Emphasis of a matter

Restatement of corresponding figures

As mentioned in Note 5 to the Quarterly Information (ITR) as of September 30, 2020, as a result of improvements in internal controls of the lease contracts, the corresponding individual and consolidated figures relating to the statements of net income (loss) and of comprehensive income (loss) for the periods of three and nine-month periods ended September 30, 2019, and the statements of changes in equity, of cash flows and of value added for the nine-month period ended September 30, 2019, presented for comparison purposes, were adjusted and are being restated as provided for in CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors and in CPC 26 (R1) – Presentation of the Financial Statements. Our conclusion is not modified with respect to this matter.

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company management and presented as supplementary information under IAS 34. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set forth by this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 16, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Márcio D. Berstecher
Accountant CRC-1SP 259735/O-2

AZUL S.A.

Balance sheets

September 30, 2020

(In thousands of Brazilian reais)

		Parent Company		Consolidated	
Assets	Note	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Current assets					
Cash and cash equivalents	6	1,435	7,961	1,435,714	1,647,880
Short-term investments	7	-	20	133,548	62,009
Trade and other receivables	8	-	78	729,609	1,165,866
Aircraft sublease receivables	9	-	-	138,932	75,052
Inventories		-	-	376,442	260,865
Assets held for sale		-	-	-	51,850
Security deposits and maintenance reserves	10	-	-	461,848	258,212
Taxes recoverable		1,200	1,310	27,530	139,668
Derivative financial instruments	16	-	-	79,171	168,148
Prepaid expenses		1,068	151	75,216	139,403
Other current assets		18,381	13,324	147,263	169,778
Total current assets		22,084	22,844	3,605,273	4,138,731
Non-current assets					
Long-term investments	7	-	1,236,828	892,064	1,397,699
Aircraft sublease receivables	9	-	-	205,359	204,452
Security deposits and maintenance reserves	10	-	-	1,936,672	1,393,321
Derivative financial instruments	16	-	-	315,524	657,776
Prepaid expenses		-	-	20,674	22,216
Taxes recoverable		-	-	282,455	244,601
Other non-current assets		31	3,617	203,878	497,567
Investments	12	811,654	813,065	-	-
Property and equipment	13	-	-	5,313,151	9,553,643
Intangible assets		-	-	1,151,273	1,087,484
Total non-current assets		811,685	2,053,510	10,321,050	15,058,759
Total assets		833,769	2,076,354	13,926,323	19,197,490

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Balance sheets
September 30, 2020
(In thousands of Brazilian reais)

		Parent Company		Consolidated	
Liabilities	**Note**	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Current liabilities					
Loans and financing	14	-	-	1,050,260	481,227
Lease liabilities	15	-	-	2,611,756	1,585,233
Accounts payable		2,719	43	2,820,484	1,376,850
Accounts payable – Supplier finance		-	-	85,905	249,727
Air traffic liability	17	-	-	2,270,125	2,094,254
Salaries, wages and benefits		593	736	411,757	357,571
Insurance premiums payable		-	-	13,254	49,938
Taxes payable		8,970	537	31,221	49,060
Federal tax installment payment program		-	-	15,114	13,480
Derivative financial instruments	16	-	-	195,025	81,196
Provisions	18	-	-	1,060,075	323,441
Other current liabilities		73,652	26,822	276,672	200,043
Total current liabilities		85,934	28,138	10,841,648	6,862,020
Non-current liabilities					
Loans and financing	14	-	-	4,122,062	3,036,929
Lease liabilities	15	-	-	10,521,242	10,521,388
Derivative financial instruments	16	-	-	229,473	228,994
Deferred income taxes		-	242,516	-	242,516
Federal tax installment payment program		-	-	112,115	119,300
Provisions	18	-	-	1,765,698	1,489,911
Provision for loss on investment	12	14,614,206	5,324,874	-	-
Other non-current liabilities		-	-	200,456	215,606
Total non-current liabilities		14,614,206	5,567,390	16,951,046	15,854,644
Equity	20				
Issued capital		2,246,367	2,243,215	2,246,367	2,243,215
Capital reserve		1,940,952	1,928,830	1,940,952	1,928,830
Treasury shares		(13,182)	(15,565)	(13,182)	(15,565)
Other comprehensive loss		(6,797)	(159,261)	(6,797)	(159,261)
Accumulated losses		(18,033,711)	(7,516,393)	(18,033,711)	(7,516,393)
		(13,866,371)	(3,519,174)	(13,866,371)	(3,519,174)
Total liabilities and equity		833,769	2,076,354	13,926,323	19,197,490

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Income statements
Period ended September 30, 2020 and 2019
(In thousands of Brazilian reais, except net income (loss) per share)

		Parent Company		Consolidated	
		Three month period ended on			
	Note	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)
Passenger revenue		-	-	624,491	2,894,235
Cargo and other revenue		-	-	180,835	136,499
Total net revenue		-	-	805,326	3,030,734
Cost of services	23	-	-	(788,826)	(2,161,982)
Gross profit		-	-	16,500	868,752
Operating expenses					
Selling expenses	23	-	-	(65,214)	(127,506)
Administrative expenses	23	(8,341)	(6,688)	(198,942)	(214,456)
		(8,341)	(6,688)	(264,156)	(341,962)
Equity	12	(1,190,447)	(567,764)	-	-
Operating income (loss)		(1,198,788)	(574,452)	(247,656)	526,790
Financial income	24	88	171	12,262	20,142
Financial expense	24	(1,016)	(492)	(575,730)	(322,578)
Derivative financial instruments, net	16	-	-	68,747	135,326
Foreign currency exchange, net	24	(4,186)	17,816	(542,642)	(941,403)
		(5,114)	17,495	(1,037,363)	(1,108,513)
Result from related parties transactions, net		(63)	15,315	81,054	24,822
Net loss before income tax and social contribution		(1,203,965)	(541,642)	(1,203,965)	(556,901)
Income tax and social contribution	11	2,238	(249)	2,238	(249)
Deferred income tax and social contribution	11	(24,554)	(8,629)	(24,554)	6,630
Net loss		(1,226,281)	(550,520)	(1,226,281)	(550,520)
Basic net loss per common share - R$		(0.05)	(0.02)	(0.05)	(0.02)
Diluted net loss per common share - R$		(0.05)	(0.02)	(0.05)	(0.02)
Basic net loss per preferred share - R$		(3.58)	(1.61)	(3.58)	(1.61)
Diluted net loss per preferred share - R$		(3.58)	(1.61)	(3.58)	(1.61)

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Income statements
Period ended September 30, 2020 and 2019
(In thousands of Brazilian reais, except net income (loss) per share)

		Parent Company		Consolidated	
		Nine month period ended on			
	Note	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)
Passenger revenue		-	-	3,560,447	7,816,287
Cargo and other revenue		-	-	449,146	374,134
Total net revenue		-	-	4,009,593	8,190,421
Cost of services	23	-	-	(4,245,245)	(6,053,513)
Gross profit		-	-	(235,652)	2,136,908
Operating Revenues (Expenses)					
Selling Expenses	23	-	-	(242,699)	(341,007)
Administrative Expenses	23	(23,767)	(13,060)	(634,355)	(588,282)
		(23,767)	(13,060)	(877,054)	(929,289)
Equity	12	(9,977,894)	(37,125)	-	-
Operating income (loss)		(10,001,661)	(50,185)	(1,112,706)	1,207,619
Financial income	24	2,320	723	45,908	59,031
Financial expense	24	(14,786)	(1,690)	(1,617,196)	(919,733)
Derivative financial instruments, net	16	-	-	(1,478,033)	303,676
Foreign currency exchange, net	24	(25,781)	9,867	(5,816,221)	(827,952)
		(38,247)	8,900	(8,865,542)	(1,384,978)
Result from related parties transactions, net		(714,745)	(75,998)	(776,405)	(26,151)
Net loss before income tax and social contribution		(10,754,653)	(117,283)	(10,754,653)	(203,510)
Income tax and social contribution	11	(5,181)	(1,901)	(5,181)	(1,901)
Deferred income tax and social contribution	11	242,516	29,170	242,516	115,397
Net loss		(10,517,318)	(90,014)	(10,517,318)	(90,014)
Basic net loss per common share - R$		(0.41)	(0.00)	(0.41)	(0.00)
Diluted net loss per common share - R$		(0.41)	(0.00)	(0.41)	(0.00)
Basic net loss per preferred share - R$		(30.74)	(0.26)	(30.74)	(0.26)
Diluted net loss per preferred share - R$		(30.74)	(0.26)	(30.74)	(0.26)

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Statements of Comprehensive Income
Period ended September 30, 2020 and 2019
(In thousands of Brazilian reais, except net income (loss) per share)

		Parent Company and Consolidated			
		Three month period ended on		Nine month period ended on	
	Note	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)
Net loss		(1,226,281)	(550,520)	(10,517,318)	(90,014)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedges	16	1,250	(106,453)	152,464	(63,300)
Total comprehensive loss		(1,225,031)	(656,973)	(10,364,854)	(153,314)

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Statements of changes in equity
Period ended September 30, 2020 and 2019
(In thousands of Brazilian reais)

	Note	Issued capital	Treasury shares	Capital Reserve	Cash flow hedge reserve	Accumulated losses	Total
December 31, 2018		2,209,415	(10,550)	1,918,373	(153,969)	(5,113,307)	(1,150,038)
Income for the period		-	-	-	-	(90,014)	(90,014)
Other comprehensive loss		-	-	-	(63,300)	-	(63,300)
Total comprehensive loss		-	-	-	(63,300)	(90,014)	(153,314)
Issuance of shares due exercise of stock options	22	31,178	-	1,425	-	-	32,603
Treasury shares		-	2,430	-	-	-	2,430
Share-based payment expense	22	-	-	2,104	-	-	2,104
September 30, 2019 (restated)		2,240,593	(8,120)	1,921,902	(217,269)	(5,203,321)	(1,266,215)

	Note	Issued capital	Treasury shares	Capital Reserve	Cash flow hedge reserve	Accumulated losses	Total
December 31, 2019		2,243,215	(15,565)	1,928,830	(159,261)	(7,516,393)	(3,519,174)
Loss for the period		-	-	-	-	(10,517,318)	(10,517,318)
Other comprehensive loss		-	-	-	152,464	-	152,464
Total comprehensive loss		-	-	-	152,464	(10,517,318)	(10,364,854)
Issuance of shares due exercise of stock options	22	3,152	-	-	-	-	3,152
Treasury shares		-	2,383	-	-	-	2,383
Share-based payment expense	22	-	-	12,122	-	-	12,122
September 30, 2020		2,246,367	(13,182)	1,940,952	(6,797)	(18,033,711)	(13,866,371)

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Statements of cash flows

Period ended September 30, 2020 and 2019

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	Nine month period ended on			
	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)
Cash flows from operating activities				
Net loss for the period	(10,517,318)	(90,014)	(10,517,318)	(90,014)
Adjustment of items without cash disbursement to reconcile the result				
Depreciation, amortization and impairment	-	-	1,422,527	1,169,740
Unrealized hedge results	505	-	1,478,033	(342,224)
Share-based payment expenses	-	(288)	15,974	12,519
Foreign currency exchange, net	42,159	(30,187)	5,601,418	880,864
Interest income and expenses on assets and liabilities	716,277	(207)	1,375,456	782,517
Related parties	-	-	748,228	15,647
Deferred income tax and social contribution	(242,516)	(29,170)	(242,516)	(115,397)
Allowance for doubtful accounts	-	-	2,191	1,814
Provision for loss of security deposits	-	-	5,697	-
Provision for inventory	-	-	9,087	1,950
Provisions	-	-	314,738	71,695
Result in lease contract modification	-	-	(815,229)	-
Result on sale/write-off of fixed and intangible assets	-	-	13,282	52,134
Equity	9,977,894	37,125	-	-
Changes in operating assets and liabilities				
Trade and other receivables	78	(105)	471,577	(356,831)
Sublease receivables	-	-	62,470	37,197
Inventories	-	-	(12,103)	(65,656)
Security deposits and maintenance reserves	-	-	(109,694)	26,891
Prepaid expenses	(917)	(500)	33,563	39,403
Recoverable taxes	110	(33)	75,683	8,696
Other assets	3,586	-	316,355	(129,909)
Derivatives	-	75,679	(254,906)	(2,412)
Accounts payable	2,676	(37)	1,351,339	(10,258)
Accounts payable - Supplier finance	-	-	(245,709)	168,335
Salaries, wages and employee benefits	(143)	(31)	51,479	138,914
Insurance premiums payable	7	-	(36,684)	(33,599)
Taxes payable	8,602	(11,022)	(19,828)	(25,227)
Federal installment payment program	-	-	(5,687)	(7,312)
Air traffic liability	-	-	175,871	290,432
Provision taxes, civil and labor risks	-	-	(73,397)	(65,448)
Other liabilities	-	-	(32,055)	(28,943)
Interest paid	-	-	(399,677)	(697,535)
Income tax and social contribution paid	(304)	(1,598)	(304)	(1,598)
Net cash provided by (used in) operating activities	(9,304)	(50,388)	759,861	1,726,385
Cash flows from investing activities				
Short-term investment				
Acquisition of short-term investments	-	(10,110)	(1,358,549)	(1,232,171)
Disposal of short-term investments	21	22,512	1,288,444	1,714,202
Loan to third parties	-	-	-	(51,028)
Acquisition of subsidiary, net of cash acquired	-	-	(17,713)	-
Disposal of long-term investments	-	-	-	(96,161)
Cash receivable of sale of property and equipment	-	-	45,670	59,381
Acquisition of intangibles	-	-	(69,187)	(78,836)
Acquisition of property and equipment	-	-	(308,664)	(987,519)
Net cash provided by (used in) investing activities	21	12,402	(419,999)	(672,132)
Cash flows from financing activities				
Loans and financing				
Proceeds	-	-	141,401	407,819
Repayment	-	-	(154,257)	(122,535)
Lease repayment	-	-	(442,029)	(991,467)
Proceeds from sale and leaseback	-	-	-	16,276
Issuance of shares due exercise of stock options	3,152	32,603	3,152	32,603
Treasury shares	-	(5,175)	-	(5,175)
Net cash provided by (used in) financing activities	3,152	27,428	(451,733)	(662,479)
Exchange gain (loss) on cash and cash equivalents	(395)	1,610	(100,295)	(38,826)
Net increase (decrease) in cash and cash equivalents	(6,526)	(8,948)	(212,166)	352,948
Cash and cash equivalents at the beginning of the period	7,961	11,250	1,647,880	1,169,136
Cash and cash equivalents at the end of the period	1,435	2,302	1,435,714	1,522,084

The accompanying notes are an integral part of these Quarterly Information (ITR).

AZUL S.A.

Statements of added value
Period ended September 30, 2020 and 2019
(In thousands of Brazilian reais)

	Note	Parent Company		Consolidated	
		Nine month period ended on			
		September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)
Revenue					
Passenger revenue		-	-	3,664,183	8,013,633
Cargo and other revenue		-	-	512,908	428,570
Allowance/Reverse for doubtful accounts		-	-	(2,191)	(1,814)
		-	-	4,174,900	8,440,389
Inputs acquired from third parties					
Aircraft fuel	23	-	-	(1,057,743)	(2,254,115)
Materials, energy, third-party services and others		(19,324)	(5,364)	(1,537,361)	(2,069,615)
Aircraft insurance		-	-	(44,674)	(22,841)
		(19,324)	(5,364)	(2,639,778)	(4,346,571)
Gross added value		(19,324)	(5,364)	1,535,122	4,093,818
Retention					
Depreciation, amortization and impairment	23	-	-	(1,422,527)	(1,169,741)
Net added value produced by the Company		(19,324)	(5,364)	112,595	2,924,077
Added value received on transfers					
Equity	12	(9,977,894)	(37,125)	-	-
Financial income	24	2,320	723	45,908	59,031
Result from related parties transactions, net		(714,745)	(75,998)	(776,405)	(26,151)
		(10,690,319)	(112,400)	(730,497)	32,880
Total value added (distributed) to distribute		(10,709,643)	(117,764)	(617,902)	2,956,957
Distribution of value added		(10,709,643)	(117,764)	(617,902)	2,956,957
Personal		4,078	6,803	855,594	1,199,278
Direct Compensation		2,341	4,054	654,085	925,557
Benefits		1,639	2,484	146,922	194,816
F.G.T.S.		98	265	54,587	78,905
Taxes, fees and contributions		(236,970)	(26,376)	60,819	335,176
Federal		(236,970)	(27,001)	33,518	310,645
State		-	-	19,437	13,724
Municipal		-	625	7,864	10,807
Third party capital remuneration		40,567	(8,177)	8,983,003	1,512,517
Financial expense	24	40,567	(8,177)	8,911,450	1,444,009
Rents		-	-	71,553	68,508
Shareholders' equity compensation		(10,517,318)	(90,014)	(10,517,318)	(90,014)
Net loss		(10,517,318)	(90,014)	(10,517,318)	(90,014)

The accompanying notes are an integral part of these Quarterly Information (ITR).

1. Operating Context

Azul SA ("Azul" or "Company") is a corporation, governed by its bylaws, Law 6.404/76 and by the B3 SA – Brasil, Bolsa Balcão ("B3") corporate governance level 2 listing rules. The Company was created on January 3, 2008, having as its main purpose the operation of scheduled and non-scheduled air transportation services for passengers, cargo or postal bags; passenger chartering, maintenance and hangar services for aircraft, engines, parts and pieces, aircraft acquisition and leasing, development of loyalty programs, development of related activities and participation in other companies.

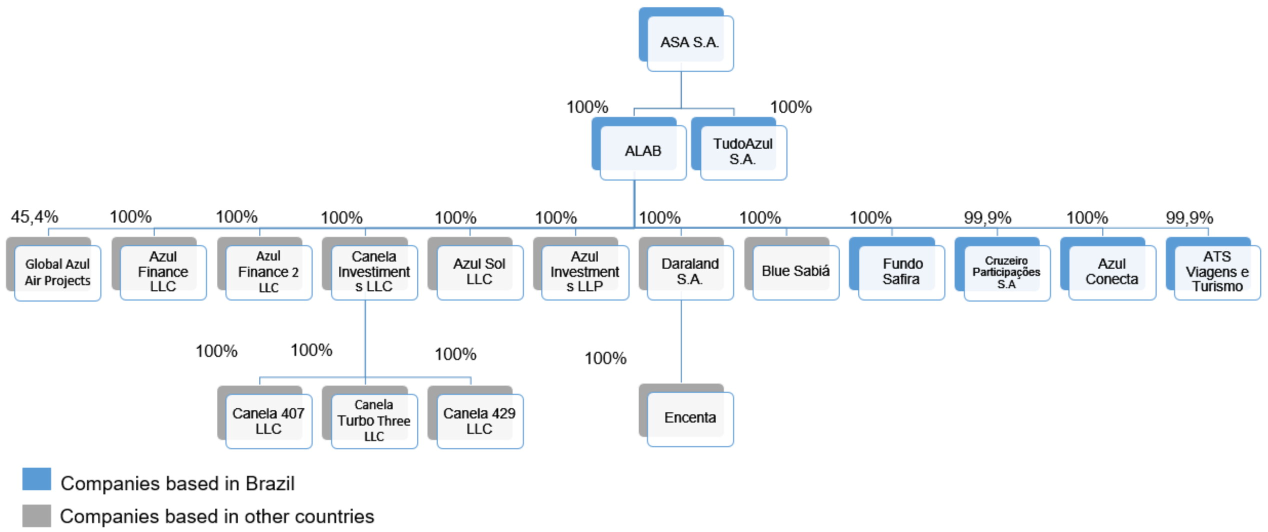
The Company develops its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. ("ALAB"), which has authorization from government authorities to operate as an airline.

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

The Company is headquartered at Avenida Marcos Penteado de Ulhôa Rodrigues, 939, 9th floor, in the city of Barueri, state of São Paulo, Brazil.

1.1 Corporate Structure

The corporate structure of the Company in which the Company is inserted, on September 30, 2020, is shown below:



(In thousands of Brazilian reais, except when otherwise indicated)

The Company's corporate structure in the nine-month period ended September 30, 2020 and on December 31, 2019, are shown below:

Entities	Type of Control	Main activities	Country	% equity interest	
				September 30, 2020	December 31, 2019
TudoAzul S.A.	Direct	Loyalty programs	Brazil	100.00%	100.00%
Azul Linhas Aéreas Brasileiras S.A. (ALAB)	Direct	Airline operations	Brazil	100.00%	100.00%
TwoTaxi Aéreo Ltda. (Azul Conecta) (a)	Indirect	Airline operations	Brazil	100.00%	-
ATS Viagens e Turismo Ltda.	Indirect	Package holidays	Brazil	99.90%	99.90%
Fundo Garoupa (b)	Indirect	Exclusive investment fund	Brazil	-	100.00%
Fundo Safira	Indirect	Exclusive investment fund	Brazil	100.00%	100.00%
Cruzeiro Participações S.A	Indirect	Participation in others societies	Brazil	99.90%	99.90%
Azul Investments LLP	Indirect	Group financing	United States	100.00%	100.00%
Azul SOL LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Azul Finance LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Azul Finance 2 LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Blue Sabiá LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Canela Investments LLC (Canela)	Indirect	Aircraft financing	United States	100.00%	100.00%
Canela 407 LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Canela 429 LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Canela Turbo Three LLC	Indirect	Aircraft financing	United States	100.00%	100.00%
Global AzulAirProjects, SGPS, S.A. (Global)	Indirect	Participation in others societies	Portugal	45.45%	45.45%
Daraland S.A.	Indirect	Holding	Uruguay	100.00%	100.00%
Encenta S.A. (Azul Uruguai)	Indirect	Airline operations	Uruguay	100.00%	100.00%

(a) Subsidiary acquired on May 14, 2020 (see note 2).

(b) Exclusive Investment fund ended January, 2020.

1.2 Impacts of COVID-19

The Company's Management has been following all developments related to the Covid-19 pandemic, monitoring the situation daily and prioritizing above all the health and safety of all its crew and customers.

Throughout the confrontation of the crisis triggered by the COVID-19 pandemic, and the slowdown in economic activity, the Company's management implemented several measures aimed at significantly reducing costs and strengthening its cash and liquidity position.

According to Circular Letters No. 02/20 and No. 03/20, issued by the Brazilian Securities and Exchange Commission (“CVM”), and taking into account the economic scenario and the risks and uncertainties arising from the impacts of the Covid-19 pandemic, the accounting estimates were reviewed by Management, as described below:

- Provision for expected losses on accounts receivable;
- Provision for losses on parts inventory;
- Provision for impairment losses on property, plant and equipment and intangible assets;
- Provision for losses of recoverable taxes; and
- Provision for deferred tax losses

In addition, the Company made significant progress in the renegotiation of aircraft leasing terms, which included deferred payments, discounts, and changes in contractual terms.

The Company was also successful in renegotiating the conditions and maturity of its debentures and FINAME obligations, and therefore, the balances of R$254,865 and R$25,697, respectively, were reclassified from current to non-current obligations. For both transactions, the covenants were maintained.

1.3 Capital Structure and net working capital

As of September 30, 2020, the Company had a negative equity of R$13,866,371 (negative R$3,519,174 on December 31, 2019). The variation in the balance is mainly due to the following factors:

- The 39.9% devaluation of the Real against the US dollar in the nine-month period ended September 30, 2020, from R$4.0307 to R$5.6407, which significantly impacted the Company's result, due to the unrealized exchange variation expense in the amount of R$5,816,221, registered in financial result, and significant increase in fuel and maintenance costs strongly impacted by foreign currency, in addition to the drop in demand as a result of the COVID-19 pandemic.

In turn, consolidated net working capital deteriorated by R$4,513,086, reaching a negative position of R$7,236,375 on September 30, 2020 (R$2,723,289 on December 31, 2019). The variation in the balance is related to the following factors:

- Significant reduction in the position of accounts receivable due to the social distance behavior adopted by our customers in a more intensified manner in the first four months of the COVID-19 pandemic;

- Increase in obligations with suppliers, mainly due to the Company's negotiations with them in order to strengthen the cash position to face the crisis; and

- Significant increase in short-term amounts payable related to lease obligations, loans, provisions for redelivery and onerous contracts, impacted by the 39.9% devaluation of the Real against the US dollar.

The Company's management has taken several actions to obtain additional sources of liquidity, together with measures to contain operating expenses and non-essential capital outflows.

Such actions have proven to be efficient to withstand the economic slowdown presented due to the COVID-19 pandemic. Among them, we highlight the deferral of lease obligations with significant majority from its commercial partners, renegotiation of financial debts such as debentures and derivative obligations and, recently, according to the Notice to the Market, issued on October 26, 2020 (see note 29), and Offer Announcement issued on November 10, 2020, the Company filed and concluded the issuance process a public offering of debentures raising a total of R$1,745,900 that will allow the expansion of its business, in addition to the continuity of its operations as detailed in note 29.1.

Management continually monitors the effects of the crisis and will continue to adopt measures to strengthen its cash position and concludes based on the information available that there are no risks to the Company's operational continuity.

1.4 Acceleration of fleet transformation

In the last quarter of 2019, the Company's Management approved the replacement plan for Embraer E195 model aircraft ("E1"). The plan's objective was to speed up the replacement of the entire domestic fleet by the E2 model, allowing the transport of a greater number of passengers with lower fuel consumption. On that same date, the Company entered into agreements with the intention to sublease these assets to other air operators. The change in the intended use of the aircraft triggered an impairment review that resulted in the recognition of an impairment loss of these assets of R$2,032,207 and the constitution of an onerous liability of R$797,591.

Such provisions are updated quarterly reflecting the amortization of financial expenses and the exchange rate adjustment, as well as any change in Management's plans regarding the use of these assets. On September 30, 2020, the provision for recoverability of assets corresponds to R$2,048,226, while the liability for R$863,444.

1.5 Seasonality

The Company's operating revenues depend substantially on the overall volume of passenger and cargo traffic, which is subject to seasonal changes and other changes in traffic patterns. 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 correspond 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.

2. Business Combination

2.1 Acquisition of Two Taxi Aéreo Ltda

On May 14, 2020, the Company completed the acquisition of all shares of Azul Conecta, previously denominated Two Táxi Aéreo Ltda. The transaction was approved without restrictions by the Administrative Council for Economic Defense ("CADE") on March 27, 2020. On April 30, 2020, through a power of attorney, the Company assumed control of Azul Conecta, therefore, the transfer the control took place before the closing date mentioned above, in accordance with CPC 15 – Business Combination, equivalent to IFRS 3.

(In thousands of Brazilian reais, except when otherwise indicated)

Azul Conecta offers regular passenger and cargo service to 39 destinations in Brazil, of which only seven were already served by Azul. The acquired company also has 14 daily departure and arrival times on the auxiliary runway at Congonhas airport, the country's main domestic terminal. Its fleet consists of 17 owned Cessna Caravan aircraft, a single-engine regional turboprop with capacity for nine passengers.

The total nominal amount of the transaction was R$123,000. Payment will be made in up to 30 monthly installments, ranging from R$3,000 to R$10,000, subject to certain contractual and market conditions, and a final payment of up to R$30 million, which will be kept deposited in a bank account as collateral in favor of the Company for a specified period.

This acquisition generated goodwill of R$57,446 initially allocated to “Goodwill” in the consolidated Quarterly Information (ITR). The conclusion of the analysis of the fair value of the assets acquired and liabilities assumed will be completed within the period of 12 months following the acquisition.

Azul Conecta contributed revenues of R$8,823 and a loss before taxes of R$14,546 from the acquisition date until September 30, 2020. If the business combination had occurred at the beginning of the year, revenue would have totaled R$30,239 and the losses before taxes would be R$24,461.

Description	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	3,971
Trade and other receivables	3,637
Inventories	1,624
Taxes recoverable	1,399
Other assets	458
Property and equipment (a)	74,205
	85,294
Liabilities	
Loans and financing	(16,540)
Accounts payable	(5,764)
Salaries, wages and benefits	(2,707)
Taxes payable	(824)
Provisions (b)	(1,687)
Other liabilities	(650)
	(28,172)
Acquired net assets	57,122
Fair value of consideration	114,568
Goodwill	57,446

Cash flow	
Net cash acquired from the subsidiary	3,971
Payments	(8,683)
Acquisition cash flow, net	(4,712)

a) The Company carried out an assessment of the fair value of property, plant and equipment based on their conditions on the acquisition date. The recognized amount of was R$56,820.

b) The Company recognized the fair value of R$500 for labor contingencies.

3. Message from the Management, base to prepare and present the Parent Company and Consolidated Quarterly Information (ITR)

The Company's Parent Company and Consolidated Quarterly Information (ITR) were prepared following accounting practices adopted in Brazil. The accounting practices adopted in Brazil include those in the Brazilian Corporation Law and in 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 Consolidated Quarterly Information (ITR) was 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 in the Brazilian Corporation Law and in the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC"), and approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM").

The Company's Parent Company and Consolidated Quarterly Information (ITR) was prepared using the Brazilian real ("R$") as the functional and presentation currency. Figures are expressed in thousands of Brazilian reais, except when stated otherwise. The items disclosed in foreign currencies are duly identified, when applicable.

The preparation of the Parent Company and Consolidated Quarterly Information (ITR) requires the Management to make judgments, use estimates and adopt assumptions affecting the amounts presented of revenues, expenses, assets and liabilities. However, the uncertainty regarding these judgments, assumptions and estimates could give rise to results that require a significant adjustment of the book value of certain assets and liabilities in future reporting years.

The Company is continually reviewing its judgments, estimates, and assumptions. When preparing this Parent Company and Consolidated Quarterly Information (ITR), Management used disclosure criteria, considering regulatory aspects and the relevance of the transactions to understand the changes in the Company's economic and financial position and its performance since the end of the fiscal year ended December 31, 2019, as well as the updates of relevant information included in the annual financial statements disclosed on March 12, 2020.

Management confirms that all material information in this Parent Company and Consolidated Quarterly Information (ITR) is being demonstrated and corresponds to the information used by Management in the development of its business management activities.

The Parent Company and Consolidated Quarterly Information (ITR) has been prepared based on historical cost, with the exception of the following material items recognized in the statements of financial position:

- short-term investments classified as cash and cash equivalents measured at fair value;
- short-term investments mainly comprising exclusive investment funds, measured at fair value;
- accounts receivable;
- TAP bonds;
- derivative financial instruments measured at fair value; and
- investments accounted for using the equity method.

4. Significant accounting policies

The Parent Company and Consolidated Quarterly Information (ITR) presented herein was prepared based on policies, accounting practices and estimated calculation methods adopted and presented in detail in the annual financial statements for the year ended December 31, 2019, released on March 12, 2020 and should be read in conjunction.

4.1. New and amended standards and interpretations

On July 7, 2020, CVM, through resolution No. 859, approved the revision of technical pronouncement CPC 06 (R2) – Leases, equivalent to IFRS 16, as a result of benefits granted (“lease concessions”) in relation to COVID 19. In certain renegotiations of its lease agreements, the Company adopted the provisions of said standard, and the effects on this quarterly information are immaterial.

4.2. New Accounting Standards and Pronouncements not yet Adopted

According to the Management, there are no other standards and interpretations issued and not yet adopted that may have a significant impact on the income (expenses) or shareholders’ equity disclosed by the Company.

4.3. Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate change prevailing on the date on which the transactions take place. Monetary assets and liabilities designated in foreign currency are calculated based on the exchange rate change on the balance sheet date. Any difference resulting from the translation of currencies is recorded under the item “Foreign currency exchange, net” in the income statement for the period.

(In thousands of Brazilian reais, except when otherwise indicated)

The main exchange rates in reais in effect on the base date of this Parent Company and Consolidated Quarterly Information (ITR) are as follows:

Description	Final rate		Average rate	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
U.S. Dollar	5.6407	4.0307	5.0793	3.8887
Euro	6.6132	4.5305	5.7207	4.3679

5. Restatement of Parent Company and Consolidated Quarterly Information (ITR)

The Company applied the full retrospective transition approach for the IFRS 16 adoption on January 1, 2019. On December 31, 2019, upon conclusion of the adoption adjustments, the Company opted to improve the disclosure of quarterly, individual and consolidated information, of September 30, 2019. Management improved the controls related to the adoption of CPC 06 (R2) – Leases, IFRS 16, especially in relation to the aircraft and engines redelivery provision, which is based on estimated future costs to be incurred in order to meet contractual conditions for the return of engines and aircraft maintained under operating leases (“*asset retirement obligation*”). Consequently, in accordance with the provisions of CPC 23 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors, equivalent to IAS 8 due to the effects of adjustments to IFRS 16 that were concluded by the Company for the year ended on December 31, 2019, and disclosed in its Annual Financial Statements, the Company is restating the corresponding amounts for the three and nine months ended September 30, 2019, so that there is an adequate comparative basis in the quarterly information.

The effects of IFRS 16 adjustments in the three and nine months ended September 30, 2019 are shown below:

5.1 Parent Company

5.1.1 Balance sheet

Description	September 30, 2019		
	As reported	Adjustments	As restated
Non-current liabilities			
Provision for loss on investment	2,427,558	621,425	3,048,983
Equity			
Accumulated losses	(4,581,897)	(621,425)	(5,203,322)

(In thousands of Brazilian reais, except when otherwise indicated)

5.1.2 Income statements

	Three month period ended on September 30, 2019			Nine month period ended on September 30, 2019		
Description	As reported	Adjustments	As restated	As reported	Adjustments	As restated
Equity	(471,056)	(96,708)	(567,764)	82,248	(119,373)	(37,125)
Net income (loss) for the period	(453,812)	(96,708)	(550,520)	29,359	(119,373)	(90,014)
Basic net income (loss) per common share - R$	(0.02)	(0.00)	(0.02)	0.01	(0.01)	(0.00)
Diluted net income (loss) per common share - R$	(0.02)	(0.00)	(0.02)	0.01	(0.01)	(0.00)
Basic net income (loss) per preferred share - R$	(1.33)	(0.28)	(1.61)	0.09	(0.35)	(0.26)
Diluted net income (loss) per preferred share - R$	(1.33)	(0.28)	(1.61)	0.09	(0.35)	(0.26)

5.1.3 Statements of cash flows

	Nine month period ended on September 30, 2019		
Description	As reported	Adjustments	As restated
Cash flows from operating activities			
Net income (loss) for the period	29,359	(119,373)	(90,014)
Equity	(82,248)	119,373	37,125

5.1.4 Statements of added value

	Nine month period ended on September 30, 2019		
Description	As reported	Adjustments	As restated
Added value received on transfers			
Equity	82,248	(119,373)	(37,125)
Shareholders' equity compensation			
Net income (loss) for the period	29,359	(119,373)	(90,014)

(In thousands of Brazilian reais, except when otherwise indicated)

5.2 Consolidated

5.2.1 Balance sheet

	Consolidated		
	September 30, 2019		
Description	**As reported**	**Adjustments**	**As restated**
Assets			
Current assets			
Prepaid expenses (b)	97,509	(5,712)	91,797
Non-current assets			
ROU - leased aircraft (a), (b), (c)	5,812,786	242,940	6,055,726
ROU - maintenance of leased aircraft (b)	772,681	8,292	780,973
Liabilities			
Current liabilities			
Accounts payable (b)	1,261,935	15,462	1,277,397
Provisions (a)	-	56,422	56,422
Other current liabilities (b)	183,076	1,091	184,167
Non-current liabilities			
Loans and financing (c)			
Lease liabilities (c)	9,095,731	(8,543)	9,087,188
Provisions (a)	87,231	793,641	880,872
Other non-current liabilities (b)	233,371	8,872	242,243
Equity			
Accumulated losses (a), (b), (c)	(4,581,897)	(621,425)	(5,203,322)

a) Provision for the return of aircraft and engines – Costs resulting from maintenance events that will be carried out immediately before the return of aircraft to lessors ("asset retirement obligation" defined as restoration events for the purposes of IFRS 16), are recognized as provisions from the beginning of the contract, provided they can be reasonably estimated, against the right-of-use the aircraft, which is depreciated on a straight-line basis over the lease.

b) Corrections to implementation balances, accounting for sale and leaseback transactions and updating of floating rates for operating leases.

c) Reclassifications between Balance Sheet, Income Statement lines and between quarters in 2019.

(In thousands of Brazilian reais, except when otherwise indicated)

5.2.2 Income statements

Description	Consolidated – Three month period ended on September 30, 2019 – As reported	Adjustments	As restated	Nine month period ended on September 30, 2019 – As reported	Adjustments	As restated
Operating expenses						
Aircraft and other rent (c)	(21,732)	21,732	-	(57,393)	57,393	-
Depreciation and amortization (a), (b), (c)	(376,568)	(16,625)	(393,193)	(1,158,474)	(11,267)	(1,169,741)
Other operating expenses, net (c)	(269,531)	(21,732)	(291,263)	(725,172)	(57,392)	(782,564)
Financial result						
Financial expense (a), (b)	(304,504)	(18,074)	(322,578)	(870,091)	(49,642)	(919,733)
Foreign currency exchange, net (a), (b)	(879,394)	(62,009)	(941,403)	(769,487)	(58,465)	(827,952)
Net income (loss) for the period	(453,812)	(96,708)	(550,520)	29,359	(119,373)	(90,014)
Basic net income (loss) per common share - R$	(0.02)	(0.00)	(0.02)	0.01	(0.01)	(0.00)
Diluted net income (loss) per common share - R$	(0.02)	(0.00)	(0.02)	0.01	(0.01)	(0.00)
Basic net income (loss) per preferred share - R$	(1.33)	(0.28)	(1.61)	0.09	(0.35)	(0.26)
Diluted net income (loss) per preferred share - R$	(1.33)	(0.28)	(1.61)	0.09	(0.35)	(0.26)

a) Provision for the return of aircraft and engines – Costs resulting from maintenance events that will be carried out immediately before the return of aircraft to lessors (defined as restoration events for the purposes of IFRS 16), are recognized as provisions from the beginning of the contract, provided they can be reasonably estimated, against the right to use the aircraft, which is depreciated on a straight-line basis over the lease.

b) Corrections to implementation balances, accounting for sale and leaseback transactions and updating of floating rates for operating leases.

c) Reclassifications between Balance Sheet, Income Statement lines and between quarters in 2019.

5.2.3 Statements of cash flows

Description	Consolidated – Nine month period ended on September 30, 2019 – As reported	Adjustments	As restated
Cash flows from operating activities			
Net income (loss) for the period	29,359	(119,373)	(90,014)
Adjustment of items without cash disbursement to reconcile the result			
Depreciation, amortization and impairment	1,158,473	11,267	1,169,740
Foreign currency exchange, net	822,400	58,464	880,864
Interest income and expenses on assets and liabilities	732,875	49,642	782,517
Changes in operating assets and liabilities			
Other liabilities	(52,430)	23,487	(28,943)
Cash flows from investing activities			
Acquisition of property and equipment	(964,032)	(23,487)	(987,519)

(In thousands of Brazilian reais, except when otherwise indicated)

5.2.4 Statements of added value

Description	Consolidated – Nine month period ended on September 30, 2019 – As reported	Adjustments	As restated
Retention			
Depreciation, amortization and impairment	(1,158,474)	(11,267)	(1,169,741)
Third party capital remuneration			
Financial expense	1,335,902	108,107	1,444,009
Shareholders' equity compensation			
Net income (loss) for the period	29,359	(119,373)	(90,014)

6. Cash and cash equivalents

	Parent Company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Cash and bank deposits	386	5,926	353,231	308,958
Cash equivalents				
Bank Deposit Certificate – CDB	1,049	2,029	1,056,805	1,317,388
Investments funds	-	6	25,678	21,534
	1,435	7,961	1,435,714	1,647,880

7. Short term investments

		Parent Company		Consolidated	
Description	**Effective interest rate p.a.**	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Other financial investments	2.5%	-	14	66,963	21,243
Investments funds	1.3%	-	6	66,585	40,766
Other investments	(a)	-	-	69,820	160,871
Bond TAP	6.7%	-	1,236,828	822,244	1,236,828
		-	1,236,848	1,025,612	1,459,708
Current		-	20	133,548	62,009
Non-current		-	1,236,828	892,064	1,397,699

(a) In the nine-month period ended on September 30, 2020, the return on investments in TAP shares generated a loss in the amount of R$ 91,050, due to the devaluation of these assets.

Investment funds are comprised of Brazilian government bonds and bank notes, denominated in reais, with financial institutions (deposit certificates) and debentures issued by at least B and BB+ risk rated companies bearing an accumulated average interest rate of 100% of CDI – Interbank Deposit Certificate rate. Brazilian government bonds are comprised of National Treasury Bills ("LTN"), National Financial Bills ("LFT") and National Treasury Notes ("NTN").

(In thousands of Brazilian reais, except when otherwise indicated)

Short-term investments are classified as financial assets at fair value through profit or loss.

On January 9, 2020, with the effect of a “drop-down”, that is, a capital increase through the replacement of equity elements in the investor, the Company transferred the TAP Bonds at the book value to the subsidiary ALAB.

8. Trade and other receivables

	Consolidated	
Description	September 30, 2020	December 31, 2019
Local currency		
Credit card administrators	341,378	768,839
Cargo and travel agencies	138,147	127,509
Azul Viagens financing	34,077	88,410
TudoAzul Program	34,470	56,485
Other accounts receivable	43,009	59,715
	591,081	1,100,958
Foreign currency		
Credit card administrators	7,086	4,439
Maintenance reserve	108,811	6,726
Airline partner companies	12,475	17,598
Insurance	8,332	24,112
Other accounts receivable	19,111	26,749
	155,815	79,624
Total	746,896	1,180,582
Allowance for doubtful accounts	(17,287)	(14,716)
Net total	729,609	1,165,866

(In thousands of Brazilian reais, except when otherwise indicated)

9. Aircraft sublease receivables

Description	Consolidated	
	September 30, 2020	December 31, 2019
2020	65,438	98,152
2021	121,271	86,657
2022	65,964	47,136
2023	61,790	44,154
2024	61,790	44,154
After 2024	28,812	20,588
Lease receivables, gross	405,065	340,841
Interest accrued	(60,774)	(61,337)
Lease receivables, net	344,291	279,504
Current	138,932	75,052
Non-current	205,359	204,452

As of September 30, 2020, the amount of R$33,674 was past due. No provision has been recorded since the Company has cash amounts referring to security deposits and maintenance reserves advanced by the sublessor, and therefore there is a low risk of non-realization of such assets. There were no overdue amounts as of December 31, 2019.

10. Security deposits and maintenance reserves

The changes in the security deposits and maintenance reserve for the nine-month period ended on September 30, 2020 is shown below:

Description	Consolidated		
	Maintenance reserve	Security deposits	Total
Balance at December 31, 2019	1,498,898	152,635	1,651,533
Business combination - Azul Conecta	-	298	298
Additions	242,926	44,020	286,946
Write-offs	(5,697)	-	(5,697)
Refunds/returns	(134,995)	(42,257)	(177,252)
Foreign exchanges variations	599,279	43,413	642,692
Balance at September 30, 2020	2,200,411	198,109	2,398,520
Current	461,848	-	461,848
Non-current	1,738,563	198,109	1,936,672

Management assessed that the above balances are realizable in accordance with the business plan. During the period, write-offs were recognized in the “maintenance and repair materials” item in the consolidated income statement.

(In thousands of Brazilian reais, except when otherwise indicated)

11. Deferres taxes

11.1 Deferred Tax Assets (Liabilities)

Description	Parent Company			Consolidated		
	December 31, 2019	Income/ (expense)	September 30, 2020	December 31, 2019	Income/ (expense)	September 30, 2020
Temporary Differences						
Provision for tax, civil and labor risks			-	3,639	(2,032)	1,607
Deferred revenue of TudoAzul program			-	(148,963)	25,414	(123,549)
Aircraft lease expense			-	224,119	(104,621)	119,498
Depreciation of aircraft and engines			-	(48,899)	(1,950)	(50,849)
Exchange rate	(16,498)	16,498	-	(16,498)	16,498	-
Fair value of Bond TAP	(243,288)	243,288	-	(243,288)	233,986	(9,302)
Fair value of other investments			-	(21,963)	22,293	330
Other provisions			-	19,468	(11,386)	8,082
Financial instruments			-	(201,738)	210,163	8,425
Impairment			-	163,419	(121,180)	42,239
Others			-	10,918	(7,399)	3,519
	(259,786)	259,786	-	(259,786)	259,786	-
Income tax losses carry forward and negative basis of social contribuition						
Income tax losses carry forward	12,699	(12,699)	-	12,699	(12,699)	-
Negative basis of social contribution	4,571	(4,571)	-	4,571	(4,571)	-
	17,270	(17,270)	-	17,270	(17,270)	-
Total	(242,516)	242,516	-	(242,516)	242,516	-

(In thousands of Brazilian reais, except when otherwise indicated)

11.2 Income tax and social contribution expense reconciliation

	Parent Company		Consolidated		Parent Company		Consolidated	
	Three month period ended on				Nine month period ended on			
Description	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)	September 30, 2020	September 30, 2019 (restated)
Income (loss) before income tax and social contribution	(1,203,965)	(541,642)	(1,203,965)	(556,901)	(10,754,653)	(117,283)	(10,754,653)	(203,510)
Combined tax rate	34%	34%	34%	34%	34%	34%	34%	34%
Income tax and social contribution statutory rate	409,348	184,158	409,348	189,346	3,656,582	39,876	3,656,582	69,193
Adjustments to calculate the effective tax rate:								
Profits from investments not taxed abroad	-	-	18,753	114	-	-	57,544	7,940
Equity	(404,752)	(193,040)	-	-	(3,392,484)	(12,622)	-	-
Unrecorded deferred tax on tax loss and on temporary differences	(26,919)	-	(457,796)	(219,522)	(26,919)	-	(3,495,965)	(107,782)
Compensations with PERT [(a)]	-	-	-	14,866	-	-	-	84,712
Permanent differences	-	-	8,312	21,407	-	-	19,931	58,627
Other	7	4	(933)	170	156	15	(757)	806
	(22,316)	(8,878)	(22,316)	6,381	237,335	27,269	237,335	113,496
Current income tax and social contribution	2,238	(249)	2,238	(249)	(5,181)	(1,901)	(5,181)	(1,901)
Deferred income tax and social contribution	(24,554)	(8,629)	(24,554)	6,630	242,516	29,170	242,516	115,397
Credit (expense) income tax and social contribution expense	(22,316)	(8,878)	(22,316)	6,381	237,335	27,269	237,335	113,496
Effective rate	-2%	-2%	-2%	1%	2%	23%	2%	56%

(a) Tax Recovery Program ("PERT")

(In thousands of Brazilian reais, except when otherwise indicated)

The Company offsets tax assets and liabilities only when has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

The Company has income tax losses that are available indefinitely to offsetting 30% of future taxable profits, as follows:

Description	Parent Company		Consolidated	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Income tax loss and negative basis of social contribution	44,068	50,793	4,075,750	1,971,779
Income tax loss carryforwards (25%)	11,017	12,698	1,018,938	492,945
Social contribution negative base tax carryforwards (9%)	3,966	4,571	366,818	177,460

12. Investments

12.1 Direct investments of the Parent Company

Description	Shares owned by the Company	Company Participation			
	Common shares	In paid-up capital	Voting capital	Issued capital	Net loss
December 31, 2019					
ALAB	260,809,600	100%	100%	(5,324,874)	(2,375,023)
TudoAzul	80,542,264	100%	100%	23,333	(8,890)
September 30, 2020					
ALAB	260,809,600	100%	100%	(14,614,206)	(9,976,483)
TudoAzul	80,542,264	100%	100%	26,377	(3,044)

12.2 Changes in investments of the Parent Company

Description	ALAB	TudoAzul [b]
December 31, 2019	(5,324,874)	813,065
Equity	(9,976,483)	(3,044)
Equity - adjusted (a)	-	1,633
Reserve based on subsidiary's shares	12,480	-
Capital increase	520,552	-
Capital reserve capitalization	2,161	210
Cash flow hedge	151,958	-
September 30, 2020	(14,614,206)	811,864

(a) Refers to the amortization of the fair value resulting from the acquisition of TudoAzul (formerly TRIP), as well as amounts reimbursable by former shareholders, referring to events prior to the acquisition.

(b) Includes goodwill for expected future profitability arising from the acquisition of TudoAzul in 2012, in the amount of R$753,502, which represents the consideration transferred, less the fair value of assets acquired and liabilities assumed, net.

(In thousands of Brazilian reais, except when otherwise indicated)

13. Property and equipment

	Consolidated								
	Cost								
Description	**Weighted Average Rate (p.a.)**	**December 31, 2019**	**Business combination Azul Conecta**	**Acquisitions(c)**	**Disposals/ Write-offs**	**Contractual changes**	**Transfers(b)**	***Impairment***	**September 30, 2020**
Aircraft and engines		2,706,529	97,814	223,158	(265,602)	-	(61,511)	-	2,700,388
Aircraft – ROU (a)		12,071,427	-	1,288,474	(25,741)	(4,435,617)	-	-	8,898,543
Engines and simulators – ROU		484,597	-	36,176	(15,786)	(15,360)	-	-	489,627
Restoration of aircraft and engines - ROU		423,194	-	70,842	-	-	-	-	494,036
Maintenance of aircraft and engines		1,374,925	-	128,845	(80,026)	(55,768)	-	-	1,367,976
Leasehold improvements		296,728	-	18,267	(2,184)	(925)	128,497	-	440,383
Properties – ROU		114,167	-	-	-	-	-	-	114,167
Equipment and facilities		176,814	780	15,792	(422)	-	(4,905)	-	188,059
Others		24,297	294	687	-	-	2,580	-	27,858
Others – ROU		42,391	-	-	-	-	-	-	42,391
Construction in progress		171,839	-	41,563	(4,485)	-	(133,274)	-	75,643
Advance payments for acquisition of aircraft		84,578	-	20,800	(13,434)	-	-	-	91,944
		17,971,486	98,888	1,844,604	(407,680)	(4,507,670)	(68,613)	-	14,931,015

	Accumulated depreciation								
Description	**Weighted Average Rate (p.a.)**	**December 31, 2019**	**Business combination Azul Conecta**	**Acquisitions**	**Disposals/ Write-offs**	**Contractual changes**	**Transfers**	***Impairment***	**September 30, 2020**
Aircraft and engines	8%	(1,290,925)	(24,214)	(162,789)	75,290	-	10,708	(14,015)	(1,405,945)
Aircraft – ROU (a)	9%	(5,536,031)	-	(777,020)	25,741	-	-	(696)	(6,288,006)
Engines and simulators – ROU	14%	(235,495)	-	(49,507)	13,220	-	-	(1,308)	(273,090)
Restoration of aircraft and engines - ROU	8%	(178,020)	-	(26,922)		-	-	-	(204,942)
Maintenance of aircraft and engines	23%	(877,534)	-	(234,339)	31,526	-	-	-	(1,080,347)
Leasehold improvements	16%	(78,131)	-	(35,802)	34	-	-	-	(113,899)
Properties – ROU	9%	(64,042)	-	(8,069)	-	-	-	-	(72,111)
Equipment and facilities	11%	(106,235)	(326)	(15,016)	304	-	1,444	-	(119,829)
Others	11%	(16,654)	(142)	(2,079)	-	-	-	-	(18,875)
Others – ROU	19%	(34,776)	-	(6,044)	-	-	-	-	(40,820)
		(8,417,843)	(24,682)	(1,317,587)	146,115	-	12,152	(16,019)	(9,617,864)
Total property and equipment, net		9,553,643	74,206	527,017	(261,565)	(4,507,670)	(56,461)	(16,019)	5,313,151

(a) ROU - Right of use.

(b) Balance of aeronautical material transferred to “Inventories” in the amount of R$110,937 in the nine-month period ended September 30, 2020. Balance of available for sale transferred to “Property, plant and equipment” in the amount of R$54,476.

(c) ROU acquisitions are net of credits obtained from aircraft and engine manufacturers.

(In thousands of Brazilian reais, except when otherwise indicated)

14. Loans and financing

14.1 Changes in loan and financing

Consolidated												
Description	Effective rate (p.a.)	Final maturity	December 31, 2019	Proceeds	Confessions of debt	Buniness combination Azul Conecta	Principal payment	Interest paid	Interest charges	Foreign currency exchange	Amortized cost	September 30, 2020
In foreign currency - US$												
Working capital (a)	6.0%	Oct-24	1,727,882	4,682	-	-	(907)	(70,627)	99,409	694,743	4,767	2,459,949
Aircraft and engine acquisition	5.1%	Mar-29	896,232	-	-	-	(90,846)	(18,025)	42,074	362,143	435	1,192,013
In local currency - R$												
Working capital	3.7%	Jul-21	37,355	136,719	531,393	4,976	(45,195)	(1,740)	3,061	-	529	667,098
Debentures	4.2%	Dec-23	692,407	-	-	-	-	(15,459)	19,221	-	2,336	698,505
Aircraft and engine acquisition	3.8%	May-25	164,280	-	-	11,564	(17,309)	(8,427)	4,619	-	30	154,757
Total in R$			3,518,156	141,401	531,393	16,540	(154,257)	(114,278)	168,384	1,056,886	8,097	5,172,322
Current			481,227									1,050,260
Non-current			3,036,929									4,122,062

14.2 Long term loans maturity schedul

	Consolidated	
Description	September 30, 2020	December 31, 2019
2021	16,506	539,378
2022	682,812	359,943
2023	810,484	277,465
2024	2,457,945	1,764,136
After 2024	154,315	96,007
	4,122,062	3,036,929

14.3 Covenants

The Company has restrictive clauses in some of its financing contracts. On May 11, 2020 the Company obtained a waiver for the United States International Development Finance Corporation ("DFC") in relations to Guarantor's Covenants for the accounting periods ending on March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020. Therefore, the measurements are suspended and the related debt remains classified in this Parent Company and Consolidated Quarterly Information (ITR) according to the established by a financing agreement flow.

14.4 Others

During the third quarter, the Company concluded negotiations regarding the renegotiation of its debentures and Finame obligations, which resulted mainly in obtaining a grace period for the payment of principal and interest until June 2022, payment of the amounts due in 18 monthly installments and consecutive periods after the grace period. Remuneration interest will correspond to the variation of the Interbank Deposit Certificate ("CDI") plus 3% p.a. In both transactions the covenants were maintained, measured in the annual financial statements.

(In thousands of Brazilian reais, except when otherwise indicated)

15. Lease liabilities

15.1 Changes in lease liabilities

Consolidated										
Description	Average repayment in years	Weighted average rate (p.a.)	December 31, 2019	Proceeds	Contractual changes	Payment	Interest charges	Write-offs	Foreign currency exchange	September 30, 2020
Leases without purchase option										
Aircraft and engines	7.54	20.88%	11,046,134	1,358,524	(5,043,178)	(646,481)	888,045	(4,912)	4,357,459	11,955,591
Others	2.80	7.76%	72,230	-	-	(16,701)	5,823	-	921	62,273
Leases with purchase option										
Aircraft and engines	3.68	20.20%	988,257	-	(279,721)	(64,246)	95,817	-	375,027	1,115,134
Total in R$			12,106,621	1,358,524	(5,322,899)	(727,428)	989,685	(4,912)	4,733,407	13,132,998
Current			1,585,233							2,611,756
Non-current			10,521,388							10,521,242

15.2 Lease liabilities mature

	Consolidated	
Description	September 30, 2020	December 31, 2019
2020	664,686	2,481,457
2021	532,917	2,335,363
2022	3,584,922	2,406,701
2023	3,385,665	1,875,308
2024	3,292,956	1,560,055
After 2024	12,374,645	5,580,166
Minimum lease payments	23,835,791	16,239,050
Financial expenses	(10,702,793)	(4,132,429)
Net present value of minimum lease payments	13,132,998	12,106,621

During the second and third quarters of 2020, the Company renegotiated aircraft and engine lease agreements, which included the deferral of payments and changes in contractual terms. Thus, in accordance with CPC 06 (R2) – Leases, equivalent to IFRS 16, it was necessary to apply the requirements dealing with lease modification, paragraphs 44 to 46, which require remeasurement of the lease liability through a revised discount rate.

The application of such requirements resulted in the reduction of the debt to present value with a corresponding entry, in the amount of R$4,507,670 to the corresponding right-of-use assets and the difference between both, a gain in the amount of R$815,229 was recognized in the income statement.

(In thousands of Brazilian reais, except when otherwise indicated)

16. Rights (Obligations) with Derivatives

	Consolidated							
	Cash flow hedge		Fair value hedge	Derivatives not designated as hedge				
Fair Value Changes	Interest rate swap contract	Foreign currency options	Interest rate swap contract	Foreign currency options	Interest rate swap contract	Heating oil forward contracts	Forward foreign currency contract	Total (a)
Rights (obligations) with derivatives on December 31, 2019	(7,129)	338,592	24,057	(35,487)	(62,803)	56,491	202,014	515,735
Gains (losses) recognized in on the statement of net loss	(3,425)	(94,928)	24,421	(151,384)	84,513	(1,410,952)	73,722	(1,478,033)
Gains (losses) recognized in other comprehensive income (loss)	332	152,132	-	-	-	-	-	152,464
Reclassification to debt	-	(218,979)	(45,734)	127,889	(101,136)	778,286	(15,199)	525,127
(Receipt) payment on cash	2,919	(176,817)	(2,744)	59,701	(85,188)	458,467	(1,434)	254,904
Rights (obligations) with derivatives on September 30, 2020	(7,303)	-	-	719	(164,614)	(117,708)	259,103	(29,803)

(a) Transactions in derivative transactions are shown net.

	Consolidated							
Movement in equity valuation adjustments	Interest rate swap contract	Foreign currency options	Interest rate swap contract	Foreign currency options	Interest rate swap contract	Heating oil forward contracts	Forward foreign currency contract	Total
December 31, 2019	7,129	152,132	-	-	-	-	-	159,261
Fair value adjustment	3,093	-	-	-	-	-	-	3,093
Reversal recognized on the income statement	(3,425)	(152,132)	-	-	-	-	-	(155,557)
September 30, 2020	6,797	-	-	-	-	-	-	6,797

(In thousands of Brazilian reais, except when otherwise indicated)

17. Air traffic liability and obligation with frequent-flyer program

Description	Consolidated September 30, 2020	Consolidated December 31, 2019
Air traffic liability	1,428,041	1,298,295
Cargo liability	18,464	-
Azul Viagens liability	112,324	109,977
TudoAzul Program	711,296	685,982
	2,270,125	**2,094,254**

As determined by the regulatory agencies, travel changes may be made within a period corresponding to 12 months from the original date of the flight, and, therefore, it was not necessary to reclassify the air traffic liability to non-current liabilities.

The balance to air traffic liability are presented net of passenger revenue breakage and the TudoAzul program, corresponding to R$425,265 on September 30, 2020 (R$539,232 on December 31, 2019).

18. Provisions

	Consolidated			
Description	Return of aircraft and engines	Provision for taxes, civil and labor risks	Provision for onerous contract	Total
Balance at December 31, 2019	570,675	87,506	1,155,171	1,813,352
Business combination - Azul Conecta	-	1,688	-	1,688
Additions	177,766	141,961	65,853	385,580
Write-offs	(17,155)	(73,398)	(203,799)	(294,352)
Interest charges	76,471	-	138,682	215,153
Foreign currency exchange	238,885	-	465,467	704,352
September 30, 2020	1,046,642	157,757	1,621,374	2,825,773
Current	254,062	-	806,013	1,060,075
Non-current	792,580	157,757	815,361	1,765,698

18.1. Return of aircraft and engines

Such provisions consider the costs that meet the contractual conditions for the return of engines maintained under an operating lease, as well as for the costs to be incurred in reconfiguring aircraft upon their return according to the conditions established in the lease agreements. The offset of the constitution of these provisions is the right of use in the property and equipment.

18.2. Provision for taxes, civil and labor risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings. Details on the relevant lawsuits were disclosed in the financial statements for the year ended December 31, 2019.

The Company's Management believes that the provision for tax, civil and labor risks, recorded in accordance with CPC 25 – "Provisions, Contingent Liabilities and Contingent Assets", equivalent to IAS 37, is sufficient to cover possible losses on administrative and judicial proceedings. The breakdown of the proceedings with probable and possible losses is presented below:

(In thousands of Brazilian reais, except when otherwise indicated)

	Consolidated			
	Probable losses		Possible losses	
Description	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Taxes	2,041	2,024	148,627	116,074
Civil	103,494	45,067	88,420	77,360
Labor	52,222	40,415	115,891	123,119
	157,757	87,506	352,938	316,553

18.3 Provision for onerous contract

The provision is related to the obligations arising from the fleet transformation plan, as detailed in note 1.4.

19. Transactions with related parties

The nature and extent of transactions with related parties was presented in detail in the financial statements for the year ended December 31, 2019. Thus, in this quarterly information the updated balances of such transactions are presented.

19.1 Compensation of key management personnel

Key management personnel include board of director members, officers and executive committee members. The compensation paid or payable to officers and directors services is as follows:

	Consolidado			
	Three month period ended on September 30,		Nine month period ended on September 30,	
Description	2020	2019 (restated)	2020	2019 (restated)
Salaries and wages	5,122	5,454	12,191	17,181
Bônus	-	-	-	7,255
Share-based option plans	4,649	6,438	11,490	14,463
	9,771	11,892	23,681	38,899

19.2 Guarantees granted Parent Company

The Company provided guarantees for some property rental agreements entered into by executive officers. The amounts involved are not material.

19.3 Operations with TAP Group

19.3.1 Maintenance agreements

ALAB entered into Maintenance Agreements to aircraft with TAP Manutenção e Engenharia Brasil S/A (“TAP ME”). TAP ME is part of the same economic group as TAP. The total value of maintenance services acquired by the Company pursuant to such Maintenance Agreements during the nine months ended September 30, 2020 was R$3,132 (R$15,902 on September 30,2019).

As of September 30, 2020, the amount payable to TAP ME was R$1,183 (R$97 on December 31, 2019) and is recorded under Accounts payable.

19.3.2 Aircraft sublease receivables

During the nine-month period ended September 30, 2020, the Company received from TAP the amount of R$50,071 (R$94,431 on September 30, 2019) related to the sublease of 15 aircraft. As of September 30, 2020, the Company had a receivable of R$344,291 (R$279,504 on December 31, 2019).

19.3.3 TAP Bonds

On March 14, 2016, the Company acquired series A convertible bonds issued by TAP ("Bonds TAP") for an amount of €90 million. The TAP Bonds mature 10 years from their issuance and bear interest at an annual rate of 3.75% until September 20, 2016 and at rate of 7.5% thereafter. Accrued interest remains unpaid until the earlier of the maturity date or early redemption of the Bonds.

On August 10, 2020, as informed at the Extraordinary General Meeting, due to the crisis caused by the pandemic of COVID-19, the Government of Portugal negotiated an aid of € 1.2 billion for TAP with the European Commission, such aid being conditioned between other factors to the elimination of the right to convert senior bonds, since they would not be diluted by the Government's financial contribution.

Consequently, the elimination of the conversion option, resulted in a loss in the amount of R$637,639, recorded under the item "Result of transactions with related parties, net".

As of September 30, 2020, the rights receivable related to the TAP Bonds correspond to R$822,244 (R$1,236,828 on December 31, 2019), as shown in note 7.

19.3.4 TAP shareholding

On March 14, 2019, the Company acquired 6.1% post-dilution economic shares in TAP from Hainan Airlines Civil Aviation Investment Limited ("HACAIL") for US$ 25 million or R$96,161. The Company holds a 45.45% interest in Global which, in turn, holds a 20.0% and 35.6% of the voting rights and economic rights of Atlantic Gateway, respectively.

As of August 10, 2020, as informed at the Extraordinary General Meeting, still within the scope of the assistance of the Governmentof Portugal to TAP, the sale of the Company's equity interest in TAP for the amount of € 10.6 million was also conditioned. Accordingly, the Company recognized a loss of R$91,050 in the income statements. On September 30, 2020, the amounts receivable from this sale correspond to R$69,820, as shown in note 7.

19.4 Loan agreements receivable

On September 2, 2016, the Company signed a loan agreement with one of its shareholders. As of September 30, 2020, the balance of the loan receivable is R$17,333 (R$12,789 on December 31, 2019). Interest corresponds to three-month LIBOR plus a fixed rate of 2.3% per year.

19.5 Sharing of information technology resources agreement

On January 1, 2013, the Company entered into an agreement with Águia Branca Participações S.A., one of its shareholders, for the sharing of information technology resources during an indefinite period.

(In thousands of Brazilian reais, except when otherwise indicated)

The total value of services acquired during the nine-month period ended September 30, 2020 was R$39 (R$37 on September 30, 2019), recorded under the item “Other operating expenses, net” in the income statement. As of September 30, there were no amounts to be paid as a result of this transaction.

19.6 Tickets Sales Agreement

On March 26, 2018, the Company entered into a Tickets Sales Agreement with Caprioli Turismo Ltda., a travel agency owned by the Caprioli family (which owns an indirect participation in us through the TRIP’s former shareholders), pursuant to which we granted Caprioli Turismo Ltda. a credit line of R$20,000.00 for the purchase and resale tickets for flights operated by the Company. Such credit line is guaranteed by a promissory note, which does not bear interest, of the same amount payable to us.

19.7 Letter of intent for sublease

In December 2019, the Company signed a letter of intent for the sublease of up to 28 aircraft to the Breeze Aviation Group, an airline founded by Azul's controlling partner. The transaction was approved by Azul's shareholders at an Extraordinary General Meeting on March 2, 2020. In 2020 and 2019 there were no financial flows related to the transaction.

19.8 Indemnity

As of September 30, 2020 and December 31, 2019, the Company has recorded a balance receivable from the former shareholders of TRIP in the amount of R$30,347. This balance refers to the reimbursement of legal proceedings costs originating prior to the merger between the companies and is recorded under “Other non current sssets”.

20. Equity

20.1 Issued capital

	Parent Company		
		Quantity	
Description	Issued capital	Common shares	Preferred shares
September 30, 2020	2,246,367	928,965,058	329,904,767
December 31, 2019	2,243,215	928,965,058	329,568,166

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

a) priority of reimbursement of capital upon liquidation;

b) the right to be included in a public offering of the Company for a purchase of shares upon transfer of the Company’s control for the same conditions as the common shareholders and for a price per share equivalent to seventy-five (75) times the price per share paid to the controlling shareholder;

c) in case of the Company’s liquidation, the right to receive amounts equivalent to seventy-five (75) times the price per common share upon splitting of the remaining assets among the shareholders; and

(In thousands of Brazilian reais, except when otherwise indicated)

d) the right to receive dividends in an amount equivalent to seventy-five (75) times the price paid per common share.

The shareholding structure of the Company is shown below:

	Parent Company					
	September 30, 2020			December 31, 2019		
Shareholder	Common shares	Preferred shares	% Economic Interest	Common shares	Preferred shares	% Economic Interest
David Neeleman	67.0%	0.6%	3.0%	67.0%	3.5%	5.8%
Trip Shareholders [a]	33.0%	5.5%	6.5%	33.0%	5.5%	6.5%
United Airlines Inc	0.0%	8.2%	7.9%	0.0%	8.2%	7.9%
Others	0.0%	85.6%	82.5%	0.0%	82.7%	79.7%
Treasury	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

20.2 Treasury shares

The change in treasury shares is shown below:

	Parent Company	
Description	Quantity shares	R$
December 31, 2019	444,246	15,565
Cancelled	(178,784)	(2,383)
September 30, 2020	265,462	13,182

21 Income (loss) per share

	Parent Company			
	Three month period ended on September 30,		Nine month period ended on September 30,	
Description	2020	2019 (restated)	2020	2019 (restated)
Numerator				
Net loss	(1,226,281)	(550,520)	(10,517,318)	(90,014)
Denominator				
Weighted average number of common shares	928,965,058	928,965,058	928,965,058	928,965,058
Weighted average number of preferred shares	329,837,817	329,346,290	329,737,244	328,259,292
75 preferred shares	75	75	75	75
Weighted average number of preferred equivalent shares	342,224,018	341,732,491	342,123,445	340,645,493
Weighted average number of common equivalent shares	25,666,801,333	25,629,936,808	25,659,258,383	25,548,411,958
Weighted average number of share based payment	9,869,421	8,912,245	9,516,248	8,898,419
Weighted average number of shares that would have been issued at average market price	3,290,224	6,444,152	4,527,470	5,982,123
Basic net loss per common share - R$	(0.05)	(0.02)	(0.41)	(0.00)
Diluted net loss per common share - R$	(0.05)	(0.02)	(0.41)	(0.00)
Basic net loss per preferred share - R$	(3.58)	(1.61)	(30.74)	(0.26)
Diluted net loss per preferred share - R$	(3.58)	(1.61)	(30.74)	(0.26)

(In thousands of Brazilian reais, except when otherwise indicated)

22 Share-Based Compensation

The conditions of the share-based plans granted to the Company's executives were detailed in the financial statements for the year ended December 31, 2019, and have not changed in the nine-month period ended September 30, 2020.

22.1 Stock options

The change of the plan during the period ended September 30, 2020 is shown below:

	Parent Company and Consolidated	
Description	Number of shares	Weighted average exercise price (in R$)
December 31, 2019	8,184,768	12.85
Exercised	(336,601)	9.36
September 30, 2020	7,848,167	13.16
Number of options exercisable as of:		
September 30, 2020	3,898,615	13.66
December 31, 2019	2,294,135	13.81

Share-based compensation expense recognized in the income statement during the nine months ended September 30, 2020 with respect to stock options amounted to R$7,183 (R$9,712 in September 30, 2019).

22.2 Restricted share units

The change in the plan during the period ended September 30, 2020 is shown below:

	Parent Company and Consolidated
Description	Number of shares
December 31, 2019	589,394
Granted	1,382,582
Cancelled	(58,948)
Exercised	(244,947)
September 30, 2020	1,668,081

Share-based compensation expenses recognized in the income statement during the nine months ended September 30, 2020 with respect to the restricted shares units amounted to R$8,791 (R$4,480 in September 30, 2019).

(In thousands of Brazilian reais, except when otherwise indicated)

22.3 Virtual Stock Option Plan

The change in the plan during the period ended September 30, 2020 is shown below:

	Parent Company and Consolidated
Description	Número de ações
December 31, 2019	965,908
Granted	4,793,582
Cancelled	(854,040)
Settled	(3,568)
September 30, 2020	4,901,882

	Parent Company and			
	First Plan		Second Plan	
	1st program	2nd program	1st program	2nd program
Grant price	24.43	51.65	17.40	17.40
Exercise price	20.43	42.09	10.35	10.35
Current price	24.38	24.38	24.38	24.38

Share-based compensation expense recognized in the statement of net income (loss) during the nine months ended September 30, 2020 with respect to the virtual stock options plan amounted to R$21,585 (R$8,319 in September 30, 2019). The liability recorded on September 30, 2020 is R$21,196 (R$6,921 in December 31, 2019).

23 Statement of income (loss) by nature

	Consolidated				
	Three month period ended on September 30,				
	2020				2019 (restated)
Description	Cost of services	Selling expenses	Administrative expenses	Total	Total
Aircraft fuel	(226,134)	-	-	(226,134)	(811,333)
Salaries, wages and benefits	(230,634)	(5,018)	(73,906)	(309,558)	(483,534)
Landing fees	(73,777)	-	-	(73,777)	(193,207)
Traffic and customer servicing	(46,434)	-	-	(46,434)	(128,542)
Sales and marketing	-	(60,196)	-	(60,196)	(120,422)
Maintenance materials and repairs	(111,424)	-	-	(111,424)	(82,450)
Depreciation and amortization	(425,903)	-	(20,046)	(445,949)	(393,193)
Other operating expenses, net	325,480	-	(104,990)	220,490	(291,263)
	(788,826)	(65,214)	(198,942)	(1,052,982)	(2,503,944)

(In thousands of Brazilian reais, except when otherwise indicated)

	Consolidado				
	Nine month period ended on September 30,				
	2020				2019 (restated)
Description	Cost of services	Selling expenses	Administrative expenses	Total	Total
Aircraft fuel	(1,057,743)	-	-	(1,057,743)	(2,254,115)
Salaries, wages and benefits	(877,565)	(16,667)	(113,379)	(1,007,611)	(1,366,231)
Landing fees	(319,442)	-	-	(319,442)	(530,569)
Traffic and customer servicing	(209,006)	-	-	(209,006)	(347,375)
Sales and marketing	-	(226,032)	-	(226,032)	(320,788)
Maintenance materials and repairs	(345,307)	-	-	(345,307)	(211,419)
Depreciation and amortization	(1,362,412)	-	(60,115)	(1,422,527)	(1,169,741)
Other operating expenses, net	(73,770)	-	(460,861)	(534,631)	(782,564)
	(4,245,245)	(242,699)	(634,355)	(5,122,299)	(6,982,802)

24 Financial result

	Parent Company			
	Three month period ended on September 30,		Nine month period ended on September 30,	
Description	2020	2019 (restated)	2020	2019 (restated)
Financial income				
Interest on short-term investments	-	62	-	272
Other	88	109	2,320	451
	88	171	2,320	723
Financial expenses				
Interest on other operations	(925)	(428)	(13,697)	(1,117)
Other	(91)	(64)	(1,089)	(573)
	(1,016)	(492)	(14,786)	(1,690)
Foreign currency exchange, net	(4,186)	17,816	(25,781)	9,867
Financial result, net	(5,114)	17,495	(38,247)	8,900

	Consolidated			
	Three month period ended on September 30,		Nine month period ended on September 30,	
Description	2020	2019 (restated)	2020	2019 (restated)
Financial income				
Interest on short-term investments	4,384	4,058	17,098	9,338
Sublease receivable	7,211	7,320	22,557	22,676
Other	667	8,764	6,253	27,017
	12,262	20,142	45,908	59,031
Financial expenses				
Interest on loans	(57,030)	(52,341)	(171,701)	(144,568)
financial expenses on lease	(333,358)	(188,477)	(893,868)	(532,845)
Interest on finance lease	(45,279)	(18,965)	(95,817)	(59,843)
Interest on factoring credit card and travel agencies receivables	(3,188)	(3,425)	(18,314)	(9,955)
Interest on other operations	(30,972)	(23,340)	(192,603)	(63,019)
Guarantee commission	(10,454)	(7,459)	(25,184)	(23,997)
Loan costs amortization	(4,252)	(2,445)	(11,921)	(9,189)
Interest charges	(87,435)	(19,247)	(191,715)	(52,868)
Other	(3,762)	(6,879)	(16,073)	(23,449)
	(575,730)	(322,578)	(1,617,196)	(919,733)
Derivative financial instruments, net	68,747	135,326	(1,478,033)	303,676
Foreign currency exchange, net	(542,642)	(941,403)	(5,816,221)	(827,952)
Financial result, net	(1,037,363)	(1,108,513)	(8,865,542)	(1,384,978)

(In thousands of Brazilian reais, except when otherwise indicated)

25 Financial instruments and financial risk management

Operating activities expose the Company and its subsidiaries to financial market risks related to fuel prices, foreign exchange rates, interest rates, credit and liquidity. Such risks can be mitigated through the use of swaps, futures and options, in the oil, dollar and interest market.

The Company's management supervises the monitoring of the market, credit and liquidity risks.

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

The details regarding the way the Company conducts risk management was broadly and in detail presented in the financial statements for the year ended December 31, 2019, and there have been no changes since.

25.1 Accounting classification and fair value hierarchy of financial instruments

The accounting classifications of the Company's consolidated financial instruments and fair value hierarchy as of September 30, 2020 and December 31, 2019 are identified below:

		Consolidated			
		Book value		Fair value	
Description	Level	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Assets					
Cash and cash equivalents	2	1,435,714	1,647,880	1,435,714	1,647,880
Trade and other receivables	-	729,609	1,165,866	729,609	1,165,866
Aircraft sublease receivables	-	344,291	279,504	344,291	279,504
Inventories	2	133,548	62,009	133,548	62,009
Long-term investments	2	892,064	1,397,699	892,064	1,397,699
Derivative financial instruments	2	394,695	825,924	394,695	825,924
Liabilities					
Accounts payable	-	(2,906,389)	(1,626,577)	(2,906,389)	(1,626,577)
Loans and financing	2	(5,172,322)	(3,518,156)	(5,158,643)	(3,504,754)
Lease liabilities	-	(13,132,998)	(12,106,621)	(13,132,998)	(12,106,621)
Derivative financial instruments	2	(424,498)	(310,190)	(424,498)	(310,190)

As disclosed in note 19.3.3, due to the crisis caused by the pandemic of COVID-19, the Government of Portugal negotiated with the European Commission an aid of € 1.2 billion for TAP, such aid being conditioned, among other factors, to the elimination of the right conversion of senior bonds, since they would not be diluted by the Government's financial contribution. Thus, there are no other rights or obligations measured at fair value with level 3 of hierarchy.

25.2 Derivative financial instruments

Derivative financial instruments, designated or not as hedge operations and their movements, are presented in note 16 of this Parent Company and Consolidated Quarterly Information (ITR).

(In thousands of Brazilian reais, except when otherwise indicated)

25.3 Market risks

25.3.1 Interest rate risk

As of September 30, 2020, the Company had swap contracts designated as cash flow hedges to protect itself from the effect of fluctuations in interest rates on part of payments for finance leases. During the nine-month period ended September 30, 2020, the Company recognized a loss from interest hedge transactions in the amount of R$3,425 (R$9,067 in September 30, 2019).

25.3.2 Aviation fuel price risk ("QAV")

The price of QAV varies depending on the volatility of the price of crude oil and its derivatives. In order to mitigate losses linked to variations in the fuel market, on September 30, 2020, the Company had forward operations on fuel. During the nine-month period ended September 30, 2020, the Company recognized a loss in the income statement in the amount of R$1,410,952 related to fuel derivatives (R$44,597 in September 30, 2019).

25.3.3 Foreign exchange risk

The foreign exchange risk arises from the possibility of unfavorable exchange rate variations to which the Company's liabilities or cash flows are exposed. The Company constantly monitors the net exposure in foreign currency and evaluates the contracting of hedge operations to protect the non-operating cash flow, projecting for a maximum period of up to 12 months, and a longer term if deemed appropriate, to minimize its exposure. During the nine-month period ended September 30, 2020, the Company recognized a loss from foreign exchange derivative transactions in the amount of R$77,662 (gain of R$119,555 in September 30, 2019).

The equity exposure to exchange variations is shown below:

	Consolidado			
	Exposure to US$		Exposure to €	
Description	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Assets				
Cash and cash equivalents and short-term Investments	119,122	289,297	-	-
Security deposits and maintenance reserves	2,366,546	1,613,221	-	-
Sublease receivables	344,291	279,504	-	-
Long-term investments	-	160,871	892,064	1,236,828
Financial instruments	259,822	121,968	-	-
Other assets	337,542	244,355	-	-
Total assets	3,427,323	2,709,216	892,064	1,236,828
Liabilities				
Accounts payable	(1,270,639)	(424,411)	-	-
Loans and financing	(3,651,963)	(2,624,114)	-	-
Lease liabilities	(13,071,698)	(12,034,392)	-	-
Financial instruments	(117,708)	-	-	-
Other liabilities	(988,519)	(688,134)	-	-
Total liabilities	(19,100,527)	(15,771,051)	-	-
Net exposure	(15,673,204)	(13,061,835)	892,064	1,236,828
Net exposure in foreing currency	(2,778,592)	(3,240,587)	134,891	273,000

(In thousands of Brazilian reais, except when otherwise indicated)

25.4 Credit risk

Credit risk is inherent to the Company's operating and financial activities, mainly present in the cash equivalents, financial investments, accounts receivable, subarrears receivable, deposits in guarantee, maintenance reserves and other financial assets included in the item other assets. Financial assets classified as cash, cash equivalents, short-term investments are deposited with counterparties that have a minimum investment grade rating in the assessment made by the S&P, Moody's or Fitch agencies (between AAA and AA-), in the vast majority, are contracted in commodities and futures exchange, which substantially mitigates credit risk. TAP's Bonds are guaranteed by certain intangible assets.

Credit limits are established for all customers based on internal classification criteria and book values represent the maximum credit risk exposure. The credit quality of the customer is assessed based on an extensive internal credit rating system. Receivables from outstanding customers are frequently monitored by the Company.

Derivative financial instruments are contracted on the over-the-counter market (OTC), with counterparties with a minimum investment grade rating, or on commodities and futures stock exchanges (B3 and NYMEX), which substantially mitigates credit risk. The Company has an obligation to assess the risks of counterparties in financial instruments and to diversify the exposure periodically.

25.5 Liquidity risk

The maturity schedules of the Company's consolidated financial liabilities as of September 30, 2020 are as follows:

	Consolidated					
	September 30, 2020					
Description	Immediate	Until 6 months	7 to 12 months	1 to 5 years	More than 5 years	Total
Loans and financing	121,923	569,160	359,177	4,042,707	79,355	5,172,322
Lease liabilities	351,793	1,027,256	1,232,707	9,753,432	767,810	13,132,998
Accounts payable	1,923,607	525,785	371,092	-	-	2,820,484
Accounts payable – Supplier finance	85,905					85,905
Liabilities from derivative transaction	33,631	115,790	45,604	229,473	-	424,498
	2,516,859	2,237,991	2,008,580	14,025,612	847,165	21,636,207

25.6 Sensitivity analysis of financial instruments

25.6.1 Risk factor: changes in exchange rates

On September 30, 2020, the Company adopted an exchange rate of R$5.6407 / US$1.00 and R$6.6132 / €1.00, corresponding to the month's closing rate announced by the Central Bank of Brazil as a scenario likely. The table below shows the sensitivity analysis and the effect on the result of the exchange rate fluctuation in the amount exposed on September 30, 2020:

(In thousands of Brazilian reais, except when otherwise indicated)

	Consolidated			
	Exposure to US$		Exposure to €	
Description	Rate	September 30, 2020	Rate	September 30, 2020
Net exposure on September 30, 2020	5.6407	(15,673,204)	6.6132	892,064
Effect in income				
Foreign currency devaluation by 50%	2.8204	7,836,602	3.3066	(446,032)
Foreign currency devaluation by 25%	4.2305	3,918,301	4.9599	(223,016)
Foreign currency appreciation by 50%	8.4611	(7,836,602)	9.9198	446,032
Foreign currency appreciation by 25%	7.0509	(3,918,301)	8.2665	223,016

25.6.2 Risk factor: changes in QAV prices

As of September 30, 2020, the Company has oil derivative contracts to protect future consumption of QAV. The probable scenarios used by the Company are the market curves at the close of September 30, 2020 for derivatives that protect the fuel price risk. The table below shows the sensitivity analysis in US dollars of the fluctuation of QAV barrel prices:

	Consolidated	
	Exposure to HOA (a)	
Description	Price (b)	September 30, 2020
Reference price HOA on September 30, 2020	$121	84,866
Effect in income		
HOA devaluation by 50%	$60	(88,932)
HOA devaluation by 25%	$91	(43,857)
HOA appreciation by 50%	$181	76,524
HOA appreciation by 25%	$151	39,651

(a) HOA - *Heating Oil*
(b) Average price in US dollars, per gallon, projected for the next 12 months.

25.6.3 Risk factor: changes in interest rates

As of September 30, 2020, the Company held financial investments and debts linked to various types of fees. In the sensitivity analysis of non-derivative financial instruments, the impact on annual interest was only considered on positions with values and exposed to such fluctuations, according to the scenarios shown below.

	Consolidated			
	Exposure to CDI		Exposure to LIBOR	
Description	Rate	September 30, 2020	Rate	September 30, 2020
Net exposure on September 30, 2020	3.0%	240,236	2.4%	(865,721)
Effect in income				
Interest expense devaluation by 50%	1.5%	(10,811)	0.1%	31,487
Interest expense devaluation by 25%	2.3%	(12,612)	0.2%	8,537
Interest expense appreciation by 50%	4.5%	10,811	0.3%	(31,487)
Interest expense appreciation by 25%	3.8%	12,612	0.3%	(8,537)

25.7 Capital management

The Company seeks capital alternatives in order 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 monitors its degree of financial leverage, which corresponds to net debt, including short and long-term loans, as shown below:

(In thousands of Brazilian reais, except when otherwise indicated)

Description	Consolidated September 30, 2020	Consolidated December 31, 2019
Cash and cash equivalents	1,435,714	1,647,880
Short-term investments	133,548	62,009
Long-term investments	892,064	1,397,699
Sublease receivables	344,291	279,504
Loans and financing	(5,172,322)	(3,518,156)
Lease liabilities	(13,132,998)	(12,106,621)
Net debt	(15,499,703)	(12,237,685)

26 Non-Cash Transactions

Description	Consolidated September 30, 2020
Accounts payable – Supplier finance	81,887
Derivative debt confessions	527,375
Acquisition of property and equipment, through financing (IFRS 16)	1,324,650
Reduction of lease liabilities	5,322,899

27 Commitments

27.1 Acquisition of aircraft

On September 30, 2020, the Company had, through contracts, assumed the commitment to acquire 144 aircraft, 94 directly from manufacturers and 50 with lessors (147 in December 31, 2019, 94 directly from manufacturers and 53 with lessors). The related financial disbursements calculated at present value are shown below:

Description	Consolidated September 30, 2020	Consolidated December 31, 2019
Up to one year	1,608,444	2,874,657
From two to five years	5,434,521	11,534,263
More than five years	5,008,389	8,890,841
	12,051,354	23,299,761

27.2 Letter of credits

As On September 30, 2020, the Company had issued letters of credit totaling US$515 million (US$529 million in December 31, 2019), equivalent to R$2,906,231 (R$2,134,186 on December 31, 2019) and bank guarantees in the amount of R$50,433 (R$50,432 as of December 31, 2019) in relation to security deposits, maintenance reserves and local sureties.

(In thousands of Brazilian reais, except when otherwise indicated)

28. Approval Parent Company and Consolidated Quarterly Information (ITR)

The approval and authorization for the issuance of this Parent Company and Consolidated Quarterly Information (ITR) took place at the Board of Directors' meeting held on November 10, 2020.

29 Subsequent events

29.1 Registration of public offering of debentures

On October 26, 2020, through a Material Fact, the Company informed the market that it submitted to CVM the request for registration of a public offering for the distribution of debentures convertible into preferred shares, to be carried out in Brazil, and on November 10, 2020, through an Offer Announcement, announced the raising of R$1,745,900, in accordance with CVM Instruction 400, of December 29, 2003. The issuance of the debentures is part of Azul's efforts to contain the economic impact of pandemic of COVID-19 in its operations, and the Company expects to use the net proceeds obtained for working capital, expansion of its logistics activities and other strategic opportunities.

The debentures have a maturity date of five years after the issue, will be denominated in reais and indexed to the US dollar and will pay remunerative interest of 7.5% per year in the first year through an increase in the nominal value of the debentures, and 6.0% remuneration interest in other years, to be paid semi-annually in cash.

The debentures will be convertible by the holders with an initial conversion price premium of 27.5%. The debentures are redeemable, totally or partially, in cash at the Company's discretion at any time, after 36 months, if the last price reported by American Depositary Share representing Azul's preferred share (ADS) exceeds 130% of the conversion price for a period specific time.

The debentures will be guaranteed by the Company and its main operating subsidiary, ALAB, and will be guaranteed by certain assets, including, but not limited to, intellectual property assets held by the guarantors and the TudoAzul loyalty program, certain rights related to the right to use the hangar and specific equipment necessary for the maintenance of the hangar used by the Company and located at Viracopos airport.

29.2 Renegotiation of lease agreements

Continuing the renegotiation of lease agreements in the subsequent period ended on the date of approval of this quarterly information, the Company concluded the renegotiation for 6 aircraft and the effects on lease liability, right-of-use and gain are summarized below:

Description	Total
Lease liabiliy reduction	65,157
Right-of-use reduction	23,361
Gain	41,796

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