Individual and Consolidated Financial Statements 2022 Azul S.A.

Contents

Management Comments

Azul had another exceptional year in 2022 as we followed up our TripAdvisor "World's Best Arline" recognition with the "World's Most On-Time Airline for 2022" from Cirium. This is a remarkable achievement, and I want to thank our more than 13 thousand passionate and motivated Crewmembers for delivering superior customer service and operational excellence every single day.

2022 was also a record year with R$16 billion in total revenue, up a very strong 40% from 2019. Unit revenue for the year was also a record of R$40.29 cents, up 26% from full-year 2019. In 2022, absolute EBITDA was R$3.2 billion, a 20.3% EBITDA margin. We continued expanding margins even with fuel prices up 112% versus 2019 and 64% compared to 2021. This clearly demonstrates the strength of our business model and our ability to create sustainable competitive advantages. We ended 2022 with immediate liquidity of R$2.5 billion, and including long-term investments and receivables, security deposits and reserves, our total liquidity was R$5.9 billion.

Our wholly-owned and unencumbered business units also had record results in 2022. Compared to 2019, our loyalty program TudoAzul almost doubled its gross billings. Azul Cargo, our logistics business, grew 153% in revenue and ended 2022 as Brazil's largest domestic air-logistics provider. Finally, Azul Viagens had an outstanding 2022, growing 90% from 2019 to R$1.3 billion in gross bookings. We are excited about the continued growth and margin contribution from our business units. Recently, an independent firm appraised these fast-growing businesses at more than R$25 billion.

Looking ahead to 2023, we are encouraged by the strong demand environment and important milestones in our route network. On March 27, we will begin flying our expanded network at São Paulo's downtown airport Congonhas. We will more than double our operations to 84 daily flights, serving the largest corporate destinations and showing new customers all that Azul has to offer. In addition, our international capacity is reaching full recovery in 2023, supported by new routes and destinations, including recently announced Paris and Curaçao. We are also adding more international flights to the United States from Belo Horizonte, Recife, Manaus and Belém.

We are excited and optimistic about what we see in 2023 and beyond. For the year, we expect to generate record revenue of R$20 billion and record EBITDA of more than R$5 billion, around 40% above 2019. With the support of these strong operational trends, we have turned our focus to implement a comprehensive long-term plan, described below, to address the remaining Covid-related effects in our capital structure.

John Rodgerson, CEO of Azul S.A.

Recent Developments

Azul's unique business model and industry-leading margins are well known, and there is market consensus that our 2023 EBITDA will be the largest in our history and one of the highest margins in the world. Still, Azul's capital structure has been heavily burdened by Covid-19 and its impacts, such as a devalued currency and a significant impact to our cash flows with no corresponding government support, unlike many other airlines around the world.

Since the beginning of the pandemic, we have been successfully addressing these impacts through increased revenue and productivity, the valuable support of our stakeholders, and various financial transactions and capital raises. Additional macro volatility and capital market uncertainty have made the final stretch more difficult. As a response to this, we have developed and started to implement a permanent and comprehensive plan designed to improve Azul's cash generation and strengthen our capital structure, engaging all major stakeholders including lessors and OEMs.

Today, we are pleased to announce commercial agreements with lessors that represent more than 90% of our lease obligations, subject to some conditions and corporate approvals. Under these agreements, lessors will reduce our lease payments to eliminate Covid-related deferrals, as well as the gap between Azul's contractual lease rates and agreed-upon current market rates. In exchange, lessors will receive a tradeable note maturing in 2030 and equity priced in a way to reflect Azul's new cash generation, improved capital structure, and reduced credit risk. Consistent with our values and track record, this plan is designed to deliver 100% recovery to our partners through this combination of long-term debt and equity in a reset balance sheet.

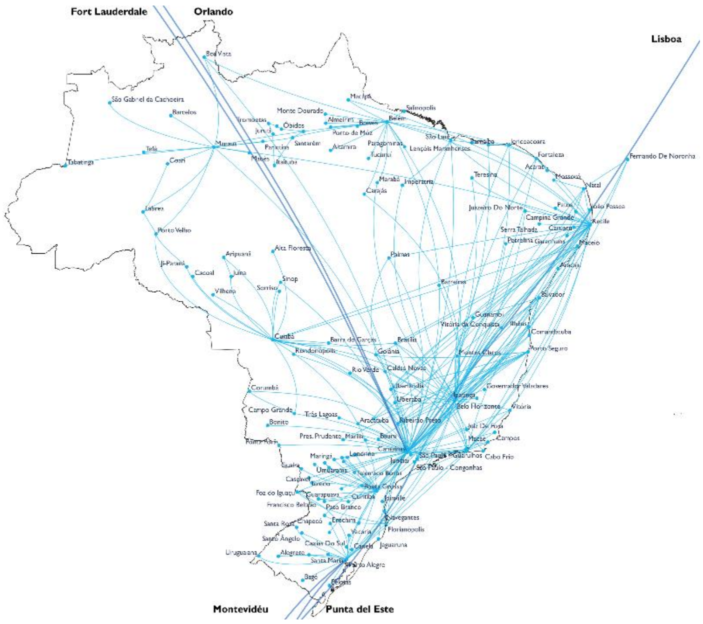
Lessors represent almost 80% of our nominal gross debt, and therefore reaching these agreements demonstrates tremendous success in our approach. The leasing community has recognized that supporting Azul is an intelligent, revenue-maximizing business decision, yet we are still honored and grateful for their support. No aircraft have left the fleet throughout this negotiation, and in fact our partners have delivered 12 new aircraft to us over the past five months. Negotiations continue, and we are confident about reaching agreements with all lessors.

As part of our comprehensive permanent plan, we are also negotiating with OEMs, another vital stakeholder group, to improve payment terms for most of our Covid-19 deferrals, increase our credit limits, and exchange the remaining deferrals for a similar structure as that of lessors, also leading to 100% recovery to our partners and a measurable reduction in our Capex in 2023 and beyond.

As a result of these successful negotiations with lessors and OEMs, Azul's originally projected cash gap for 2023 will now be eliminated, and cash flow should be positive in 2024 and beyond. In addition, this comprehensive solution and its correspondent reduction of our credit risk should significantly reduce our cost of capital, reflecting our high margins and cash generation and increasing access to the capital markets.

Through our strong operations supporting a solid EBITDA of over R$5 billion in 2023, with record revenue of R$20 billion, combined with the benefits of this comprehensive plan, we now have the ability to focus on our growth and margin expansion for the next several years, with great results to all of our stakeholders.

Azul in 2022



- ✓ Largest airline in Brazil in cities served and departures, with more than 1,000 peak daily flights to 158 destinations.
- ✓ Operating fleet with 177 aircraft with an average age of 7.1 years (excluding Cessna aircraft)
- ✓ 38% of domestic departures and 29% market share (RPK)
- ✓ The most on-time airline in the world

Aviation market

2022 was a robust year of strong demand for Azul, with significant improvements in capacity, revenue and earnings compared to the previous year.

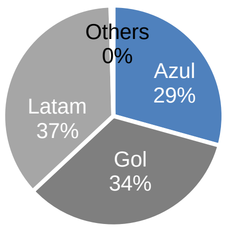
In 2022, as economic activities intensified their return, business travel has grown again, and the number of tourism travel has remained at a high level.

As a result, operating revenue reached once again an all-time record, as travel demand remained strong. Total operating revenue reached R$15.9 billion, up 39.4% versus 2019 and 59.9% above 2021.

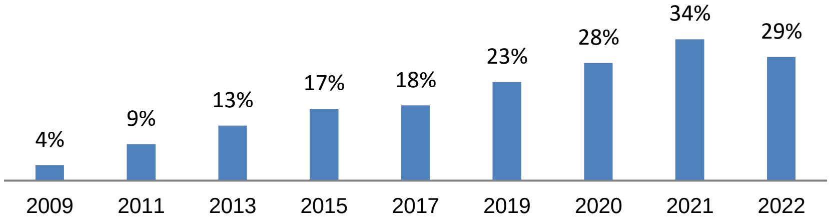
RASK were also at record levels, reaching R$40.29 cents, an increase of 26.8% compared to 2021.

During the year, Azul gradually rebuilt its network, ending the year with a capacity increase of 26.1% year over year, and a 27.0% increase in RPKs, resulting in a load factor of 79.7%. Compared to 2019, domestic capacity and RPK increased 22.1% and 16.4%, respectively.

Market Share[1]
(Domestic RPK, 2022)



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



[1]Source: Anac

Consolidated Results

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

Income statement (R$ million)[1]	2022	2021	% ∆	2019	% ∆
Operating Revenue					
Passenger revenue	14,595.6	8,811.0	65.7%	10,907.9	33.8%
Cargo revenue and other	1,352.5	1,164.7	16.1%	534.4	153.1%
Total operating revenue	**15,948.1**	**9,975.7**	**59.9%**	**11,442.3**	**39.4%**
Operating Expenses					
Aircraft fuel	6,561.3	3,257.2	101.4%	3,085.6	112.6%
Salaries and benefits	1,954.6	1,748.4	11.8%	1,868.4	4.6%
Depreciation and amortization	2,094.4	1,544.3	35.6%	1,591.4	31.6%
Airport fees	911.2	677.7	34.5%	725.0	25.7%
Traffic and customer servicing	641.9	389.3	64.9%	476.5	34.7%
Sales and marketing	699.0	404.1	73.0%	444.1	57.4%
Maintenance and repairs	592.1	546.6	8.3%	281.6	110.3%
Other	1,357.8	1,360.9	-0.2%	938.4	44.7%
Total Operating Expenses	**14,812.4**	**9,928.7**	**49.2%**	**9,410.9**	**57.4%**
Operating Result	**1,135.7**	**47.0**	**2316.4%**	**2,031.4**	**-44.1%**
Operating margin	7.1%	0.5%	+6.6 p.p.	17.8%	-10.6 p.p.
EBITDA	**3,230.1**	**1,591.3**	**103.0%**	**3,622.8**	**-10.8%**
EBITDA margin	20.3%	16.0%	+4.3 p.p.	31.7%	-11.4 p.p.
Financial Result[2]					
Financial income	277.3	154.3	79.7%	72.1	284.7%
Financial expenses	(4,558.1)	(3,638.4)	25.3%	(1,346.5)	238.5%
Derivative financial instruments, net	438.2	35.0	1153.0%	325.5	34.6%
Foreign currency exchange, net	1,327.4	(1,365.6)	n.a.	(391.9)	n.a.
Result Before Income Taxes[2]	**(1,379.6)**	**(4,767.7)**	**-71.1%**	**690.6**	**n.a.**
Income tax and social contribution	-	-	n.a.	(2.2)	n.a.
Deferred income tax and social contribution	-	-	n.a.	135.4	n.a.
Net Result[2]	**(1,379.6)**	**(4,767.7)**	**-71.1%**	**823.7**	**n.a.**
Net margin	-8.7%	-47.8%	+39.1 p.p.	7.2%	n.a.
Adjusted Net Result[3]	**(2,667.6)**	**(3,461.6)**	**-22.9%**	**845.5**	**n.a.**
Adjusted net margin[3]	-16.7%	-34.7%	+18.0 p.p.	7.4%	n.a.
Fully diluted shares	417.8	406.3	2.8%	344.0	21.4%
Diluted EPS	(3.30)	(11.74)	-71.9%	2.39	n.a.
Diluted EPS (US$)	(0.64)	(2.18)	-70.6%	0.61	n.a.
Diluted EPADR (US$)	(1.92)	(6.53)	-70.6%	1.82	n.a.
Adjusted EPS[3]	(6.39)	(8.52)	-25.1%	2.46	n.a.
Adjusted EPS[3] (US$)	(1.24)	(1.58)	-21.7%	0.62	n.a.
Adjusted EPADR (US$)[3]	(3.71)	(4.74)	-21.7%	1.87	n.a.

[1]Operating results were adjusted for non-recurring items totaling a net gain of R$293.9 million in 2022 from the partial reversal of the impairment loss of E1s and other aircraft related items, partially offset by revised non-cash provisions and other expenses. Operating results in 2021 and 2020 were adjusted for non-recurring items totaling a net gain of R$7.8 million and R$62.5 million, respectively.
[2]Financial results adjusted for convertible debentures expenses.
[3]Net income (loss) and EPS/EPADR adjusted for unrealized derivative results and foreign currency exchange rate. One ADR equals three preferred shares (PNs).

Operating Data[1]	2022	2021	% Δ	2019	% Δ
ASK (million)	39,579	31,386	26.1%	35,868	10.3%
Domestic	33,605	29,380	14.4%	27,521	22.1%
International	5,974	2,007	197.7%	8,348	-28.4%
RPK (million)	31,561	24,851	27.0%	29,941	5.4%
Domestic	26,517	23,431	13.2%	22,790	16.4%
International	5,044	1,419	255.4%	7,151	-29.5%
Load factor (%)	79.7%	79.2%	+0.6 p.p.	83.5%	-3.7 p.p.
Domestic	78.9%	79.8%	-0.8 p.p.	82.8%	-3.9 p.p.
International	84.4%	70.7%	+13.7 p.p.	85.7%	-1.2 p.p.
Average fare (R$)	531.0	378.0	40.5%	394.2	34.7%
Passengers (thousands)	27,485	23,311	17.9%	27,674	-0.7%
Block hours	518,813	409,424	26.7%	495,362	4.7%
Aircraft utilization (hours per day)	9.1	8.3	9.7%	11.3	-19.5%
Departures	304,429	245,102	24.2%	295,354	3.1%
Average stage length (km)	1,105	1,057	4.5%	1,050	5.2%
End of period operating passenger aircraft	177	161	9.9%	128	38.3%
Fuel consumption (thousands of liters)	1,206,925	979,762	23.2%	1,203,486	0.3%
Fuel consumption per ASK	30.5	31.2	-2.3%	33.6	-9.1%
Full-time-equivalent employees	13,543	12,485	8.5%	13,189	2.7%
End of period FTE per aircraft	77	78	-1.3%	103	-25.7%
Yield (cents)	46.25	35.46	30.4%	36.43	26.9%
RASK (cents)	40.29	31.78	26.8%	31.90	26.3%
PRASK (cents)	36.88	28.07	31.4%	30.41	21.3%
CASK (cents)	37.42	31.63	18.3%	26.24	42.6%
CASK ex-fuel (cents)	20.85	21.26	-1.9%	17.63	18.2%
Fuel cost per liter	5.44	3.32	63.5%	2.56	112.0%
Break-even load factor (%)	74.1%	78.8%	-4.7 p.p.	68.7%	+5.4 p.p.
Average exchange rate	5.16	5.40	-4.3%	3.95	30.9%
End of period exchange rate	5.22	5.58	-6.5%	4.03	29.4%
Inflation (IPCA/LTM)	5.79%	10.06%	-4.3 p.p.	4.31%	+1.5 p.p.
WTI (average per barrel, US$)	93.72	67.97	37.9%	57.64	62.6%
Heating oil (US$)	354.88	206.44	71.9%	193.23	83.7%

[1]Operating results adjusted for non-recurring items

Operating Revenue

In 2022, Azul recorded an operating revenue of R$15.9 billion, up 59.9% compared to 2021, or 39.4% up compared to 2019 revenue.

Compared to 2021, passenger revenue was up 65.7%, 33.8% increase compared to 2019 levels even with international traffic not fully recovered. PRASK increased 31.4% compared to 2021, mainly due to our ability to increase fares, clearly demonstrating our rational capacity deployment and the sustainable competitive advantages of our network and business model. Compared to 2019, PRASK increased 21.3%.

Cargo and other revenue increased 16.1% in 2022 compared to 2021 to R$1.4 billion, mainly due to the 10.7% increase in cargo revenue driven by the demand for our logistics solutions and our exclusive network. Compared to 2019, cargo and other revenue increased 153.1%.

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

R$ cents[1]	2022	2021	% Δ	2019	% Δ
Operating revenue per ASK					
Passenger revenue	36.88	28.07	31.4%	30.41	21.3%
Cargo revenue and other	3.42	3.71	-7.9%	1.49	129.3%
Operating revenue (RASK)	**40.29**	**31.78**	**26.8%**	**31.90**	**26.3%**
Operating expenses per ASK[1]					
Aircraft fuel	16.58	10.38	59.7%	8.60	92.7%
Salaries and benefits	4.94	5.57	-11.4%	5.21	-5.2%
Depreciation and amortization	5.29	4.92	7.5%	4.44	19.3%
Airport fees	2.30	2.16	6.6%	2.02	13.9%
Traffic and customer servicing	1.62	1.24	30.7%	1.33	22.1%
Sales and marketing	1.77	1.29	37.2%	1.24	42.6%
Maintenance and repairs	1.50	1.74	-14.1%	0.78	90.6%
Other operating expenses	3.43	4.34	-20.9%	2.62	31.1%
Total operating expenses (CASK)	**37.42**	**31.63**	**18.3%**	**26.24**	**42.6%**
Operating income per ASK (RASK/CASK)	**2.87**	**0.15**	**1816.2%**	**5.66**	**-49.3%**

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

Operating Expenses

In 2022, Azul recorded operating expenses of R$14.8 billion, compared to R$9.9 billion in 2021, representing an increase of 49.2%, mainly due to the capacity increase of 26.1% and the revenue increase of 59.9%.

Compared to 2019, total operating expenses increased 57.4% or R$5.4 billion, mostly driven by a 112.0% increase in jet fuel prices and a 30.9% average depreciation of the real against the dollar, partially offset by higher productivity and cost reduction initiatives implemented throughout the year.

The breakdown of our main operating expenses compared to 2021 is as follows:

- **Aircraft fuel** increased 101.4% to R$6,561.3 million, mostly due to a 63.5% increase in fuel price per liter and 26.1% increase in capacity, partially offset by a reduction in fuel burn per ASK, as a result of our more efficient next-generation fleet.
- **Salaries and benefits** increased 11.8% to R$1,954.6 million, driven by a 7.9% increase in salaries as a result of collective bargaining agreements and due to 8.5% increase in full-time employees compared to 2021 to support our capacity increase of 26.1%, partially offset by higher employee productivity.
- **Depreciation and amortization** increased 35.6% or R$550.1 million, driven by the increase in the size of our fleet compared to 2021 and the change in our redelivery cost provisioning policy.

- **Airport fees** increased 34.5% or R$233.6 million, mostly due to the 26.7% increase in block hours and 24.2% increase in departures, in addition to the 5.8% inflation over the last 12 months.
- **Traffic and customer servicing expenses** increased R$252.6 million, mostly due to the 17.9% increase in passengers, 24.2% increase in departures, in addition to the resumption of Azul's renowned onboard service after two-year suspension due to the pandemic and 5.8% inflation in the period.
- **Sales and marketing** increased 73.0%, or R$294.9 million, mostly driven by a 59.9% increase in revenue leading to an increase in credit card fees and commissions, the increase in cargo shipments, which have higher commission fees and the acceleration in demand for international flights, which have higher distribution costs.
- **Maintenance materials and repairs** increased R$45.5 million compared to 2021, mostly driven by a higher number of maintenance events, partially offset by a higher share of maintenance events insourced, 4.3% average appreciation of the real against the dollar and cost savings from the renegotiation of our engine maintenance agreements.
- **Other** was in line with 2021, mainly driven by 26.1% increase in capacity, expenses related to the growth of our domestic logistics business, partially offset by the reduction on our international logistics operations which have higher cargo expenses, lower claims in the period as a result of our better operation and the 4.3% appreciation of the real against the dollar.

Liquidity and Financing

Azul ended the year with R$2.5 billion in immediate liquidity, including cash and cash equivalents, accounts receivable and short-term investments, R$408.3 million lower than the same period in 2019 even after paying R$7.1 billion in leases, loans, deferral repayments, maintenance reserves, interest and capital expenses. This immediate liquidity represented 15.9% of our last twelve months' revenue.

Total liquidity including deposits, maintenance reserves, long-term investments and receivables was R$5.9 billion as of December 31, 2022. This does not include spare parts or other unencumbered assets, such as our business units TudoAzul, Azul Cargo and Azul Viagens.

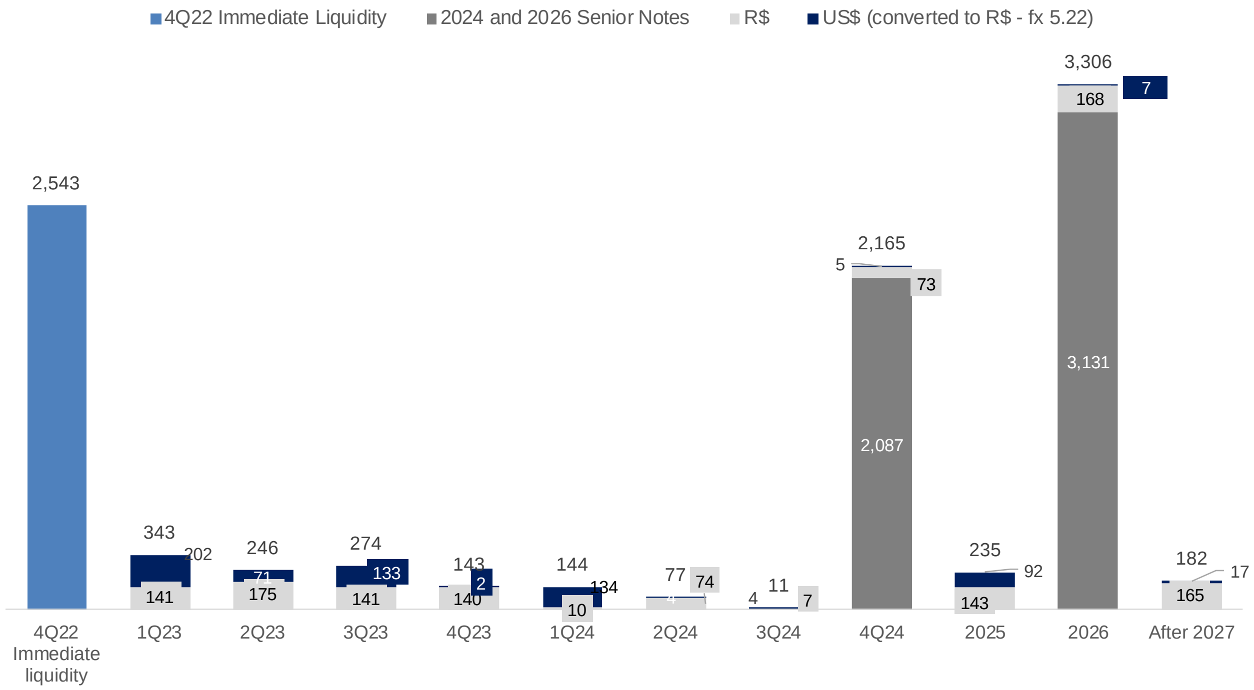
Recently, an independent firm appraised our fast-growing business units in more than R$25 billion.

Liquidity (R$ million)	2022	2021	% Δ	2019	% Δ
Cash, cash equivalents and short-term investments	668.3	3,075.2	-78.3%	1,709.9	-60.9%
Accounts receivable	1,874.2	1,083.5	73.0%	1,240.9	51.0%
Immediate liquidity	**2,542.5**	**4,158.7**	**-38.9%**	**2,950.8**	**-13.8%**
Cash as % of LTM revenue	15.9%	41.7%	-25.7 p.p.	25.8%	-9.8 p.p.
Long-term investments and receivables	838.9	1,104.7	-24.1%	1,602.2	-47.6%
Security deposits and maintenance reserves	2,539.6	1,964.4	29.3%	1,651.5	53.8%
Total Liquidity	**5,921.0**	**7,227.8**	**-18.1%**	**6,204.5**	**-4.6%**

Azul's debt amortization schedule as of December 31, 2022, is reported below and does not yet include the commercial agreements with our partners to reduce some of our debt and extend payment terms.

The chart below converts our dollar-denominated debt to reais using the year-end foreign exchange rate of R$5.22:

Loans and financing debt amortization as of December 31st, 2022
(R$ million converted at R$5.22 reais per dollar)[1]



[1] Excludes convertible debentures.

Gross debt decreased 5.3% or R$1.2 billion compared to December 31, 2021, mostly due to our continued deleveraging process with R$5.1 billion in payments of loans and leases during the year and the 6.5% end of period appreciation of the Brazilian real, partially offset by the addition of R$1.8 billion in lease liabilities related to new aircraft entering in our fleet. Excluding the impact of the new aircraft entering in the fleet, gross debt would be reduced by R$3.0 billion in 2022.

Loans and financing (R$ million)[1]	**2022**	**2021**	**% Δ**	**2019**	**% Δ**
Operating lease liabilities	13,771.3	13,796.5	-0.2%	11,118.4	23.9%
Finance lease liabilities	811.5	1,094.1	-25.8%	988.3	-17.9%
Other aircraft loans and financing	792.2	1,205.9	-34.3%	1,060.5	-25.3%
Loans and financing	6,440.5	6,939.8	-7.2%	2,457.6	162.1%
% of non-aircraft debt in local currency	19%	20%	-0.8 p.p.	100%	-80.6 p.p.
% of total debt in local currency	6%	7%	-0.6 p.p.	18%	-12.2 p.p.
Gross debt	**21,815.5**	**23,036.3**	**-5.3%**	**15,303.0**	**42.6%**

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

As of December 31, 2022, Azul's average debt maturity excluding lease liabilities and convertible debentures was 2.2 years, with an average interest rate of 8.2%. Average interest rate on local and dollar-denominated obligations were equivalent to CDI + 4% and 6.5%, respectively.

Lease payments (R$ million)	2022	2021	% Δ	2019	% Δ
Operating leases					
Payments made	3,258.2	1,924.8	69.3%	1,865.5	74.7%
Weighted average remaining lease term	7.6	7.9	-3.3%	8.3	-7.9%
Finance leases					
Payments made	345.5	140.5	146.0%	270.0	28.0%
Weighted average remaining lease term	5.8	5.7	0.8%	4.2	35.9%

Azul's leverage ratio measured as net debt to LTM EBITDA decreased 5.5x year over year, from 11.2x to 5.7x. We are confident in our ability to continue reducing leverage organically and are pleased to have reached our guidance of leverage below 6x.

Key financial ratios (R$ million)	2022	2021	% Δ	2019	% Δ
Cash[1]	3,381.4	5,254.0	-35.6%	4,553.0	-25.7%
Gross debt[2]	21,815.5	23,036.3	-5.3%	15,303.0	42.6%
Net debt	18,434.1	17,782.3	3.7%	10,750.1	71.5%
Net debt / EBITDA (LTM)	5.7x	11.2x	-5.5x	3.0x	2.7x

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

Fleet

As of December 31, 2022, Azul had a passenger operating fleet of 177 aircraft and a passenger contractual fleet of 194 aircraft, with an average aircraft age of 7.1 years excluding Cessna aircraft. At the end of 2022, the 17 aircraft not included in our operating passenger fleet consisted of 4 ATRs subleased to TAP, 3 Embraer E1s subleased to Breeze, 3 Embraer E1s and 3 Airbus A330ceo in the processing of exiting the fleet, and 1 Airbus A320neo, 2 Cessna aircraft and 1 Embraer E2 in process of entering service.

Azul ended the year with approximately 72% of its capacity coming from next-generation aircraft, far higher than any competitor in the region.

Passenger Contractual Fleet[1]	2022	2021	% Δ	2019	% Δ
Airbus widebody	14	12	16.7%	10	40.0%
Airbus narrowbody	52	49	6.1%	41	26.8%
Embraer E2	14	9	55.6%	4	250.0%
Embraer E1	49	50	-2.0%	70	-30.0%
ATR	41	42	-2.4%	39	5.1%

Cessna	24	17	41.2%	0	n.a.
Total[1]	**194**	**179**	**8.4%**	**164**	**18.3%**
Aircraft under operating leases	*168*	*150*	*12.0%*	*147*	*14.3%*

[1] Includes 7 subleased aircraft.

Passenger Operating Fleet	2022	2021	% Δ	2019	% Δ
Airbus widebody	11	11	-	10	10.0%
Airbus narrowbody	51	47	8.5%	38	34.2%
Embraer E2	13	9	44.4%	4	225.0%
Embraer E1	43	44	-2.3%	55	-21.8%
ATR	37	33	12.1%	33	12.1%
Cessna	22	17	29.4%	0	n.a.
Total	**177**	**161**	**9.9%**	**140**	**26.4%**

Environmental, Social and Governance ("ESG") Responsibility

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

ESG Key Indicators	2022	2021	% Δ
Environmental			
Fuel			
Total fuel consumed per ASK (GJ / ASK)	1,146	1,173	-2%
Total fuel consumed (GJ x 1000)	45,338	36,805	23%
Fleet			
Average age of operating fleet[1]	7.1	6.6	8%
Social			
Labor Relations			
Employee gender: male	59.4%	59.0%	0,4 p.p.
Employee gender: female	40.6%	41.0%	-0,4 p.p.
Employee monthly turnover	0.9%	1.1%	-0,2 p.p.
% of employee covered under collective bargaining agreements	100%	100%	-
Volunteers	4,324	2,754	57%
Governance			
Management			
Independent directors	91%	91%	-
Percent of Board members that are women	18%	9%	9.1 p.p.
Board of Directors' average age	58	60	-2.7%
Director meeting attendance	96%	99%	-3 p.p.
Board size	11	11	-
Participation of women in leadership positions	40%	39%	1 p.p.

[1] excluding Cessna aircraft

Declaration of the officers on the individual and consolidated financial statements

In compliance with CVM Instruction No. 80, the Officers declare that they have discussed, reviewed and agreed with the individual and consolidated financial statements for the year ended December 31, 2022.

Barueri, March 6, 2023.

John Peter Rodgerson
Chief Executive Officer

Alexandre Wagner Malfitani
Chief Financial and Investor Relations Officer

Antonio Flavio Torres Martins Costa
Chief Operating Officer

Abhi Manoj Shah
Chief Revenue Officer

Declaration of the officers on the independent auditor's report on the financial statements

In compliance with CVM Instruction No. 80, the Officers declare that they have discussed, reviewed and agreed with the opinion expressed in the independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2022.

Barueri, March 6, 2023.

John Peter Rodgerson
Chief Executive Officer

Alexandre Wagner Malfitani
Chief Financial and Investor Relations Officer

Antonio Flavio Torres Martins Costa
Chief Operating Officer

Abhi Manoj Shah
Chief Revenue Officer

Summary report of the statutory audit committee

Presentation and general information

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

(i) Engaging and removing the independent auditor;

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

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

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

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

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

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

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

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

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

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

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

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

Summary of statutory audit committee activities in 2022

Internal audit and internal controls

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

(ii) Analysis and approval of the planning of projects related to obtaining the 404 certification (Sarbanes-Oxley Act) and internal audit to be carried out in 2023;

(iii) Monitoring the addressing of deficiencies in internal controls identified in previous years and during the year ended December 31, 2022;

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

(v) Monitoring of the services carried out in 2022;

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

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

Independent audit

(i) Analysis and approval of the information provided by Ernst & Young Auditores Independentes S.S. for the year ended December 31, 2022; and

(ii) Analysis of the planning and strategy of Ernst & Young Auditores Independentes S.S. for the year 2023.

Individual and consolidated financial statements

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

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

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

Opinion of the Statutory Audit Committee

In compliance with the legal provisions, the Statutory Audit Committee reviewed the management report and the individual and consolidated financial statements for the year ended December 31, 2022. Based on this review and also considering the information and clarifications provided by the Company management and by Ernst & Young Auditores Independentes S.S. during the year, the Statutory Audit Committee expressed a favorable opinion on the management report and on the individual and consolidated financial statements for the year ended December 31, 2022, together with the independent auditor's report issued by Ernst & Young Auditores Independentes S.S., recommending the Board of Directors to approve them.

Barueri, March 6, 2023.

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

Gilberto de Almeida Peralta
Member of the Audit Committee

Renata Faber Rocha Ribeiro
Member of the Audit Committee

Building a better
working world

A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Azul S.A. ("Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's individual and consolidated financial position as at December 31, 2022, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

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

Passenger Revenue (including breakage)

As indicated in Note 30 to the individual and consolidated financial statements, for the year ended December 31, 2022, Company's passenger revenue was R$15,021 millions. Flight revenue is recognized upon effective rendering of the transportation service. Tickets sold and not used, corresponding to advanced ticket sales (air traffic liability), are recorded in current liabilities and are recognized in profit or loss when used, on an accrual basis. The recognition of certain revenues takes into account estimates with a reasonable degree of professional judgment by management, such as the expectation of expiration of unused tickets (breakage); these assumptions are evaluated by management based on historical data. Additionally, the process of passenger revenue recognition is highly dependent on information technology (IT) systems.

Considering the facts listed above and the magnitude of these balances on the financial statements as a whole, we consider this a key audit matter.

How our audit addressed this matter

The audit procedures included, among others (i) understanding of the process implemented by management related to passenger revenue, including the performance obligation to render the service which is recorded in air traffic liability and the assessment of estimate related to the expectation of unused tickets ("breakage"); (ii) validation of the accounts receivable, including confirmation of the balances due from credit card companies; (iii) observation of passenger boarding the airplanes in order to verify the respective revenue, including the analysis of the adequacy of manual journal entries; (iv) analysis of revenue activities considering our expectations and market indicators; (v) review of assumptions and reprocessing of calculations made by management to determine breakage; and (vi) evaluation of whether financial statements disclosures, included in Note 30, were appropriate. Significant internal control deficiencies were identified in the process of logical access (a general IT control), as such the extension of our audit substantive procedures, designed to obtain sufficient and appropriate audit evidence, was affected.

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

Maintenance Reserves

As disclosed in Note 9, for the year ended December 31, 2022, the Company has a balance of R$2,164,601 thousand related to maintenance reserves (current and non current). In accordance to the terms of contracts entered into with lessors, the Company is required to perform maintenance services (or to reimburse the lessor) based upon the effective condition of fuselage, engine and definite life parts.

Management assesses the recoverability of these deposits by comparing the amounts expected to be reimbursed when the next maintenance is performed. Amounts determined to be non-recoverable are recognized as expenses in the statement of profit or loss for the year.

Considering the magnitude of the amounts involved, in addition to the degree of judgment applied in determining the maintenance cost estimates to be incurred and the need for management to monitor the recoverability of these deposits, we consider this to be a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others (i) general understanding of internal controls including the policies used by management to record the maintenance reserves and estimate of costs to be incurred; (ii) sending confirmation letters to certain lessors to ascertain the balance of the maintenance reserve; (iii) selecting a sample of contracts and checking their respective terms; (iv) analysis of management's assessment of the recoverability of reserves; and (v) assessing whether the disclosures in the financial statements, included in Note 9, were adequate based on the applicable accounting standards.

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

<u>Going concern assumption</u>

The financial statements were prepared on a going concern basis, i.e., on the assumption that the Company is and will continue to be in operation for a foreseeable future of at least 12 months after the balance sheet date. This assumption considers that management neither intends to liquidate the Company or to cease its operations nor has no other realistic alternative but to do so. Note 1.4 to the financial statements details how the Company's management concluded that there is a reasonable expectation as to its going concern to support the preparation of the financial statements using this assumption.

The Company incurred a loss of R$ 722,367 thousand in the year ended December 31, 2022 and, as of date, it has negative working capital of R$10,184,169 thousand, negative equity of R$19,007,500 thousand as of December 31, 2022 and management's assessment, described in the aforementioned note, includes measures already implemented and in progress to continue as a going concern. The calculations that support the assumptions of expected profitability and cash flows require management to make judgments with a high degree of subjectivity, in addition to analyzing all new agreements signed by management, especially those with lessors and financial institutions. Given the degree of judgment involved in the cash flow projections and in the assessment of the appropriateness of the use of the going concern assumption by the Company's management in the preparation of the financial statements, this is considered a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others, (i) obtaining and analyzing the financial assessment prepared by the Company regarding the uncertainties that may cast doubt on its ability to continue as a going concern, and the assessment of the cash flow projections prepared by the Company for the 12 months after the balance sheet date; (ii) with the assistance of our valuation specialists, we reviewed the assumptions used in determining the cash flow projections, considering actual results, as well as the consistency of actual vs. budgeted figures for the previous periods; (iii) evaluating the commercial agreements entered into by the Company for renegotiations and deferrals of the maturity of lease payment dates and agreements with financial institution, as well management's intentions to raise capital; and (iv) assessing the adequacy of the Company's disclosures included in Notes 1.4 and 36.4 to the individual and consolidated financial statements.

Based on the audit procedures performed, which are consistent with management's assessment, we consider the Company's judgment that there is no material uncertainty relating to the going concern assumption to be acceptable in the context of the financial statements taken as a whole.

Other matters

<u>Statements of value added</u>

The individual and consolidated statements of value added (SVA) for year ended December 31, 2022, prepared under the responsibility of Company management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in Technical Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

São Paulo, March 6, 2023.

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

Marcio D. Berstecher
Accountant CRC-1SP259735/O-2

AZUL S.A.

Statements of financial position

December 31, 2022 and 2021

(In thousands of Brazilian reais – R$)

		Parent company		Consolidated	
Assets	**Note**	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Current assets					
Cash and cash equivalents	4	8,117	293,557	668,348	3,073,799
Short-term investments	5	-	-	-	1,430
Accounts receivable	6	-	-	1,803,998	997,893
Aircraft sublease	7	-	-	70,193	76,199
Inventories	8	-	-	721,738	571,924
Security deposits and maintenance reserves	9	8,409	-	1,025,168	410,912
Taxes recoverable	10	11,572	14,568	234,891	109,699
Derivative financial instruments	22	-	-	36,054	83,177
Prepaid expenses	11	2,089	3,097	182,891	244,413
Advances to suppliers	12	-	97	121,697	203,379
Other assets		-	199	6,958	73,511
Total current assets		30,187	311,518	4,871,936	5,846,336
Non-current assets					
Long-term investments	5	-	-	733,043	906,719
Aircraft sublease	7	-	-	105,860	197,999
Security deposits and maintenance reserves	9	77	-	1,514,393	1,553,507
Derivative financial instruments	22	-	-	235,896	270,640
Prepaid expenses	11	-	-	319,000	313,365
Other assets		-	53	9,005	126,100
Investments	14	761,125	763,059	-	-
Property and equipment	15	-	-	1,953,089	1,961,174
Right-of-use assets	16	-	-	7,552,548	5,999,595
Intangible assets	17	-	-	1,426,523	1,358,038
Total non-current assets		761,202	763,112	13,849,357	12,687,137
Total assets		791,389	1,074,630	18,721,293	18,533,473

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

AZUL S.A.

Statements of financial position
December 31, 2022 and 2021
(In thousands of Brazilian reais – R$)

Liabilities and equity	Note	Parent company December 31, 2022	Parent company December 31, 2021	Consolidated December 31, 2022	Consolidated December 31, 2021
Current liabilities					
Loans and financing	18	14,789	39,124	1,127,729	1,023,390
Leases	19	-	-	4,025,948	3,497,665
Accounts payable	20	24	3,436	2,432,843	1,530,480
Factoring	21	-	-	753,352	3,694
Airport fees		-	-	831,897	506,338
Air traffic liability	23	-	-	4,140,025	3,063,816
Reimbursement to customers		-	-	13,822	173,686
Salaries and benefits		2,485	2,317	479,412	459,697
Insurance payable		-	-	84,985	92,793
Taxes	24	633	1,354	193,588	150,084
Derivative financial instruments	22	-	-	69,365	77,509
Provisions	25	-	-	834,288	977,103
Other liabilities		-	-	68,851	153,998
Total current liabilities		17,931	46,231	15,056,105	11,710,253
Non-current liabilities					
Loans and financing	18	1,388,930	1,833,877	7,508,689	8,995,341
Leases	19	-	-	10,556,885	11,392,910
Accounts payable	20	-	-	516,971	342,200
Airport fees		-	-	502,872	472,364
Derivative financial instruments	22	-	-	175,210	209,542
Taxes	24	-	-	71,595	101,046
Provisions	25	-	-	2,408,706	2,522,486
Related parties	26	-	4,776	-	-
Provision for loss on investment	14	18,392,028	17,522,749	-	-
Other liabilities		-	-	931,760	1,120,334
Total non-current liabilities		19,780,958	19,361,402	22,672,688	25,156,223
Equity	27				
Issued capital		2,313,941	2,290,876	2,313,941	2,290,876
Advance for future capital increase		61	120	61	120
Capital reserve		1,970,098	1,946,471	1,970,098	1,946,471
Treasury shares		(10,204)	(11,959)	(10,204)	(11,959)
Other comprehensive income		5,281	5,799	5,281	5,799
Accumulated losses		(23,286,677)	(22,564,310)	(23,286,677)	(22,564,310)
		(19,007,500)	(18,333,003)	(19,007,500)	(18,333,003)
Total liabilities and equity		791,389	1,074,630	18,721,293	18,533,473

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

AZUL S.A.

Statements of profit or loss

Years ended December 31, 2022 and 2021

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

		Parent company		Consolidated	
		Years ended			
	Note	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Passenger revenue		-	-	14,594,945	8,811,044
Other revenues		-	-	1,353,122	1,164,685
Total revenue	30	-	-	15,948,067	9,975,729
Cost of services	31	-	-	(13,161,965)	(8,124,204)
Gross profit		-	-	2,786,102	1,851,525
Selling expenses		-	-	(721,008)	(424,680)
Administrative expenses		(58,797)	(55,567)	(353,874)	(328,970)
Other income (expenses), net		13,504	3,930	(281,665)	(1,043,080)
	31	(45,293)	(51,637)	(1,356,547)	(1,796,730)
Equity	14	(1,052,381)	(4,706,798)	-	-
Operating (loss) profit		(1,097,674)	(4,758,435)	1,429,555	54,795
Financial income		21,683	15,436	277,289	154,280
Financial expenses		(240,250)	(218,605)	(4,793,782)	(3,838,243)
Derivative financial instruments, net		519,815	829,213	958,005	864,184
Foreign currency exchange, net		74,059	(80,817)	1,406,566	(1,443,046)
Financial result	32	375,307	545,227	(2,151,922)	(4,262,825)
Result from related party transactions		-	-	-	(5,178)
Loss for the year		(722,367)	(4,213,208)	(722,367)	(4,213,208)
Basic loss per common share – R$	28	(0.03)	(0.16)	(0.03)	(0.16)
Diluted loss per common share – R$	28	(0.03)	(0.16)	(0.03)	(0.16)
Basic loss per preferred share – R$	28	(2.08)	(12.19)	(2.08)	(12.19)
Diluted loss per preferred share – R$	28	(2.08)	(12.19)	(2.08)	(12.19)

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

Statements of comprehensive income
Years ended December 31, 2022 and 2021
(In thousands of Brazilian reais – R$)

	Note	Parent company and Consolidated	
		Years ended	
		December 31, 2022	December 31, 2021
Loss for the year		(722,367)	(4,213,208)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Post-employment benefit	25	(518)	5,144
Total comprehensive results		(722,885)	(4,208,064)

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

Statements of changes in equity

Years ended December 31, 2022 and 2021
(In thousands of Brazilian reais – R$)

Description	Note	Issued capital	Advance for future capital increase	Treasury shares	Capital reserve	Other comprehensive income	Accumulated losses	Total
At December 31, 2020		2,246,367	20,625	(13,182)	1,947,887	655	(18,351,102)	(14,148,750)
Loss for the year		-	-	-	-	-	(4,213,208)	(4,213,208)
Post-employment benefit	25	-	-	-	-	5,144	-	5,144
Total comprehensive income		-	-	-	-	5,144	(4,213,208)	(4,208,064)
Share buyback	27	-	-	(16,198)	-	-	-	(16,198)
Share-based payment (*)		44,509	(20,505)	17,421	(1,416)	-	-	40,009
At December 31, 2021		2,290,876	120	(11,959)	1,946,471	5,799	(22,564,310)	(18,333,003)
Loss for the year		-	-	-	-	-	(722,367)	(722,367)
Post-employment benefit	25	-	-	-	-	(518)	-	(518)
Total comprehensive income		-	-	-	-	(518)	(722,367)	(722,885)
Share buyback	27	-	-	(3,923)	-	-	-	(3,923)
Share-based payment (*)		23,065	(59)	5,678	23,627	-	-	52,311
At December 31, 2022		2,313,941	61	(10,204)	1,970,098	5,281	(23,286,677)	(19,007,500)

(*) Refers to the receipt of the exercise of stock options, already registered and to be registered in corporate acts, transfers of treasury shares for the payment of restricted shares net of income tax and the creation of a provision for share-based payment.

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

AZUL S.A.

Statements of cash flows

Years ended December 31, 2022 and 2021
(In thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	Years ended			
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash flows from operating activities				
Loss for the year	(722,367)	(4,213,208)	(722,367)	(4,213,208)
Result reconciliation items				
Depreciation and amortization	-	-	2,094,448	1,544,333
Gain (loss) from impairment of assets and onerous liabilities	-	-	(1,102,791)	(1,075,682)
Derivative financial results	(519,815)	(829,213)	(958,005)	(864,184)
Share-based payment	-	-	(18,250)	17,180
Foreign currency exchange, net	(73,236)	80,910	(1,464,235)	1,431,508
Financial income and expenses	235,636	205,058	3,968,455	3,418,852
Provisions	10,702	-	438,375	646,606
Disposal of prepaid expenses	-	-	208,923	-
Sale and leaseback	-	-	(33,155)	(22,736)
Result from modification of lease contracts	-	-	(93,113)	(24,323)
Result on disposal and/or sale of fixed assets and right of use	(14,212)	-	147,311	832
Equity	1,052,381	4,706,798	-	-
Adjusted net (loss) profit for the year	(30,911)	(49,655)	2,465,596	859,178
Changes in operating assets and liabilities				
Accounts receivable	-	-	(1,107,114)	(270,334)
Aircraft sublease	-	-	68,393	65,032
Inventories	-	-	(159,486)	(159,118)
Security deposits and maintenance reserves	(8,519)	-	(606,219)	(421,612)
Prepaid expenses	1,008	(2,407)	(274,563)	(364,107)
Taxes recoverable	2,996	(637)	(122,338)	26,009
Advances to suppliers	97	54	(629,450)	(86,936)
Other assets	(5,466)	(53,256)	88,435	45,871
Rights and obligations with derivatives	-	-	477,581	(24,520)
Accounts payable	(3,440)	(30,945)	2,275,418	1,078,643
Factoring	-	-	-	(1,356,689)
Airport fees	-	-	356,067	50,369
Air traffic liability	-	-	963,680	574,944
Reimbursement to customers	-	-	(169,967)	(63,507)
Salaries and benefits	(10,530)	1,756	113,828	185,692
Insurance payable	393	1,072	(1,404)	40,669
Taxes	(1,100)	(15,619)	7,131	59,320
Contingencies	-	-	(179,391)	(395,361)
Other liabilities	-	-	40,948	470,376
Total changes in operating assets and liabilities	(24,561)	(99,982)	1,141,549	(545,259)
Interest paid	(105,891)	-	(1,169,830)	(624,535)
Net cash provided (used) by operating activities	(161,363)	(149,637)	2,437,315	(310,616)
Cash flows from investing activities				
Short-term investments				
Acquisition of short-term investments	-	-	(10,422)	(98,788)
Redemption of short-term investments	-	-	11,939	189,470
Payment for acquisition of subsidiary	-	-	(30,317)	(20,000)
Investment	(152,000)	-	-	-
Cash received on sale of property and equipment	419,110	-	518,739	-
Cash received in the leaseback operation	-	-	321,266	21,256
Acquisition of intangible assets	-	-	(198,525)	(152,542)
Acquisition of property and equipment	(404,898)	-	(1,252,532)	(624,286)
Net cash used by investing activities	(137,788)	-	(639,852)	(684,890)
Cash flows from financing activities				
Loans and financing				
Proceeds	-	-	200,000	3,071,274
Repayment	-	-	(819,182)	(390,985)
Payment of costs	-	-	(12,633)	(75,645)
Factoring	-	-	(818,274)	-
Related parties	(4,776)	-	-	-
Lease payment	-	-	(2,772,581)	(1,799,815)
Advance for future capital increase	61	24,004	61	24,004
Capital increase	22,945	-	22,945	-
Treasury shares	(3,923)	(16,198)	(3,923)	(16,198)
Net cash provided (used) by financing activities	14,307	7,806	(4,203,587)	812,635
Exchange rate changes on cash and cash equivalents	(596)	(2,508)	673	191,855
Increase (decrease) in cash and cash equivalents	(285,440)	(144,339)	(2,405,451)	8,984
Cash and cash equivalents at the beginning of the year	293,557	437,896	3,073,799	3,064,815
Cash and cash equivalents at the end of the year	8,117	293,557	668,348	3,073,799

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

AZUL S.A.

Statements of value added

Years ended December 31, 2022 and 2021

(In thousands of Brazilian reais – R$)

	Note	Parent company		Consolidated	
		Years ended			
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Gross sales revenue					
Passenger revenue	30	-	-	15,020,757	9,101,576
Other revenues	30	-	-	1,513,582	1,301,090
Allowance for expected credit losses	6	-	-	(6,267)	(1,686)
		-	-	16,528,072	10,400,980
Inputs acquired from third parties					
Aircraft fuel	31	-	-	(6,561,288)	(3,257,223)
Materials, energy, third-party services and others		(19,147)	(36,926)	(4,780,859)	(4,218,784)
Insurances	31	-	-	(81,665)	(62,781)
		(19,147)	(36,926)	(11,423,812)	(7,538,788)
Gross value added		(19,147)	(36,926)	5,104,260	2,862,192
Retentions					
Depreciation and amortization	31	-	-	(2,094,448)	(1,544,333)
Impairment and onerous liabilities	31	-	-	1,102,791	1,075,682
Net value added		(19,147)	(36,926)	4,112,603	2,393,541
Value added received in transfers					
Equity	14	(1,052,381)	(4,706,798)	-	-
Financial income	32	21,683	15,436	277,289	154,280
Result from related party transactions		-	-	-	(5,178)
		(1,030,698)	(4,691,362)	277,289	149,102
Value added to be distributed		(1,049,845)	(4,728,288)	4,389,892	2,542,643
Personnel		24,080	12,097	1,669,238	1,455,647
Salaries and wages [(a)]		10,163	9,380	1,349,322	1,085,627
Benefits		13,398	2,274	197,943	272,933
F.G.T.S.		519	443	121,973	97,087
Taxes, fees and contributions		2,066	2,614	810,412	661,299
Federal		2,066	1,671	756,841	607,956
State		-	-	48,228	40,245
Municipal		-	943	5,343	13,098
Third party capital		(353,624)	(529,791)	2,632,609	4,638,905
Financial expenses	32	240,250	218,605	4,793,782	3,838,243
Derivative financial instruments, net	32	(519,815)	(829,213)	(958,005)	(864,184)
Foreign currency exchange, net	32	(74,059)	80,817	(1,406,566)	1,443,046
Rentals	31	-	-	203,398	221,800
Own capital		(722,367)	(4,213,208)	(722,367)	(4,213,208)
Loss for the year		(722,367)	(4,213,208)	(722,367)	(4,213,208)

(a) Not including INSS in the amount of R$1,552 in the parent company and R$285,330 in the consolidated.

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

1. OPERATIONS

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

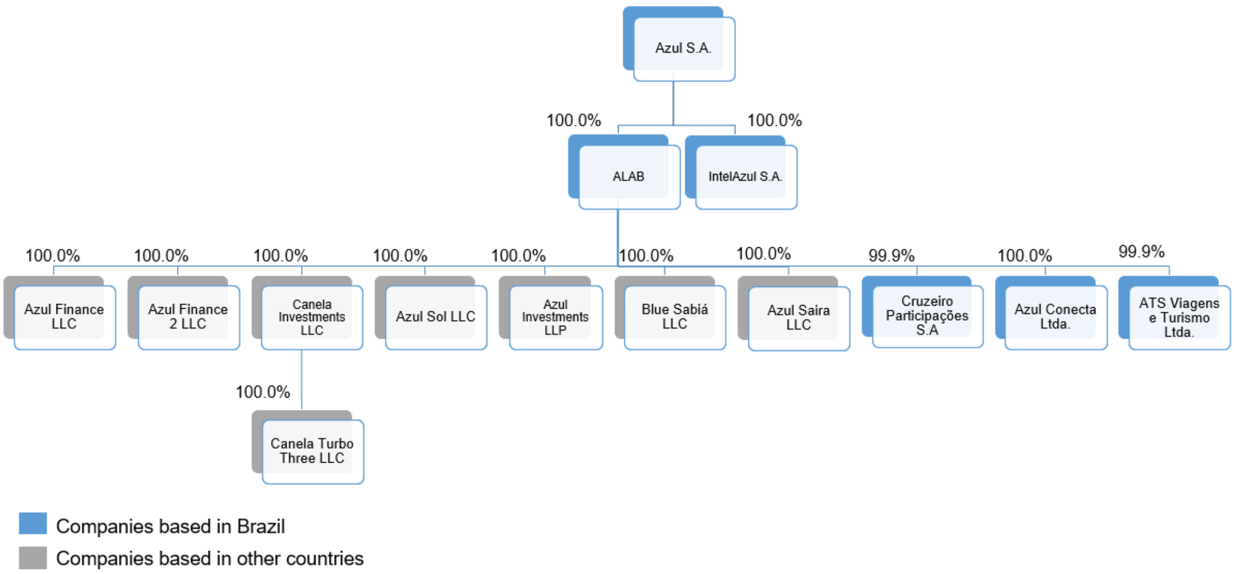
The Company carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. ("ALAB") and Azul Conecta Ltda. ("Conecta"), which hold authorization from government authorities to operate as airlines.

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

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

1.1 Organizational structure

The Company and its subsidiaries organizational structure as of December 31, 2022 is as follows:



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

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

				% equity interest	
Company	Type of investment	Main activity	Country	December 31, 2022	December 31, 2021
IntelAzul S.A. (*)	Direct	Frequent-flyer program	Brazil	100.0%	100.0%
AZUL Linhas Aéreas Brasileiras S.A. (ALAB)	Direct	Airline operations	Brazil	100.0%	100.0%
Azul Conecta Ltda. (Conecta)	Indirect	Airline operations	Brazil	100.0%	100.0%
ATS Viagens e Turismo Ltda.	Indirect	Travel packages	Brazil	99.9%	99.9%
Cruzeiro Participações S.A	Indirect	Holding of equity interests in other companies	Brazil	99.9%	99.9%
Azul Investments LLP	Indirect	Funding	USA	100.0%	100.0%
Azul SOL LLC	Indirect	Aircraft financing	USA	100.0%	100.0%
Azul Finance LLC	Indirect	Aircraft financing	USA	100.0%	100.0%
Azul Finance 2 LLC	Indirect	Aircraft financing	USA	100.0%	100.0%
Blue Sabiá LLC	Indirect	Aircraft financing	USA	100.0%	100.0%
Canela Investments LLC	Indirect	Aircraft financing	USA	100.0%	100.0%
Canela Turbo Three LLC	Indirect	Aircraft financing	USA	100.0%	100.0%
Azul Saira LLC	Indirect	Aircraft financing	USA	100.0%	100.0%

(*) The Extraordinary General Meeting ("EGM") held on March 18, 2022 approved the change of name of Tudo Azul S.A. to IntelAzul S.A.

1.2 Impacts of the COVID-19 pandemic

Management has been closely monitoring the developments related to the COVID-19 pandemic, assessing the impact on its business and prioritizing the well-being and health of its crew and customers.

During the COVID-19 pandemic, the Company's management adopted strict measures to preserve cash, especially the postponement of lease and supplier payments, freezing of contracts, suspension of projects that contained non-essential expenditures, and continuous search for opportunities to reduce costs and to raise funds in the capital market, seeking the economic and financial equilibrium among all stakeholders.

As COVID-19 cases have decreased significantly and operations were resumed, the demand for the Company's services was rapidly recovered and today both capacity and fare are already at pre-pandemic levels.

Operating cash generation is again positive; thus, payments of lease considerations and suppliers were also resumed. The Company continues to diligently manage its cash to ensure compliance with the obligations assumed through the operation of the most comprehensive network in the country, connecting more than 158 destinations.

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

1.3 Impacts caused by the Russian invasion of Ukraine

Recent global developments related to the Russian invasion of Ukraine to the sharp increase in Brent oil prices during the year ended December 31, 2022, with a direct impact on fuel costs.

To mitigate such effects, the Company had, on December 31, 2022, fuel term contracts (note 22.2).

1.4 Capital structure and net working capital

The Company's Management, together with the Board of Directors, constantly monitors the Company's liquidity position and cash projections, as well as any factors that may affect the ability to generate revenue and the Company's ability to honor the financial commitments assumed.

The variation in consolidated net working capital and equity is presented below:

Description	December 31, 2022	December 31, 2021	Variation	December 31, 2020	Variation
Net working capital	(10,184,169)	(5,863,917)	(4,320,252)	(4,795,208)	(1,068,709)
Equity	(19,007,500)	(18,333,003)	(674,497)	(14,148,750)	(4,184,253)

The variation in net working capital is mainly due to the resumption of the Company's operations in view of the increase in demand and payment of obligations that had been postponed during the COVID-19 pandemic, as detailed below:

- decrease of R$2,405,451 in cash and cash equivalents, as a result of the following actions:

  (a) payments of loans, financing and leases in the amount of R$3,591,763;
  (b) acquisitions of property and equipment and intangible assets in the amount of R$1,451,057;
  (c) operating cash generation of R$2,437,315;
  (d) cash inflows from borrowings in the amount of R$200,000 and sales of assets and sale and leaseback operations of R$840,005; and
  (e) extension of the average term for payments to suppliers, resulting in no increase in the headings of:

    - "Suppliers" in the amount of R$902,363 and
    - "Factoring" in the amount of R$749,658, fully settled up to the date of disclosure of the financial parts.

- increase in short-term loans, financing and leases caused by new aircraft received and transfers from noncurrent to current at amounts above to those paid in the same period.

In turn, the increase in the negative position of shareholders' equity is due to the net loss recorded by the Company in the year ended December 31, 2022 in the amount of R$722,367. Despite showing operating income higher than the previous year in the amount of R$1,374,760, it was not enough to cover net financial expenses of R$2,151,922.

Management has been making continuous efforts to ensure the Company's operational continuity. In the period between the end of the year and the disclosure of these financial statements, it initiated several negotiations with lessors seeking to reduce leasing obligations by strengthening the partnerships established over the years with these stakeholders.

Pursuant to a material fact disclosed by the Company on March 5, 2023, commercial agreements were entered into with lessors representing more than 90% of its lease liabilities, subject to certain conditions and corporate approvals met.

These agreements represent a significant part of a comprehensive plan that aims to strengthen Azul's cash generation and improve its capital structure, in addition to delivering 100% of previously agreed amounts to lessors, through a combination of long-term debt and equity. priced on a restructured balance sheet.

Based on these agreements, the lessors will reduce Azul's lease payments to eliminate differences negotiated during the Covid-19 pandemic, as well as the difference between Azul's contractual lease rates and current market rates. In exchange, the lessors found a negotiable bond maturing in 2030 and shares priced to reflect Azul's new cash generation, its improved capital structure and the reduction in its credit risk.

The Company also plans to access the capital market with competitive rates reflecting its better cash generation and lower credit risk. To this end, it hired investment banks and lawyers to raise new funds, with the possibility of offering its unencumbered assets TudoAzul, Azul Cargo Express and Azul Viagens as collateral to obtain the best possible conditions for this funding. The company also hired a specialized consultancy, which evaluated these assets jointly at more than R$25 billion, indicating full capacity to raise the necessary funds.

Management performed an evaluation and concluded that the Company is able to continue as a going concern and meet its obligations on the maturity dates. This evaluation is based on the Company's business plan approved by the Board of Directors on December 8, 2022. The business plan includes future actions, macroeconomic and aviation sector assumptions, such as: recovery in demand for air transport, estimates of exchange rates and fuel prices. The Company's Management monitors and informs the Board of Directors about the performance achieved in relation to the approved plan.

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

1.5 Acceleration of fleet transformation

In 2019, the Company’s management approved the Embraer E195 phase-out plan (“E1”). On the same date, the Company signed letters of intent for the sublease of 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 impairment of these assets of R$2,075,582 and the constitution of an onerous liabilities of R$821,751 at that time.

During the years ended December 31, 2022 and 2021, there were partial reversals of the impairment and onerous liabilities in the amount of R$1,102,791 and R$1,075,682, respectively, resulting from Management's decision to return these assets definitively to their operations, considering changes in the position of other operators due to the economic consequences of the COVID-19 pandemic.

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

As of December 31, 2022, the provision for impairment of E1s corresponds to a total of 8 aircraft (28 aircraft as of December 31, 2021).

The main assumptions used in the analysis included:

- Sublease revenue;
- Estimated period for start of the sublease contracts;
- Aircraft delivery and maintenance costs;
- Residual value for own aircraft at the end of sublease contracts;
- Exchange rates; and
- Discount rates.

1.5.1 Breakdown of balances of provision for impairment and onerous liabilities

Description	Consolidated	
	December 31, 2022	December 31, 2021
Provision for impairment of right-of-use assets	(110,349)	(605,651)
Provision for impairment of property and equipment	(279,077)	(294,490)
Provision for impairment of other assets	-	(12,013)
Total provision for impairment of Company assets	(389,426)	(912,154)
Provision for onerous liabilities	-	(693,407)
Total	(389,426)	(1,605,561)

1.5.2 Movement of the provision for impairment and onerous liabilities

Description	Consolidated		
	Impairment of assets	Onerous liabilities	Total
At December 31, 2020	(1,218,548)	(1,340,522)	(2,559,070)
Reversals (additions), net	306,394	769,288	1,075,682
Consumption	-	188,842	188,842
Interest incurred	-	(156,516)	(156,516)
Foreign currency exchange	-	(103,858)	(103,858)
Initial recognition of sublease	-	(50,641)	(50,641)
At December 31, 2021	(912,154)	(693,407)	(1,605,561)
Reversals (additions), net	516,157	586,634	1,102,791
Consumption	-	178,126	178,126
Interest incurred	-	(100,975)	(100,975)
Foreign currency exchange	-	29,622	29,622
Transfers	6,571	-	6,571
At December 31, 2022	(389,426)	-	(389,426)

1.6 Seasonality

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

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

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

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

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

The Company reviews its judgments, estimates, and assumptions on an ongoing basis. When preparing these individual and consolidated financial statements, Management used the following disclosure criteria: (i) regulatory requirements; (ii) relevance and specificity of the information on the Company's operations to users; (iii) informational needs of users of the individual and consolidated financial statements; and (iv) information from other entities participating in the passenger air transport market.

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

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

In order to ensure a better presentation and comparability of balances, some reclassifications were made in the statement of financial for the prior year, as detailed below:

	December 31, 2021		
Liabilities and equity	**As reported**	**Reclassifications**	**As restated**
Current liabilities			
Accounts payable	1,771,663	(241,183)	1,530,480
Airport fees	217,863	288,475	506,338
Taxes	127,685	22,399	150,084
Government installment payment program	69,691	(69,691)	-
Total	2,186,902	-	2,186,902
Non-current liabilities			
Accounts payable	563,502	(221,302)	342,200
Airport fees	-	472,364	472,364
Taxes	-	101,046	101,046
Government installment payment program	352,108	(352,108)	-
Total	915,610	-	915,610

The individual and consolidated financial statements have been prepared based on the historical cost, except for the following material items recognized in the statements of financial position:

At fair value:

- Short-term investments classified as cash and cash equivalents;
- Short-term investments mainly comprised of TAP Bond;
- Derivative financial instruments; and
- Debenture conversion right.

Other:

- Investments accounted for under the equity method;

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

The approval and authorization for issue of these individual and consolidated financial statements occurred at the Board of Directors' meeting held on March 6, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

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

The financial information of the subsidiaries has been prepared using the same accounting policies as the Company.

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

3.2 New accounting standards and pronouncements not yet adopted

The following new standards and pronouncements have not yet been adopted, as they will be effective in the year 2023. In Management's opinion, the adoption will not have a significant impact on the results or shareholders' equity disclosed by the Company.

• CPC 26 (R1)/IAS 1 and practical file 2 of IFRS - Classification of Liabilities as Current or Non-Current and Accounting Policies.

• CPC 23/ IAS 8 – Definition of accounting estimates.

• CPC 32/ IAS 12 – Deferred Tax Related to Assets and Liabilities Resulting from a Single Applicable Transaction.

3.3 Statement of value added (“SVA”)

Its purpose is to evidence the wealth generated by the Company and its distribution during a given year, and is presented by the Company as required by Brazilian corporate law as part of its individual financial statements and as supplementary information to the consolidated financial statements, as it is not an expected or mandatory statement according to IFRS standards.

The SVA was prepared based on information obtained from the accounting records following the provisions contained in CPC 09 - Statement of value added.

3.4 Segment information

An operating segment is a component of the Company that develops business activities to obtain revenues and incur expenses. The operating segments reflect the way in which the Company's Management reviews the financial information for decision-making.

The Company performs quantitative and qualitative analyzes as required by current accounting pronouncements.

For the year ended December 31, 2021, passenger transport revenue was strongly influenced by the Covid-19 pandemic and, therefore, other revenues, even exceeding the 10% parameter, will not have their information disclosed.

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

Additionally, the Company regularly manages its business and makes resource allocation decisions considering the existence of only one operating segment:

	% of total revenue	
Parameters	**December 31, 2022**	**December 31, 2021**
Qualitative		
Passenger transport		
Quantitative		
Passenger transport	91.5%	88.3%
Other revenues	8.5%	11.7%

3.5 Significant accounting estimates

As disclosed in note 2, Management makes judgments that have a significant effect on the amounts recognized in the financial statements, namely:

- provision for impairment of aircraft, engines and onerous liabilities (note 1.5);
- allowance for expected losses (note 6)
- provision for losses on maintenance reserves (note 9);
- annual impairment test of goodwill (note 17);
- ticket breakage revenue and frequent-flyer programs (note 23);
- provision for return of aircraft and engines (note 25.1.1);
- provision for tax, civil and labor other risks (note 25.1.2);
- provision for post-employment benefits (note 25.1.4); and
- share-based payment (note 29).

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

3.6 Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate in effect at the date the transactions take place. Monetary assets and liabilities designated in foreign currency are calculated based on the exchange rate in effect at the reporting date, and any difference resulting from currency conversion is recorded under the line item “Foreign currency exchange, net” in the statement of profit or loss for the year.

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

The exchange rates in Brazilian reais at the date of these individual and consolidated financial statements are as follows:

	Exchange rates					
	Final rate			Average rate		
	Years ended					
Description	December 31, 2022	December 31, 2021	Variation %	December 31, 2022	December 31, 2021	Variation %
U.S. dollar	5.2177	5.5805	-6.5%	5.1655	5.3956	-4.3%
Euro	5.5694	6.3210	-11.9%	5.4420	6.3784	-14.7%

3.7 Impairment of non-financial assets

The Company performs an annual review for impairment indicators in order to assess events or changes in economic, technological, or operating conditions that may indicate that an asset is impaired.

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

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

The Company operates a single cash-generating unit.

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

Aircraft and engines in operation are tested for impairment, by comparing the net carrying amount with the fair value indicated by specialized publications.

4. CASH AND CASH EQUIVALENTS

4.1 Accounting policies

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

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

4.2 Breakdown of cash and cash equivalents

		Parent company		Consolidated	
Description	Weighted average rate p.a.	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash and bank deposits	-	5,784	10,724	101,737	229,745
Cash equivalents					
Bank Deposit Certificate - CDB	101.8% of CDI	2,333	282,833	352,971	2,750,776
Repurchase agreements	88.0% of CDI	-	-	210,443	2,235
Time Deposit - TD [(a)]	0.4%	-	-	2,616	91,043
Investments funds	10.4%	-	-	581	-
		8,117	293,557	668,348	3,073,799

(a) Investment in U.S. dollar.

5. SHORT-TERM INVESTMENTS

5.1 Accounting policies

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

5.1.1 Amortized cost

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

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

5.1.2 Fair value

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

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

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

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

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

5.2 TAP Bond

On March 14, 2016, the Company acquired Series A convertible bond issued by TAP ("TAP Bond") in the amount of €90 million. The TAP Bond matures in 10 years from its issue, with annual interest of 3.75% until September 20, 2016 and 7.5% in the following years. The accrued interest shall be paid on the maturity date or until the early redemption of the securities, whichever is earlier.

5.3 Breakdown of short-term investments

		Consolidated	
Description	Weighted average rate p.a.	December 31, 2022	December 31, 2021
Bank Deposit Certificate - CDB	101.8% of CDI	-	1,430
TAP Bond	7.5%	733,043	906,719
		733,043	908,149
Current		-	1,430
Non-current		733,043	906,719

6. ACCOUNTS RECEIVABLE

6.1 Accounting policies

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

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

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

6.2 Breakdown of accounts receivable

Description	Consolidated December 31, 2022	Consolidated December 31, 2021
Local currency		
Credit card companies	1,109,197	411,092
Cargo and travel agencies	282,438	209,621
Travel package financing entities	135,168	106,824
TudoAzul Program partners	69,035	128,018
Others	41,973	32,896
Total local currency	1,637,811	888,451
Foreign currency		
Credit card companies	15,913	19,211
Reimbursement receivable for maintenance reserves	78,801	18,197
Airline partner companies	39,612	36,693
Clearinghouse - agencies and cargo	26,363	26,085
Others	29,582	27,073
Total foreign currency	190,271	127,259
Total	1,828,082	1,015,710
Allowance for expected credit losses	(24,084)	(17,817)
Total net	1,803,998	997,893

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

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

Description	Consolidado December 31, 2022	Consolidado December 31, 2021
Not past due		
Up to 30 days	583,523	562,539
31 to 60 days	177,992	101,699
61 to 90 days	140,758	56,001
91 to 180 days	397,205	110,207
181 to 360 days	344,541	90,351
	1,644,019	920,797
Past due		
Up to 30 days	55,941	25,872
31 to 60 days	9,377	20,178
61 to 90 days	3,313	13,235
91 to 180 days	2,441	3,589
181 to 360 days	11,334	5,388
Over 360 days	77,573	8,834
	159,979	77,096
Total	1,803,998	997,893

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

Up to the date of approval financial statements, out of the total amount past due within 90 days, R$63,940 had already been received. Of the receivables past due for more than 90 days, approximately R$50,440 refers to reimbursements receivable for maintenance reserves of a lessor that had just finished a court-supervised reorganization ("Chapter 11"), and Management does not expect to incur losses on these operations since it has obligations at higher amounts to outstanding amounts receivable. Therefore, we conclude that the allowance for expected credit losses is adequately estimated.

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

	Consolidated	
Description	December 31, 2022	December 31, 2021
Balances at the beginning of the year	(17,817)	(16,131)
Additions and reversals, net	(6,583)	(5,921)
Write-off of uncollectible amounts	316	4,235
Balances at the end of the year	(24,084)	(17,817)

7. AIRCRAFT SUBLEASE

7.1 Accounting policies

The aircraft sublease is a transaction whereby the lessee, in this case the Company, subleases the asset that is the subject of a lease to a third party, thus becoming an intermediate lessor. CPC 06 (R2) - Leases, equivalent to IFRS 16, requires an intermediate lessor to classify the sublease as finance or operating. Considering that the contracts entered into by the Company up to December 31, 2022 cover most of the term of the head lease, the subleases were accounted for as follows:

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

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

7.2 Breakdown of aircraft sublease receivables

	Consolidated	
Description	December 31, 2022	December 31, 2021
2022	-	92,092
2023	89,293	87,658
2024	70,396	87,817
2025	50,127	54,890
2026	7,951	4,615
Gross sublease	217,767	327,072
Accrued interest	(25,838)	(52,874)
Provision for losses	(15,876)	-
Net sublease	176,053	274,198
Current	70,193	76,199
Non-current	105,860	197,999

8. INVENTORIES

8.1 Accounting policies

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

8.2 Breakdown of inventories

	Consolidated	
Description	December 31, 2022	December 31, 2021
Maintenance materials and parts	741,101	597,204
Flight attendance and uniforms	21,922	13,655
Provision for losses	(41,285)	(38,935)
Total, net	721,738	571,924

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

	Consolidated	
Description	December 31, 2022	December 31, 2021
Balances at the beginning of the year	(38,935)	(49,153)
Additions	(5,652)	(10,681)
Write-offs	3,302	2,566
Reversal of impairment	-	18,333
Balances at the end of the year	(41,285)	(38,935)

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

9. SECURITY DEPOSITS AND MAINTENANCE RESERVES

9.1 Accounting policies

9.1.1 Security deposits

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

9.1.2 Maintenance reserves

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

- the amount of the maintenance reserve held by the lessor associated with the specific maintenance event; or
- the costs related to the specific maintenance event.

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

At the reporting date we assess whether the maintenance reserve deposits required by the master lease agreements are expected to be recovered through reimbursement of future expenses with carrying out with the performance of qualifying maintenance on the leased assets. Maintenance deposits expected to be recovered are held in assets, and the amounts identified as non-recoverable are readily transferred to profit or loss.

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

9.2 Breakdown of security deposits and maintenance reserves

	Parent company	Consolidated	
Description	December 31, 2022	December 31, 2022	December 31, 2021
Security deposits	8,486	374,960	319,530
Maintenance reserves	-	2,610,943	2,104,532
Total	8,486	2,985,903	2,424,062
Provision for loss	-	(446,342)	(459,643)
Total, net	8,486	2,539,561	1,964,419

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

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

	Parent company	Consolidated		
Description	Security deposits	Security deposits	Maintenance reserves	Total
At December 31, 2020	-	232,396	1,321,646	1,554,042
Additions	-	95,799	501,309	597,108
Reversal of impairment	-	-	24,275	24,275
Provision for loss	-	-	(221,626)	(221,626)
Write-offs	-	(48,584)	(86,804)	(135,388)
Transfer	-	23,782	-	23,782
Foreign currency exchange	-	16,137	106,089	122,226
At December 31, 2021	-	319,530	1,644,889	1,964,419
Additions	8,549	123,796	714,079	837,875
Provision for loss	-	-	(74,831)	(74,831)
Write-offs	(30)	(48,688)	(14,847)	(63,535)
Foreign currency exchange	(33)	(19,678)	(104,689)	(124,367)
At December 31, 2022	8,486	374,960	2,164,601	2,539,561
Current	8,409	77,241	947,927	1,025,168
Non-current	77	297,719	1,216,674	1,514,393

10. TAXES RECOVERABLE

10.1 Accounting policies

Taxes recoverable represent rights that will be realized through offsets against future obligations arising from the Company's operational activities. The Company continuously reviews the capacity of realization of these assets and, when necessary, provisions are established to ensure that these assets are accounted for at their realization value. Such amounts are presented net of provision for losses.

10.2 Breakdown of taxes recoverable

	Parent company		Consolidated	
Description	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
PIS and COFINS	-	-	135,176	61,049
IRRF	8,064	2,180	39,528	19,768
IRPJ and CSLL	3,508	12,388	29,359	15,488
ICMS	-	-	21,661	9,500
Others	-	-	9,167	3,894
	11,572	14,568	234,891	109,699

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

11. PREPAID EXPENSES

11.1 Accounting policies

Prepaid expenses represent payments through which the Company will receive the provision of services and/or will benefit from the use of the related assets in a subsequent period.

11.2 Breakdown of prepaid expenses

	Parent company		Consolidated	
Description	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Insurances	2,089	3,064	82,501	89,951
Maintenance	-	-	304,927	295,518
Commissions	-	-	69,856	112,599
Others	-	33	44,607	59,710
Total	2,089	3,097	501,891	557,778
Current	2,089	3,097	182,891	244,413
Non-current	-	-	319,000	313,365

12. ADVANCES TO SUPPLIERS

12.1 Accounting policies

Advances to suppliers represent the advance payment of installments related to purchases of goods or obtainment of rights that will be delivered in the future. Such amounts are presented net of provision for losses.

12.2 Breakdown of advances to suppliers

	Parent company		Consolidated	
Description	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Advances – local currency	-	97	90,810	109,677
Advances – foreign currency	-	-	30,887	93,702
	-	97	121,697	203,379

13. INCOME TAX AND CONTRIBUTION

13.1 Accounting policies

13.1.1 Current taxes

In Brazil, current taxes comprise corporate income tax (“IRPJ”) and social contribution on profit (“CSLL”), which are calculated monthly based on the taxable profit, after offsetting tax loss carryforwards, these limited to 30% of the taxable profit. A 15% rate is applied to that base, plus 10% for IRPJ and 9% for CSLL.

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

The income from foreign subsidiaries is subject to taxation in accordance with the rates and legislation in force. In Brazil such income is taxed in accordance with Law No. 12,973/14.

13.1.2 Deferred taxes

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

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

13.1.3 Uncertainty over income tax treatments

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

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

13.2 Breakdown of deferred taxes

	Consolidated		
Description	December 31, 2021	Profit or loss	December 31, 2022
Temporary differences liabilities			
Fair value of TAP Bond	(31,549)	31,549	-
Financial instruments	(95,208)	95,208	-
Deferred revenue TudoAzul program	(138,624)	(38,260)	(176,884)
Others	(516)	-	(516)
	(265,897)	88,497	(177,400)
Temporary differences assets	265,897	(88,497)	177,400
Total	-	-	-

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

13.3 Reconciliation of the effective income tax rate

Description	Parent company		Consolidated	
	Years ended			
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Loss before income tax and social contribution	(722,367)	(4,213,208)	(722,367)	(4,213,208)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	245,605	1,432,491	245,605	1,432,491
Adjustments to determine the effective rate				
Profits from non-taxed investments abroad	-	-	100,586	-
Equity	(357,810)	(1,600,311)	-	-
Unrecorded benefit on tax losses and temporary differences	(21,381)	197,274	(700,826)	(1,311,394)
Permanent differences	133,586	(29,454)	331,406	(116,876)
Rate differential		-	29,189	-
Others	-	-	(5,960)	(4,221)
	-	-	-	-

The Company has tax losses that are available indefinitely for offset against 30% of future taxable profits, as follows:

Description	Parent company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tax losses and negative bases	437,395	316,407	12,863,038	8,843,805
Tax loss (25%)	109,349	79,102	3,215,760	2,210,951
Negative social contribution base (9%)	39,366	28,477	1,157,673	795,942

14. INVESTMENTS

14.1 Accounting policies

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

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

14.2 Direct investments

	Company equity interest		
Description	Paid-up capital	Voting capital	Equity
At December 31, 2021			
ALAB	100%	100%	(17,522,749)
IntelAzul	100%	100%	(17,932)
Goodwill – IntelAzul	-	-	780,991
Total			(16,759,690)
At December 31, 2022			
ALAB	100%	100%	(18,392,028)
IntelAzul	100%	100%	(19,866)
Goodwill – IntelAzul	-	-	780,991
Total			(17,630,903)

14.3 Movement of the investments

Description	ALAB	IntelAzul	Total
At December 31, 2020	(12,868,143)	793,541	(12,074,602)
Equity	(4,676,316)	(30,482)	(4,706,798)
Share-based payment	16,566	-	16,566
Post-employment benefit	5,144	-	5,144
At December 31, 2021	(17,522,749)	763,059	(16,759,690)
Equity	(1,050,447)	(1,934)	(1,052,381)
Capital increase	152,000	-	152,000
Share-based payment	29,686	-	29,686
Post-employment benefit	(518)	-	(518)
At December 31, 2022	(18,392,028)	761,125	(17,630,903)

15. PROPERTY AND EQUIPMENT

15.1 Accounting policies

Property and equipment, are stated at acquisition cost.

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

The carrying amounts of property and equipment relevant items are tested annually to identify any indication of impairment or when facts or changes in circumstances indicate that the carrying amount is greater than the estimated recoverable amount.

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

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

15.1.1 Sale and leaseback transactions

First, sale and leaseback transactions are analyzed within the scope of CPC 47– Revenue from Contracts with Customers, equivalent to IFRS 15, in order to verify whether the performance obligation has been satisfied, and therefore to account for the sale of the asset. If this requirement is not met, it is a financing with the asset given as guarantee.

If the requirements related to the performance obligation set out are met, the Company measures a right-of-use asset arising from the sale and leaseback transaction in proportion to the carrying amount of the asset related to the right of use retained by the Company. Accordingly, only the gains or losses related to the rights transferred to the buyer-lessor are recognized.

During the year ended December 31, 2022, the Company carried out sale and leaseback transactions and sale of aircraft and engines where the gain, net of costs of sale, related to these operations corresponds to R$33,155 (As of December,31 22,736) and is recognized in line item “Other costs of services rendered”.

15.1.2 Advance payments for acquisition of aircraft

Advance payments for acquisition of aircraft are recorded in property and equipment, including interest and financial charges incurred during the aircraft manufacturing phase.

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

15.2 Breakdown of property and equipment

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

(a) The balances of transfers are between the groups of aircraft sublease receivables, property and equipment, right-of-use assets and other assets.

	Consolidated					
Description	Weighted average rate (p.a.)	December 31, 2020	Acquisitions	Write-offs	Transfers (a)	December 31, 2021
Cost						
Aircraft and engines		2,297,661	360,384	(137,293)	(1,521)	2,519,231
Buildings and leasehold improvements		485,247	20,694	(503)	1,240	506,678
Equipment and facilities		181,094	19,169	(1,144)	-	199,119
Others		28,008	1,897	-	-	29,905
Construction in progress		33,630	44,631	(4)	(26,083)	52,174
Advance payments for acquisition of aircraft		91,944	-	-	(6,337)	85,607
		3,117,584	446,775	(138,944)	(32,701)	3,392,714
Depreciation						
Aircraft and engines	9%	(624,736)	(200,677)	14,091	-	(811,322)
Buildings and leasehold improvements	9%	(128,761)	(45,791)	460	-	(174,092)
Equipment and facilities	12%	(107,917)	(22,086)	767	-	(129,236)
Others	10%	(19,606)	(2,794)	-	-	(22,400)
		(881,020)	(271,348)	15,318	-	(1,137,050)
Property and equipment		2,236,564	175,427	(123,626)	(32,701)	2,255,664
Impairment		(436,858)	(4,240)	146,608	-	(294,490)
Total property and equipment, net		1,799,706	171,187	22,982	(32,701)	1,961,174

(a) The balances of transfers are between the groups of property and equipment, right-of-use assets and intangible assets.

16. RIGHT-OF-USE ASSETS

16.1 Accounting policies

CPC 06 (R2) – Leases, equivalent to IFRS 16, establishes the principles for the recognition, measurement, presentation and disclosure of leasing operations and requires that lessees, at the commencement date of the contract, recognize a liability to make payments (a lease liability) and an asset representing the right to use the underlying asset over the lease term (a right-of-use asset – "ROU"). Lessees must separately recognize in the statement of profit or loss interest expense on the lease liability and depreciation expense for the right-of-use asset.

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

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

16.1.1 Componentization of aircraft

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

16.1.2 Capitalization of heavy maintenance events

Heavy maintenance events, which increase the useful lives of assets, are capitalized and recognized as property and equipment or in addition to the right of use of assets. They are subsequently depreciated over the respective period of use or until the end of the lease. Repairs and other routine maintenance are recognized in profit or loss during the year in which they are incurred.

Additionally, the Company also has "power-by-the-hour" contracts, in which the amounts due to maintenance providers are calculated based on the hours flown, at the time of the maintenance event.

16.1.3 Recognition of contractual obligations relating to return of aircraft (asset retirement obligation)

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

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

16.2 Breakdown of right-of-use assets

	Consolidated						
Description	Weighted average rate (p.a.)	December 31, 2021	Acquisitions	Write-offs	Contractual modifications	Transfers [a]	December 31, 2022
Cost							
Aircraft and engines		11,356,489	1,436,969	(66,458)	49,271	(142,729)	12,633,542
Maintenance of aircraft and engines		1,542,856	628,293	(209,458)	(15,242)	(7,661)	1,938,788
Restoration of aircraft and engines		1,387,738	678,685	(246,985)	-	-	1,819,438
Simulators		119,782	-	-	-	-	119,782
Others		89,226	193,359	(67,416)	11,452	-	226,621
		14,496,091	2,937,306	(590,317)	45,481	(150,390)	16,738,171
Depreciation							
Aircraft and engines	7%	(6,368,510)	(812,402)	19,254	-	38,827	(7,122,831)
Maintenance of aircraft and engines	20%	(1,052,190)	(313,613)	206,191	-	-	(1,159,612)
Restoration of aircraft and engines	34%	(380,649)	(468,050)	220,177	-	-	(628,522)
Simulators	29%	(70,256)	(35,139)	-	-	-	(105,395)
Others	44%	(19,240)	(39,674)	-	-	-	(58,914)
		(7,890,845)	(1,668,878)	445,622	-	38,827	(9,075,274)
Right-of-use assets		6,605,246	1,268,428	(144,695)	45,481	(111,563)	7,662,897
Impairment		(605,651)	-	488,731	-	6,571	(110,349)
Right-of-use assets, net		5,999,595	1,268,428	344,036	45,481	(104,992)	7,552,548

(a) The balances of transfers are between the groups of aircraft sublease receivables, property and equipment, right-of-use assets and other assets.

	Consolidated						
Description	Weighted average rate (p.a.)	December 31, 2020	Acquisitions	Write-offs	Contractual modifications	Transfers [a]	December 31, 2021
Cost							
Aircraft and engines		10,033,538	1,021,819	(19,301)	221,266	99,167	11,356,489
Maintenance of aircraft and engines		1,414,507	236,336	(113,160)	(2,285)	7,458	1,542,856
Restoration of aircraft and engines		597,011	790,727	-	-	-	1,387,738
Simulators		70,148	13	-	49,621	-	119,782
Others		144,602	70,174	(125,550)	-	-	89,226
Advance payments for right of use of aircraft		-	76,097	-	-	(76,097)	-
		12,259,806	2,195,166	(258,011)	268,602	30,528	14,496,091
Depreciation							
Aircraft and engines	7%	(5,707,259)	(677,537)	16,286	-	-	(6,368,510)
Maintenance of aircraft and engines	19%	(892,325)	(271,203)	111,338	-	-	(1,052,190)
Restoration of aircraft and engines	33%	(182,861)	(197,788)	-	-	-	(380,649)
Simulators	20%	(55,969)	(14,287)	-	-	-	(70,256)
Others	9%	(104,036)	(12,407)	97,203	-	-	(19,240)
		(6,942,450)	(1,173,222)	224,827	-	-	(7,890,845)
Right-of-use assets		5,317,356	1,021,944	(33,184)	268,602	30,528	6,605,246
Impairment		(706,615)	(172,305)	273,269	-	-	(605,651)
Right-of-use assets, net		4,610,741	849,639	240,085	268,602	30,528	5,999,595

(a) The balances of transfers are between the groups of property and equipment, right-of-use assets and intangible assets.

17. INTANGIBLE ASSETS

17.1 Accounting policies

17.1.1 Finite useful life

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

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

17.1.2 Indefinite useful life

17.1.2.1 Goodwill

In this category, the amounts related to goodwill arising from the business combinations of IntelAzul S.A and Azul Conecta are recorded. Goodwill is tested annually by comparing the carrying amount with the recoverable amount. Management makes judgments and establishes assumptions to assess the impact of macroeconomic and operational changes, in order to estimate future cash flows and measure the recoverable amount of assets.

17.1.2.2 Rights of operations in airports (slots)

In the business combinations of IntelAzul S.A. and Azul Conecta, slots acquired were recognized at their fair values at the acquisition date and are not amortized. The estimated useful life of these rights was considered indefinite due to several factors and considerations, including requirements and authorizations for permission to operate in Brazil and limited availability of usage rights at the most important airports in terms of air traffic volume. The carrying amount of these rights is assessed annually.

17.2 Breakdown of intangible assets

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

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

Description	Weighted average rate (p.a.)	December 31, 2020	Acquisitions	Transfers (c)	December 31, 2021
	Consolidated				
Cost					
Goodwill (a)		810,948	134,820	(44,351)	901,417
Slots (b)		82,196	-	44,351	126,547
Software		593,334	152,542	2,173	748,049
		1,486,478	287,362	2,173	1,776,013
Amortization					
Software	17%	(316,210)	(101,765)	-	(417,975)
		(316,210)	(101,765)	-	(417,975)
Total intangible assets, net		1,170,268	185,597	2,173	1,358,038

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

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

c) The balances of transfers are between the groups of property and equipment, right-of-use assets and intangible assets.

17.3 Impairment of intangible assets without a finite useful life

As of December 31, 2022, the Company performed annual impairment tests, through the discounted cash flow of the cash-generating unit.

The assumptions used in the impairment tests of goodwill and other intangible assets are consistent with the Company's operating plans and internal projections, prepared for a period of five years. After this period, a perpetuity rate of growth of operating projections is assumed. Assumptions and projections are revised and approved by management. The discounted cash flow that determined the value in use of the cash-generating unit was prepared according to the Company's business plan approved by the Board of Directors on December 8, 2022.

The following assumptions were considered:

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

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

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

The result of the impairment test showed that the estimated recoverable amount is greater than the carrying amount allocated to the cash-generating unit and, therefore no adjustment of the recoverable amount to be recorded at December 31, 2022 was identified, as shown below:

	December 31, 2022		December 31, 2021	
Descrição	Goodwill	Slots	Goodwill	Slots
Carrying amount	901,417	126,547	901,417	126,547
Carrying amount – CGU	9,505,637	-	8,499,312	-
Value in use	19,622,243	2,611,480	35,355,308	2,419,843
Pre-tax discount rate	11.5%	12.5%	9.5%	10.5%
Growth rate in perpetuity	3.0%	3.0%	3.0%	3.0%

18. LOANS AND FINANCING

18.1 Accounting policies

Loans and financing are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method, with the exception of the embedded derivative contained in the convertible debentures, which is measured at fair value through profit or loss.

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

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

18.2 Movement of loans and financing

Consolidated											
Description	Average nominal rate p.a.	Maturity	December 31, 2021	Funding (–) costs	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	December 31, 2022
In foreign currency – US$											
Senior notes – 2024	5.9%	Oct-24	2,236,910	-	-	-	(120,924)	120,487	(146,308)	7,237	2,097,402
Senior notes – 2026	7.3%	Jun-26	3,298,018	-	-	-	(227,525)	222,675	(208,927)	11,424	3,095,665
Convertible debentures [(a)]	6.0%	Oct-25	1,873,001	-	(519,815)	-	(105,891)	231,103	(79,212)	4,533	1,403,719
Aircraft and engines	6.0%	Mar-29	1,091,953	-	-	(302,544)	(43,056)	52,930	(74,135)	5,525	730,673
	Libor 3M + 2.6%	Mar-22	1,561	-	-	(1,428)	-	6	(139)	-	-
Others	1.0%	Jun-25	5,002	-	-	(4,124)	(5)	10	(332)	-	551
			8,506,445	-	(519,815)	(308,096)	(497,401)	627,211	(509,053)	28,719	7,328,010
In local currency - R$											
Working capital	CDI + 3.9%	Feb-24	643,699	227,467	-	(369,623)	(108,887)	104,030	-	311	496,997
	2.9%	Sep-25	23,202	-	-	(20,728)	(1,031)	1,232	-	-	2,675
Debentures [(b)]	CDI + 5.0%	Dec-27	733,017	(12,308)	-	(74,056)	(50,908)	147,029	-	4,396	747,170
Aircraft and engines	6.2%	Mar-27	84,330	-	-	(42,324)	(3,863)	4,017	-	122	42,282
	Selic + 5.5%	May-25	28,038	-	-	(8,350)	(4,374)	3,910	-	60	19,284
			1,512,286	215,159	-	(515,081)	(169,063)	260,218	-	4,889	1,308,408
Total in R$			10,018,731	215,159	(519,815)	(823,177)	(666,464)	887,429	(509,053)	33,608	8,636,418
Current			1,023,390								1,127,729
Non-current			8,995,341								7,508,689

(a) The balance recorded in the Parent Company includes the right to convert the debt into Company shares in the amount of R$116,971 (as of December 31, 2021 – R$636,786).

(b) The amount of R$12,308 refers to costs to be amortized due to the renegotiation of the debentures (note 18.3.5).

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

Consolidated											
Description	Nominal rate p.a.	Maturity	December 31, 2020	Funding (–) costs	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	December 31, 2021
In foreign currency – US$											
Senior notes - 2024	5.9%	Oct-24	2,076,310	-	-	-	(129,680)	127,437	156,163	6,680	2,236,910
Senior notes - 2026	7.3%	Jun-26	-	2,976,795	-	-	(122,803)	127,840	294,660	21,526	3,298,018
Convertible debentures [(a)]	6.0% to 7.5%	Oct-25	2,419,704	-	(829,213)	-	-	201,303	77,451	3,756	1,873,001
Aircraft and engines	3.0% to 6.0%	Mar-29	1,076,442	-	-	(37,029)	(85,543)	51,050	82,722	4,311	1,091,953
	Libor 3M + 2.6%	Mar-22	8,263	-	-	(7,525)	(178)	189	477	335	1,561
Others	1.0%	July-23	160,534	-	-	(170,547)	(1,110)	1,095	15,030	-	5,002
			5,741,253	2,976,795	(829,213)	(215,101)	(339,314)	508,914	626,503	36,608	8,506,445
In local currency - R$											
Working capital	CDI + 2% to 6%	Feb-24	709,668	46,478	-	(103,065)	(56,750)	47,180	-	188	643,699
	10.0%	Sep-25	43,443	-	-	(20,329)	(3,642)	3,730	-	-	23,202
	5.0%	July-21	10,846	-	-	(11,151)	(184)	159	-	330	-
	TJLP + 5%	July-21	12,524	-	-	(12,571)	(394)	441	-	-	-
Debentures	CDI + 3%	Dec-23	690,904	-	-	-	(16,000)	52,784	-	5,329	733,017
Aircraft and engines	6.0% to 7.3%	Mar/27	116,374	-	-	(32,606)	(5,901)	6,341	-	122	84,330
	Selic + 2.8% to 5.5%	May-25	35,502	-	-	(5,880)	(4,060)	2,436	-	40	28,038
			1,619,261	46,478	-	(185,602)	(86,931)	113,071	-	6,009	1,512,286
Total in R$			7,360,514	3,023,273	(829,213)	(400,703)	(426,245)	621,985	626,503	42,617	10,018,731
Current			858,332								1,023,390
Non-current			6,502,182								8,995,341

(a) The balance recorded in the Parent Company includes the right to convert the debt into Company shares in the amount of R$636,786 (as of December 31, 2020 – R$1,465,999).

18.3 Main loan and financing operations

18.3.1 Senior notes 2024

In October 2017, the subsidiary Azul Investments LLP concluded a fundraising abroad in the amount of US$400 million, maturing in 2024 and with a coupon of 5.875% p.a. The Company incurred borrowing costs of R$22,140, which will be amortized over the contract term, as required by CPC48, equivalent to IFRS-9. This transaction is part of the Company's liability management strategy and the proceeds will be used for refinancing debts and general corporate purposes.

18.3.2 Senior notes 2026

In June 2021, the subsidiary Azul Investments LLP concluded a fundraising abroad in the amount of US$600 million, maturing in 2026 and with a coupon of 7.25% p.a. The Company incurred borrowing costs of R$75,645, which will be amortized over the contract term, as required by CPC48, equivalent to IFRS-9. The Company and its subsidiary ALAB will provide irrevocable, unconditional and full guarantee to honor the payment of their obligations related to the debt, and net proceeds from the issue will be used by the Company for general corporate purposes.

18.3.3 Convertible debentures

On 2020, the Company concluded the public offering for the distribution of debentures convertible into first-issue preferred shares, with security interest and additional personal guarantee of the Company, under CVM Instruction No. 400, with the following characteristics: total issue amount: (i) R$1,745,900; (ii) issue date: October 26, 2020; (iii) term and maturity date: 5 years from the date of issue, maturing therefore on October 26, 2025; (iv) conversion price: R$32.2649 per preferred share, resulting in an initial conversion premium of 27.50%, calculated on the VWAP (Volume Weighted Average Price) of 30 trading sessions of the reference share of R$25.3058.

The issuance of debentures is part of Azul's efforts to contain the economic impact of the COVID-19 pandemic on its operations and the Company expects to use the net proceeds obtained for working capital, expansion of its activities and other strategic opportunities.

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 (ADS) representing Azul's preferred share exceeds 130% of the conversion price for a specific period.

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

As required by CPC 48 - Financial Instruments, equivalent to IFRS 9, the conversion right was measured at fair value through profit or loss as it is an embedded derivative. Accordingly, during the year ended December 31, 2022, due to the devaluation of the Company's shares, a gain of R$519,815 was recognized under the "Derivative financial instruments, net" line item (R$829,213 as of December 31, 2021).

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

18.3.4 Working capital

During the year ended December 31, 2022, the subsidiary ALAB raised funds as shown below:

- R$200,000 at a rate equivalent to CDI+5.4% p.a. and quarterly payments of interest and principal with final maturity in September 2023. For this funding, the Company assigned receivables and the proceeds will be used for general corporate purposes; and

- R$27,792 with a cost of R$325, at a rate equivalent to CDI+6.3% p.a. and monthly payments of interest and principal with final maturity during 2023.

18.3.5 Debentures

During the year ended December 31, 2018, the subsidiary ALAB issued, through the 9th and 10th issue, restricted offers of 50,000 and 20,000 simple non-convertible debentures in the amount of R$500,000 and R$200,000 with funding costs for contracting the loan of R$3,414 and R$4,302, respectively. Funding costs will be amortized throughout the contract, as required by CPC 48, equivalent to IFRS 9.

During the year ended December 31, 2022, the subsidiary ALAB renegotiated the debentures, changing the conditions and maturities. The rate was changed to CDI+5.0% p.a. with maturity on December 20, 2027. The indicators for measuring the covenants were changed to adjusted debt service coverage ratio (DSCR) equal to or greater than 1,2; and financial leverage less than or equal to 6,5 in 2023; 5,0 in 2024 and 2025; and 4,5 in 2026 and 2027.

18.3.6 Aircraft and engines

The balance, in local and foreign currency, consists substantially of the financing of engine maintenance and the purchase of aircraft and engines.

18.4 Schedule of amortization of long-term debt

	Consolidated	
Description	December 31, 2022	December 31, 2021
2023	-	1,242,042
2024	2,391,313	2,417,304
2025	1,629,572	1,959,558
2026	3,306,081	3,357,741
2027	172,205	8,510
After 2027	9,518	10,186
	7,508,689	8,995,341

18.5 Covenants

As of December 31, 2022, the Company has loans and financing subject to covenants related to the indebtedness level and the debt service coverage ratio.

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

Covenant related to:	Indicators for the measurement	Frequency of measurement
9th and 10th issue of debentures	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1,2; and (ii) Financial leverage less than or equal to 6,5 in 2023; 5,0 in 2024 and 2025; and 4,5 in 2026 and 2027.	Annual
Credit facility agreement (CFA)	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1,2; and (ii) Financial leverage less than or equal to 6,5.	Annual
Aircraft financing	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1,2; and (ii) Financial leverage less than or equal to 5,5.	Quarterly/Annual
Aircraft financing	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1,2; and (ii) Financial leverage less than or equal to 6,5.	Annual

The Company previously requested a waiver from the counterparties and obtained it for the year 2022. Therefore, the related debt is still classified in these financial statements according to the contractual flow originally established.

19. LEASES

19.1 Accounting policies

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

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

19.2 Movement of lease liabilities

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

Consolidated											
Description	Average remaining term	Weighted average rate	December 31, 2020	Additions	Contractual modifications	Payments	Interest incurred	Write-offs	Transfers	Foreign currency exchange	December 31, 2021
Lease without purchase option:											
Aircraft and engines	7.9	21.1%	11,663,143	868,705	119,196	(1,906,735)	2,352,332	(16,153)	(205,978)	850,137	13,724,647
Other	5.0	8.5%	57,278	70,174	-	(18,097)	4,965	(42,433)	-	(18)	71,869
Lease with purchase option:											
Aircraft and engines	5.7	8.4%	800,391	170,621	125,083	(140,470)	76,343	-	-	62,091	1,094,059
Total			12,520,812	1,109,500	244,279	(2,065,302)	2,433,640	(58,586)	(205,978)	912,210	14,890,575
Current			2,272,349								3,497,665
Non-current			10,248,463								11,392,910

(a) Transfers made to the line item “Other non-current liabilities” related to past-due lease liabilities with a lessor that entered court-supervised reorganization

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

19.3 Schedule of amortization of leases

	Consolidated	
Description	December 31, 2022	December 31, 2021
2022	-	3,802,070
2023	4,387,911	4,056,001
2024	4,162,958	4,015,746
2025	3,579,587	3,397,128
2026	3,237,509	3,072,413
2027	2,909,201	2,782,538
After 2027	8,512,031	7,298,458
Minimum lease payments	26,789,197	28,424,354
Financial charges	(12,206,364)	(13,533,779)
Present value of minimum lease payments	14,582,833	14,890,575

19.4 Covenants

As of December 31, 2022, the Company has lease liabilities subject to covenants related to the indebtedness level and the debt service coverage ratio.

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

These conditions will be verified only December 31,2023, therefore, the related debt is still classified in these financial statements according to the contractual flow originally established.

20. ACCOUNTS PAYABLE

20.1 Accounting policies

Accounts payable to suppliers are initially recognized at fair value and subsequently increased, where applicable, by the corresponding charges, monetary variations, and exchange differences. Such amounts are presented net of provision for losses.

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

20.2 Breakdown of accounts payable

Description	Parent company December 31, 2022	Parent company December 31, 2021	Consolidated December 31, 2022	Consolidated December 31, 2021
Accounts payable – local currency	24	596	1,857,583	1,232,786
Accounts payable – foreign currency	-	2,840	1,092,231	639,894
	24	3,436	2,949,814	1,872,680
Current	24	3,436	2,432,843	1,530,480
Non-current	-	-	516,971	342,200

21. FACTORING

21.1 Accounting policies

The Company negotiates with suppliers to extend the payment terms. As a result, the Company signed an agreement with financial institutions to allow the discounting of trade notes receivable from its suppliers, mainly fuel, with interest rates ranging from 1.38% to 1.46% p.m. in 2022. When trade notes payable are included in factoring, such amount is transferred from “Accounts payable” to “Factoring” account.

The total amount is liquated in the date of disclosure of these financial statements.

21.2 Movement of factoring

Description	Consolidated
At December 31, 2020	157,801
Addition	1,202,582
Interest incurred	18,228
Interest paid	(18,228)
Payment	(1,356,689)
At December 31, 2021	3,694
Addition	1,541,948
Interest incurred	79,460
Interest paid	(53,476)
Payment	(818,274)
At December 31, 2022	753,352

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

22.1 Accounting policies

Changes in interest rates, foreign exchange rates and aviation fuel prices expose the Company and its subsidiaries to risks that may affect their financial performance. In order to mitigate such risks, the Company contracts derivative financial instruments. Operations not designated as hedge accounting present the change in their fair value directly in the financial result.

22.2 Breakdown of derivative financial instruments

	Consolidated					
	Derivatives not designated as hedge accounting					
Changes in fair value	Options - foreign currency	Interest rate swap	Forward - fuel	Forward - foreign currency	Conversion right debentures [a]	Total
At December 31, 2020	8,947	(269,491)	(81,274)	349,093	(1,465,999)	(1,458,724)
Gains (losses) recognized in result	(10,222)	48,571	75,075	(78,453)	829,213	864,184
Payment	1,275	7,663	15,582	-	-	24,520
At December 31, 2021	-	(213,257)	9,383	270,640	(636,786)	(570,020)
Gains (losses) recognized in result	-	33,519	440,065	(35,394)	519,815	958,005
Payments (receipts)		568	(478,149)	-	-	(477,581)
At December 31, 2022	-	(179,170)	(28,701)	235,246	(116,971)	(89,596)
Rights with current derivative financial instruments	-	27,349	8,705	-	-	36,054
Rights with non-current derivative financial instruments	-	-	650	235,246	-	235,896
Obligations with current derivative financial instruments	-	(31,603)	(37,762)	-	-	(69,365)
Obligations with non-current derivative financial instruments	-	(174,916)	(294)	-	-	(175,210)
Long-term loans and financing	-	-	-	-	(116,971)	(116,971)
	-	(179,170)	(28,701)	235,246	(116,971)	(89,596)

(a) Balance recorded in the parent company.

23. AIR TRAFFIC LIABILITY

23.1 Accounting policies

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

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

23.2 Breakdown of air traffic liability

Description	Consolidated December 31, 2022	Consolidated December 31, 2021
Air traffic liability	4,660,271	3,471,534
Breakage	(520,246)	(407,718)
	4,140,025	3,063,816
Average use term	48 days	47 days

24. TAXES PAYABLE

24.1 Accounting policies

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

24.2 Breakdown of taxes payable

	Parent company		Consolidated	
Description	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Government installment payment program	-	-	96,547	123,445
PIS and COFINS	2	125	55,385	63,584
IRRF	535	324	49,906	34,382
Import taxes	96	833	15,189	22,459
Others	-	72	48,156	7,260
	633	1,354	265,183	251,130
Current	633	1,354	193,588	150,084
Non-current	-	-	71,595	101,046

25. PROVISIONS

25.1 Accounting policies

25.1.1 Provision for return of aircraft and engines (asset retirement obligation - ARO)

Aircraft and engines negotiated under the lease without purchase option modality regularly provide for contractual obligations establishing conditions for return. In these cases, the Company provides for the return costs, since these are present obligations, arising from past events and which will generate future disbursements, which are reliably measured. These expenses basically refer to aircraft reconfiguration (interior and exterior), obtaining licenses and technical certifications, verifications of returns, maintenance, painting, etc., as established in the contract. Specifically for engines, return events that will occur within 36 months are considered. The estimated cost is initially recognized at present value in right-of-use assets and the balancing item of the provision for aircraft return is recorded in the “Provisions” account. After initial recognition, the liability is updated according to the capital remuneration rate estimated by the Company, with a corresponding entry recorded in the financial result. Any changes in the estimate of expenses to be incurred are recognized prospectively against right of use or in the statement of profit or loss for the year, in the case the right-of-use balance is insufficient.

25.1.2 Tax, civil, labor and other risks

The Company is a party to several legal and administrative proceedings, mainly in Brazil. Assessments of the likelihood of loss in these cases include an analysis of the available evidence, the hierarchy of laws, the available case laws, the most recent court decisions and their significance in the legal system, as well as the assessment of external lawyers. Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

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

25.1.3 Onerous liabilities

Onerous liabilities is that in which the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received over the same contract. In these cases, the present obligation under the contract is measured and recognized as a provision. However, before a separate provision for onerous contract is established, the Company assesses and recognizes any impairment loss that has occurred in the assets related to that contract in accordance with CPC 01 (R1) – Impairment of Assets, equivalent to IAS 36.

The provision is related to the obligations arising from the fleet transformation plan, as detailed in note 1.5.

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

25.1.4 Post-employment benefits

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

25.2 Breakdown of provisions

	Consolidated				
Description	Return of aircrafts and engines (a)	Tax, civil, labor and other risks	Onerous liabilities	Post-employment benefit	Total
At December 31, 2020	1,336,186	155,814	1,340,522	9,953	2,842,475
Additions	790,727	549,791	252,164	212	1,592,894
Reversals	-	-	(970,811)	-	(970,811)
Payments	(95,344)	(146,623)	(150,944)	-	(392,911)
Interest incurred	80,484	-	156,516	740	237,740
Effect of change in financial assumptions	-	-	-	(4,744)	(4,744)
Effect of plan experience	-	-	-	(400)	(400)
Transfers	37,898	-	(37,898)	-	-
Foreign currency exchange	91,488	-	103,858	-	195,346
At December 31, 2021	2,241,439	558,982	693,407	5,761	3,499,589
Additions	678,252	181,136	-	113	859,501
Reversals	-	-	(586,634)	-	(586,634)
Payments	(228,034)	(179,391)	(178,126)	-	(585,551)
Interest incurred	144,563	-	100,975	609	246,147
Effect of change in financial assumptions	-	-	-	(888)	(888)
Effect of plan experience	-	-	-	1,406	1,406
Foreign currency exchange	(160,954)	-	(29,622)	-	(190,576)
At December 31, 2022	2,675,266	560,727	-	7,001	3,242,994
Current	654,897	179,391	-	-	834,288
Non-current	2,020,369	381,336	-	7,001	2,408,706

(a) Nominal discount rate 11.24% p.a. (as of December 31, 2021 – 9.47% p.a.).

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

25.2.1 Tax, civil, labor and other risks

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

	Consolidated			
	Probable loss		Possible loss	
Description	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tax	263,495	218,051	376,510	217,470
Civil	107,980	69,326	57,871	44,661
Labor	121,842	136,785	43,423	107,427
Other	67,410	134,820	-	-
	560,727	558,982	477,804	369,558

25.2.1.1 Main proceedings

25.2.1.1.1 Tax

25.2.1.1.1.1 Probable loss

The Company discusses the non-application of the additional charge of 1% of COFINS on imports of aircraft, parts and components, in the amount of R$209,496 (As of December 31, 2021 R$196,048). Such classification is due to decisions from higher courts considering the legality of the collection of the additional charge on the imports made by airlines.

25.2.1.1.1.2 Possible loss

On October 31, 2022, the Company was assessed by the Federal Revenue Service due to alleged infringement relating to Social Security Contribution on Gross Revenue (“CPRB” or payroll tax relief), totaling approximately R$227,000. Tax assessment notices are being discussed at the administrative and judicial levels.

25.2.1.1.2 Labor

25.2.1.1.2.1 Possible loss

On February 22, 2017, the Labor Department of Justice filed a lawsuit against the Company alleging the violation of certain labor aspects, such as excessive daily workday and the absence of enjoyment of rest periods, for which approximately R$66,000 in punitive damages is claimed. During exercise 2022, a lawsuit was judged partially prosecuting condemning the Company to the payment of R$500. The Company continued the decision and the lawsuit is pending judgment of the appeal. The probability of loss is still assessed as possible by the Company's legal advisors, however, at a desirable amount.

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

25.2.1.1.3 Others

25.2.1.1.3.1 Probable loss

The amounts recognized under this line item refer to the contingent liability assumed as a result of the business combination with Azul Conecta in the amount of R$67,410 (As of December 31, 2021 R$134,820).

25.2.2 Post-employment benefit

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

	Consolidated	
Description	December 31, 2022	December 31, 2021
Nominal discount rate p.a.	10.96%	10.57%
Actual discount rate p.a.	5.78%	5.30%
Estimated inflation rate in the long term p.a.	4.90%	5.00%
HCCTR - Average nominal inflation rate p.a.	8.05%	8.15%
HCCTR - Actual nominal inflation rate p.a.	3.00%	3.00%
Mortality table	AT-2000 downrated by 10%	AT-2000 downrated by 10%

26. RELATED-PARTY TRANSACTIONS

Transactions with related parties were entered into in the ordinary course of the Company's business, at prices, terms and financial charges according to the conditions established between the parties.

26.1 Transactions and balances

These transactions include, among other aspects, shared service contracts and loan agreements, detailed below:

		Parent company		
Creditor	Debtor	Type of operation	December 31, 2022	December 31, 2021
ALAB	Azul	Loan	-	4,776
			-	4,776

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

The table below shows the balances of related-party transactions of the subsidiary ALAB, which were eliminated in the preparation of these financial statements:

Creditor	Debtor	Type of operation	December 31, 2022	December 31, 2021
ALAB	Azul Conecta Ltda.	Loan	50,845	33,797
ALAB	Azul	Loan	-	4,776
ALAB	ATS Viagens e Turismo Ltda.	Sale of TudoAzul points	21,917	134,812
ALAB	ATS Viagens e Turismo Ltda.	Service sharing	36,448	3,084
Canela Investments LLC	ALAB	Others	-	(808)
ATS Viagens e Turismo Ltda.	ALAB	Travel packages	(58,732)	(26,517)
ATS Viagens e Turismo Ltda.	ALAB	Advance for ticket purchase	(191,808)	-
Azul Investments LLP	ALAB	Loan	(4,815,559)	(5,335,059)
			(4,956,889)	(5,185,915)

26.2 Compensation of key management personnel

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

Key management personnel comprise the directors, officers and members of the Executive Committee. The compensation and charges paid or payable for services are shown below:

	Consolidated	
	Years ended	
Description	December 31, 2022	December 31, 2021
Remuneration [a]	41,347	43,122

(a) Considers stock option plans, restricted shares and phantom shares. The effect on the result referring to the phantom shares is based on the variation of the Company's share value, which is updated at each reporting period, and does not represent a cash outflow.

26.3 Guarantees and pledges granted by the Parent Company

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

26.4 Technology service sharing contract

On January 1, 2013, the Company entered into a contract with Águia Branca Participações S.A., one of its shareholders, for the sharing of information technology resources for an indefinite period. The total amount of services acquired during the year ended December 31, 2022 was R$52 (R$52 as of December 31, 2021), recorded under "Other expenses, net" in the statement of profit or loss. As of December 31, 2022, there were no amounts to be paid as a result of this transaction.

26.5 Ticket sales contract

On March 26, 2018, the Company entered into a ticket sales contract with Caprioli Turismo Ltda., a travel agency owned by the Caprioli family (which holds an indirect stake in the Company through TRIP former shareholders), whereby Caprioli Turismo Ltda. is granted a R$20 credit line for the purchase and resale of tickets for flights operated by the Company. This credit line is guaranteed by a non-interest bearing promissory note in the same amount payable.

26.6 Aircraft sublease receivables

In December 2019, the Company signed a letter of intent for the sublease of aircraft to the Breeze Aviation Group (“Breeze”), an airline founded by the controlling shareholder of Azul, headquartered in the United States. The transaction was voted and approved by 97% of the Azul's shareholders at the Extraordinary General Meeting held on March 2, 2020. Following good corporate practices, the controlling shareholder did not participate in the voting.

Until December 31, 2022, the Company sub-leased three aircrafts to Breeze and recorded a balance receivable of R$67,056 (R$79,663 as of December 31, 2021).

26.7 Lilium

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

26.8 Azorra

During the year ended December 31, 2022, the Company made agreements for purchase and sale of aircraft and engines with entities that are part of Azorra Aviation Holdings LLC. (“Azorra”) group, which has become a related party as the Company’s Board of Directors’ Chairman was elected independent member of Azorra’s Board of Directors.

As of December 31, 2022, the Company has a maintenance reserve and lease in the amount of R$107,286 and R$113,832, respectively. During the year ended December 31, 2022, aircraft sales were made.

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

27. EQUITY

27.1 Issued capital

	Parent company and Consolidated		
		Quantity	
Description	Company's capital	Common shares	Preferred shares
At December 31, 2020	2,246,367	928,965,058	331,644,724
Share-based payment	44,509	-	2,035,286
At December 31, 2021	2,290,876	928,965,058	333,680,010
Share-based payment	23,065	-	1,943,398
At December 31, 2022	2,313,941	928,965,058	335,623,408

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

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

Company shareholding structure is presented below:

	Parent company and Consolidated					
	December 31, 2022			December 31, 2021		
Shareholder	Common shares	Preferred shares	% economic participation	Common shares	Preferred shares	% economic participation
David Neeleman	67.0%	2.2%	4.5%	67.0%	1.7%	4.0%
Acionistas Trip (a)	33.0%	4.4%	5.4%	33.0%	5.5%	6.5%
United Airlines Inc	-	8.0%	7.8%	-	8.1%	7.8%
Blackrock	-	5.0%	4.8%	-	-	-
Others	-	80.3%	77.4%	-	84.6%	81.6%
Treasury shares	-	0.1%	0.1%	-	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

The Company is authorized, by resolution of the Board of Directors, to increase the issued capital regardless of any amendments to bylaws, with the issue of up to 98,899,268 (ninety-eight million, eight hundred and ninety-nine thousand, two hundred and sixty-eight) new preferred shares. The Board of Directors will set the conditions for the issue, including price and payment term.

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

27.2 Treasury shares

27.2.1 Accounting policies

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

27.3 Movement of treasury shares

	Parent company and Consolidated	
Description	Number of shares	Amount paid
At of December 31, 2020	265,461	13,182
Repurchase	477,800	16,198
Transfers	(358,732)	(17,421)
At December 31, 2021	384,529	11,959
Repurchase	313,102	3,923
Transfers	(347,632)	(5,678)
At December 31, 2022 (a)	349,999	10,204

(a) Average cost of R$29.15.

The Board of Directors meeting held on November 11, 2022 approved the repurchase plan for 1,300,000 preferred shares maturing in 18 months, to keep them in treasury for a subsequent payment of the installments of the RSU plan. Until December 31, 2022, the Company had repurchased 260,000 shares under the current plan and 53,102 shares under the previous plan.

28. EARNINGS (LOSS) PER SHARE

28.1 Accounting policies

Basic earnings (loss) per share are calculated by dividing the profit or loss for the year attributed to the Company's controlling shareholders by the weighted average number of all classes of shares outstanding during the year.

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of shares outstanding by instruments potentially convertible into shares. However, due to the losses reported in the years ended December 31, 2022 and 2021, these instruments issued by the company have a non-dilutive effect and therefore were not considered in the total number of shares outstanding to determine the diluted loss per share.

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

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

28.2 Earnings (loss) per share calculation

	Parent company and Consolidated	
	Years ended	
Description	December 31, 2022	December 31, 2021
Numerator		
Loss for the year	(722,367)	(4,213,208)
Denominator		
Weighted average number of common shares	928,965,058	928,965,058
Weighted average number of preferred shares	335,291,821	333,286,277
75 preferred shares	75	75
Weighted average number of equivalent preferred shares (a)	347,678,022	345,672,478
Weighted average number of equivalent common shares (b)	26,075,851,633	25,925,435,858
Weighted average number of presumed conversions	77,059,124	63,296,103
Weighted average number of shares that would have been issued at average market price	3,290,760	2,711,861
Basic loss per common share – R$	(0.03)	(0.16)
Diluted loss per common share – R$	(0.03)	(0.16)
Basic loss per preferred share – R$	(2.08)	(12.19)
Diluted loss per preferred share – R$	(2.08)	(12.19)

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

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

29. SHARE-BASED PAYMENT

29.1 Accounting policies

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

The cost of the instruments is measured based on the fair value at the date they were granted. To determine the fair value, the Company uses the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognized in the statement of profit or loss under "Salaries and benefits", together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the employee acquires the full right to the award (vesting date).

The cost of cash-settled transactions is initially measured at fair value. Such cost is accounted for in the statement profit or loss under "Salaries and benefits" during the vesting period, with the recognition of a corresponding liability. The outstanding liability is remeasured at fair value at the end of the reporting period.

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

29.2 Compensation plans

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

The movement of the plans is as follows:

	Parent company and Consolidated			
	Number of shares			
Description	Option plan	RSU	Phantom shares	Total
At December 31, 2020	6,108,210	1,653,005	4,857,041	12,618,256
Granted	-	300,000	580,000	880,000
Exercised	(2,035,286)	(495,093)	(140,253)	(2,670,632)
Canceled	(149,238)	(91,526)	(160,106)	(400,870)
At December 31, 2021	3,923,686	1,366,386	5,136,682	10,426,754
Granted	17,089,417	1,006,779	-	18,096,196
Exercised [(a)]	(1,943,398)	(479,098)	-	(2,422,496)
Canceled	-	(98,666)	(4,810,210)	(4,908,876)
At December 31, 2022	19,069,705	1,795,401	326,472	21,191,578

(a) Includes 131,466 units for IRRF purposes under the RSU plans.

	Consolidated	
Description	December 31, 2022	December 31, 2021
Share price (in reais)	11.01	24.36
Weighted average price of the stock option (in reais)	11.84	11.79
Total obligation related to the phantom shares plan	844	49,828

	Consolidated	
	Expense/(revenue)	
	Years ended	
Description	December 31, 2022	December 31, 2021
Share-based payment [(a)]	(18,250)	17,180

(a) Considers stock option plans, restricted stocks and phantom shares. The effect on the result referring to the phantom shares is based on the variation of the Company's share value, which is updated at each reporting period, these plans do not have estimate of settlement within eight years and, therefore, does not represent a cash outflow.

Due to the reduction of the share value in the year ended December 31, 2022, from R$24.36 to R$11.01 and the partial cancellations of the grants (note 29.3.3), there was a decrease in the estimate of remuneration of the phantom shares and consequently a reversal of the expense recognized in prior periods in the amount of approximately R$48 million.

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

29.3 Assumptions

29.3.1 Stock option plan

During the third quarter of 2022, the Company granted stock options under 4 programs, as shown below:

Date of grant	Option exercise price (in R$)	Everage fair value of the option on the grant (in R$)	Historical volatility	Expected dividend	Average risk-free rate of return	Exercise rate per tranche	Deadline remainder of vesting period (in years)	Purchasing period up to (years)	Total options granted	Total outstanding options	Total options available for exercise
December 11, 2009	3.42	1.93	47.7%	1.1%	8.8%	25.0%	-	4.0	5,032,800	182,870	182,870
March 24, 2011	6.44	4.16	54.8%	1.1%	12.0%	25.0%	-	4.0	1,572,000	84,000	84,000
April 5, 2011	6.44	4.16	54.8%	1.1%	12.0%	25.0%	-	4.0	656,000	7,500	7,500
June 30, 2014	19.15	11.01	40.6%	1.1%	12.5%	25.0%	-	4.0	2,169,122	740,013	740,013
July 1, 2015	14.51	10.82	40.6%	1.1%	15.7%	25.0%	-	4.0	627,810	199,864	199,864
July 1, 2016	14.50	10.14	43.1%	1.1%	12.2%	25.0%	-	4.0	820,250	299,796	299,796
July 6, 2017	22.57	12.82	43.4%	1.1%	10.3%	25.0%	-	4.0	680,467	471,745	471,745
March 14, 2017	11.85	4.82	50.6%	1.1%	11.3%	20.0%	-	5.0	9,343,510	-	-
August 8, 2022	11.07	8.10	70.0%	-	13.0%	25.0%	3.6	4.0	1,774,418	1,774,418	-
August 8, 2022	11.07	6.40	68.8%	-	13.2%	25.0%	2.6	4.0	1,509,499	1,509,499	373,250
August 19, 2022	11.07	7.39	67.2%	-	13.6%	100.0%	0.6	1.0	4,900,000	4,900,000	-
August 19, 2022	11.07	11.54	74.6%	-	12.7%	33.0%	4.6	5.0	8,900,000	8,900,000	-
									37,985,876	19,069,705	2,359,038

29.3.2 Restricted stock option plan

During the third quarter of 2022, the Company granted stock options under 2 plans, as shown below:

Date of grant	Exercise rate per tranche	Fair value of share (in R$)	Remaining term of the vesting period (in years)	Purchasing period up to (years)	Total granted	Total not exercised
July 7, 2019	25.0%	51.65	0.5	4.0	170,000	33,043
June 19, 2020	25.0%	21.80	1.4	4.0	1,382,582	578,576
July 7, 2021	25.0%	42.67	2.5	4.0	300,000	194,803
July 7, 2022	25.0%	11.72	3.5	4.0	335,593	330,593
July 7, 2022	25.0%	11.72	3.5	4.0	671,186	658,386
					2,859,361	1,795,401

29.3.3 *Phantom shares*

The Board of Director´s Meetings and Extraordinary General Meeting held on August 8 and 19 and September 9, 2022, respectively, approved the cancellation of up to 5,022,850 virtual stock options under the Company´s Second Virtual Stock Option Plans.

Date of grant	Option exercise price (in reais)	Price on the grant date (in reais)	Current share price (in reais)	Average fair value of option at the reporting date (in reais)	Historical volatility	Expected dividend	Average risk-free rate of return	Exercise rate	Remaining term of the vesting period (in years)	Term limit to exercise after dressing	Purchasing period up to (years)	Total options granted	Total outstanding
August 7, 2018	20.43	40.41	11.01	1.37	69.8%	-	13.5%	25.0%	-	4 years	4.0	707,400	83,646
July 7, 2019	42.09	25.34	11.01	0.23	69.8%	-	13.5%	25.0%	0.5	4 years	4.0	405,000	13,277
April 30, 2020	10.35	17.40	11.01	3.82	69.8%	-	13.5%	33.3%	0.3	4 years	3.0	3,250,000	173,743
April 30, 2020	10.35	17.40	11.01	4.39	65.9%	-	13.4%	25.0%	1.3	4 years	4.0	1,600,000	50,088
August 17, 2021	33.99	33.99	11.01	1.88	72.1%	-	13.3%	25.0%	2.6	4 years	4.0	580,000	5,718
												6,542,400	326,472

30. SALES REVENUE

30.1 Accounting policies

30.1.1 Passenger, cargo and auxiliary service revenue

Passenger revenue is recognized when air transportation is actually provided. Tickets sold but not yet used are recorded as "Air traffic liability" account, net of breakage revenue estimate (note 23).

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

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

30.1.2 Frequent-flyer program revenue - TudoAzul

Under the "TudoAzul" program, customers accrue points based on the amount spent on tickets and according to the partners' rules. The amount of points earned depends on TudoAzul membership category, market, fare class and other factors, including promotional campaigns.

Through historical data, the Company estimates the points that will expire without being used and recognizes the corresponding revenue in the issue of the point (breakage) considering the average exchange term. With some exceptions, points generally expire two years after the date earned regardless of activity in the program member's account.

Upon the sale of a ticket, the Company recognizes a portion of ticket sales as revenue when the transportation service occurs and defers a portion corresponding to the points earned under the TudoAzul Program, in accordance with CPC 47 - Revenue from Contracts with Customers, equivalent to IFRS 15.

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

The Company also sells frequent-flyer program points to customers and partners, including credit card companies, financial institutions and retail companies. The related revenue is deferred and recognized as passenger transport revenue when the points are redeemed and the related transport service occurs, based on the weighted average price of the points sold.

Points not used are recorded under "Air traffic liability".

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

30.2 Breakdown of sales revenue

	Consolited	
	Years ended	
Description	December 31, 2022	December 31, 2021
Passenger revenue	15,020,757	9,101,576
Other revenues	1,513,582	1,301,090
Total	16,534,339	10,402,666
Taxes levied		
Passenger revenue	(425,812)	(290,532)
Other revenues	(160,460)	(136,405)
Total taxes	(586,272)	(426,937)
Total revenue	15,948,067	9,975,729

Revenues by geographical location are as follows:

	Consolited	
	Years ended	
Description	December 31, 2022	December 31, 2021
Domestic revenue	13,013,202	8,849,486
Foreign revenue	2,934,865	1,126,243
Total revenue	15,948,067	9,975,729

For information related to the operating segment, see note 3.4.

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

31. RESULT BY NATURE

	Parent company		Consolidated	
	Years ended			
Description	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cost of service				
Arcraft fuel	-	-	(6,561,288)	(3,257,223)
Salaries and benefits	-	-	(1,817,219)	(1,566,667)
Airport fees	-	-	(911,246)	(677,653)
Passenger expenses	-	-	(641,900)	(395,533)
Maintenance	-	-	(616,209)	(546,647)
Depreciation and amortization [a]	-	-	(2,054,668)	(1,346,523)
Impairment and onerous liabilities	-	-	1,102,791	1,075,682
Insurance	-	-	(81,665)	(62,781)
Rents	-	-	(203,398)	(221,800)
Other	-	-	(1,377,163)	(1,125,059)
	-	-	(13,161,965)	(8,124,204)
Selling expenses				
Salaries and benefits	-	-	(22,005)	(20,693)
Advertising and publicity	-	-	(699,003)	(403,987)
	-	-	(721,008)	(424,680)
Administrative expenses				
Salaries and benefits	(25,632)	(13,768)	(115,344)	(161,081)
Depreciation and amortization	-	-	(8,655)	(8,124)
Other	(33,165)	(41,799)	(229,875)	(159,765)
	(58,797)	(55,567)	(353,874)	(328,970)
Other income (expenses), net				
Idleness - Depreciation and amortization	-	-	(31,125)	(189,686)
Other	13,504	3,930	(250,540)	(853,394)
	13,504	3,930	(281,665)	(1,043,080)
Total	(45,293)	(51,637)	(14,518,512)	(9,920,934)

(a) Net of PIS and COFINS credits in the amount of R$2,852.

As a consequence of the reduction in the number of flights operated and by analogy to the provisions of CPC 16 (R1) - Inventories, equivalent to IAS-2, expenses with depreciation of flight equipment not directly related to the revenues generated in the year called idleness were reclassified from the “Cost of service” group to the “Other income (expenses), net” group.

32. FINANCIAL RESULT

32.1 Accounting policies

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

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

32.2 Breakdown of financial result

	Parent company		Consolidated	
	Years ended			
Description	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Financial income				
Interest cash and cash equivalents and short-term investments	20,249	15,290	198,290	105,051
Sublease	-	-	60,930	26,846
TAP Bond fair value	-	-	-	15,935
Others	1,434	146	18,069	6,448
	21,683	15,436	277,289	154,280
Financial expenses				
Interest on loans and financing	-	-	(656,326)	(420,682)
Interest on convertible debentures	(231,103)	(201,303)	(231,103)	(201,303)
Interest on lease	-	-	(2,533,128)	(2,433,640)
Interest on factoring credit card receivables	-	-	(211,528)	(55,395)
Interest on provisions	-	-	(246,147)	(237,740)
Interest on factoring	-	-	(79,460)	(18,228)
Interest accounts payable	-	-	(282,434)	(101,168)
Guarantee commission	-	(44)	(158,651)	(109,661)
Amortized cost of loans and financing	(4,533)	(3,756)	(33,608)	(42,617)
Cost of financial operations	-	-	(69,416)	(56,060)
TAP Bond fair value	-	-	(181,726)	-
Others	(4,614)	(13,502)	(110,255)	(161,749)
	(240,250)	(218,605)	(4,793,782)	(3,838,243)
Derivative financial instruments, net	519,815	829,213	958,005	864,184
Foreign currency exchange, net	74,059	(80,817)	1,406,566	(1,443,046)
Financial result, net	375,307	545,227	(2,151,922)	(4,262,825)

33. RISK MANAGEMENT

33.1 Accounting policies

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

The risks are monitored by the Company’s management and can be mitigated through the use of swaps, futures and options contracts, in the oil market, US dollar and interest.

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 derivative transactions for speculative purposes.

33.2 Accounting classification and fair value hierarchy of financial instruments

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

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

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

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

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

based on observable market data.
The accounting classifications and the fair value hierarchy of the Company's consolidated financial instruments are shown below:

		Parent company			
		Carrying amount		Fair value	
Description	Level	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Assets					
Cash and cash equivalents	2	8,117	293,557	8,117	293,557
Security deposits and maintenance reserves	-	8,409	-	8,409	-
Liabilities					
Loans and financing	-	(1,286,748)	(1,236,215)	(1,419,621)	(1,256,767)
Loans and financing - conversion right	2	(116,971)	(636,786)	(116,971)	(636,786)
Accounts payable	-	(24)	(3,436)	(24)	(3,436)

		Consolidated			
		Carrying amount		Fair value	
Description	Level	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Assets					
Cash and cash equivalents	2	668,348	3,073,799	668,348	3,073,799
Short-term investments	2	733,043	908,149	733,043	908,149
Accounts receivable	-	1,803,998	997,893	1,803,998	997,893
Aircraft sublease	-	176,053	274,198	176,053	274,198
Security deposits and maintenance reserves	-	2,539,561	1,964,419	2,539,561	1,964,419
Derivative financial instruments	2	271,950	353,817	271,950	353,817
Liabilities					
Loans and financing	-	(8,519,447)	(9,381,945)	(7,474,137)	(8,973,383)
Loans and financing - conversion right	2	(116,971)	(636,786)	(116,971)	(636,786)
Leases	-	(14,582,833)	(14,890,575)	(14,582,833)	(14,890,575)
Accounts payable	-	(2,949,814)	(1,872,680)	(2,949,814)	(1,872,680)
Factoring	-	(753,352)	(3,694)	(753,352)	(3,694)
Airport fees	-	(1,334,769)	(978,702)	(1,334,769)	(978,702)
Reimbursement to customers	-	(13,822)	(173,686)	(13,822)	(173,686)
Insurance payable	-	(84,985)	(92,793)	(84,985)	(92,793)
Derivative financial instruments	2	(244,575)	(287,051)	(244,575)	(287,051)

33.3 Market risks

33.3.1 Interest rate risk

To mitigate losses linked to interest rate fluctuations, the Company had, as of December 31, 2022, swap contracts (note 22.2).

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

33.3.1.1 Sensitivity analysis

As of December 31, 2022, the Company held financial assets and liabilities linked to various types of rates. In the sensitivity analysis of non-derivative financial instruments, the impact on annual interest was only considered on positions with values exposed to such fluctuations:

	Consolidated					
	Exposure to CDI		Exposure to SOFR		Exposure to LIBOR	
Description	Rate (p.a.)	December 31, 2022	Rate (p.a.)	December 31, 2022	Weighted rate (p.a.)	December 31, 2022
Exposed liabilities, net	13.7%	(670,898)	4.3%	(250,659)	5.0%	(355,118)
Effect on profit or loss						
Interest rate devaluation by -50%	6.8%	48,568	2.2%	5,389	2.5%	8,832
Interest rate devaluation by -25%	10.2%	24,284	3.2%	2,695	3.7%	4,416
Interest rate appreciation by 50%	20.5%	(48,568)	6.5%	(5,389)	7.5%	(8,832)
Interest rate appreciation by 25%	17.1%	(24,284)	5.4%	(2,695)	6.2%	(4,416)

33.3.2 Aviation fuel price risk (“QAV”)

The price of aviation fuel may vary depending on the volatility of the price of crude oil and its derivatives. To mitigate losses linked to variations in the fuel market, the Company had, as of December 31, 2022, forward transactions on fuel (note 22.2).

33.3.2.1 Sensitivity analysis

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

	Consolidated	
	Exposure to price	
Description	Average price per liter (in reais)	December 31, 2022
Aviation fuel	5.45	(6,561,288)
Effect on profit or loss		
Devaluation by -50%	2.73	3,280,644
Devaluation by -25%	4.09	1,640,322
Appreciation by 50%	8.18	(3,280,644)
Appreciation by 25%	6.81	(1,640,322)

33.3.3 Foreign exchange risk

The foreign exchange risk arises from the possibility of unfavorable exchange differences to which the Company's cash flows are exposed. To mitigate losses linked to exchange rate variations, the Company had, as of December 31, 2022, foreign currency forward contracts (note 22.2).

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

The exposure to the main exchange differences is as follows:

	Consolidated			
	Exposure to US$		Exposure to €	
Description	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Assets				
Cash and cash equivalents	56,487	244,239	8,052	4,352
Short-term investments	-	-	733,043	906,719
Accounts receivable	166,012	100,640	-	-
Aircraft sublease	176,053	274,198	-	-
Security deposits and maintenance reserves	2,471,349	1,918,517	-	-
Other assets	12,636	154,198	-	-
Total assets	2,882,537	2,691,792	741,095	911,071
Liabilities				
Loans and financing	(7,299,291)	(8,506,445)	-	-
Leases	(14,525,385)	(14,814,400)	-	-
Accounts payable	(1,051,379)	(624,162)	-	-
Provisions and other liabilities	(3,020,947)	(3,808,012)	-	-
Total liabilities	(25,897,002)	(27,753,019)	-	-
Net exposure	(23,014,465)	(25,061,227)	741,095	911,071
Net exposure in foreign currency	(4,410,845)	(4,490,857)	133,066	144,134

33.3.3.1 Sensitivity analysis

	Consolidated			
	Exposure to US$		Exposure to €	
Description	Closing rate	December 31, 2022	Closing rate	December 31, 2022
Exposed assets (liabilities), net	5.2177	(23,014,465)	5.5694	741,095
Effect on profit or loss				
Foreign currency devaluation by -50%	2.6089	11,507,233	2.7847	(370,548)
Foreign currency devaluation by -25%	3.9133	5,753,616	4.1771	(185,274)
Foreign currency appreciation by 50%	7.8266	(11,507,233)	8.3541	370,548
Foreign currency appreciation by 25%	6.5221	(5,753,616)	6.9618	185,274

33.4 Credit risk

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

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

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

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

33.5 Liquidity risk

The maturity schedules of the Company's consolidated financial liabilities as of December 31, 2022 are as follows:

	Consolidated				
Description	Carrying amount	Contractual cash flow	Until 1 year	From 2 to 5 years	After 5 years
Loans and financing	8,636,418	10,978,339	1,723,529	9,244,796	10,014
Leases	14,582,833	26,789,197	4,387,911	13,889,255	8,512,031
Accounts payable	2,949,814	2,949,814	2,432,843	516,943	28
Factoring [(a)]	753,352	765,610	765,610	-	-
Airport fees	1,334,769	1,334,769	831,897	206,746	296,126
Reimbursement to customers	13,822	13,822	13,822	-	-
Insurance payable	84,985	84,985	84,985	-	-
Derivative financial instruments	244,575	244,575	69,365	175,210	-
	28,600,568	43,161,111	10,309,962	24,032,950	8,818,199

(a) The total balance has been settled by the date of disclosure of these financial pages.

33.6 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 continuously monitors its net indebtedness.

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

34. NON-CASH TRANSACTIONS

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

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

35. COMMITMENTS AND GUARANTEES

35.1 Aircraft acquisition

The Company contractually assumed the commitment to acquire aircraft directly from manufacturers and from lessors, according to the table below:

	Consolidated	
Description	December 31, 2022	December 31, 2021
Lessors	32	45
Manufacturers	112	86
	144	131

The amounts shown below are discounted to present value using the weighted discount rate of leasing transactions and do not necessarily characterize a cash outflow as the Company evaluates the obtainment of financing to meet these commitments.

	Consolidated	
Description	December 31, 2022	December 31, 2021
2022	-	1,332,170
2023	2,025,240	1,048,452
2024	1,544,642	2,354,729
2025	1,969,208	2,116,390
2026	2,414,533	2,325,528
2027	1,361,299	1,323,801
After 2027	4,650,961	2,130,469
	13,965,883	12,631,539

35.2 Letters of credit

The position of the letters of credit in use by the Company follows:

	Consolidated			
	December 31, 2022		December 31, 2021	
Description	R$	US$	R$	US$
Security deposits and maintenance reserves	2,453,336	480 millions	3,112,152	492 millions
Local guarantees	44,563	-	8,763	-
	2,497,899	480 millions	3,120,915	492 millions

35.3 Guarantees

The convertible debentures are guaranteed by the Company and its main operating subsidiary, ALAB, and are collateralized by certain assets, including, but not limited to, intellectual property assets held, right of use of the hangar and specific equipment necessary for maintenance of the hangar located at Viracopos airport.

Additionally, other guarantees are offered for fundraising, such as the assignment of rights over credit card receivables, parts and equipment.

36. SUBSEQUENT EVENTS

36.1 Renegotiation of debentures

As of January 20, 2023, the subsidiary ALAB renegotiated the terms of its local debentures, within the scope of the 9th and 10th issue, in order to extend the maturity period from December 20, 2027 to December 20, 2028.

36.2 Judgment of the STF on res judicata in tax matters

The Federal Supreme Court ("STF") finalized the judgment, on February 8, 2023, of the extraordinary appeals RE nº 955227 (Topic 885) and RE nº 949297 (Topic 881), and consolidated the understanding in the sense that a definitive decision (res judicata) obtained by a given taxpayer on taxes collected on a continuous basis loses its effects if the Court decides otherwise later. Also, the STF did not accept the request for modulation of the effects of the decision, so that the tax authorities can collect the taxes that were no longer collected based on such decisions. The Company reviewed the tax matters for which it has a final decision (res judicata) in the last 5 (five) years and did not identify any material impact of the STF judgment on the treatment currently given to its tax payments.

36.3 Factoring

Up to the date of disclosure of these financial parts, the Company fully settled the factoring balance.

36.4 Agreement with Aircraft Lessors and Manufacturers

Pursuant to a material fact disclosed by the Company on March 5, 2023, commercial agreements were entered into with lessors representing more than 90% of its lease liabilities, subject to certain conditions and corporate approvals met.

These agreements represent a significant part of a comprehensive plan that aims to strengthen Azul's cash generation and improve its capital structure, in addition to delivering 100% of previously agreed amounts to lessors, through a combination of long-term debt and equity. priced on a restructured balance sheet.

Based on these agreements, the lessors will reduce Azul's lease payments to eliminate differences negotiated during the Covid-19 pandemic, as well as the difference between Azul's contractual lease rates and current market rates. In exchange, the lessors found a negotiable bond maturing in 2030 and shares priced to reflect Azul's new cash generation, its improved capital structure and the reduction in its credit risk.

Renata Bandeira Gomes do Nascimento
CRC 1SP 215231/O-3
Controllership and Tax Director