

# Azul



**Quarterly Information - ITR  
Individual and Consolidated**

**AZUL S.A.**

June 30, 2021

with auditor's report on  
review of individual and consolidated  
quarterly information - ITR

## Contents

Declaration of the officers on the individual and consolidated quarterly information .....	3
Declaration of the officers on the independent auditor's report on review of quarterly information .....	4
Audit committee summary report.....	5
Independent auditor's report on review of quarterly information .....	6
Statements of financial position.....	8
Statements of profit or loss.....	10
Statements of comprehensive income.....	12
Statements of changes in equity .....	13
Statements of cash flows .....	14
Statements of value added.....	15
Notes to the individual and consolidated quarterly information .....	16



## Declaration of the Officers on the Individual and Consolidated Quarterly Information

In compliance with CVM Instruction 480/09, the Officers declare that they have discussed, reviewed and agreed with the individual and consolidated quarterly information (ITR) for the three- and six-month period ended June 30, 2021.

Barueri, August 09, 2021.

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 Review of Quarterly Information

In compliance with CVM Instruction 480/09, the Officers declare that they have discussed, reviewed and agreed with the conclusions expressed in the independent auditor's report on review of the individual and consolidated quarterly information (ITR) for the three- and six-month period ended June 30, 2021.

Barueri, August 09, 2021.

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



## Audit Committee Summary Report

All the members of the Audit Committee, considering the documents presented and the information and clarifications provided by the Company's Officers and by Ernst & Young Auditores Independentes S.S., have reviewed the individual and consolidated quarterly information (ITR) for the three- and six-month period ended June 30, 2021. Based on this information, they have expressed a favorable opinion on the individual and consolidated quarterly information (ITR) for the three- and six-month period ended June 30, 2021, accompanied by the report on review of quarterly information (ITR) to be issued by Ernst & Young Auditores Independentes S.S., recommending its approval to the Board Directors.

Barueri, August 09, 2021.

Gilberto de Almeida Peralta  
Member of the Audit Committee

Sergio Eraldo de Salles Pinto  
Member of the Audit Committee

Gelson Pizzirani  
Member of the Audit Committee





A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, and with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

## **Report on the review of interim financial information**

The Shareholders, Board of Directors and Officers

**Azul S.A.**

Barueri – SP

### **Introduction**

We have reviewed the interim individual and consolidated financial information of Azul S.A. (the "Company") contained in the Quarterly Information Form – ITR form as of June 30, 2021, which comprise the statement of financial position on June 30, 2021, the statements of profit or loss and comprehensive income (loss) for the three and six-month period then ended and the statements of changes in equity and of cash flows for the six-month period then ended, including explanatory notes.

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

### **Scope of review**

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

### **Conclusion on the individual and consolidated interim financial information**

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



## **Other matters**

### **Statements of value added**

The quarterly information referred to above includes the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2021, prepared under the responsibility of the Company management and presented as supplementary information under IAS 34. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set forth by this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 12, 2021.

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

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



**AZUL S.A.**  
**Statements of financial position**  
June 30, 2021  
(In thousands of Brazilian reais – R\$)

Assets	Note	Parent company		Consolidated	
		06/30/21	12/31/20	06/30/21	12/31/20
<b>Current assets</b>					
Cash and cash equivalents	5	400,972	437,896	4,339,074	3,064,815
Short-term investments	6	-	-	1,049	91,819
Accounts receivable	7	-	-	1,111,243	875,382
Aircraft sublease receivables	8	-	-	79,352	123,455
Inventories	9	-	-	479,243	402,587
Security deposits and maintenance reserves	10	-	-	257,296	318,460
Taxes recoverable	11	14,599	13,931	124,374	133,706
Derivative financial instruments	20	-	-	68,195	79,216
Prepaid expenses	12	7,544	690	152,774	136,350
Other current assets		937	17,131	142,604	191,633
Total current assets		424,052	469,648	6,755,204	5,417,423
<b>Non-current assets</b>					
Long-term investments	6	-	-	824,036	854,462
Aircraft sublease receivables	8	-	-	202,513	189,482
Security deposits and maintenance reserves	10	25	-	1,410,019	1,235,582
Derivative financial instruments	20	-	-	222,918	349,093
Related parties		277	-	-	-
Prepaid expenses	12	-	-	16,385	18,192
Other non-current assets		-	32	228,413	149,508
Investments	14	791,749	793,541	-	-
Property and equipment	15	-	-	1,879,554	1,799,706
Right-of-use assets	15	-	-	4,524,465	4,610,741
Intangible assets	16	-	-	1,323,223	1,170,268
Total non-current assets		792,051	793,573	10,631,526	10,377,034
<b>Total assets</b>		<b>1,216,103</b>	<b>1,263,221</b>	<b>17,386,730</b>	<b>15,794,457</b>

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).





**AZUL S.A.**  
**Statements of financial position**  
 June 30, 2021  
 (In thousands of Brazilian reais – R\$)

Liabilities and equity	Note	Parent company		Consolidated	
		06/30/21	12/31/20	06/30/21	12/31/20
<b>Current liabilities</b>					
Loans and financing	17	-	-	250,535	858,332
Lease liabilities	18	-	-	3,152,376	2,272,349
Accounts payable	19	2,802	34,617	1,914,323	2,238,668
Accounts payable – supplier finance		-	-	301,949	157,801
Air traffic liability	21	-	-	2,564,234	2,488,872
Reimbursement to customers		-	-	213,828	221,342
Salaries, accruals and payroll charges		2,231	557	549,951	400,371
Insurance premiums payable		4,841	-	19,850	52,427
Taxes payable		339	16,412	47,843	55,260
Government installment payment program		-	-	52,462	13,358
Derivative financial instruments	20	-	-	78,133	173,769
Provisions	22	-	-	926,672	853,810
Related parties		67,762	72,538	-	-
Other current liabilities		-	-	290,827	426,272
<b>Total current liabilities</b>		<b>77,975</b>	<b>124,124</b>	<b>10,362,983</b>	<b>10,212,631</b>
<b>Non-current liabilities</b>					
Loans and financing	17	2,432,317	2,419,704	9,646,952	6,502,182
Lease liabilities	18	-	-	9,775,603	10,248,463
Accounts payable	19	-	-	621,204	323,059
Derivative financial instruments	20	-	-	177,716	247,265
Government installment payment program		-	-	244,495	108,519
Provisions	22	-	-	1,862,221	1,988,665
Provision for loss on investment	14	14,448,361	12,868,143	-	-
Other non-current liabilities		-	-	438,106	312,423
<b>Total non-current liabilities</b>		<b>16,880,678</b>	<b>15,287,847</b>	<b>22,766,297</b>	<b>19,730,576</b>
<b>Equity</b>					
	24				
Issued capital		2,289,312	2,246,367	2,289,312	2,246,367
Advance for future capital increase		1,024	20,625	1,024	20,625
Capital reserve		1,959,526	1,947,887	1,959,526	1,947,887
Treasury shares		(17,390)	(13,182)	(17,390)	(13,182)
Other comprehensive income		655	655	655	655
Accumulated losses		(19,975,677)	(18,351,102)	(19,975,677)	(18,351,102)
		(15,742,550)	(14,148,750)	(15,742,550)	(14,148,750)
<b>Total liabilities and equity</b>		<b>1,216,103</b>	<b>1,263,221</b>	<b>17,386,730</b>	<b>15,794,457</b>

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).



## AZUL S.A.

### Statements of profit or loss

Periods ended June 30, 2021 and 2020

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

	Note	Parent company		Consolidated	
		Three-month periods ended		Three-month periods ended	
		06/30/21	06/30/20	06/30/21	06/30/20
Passenger revenue		-	-	1,417,436	282,537
Cargo transport and other revenue		-	-	284,930	119,055
<b>Net revenue</b>	27	-	-	1,702,366	401,592
Cost of services	28	-	-	(1,821,842)	(1,110,886)
<b>Gross loss</b>		-	-	(119,476)	(709,294)
Operating expenses					
Selling expenses		-	-	(79,569)	(60,722)
Administrative expenses		(8,685)	(13,121)	(98,272)	(253,833)
Other operating expenses, net		-	-	(104,599)	-
	28	(8,685)	(13,121)	(282,440)	(314,555)
Equity	14	1,071,525	(3,121,870)	-	-
<b>Operating profit (loss)</b>		1,062,840	(3,134,991)	(401,916)	(1,023,849)
Financial income	29	2,840	2,232	30,484	20,759
Financial expenses	29	(43,565)	(12,601)	(866,272)	(602,996)
Derivative financial instruments	29	(22,845)	-	(33,638)	(265,164)
Foreign currency exchange, net	29	162,783	(4,549)	2,434,685	(1,039,779)
		99,213	(14,918)	1,565,259	(1,887,180)
Result from related party transactions		-	(61)	(1,290)	(238,941)
<b>Profit (loss) before income tax and social contribution</b>		1,162,053	(3,149,970)	1,162,053	(3,149,970)
Current income tax and social contribution	13	-	5,597	-	5,597
Deferred income tax and social contribution	13	-	3,964	-	3,964
<b>Net profit (loss)</b>		1,162,053	(3,140,409)	1,162,053	(3,140,409)
Basic earnings (loss) per common share - R\$	25	0.04	(0.12)	0.04	(0.12)
Diluted earnings (loss) per common share - R\$	25	0.04	(0.12)	0.04	(0.12)
Basic earnings (loss) per preferred share - R\$	25	3.36	(9.18)	3.36	(9.18)
Diluted earnings (loss) per preferred share - R\$	25	2.86	(9.18)	2.86	(9.18)

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).



**AZUL S.A.****Statements of profit or loss**

Periods ended June 30, 2021 and 2020

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

	Note	Parent company		Consolidated	
		Six-month periods ended		Six-month periods ended	
		06/30/21	06/30/20	06/30/21	06/30/20
Passenger revenue		-	-	3,015,078	2,935,956
Cargo transport and other revenue		-	-	513,110	268,311
<b>Net revenue</b>	27	-	-	3,528,188	3,204,267
Cost of services	28	-	-	(3,648,712)	(3,456,419)
<b>Gross profit (loss)</b>		-	-	(120,524)	(252,152)
Operating expenses		-	-	-	-
Selling expenses		-	-	(170,272)	(177,485)
Administrative expenses		(14,799)	(15,426)	(168,286)	(435,413)
Other operating expenses, net		(12)	-	(188,774)	-
	28	(14,811)	(15,426)	(527,332)	(612,898)
Equity	14	(1,593,649)	(8,787,448)	-	-
<b>Operating profit (loss)</b>		(1,608,460)	(8,802,874)	(647,856)	(865,050)
Financial income	29	4,628	2,232	55,833	33,646
Financial expenses	29	(110,044)	(13,770)	(1,781,424)	(1,041,466)
Derivative financial instruments	29	31,187	-	44,534	(1,546,780)
Foreign currency exchange, net	29	58,114	(21,596)	706,925	(5,273,579)
		(16,115)	(33,134)	(974,132)	(7,828,179)
Result from related party transactions		-	(714,680)	(2,587)	(857,459)
<b>Loss before income tax and social contribution</b>		(1,624,575)	(9,550,688)	(1,624,575)	(9,550,688)
Current income tax and social contribution	13	-	(7,419)	-	(7,419)
Deferred income tax and social contribution	13	-	267,070	-	267,070
<b>Net loss</b>		(1,624,575)	(9,291,037)	(1,624,575)	(9,291,037)
Basic loss per common share - R\$	25	(0.06)	(0.36)	(0.06)	(0.36)
Diluted loss per common share - R\$	25	(0.06)	(0.36)	(0.06)	(0.36)
Basic loss per preferred share - R\$	25	(4.70)	(27.16)	(4.70)	(27.16)
Diluted loss per preferred share - R\$	25	(4.70)	(27.16)	(4.70)	(27.16)

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).





## AZUL S.A.

### Statements of comprehensive income

Periods ended June 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Note	Parent company and Consolidated			
		Three-month periods ended		Six-month periods ended	
		06/30/21	06/30/20	06/30/21	06/30/20
Net profit (loss)		1,162,053	(3,140,409)	(1,624,575)	(9,291,037)
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>					
Cash flow hedges	20	-	134,162	-	151,214
Total comprehensive profit (loss) for the period		1,162,053	(3,006,247)	(1,624,575)	(9,139,823)

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).



**AZUL S.A.****Statements of changes in equity**

Periods ended June 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

Description	Note	Issued capital	Treasury shares	Capital reserve	Other comprehensive income (loss)	Accumulated losses	Total
At December 31, 2019		2,243,215	(15,565)	1,928,830	(159,261)	(7,516,393)	(3,519,174)
Net loss		-	-	-	-	(9,291,037)	(9,291,037)
Cash flow hedge		-	-	-	151,214	-	151,214
<b>Total comprehensive income (loss)</b>		-	-	-	151,214	(9,291,037)	(9,139,823)
Share-based payment	26	1,860	-	8,894	-	-	10,754
At June 30, 2020		2,245,075	(15,565)	1,937,724	(8,047)	(16,807,430)	(12,648,243)

Description	Note	Issued capital	Advance for future capital increase	Treasury shares	Capital reserve	Other comprehensive income (loss)	Accumulated losses	Total
At December 31, 2020		2,246,367	20,625	(13,182)	1,947,887	655	(18,351,102)	(14,148,750)
Net loss		-	-	-	-	-	(1,624,575)	(1,624,575)
<b>Total comprehensive income (loss)</b>		-	-	-	-	-	(1,624,575)	(1,624,575)
Capital increase		42,945	(42,945)	-	-	-	-	-
Share issuance due to exercise of stock options		-	23,344	-	-	-	-	23,344
Share buyback	24	-	-	(4,208)	-	-	-	(4,208)
Share-based payment	26	-	-	-	11,639	-	-	11,639
At June 30, 2021		2,289,312	1,024	(17,390)	1,959,526	655	(19,975,677)	(15,742,550)

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).





# AZUL S.A.

## Statements of cash flows

Periods ended June 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Parent company		Consolidated	
	Six-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Cash flows from operating activities</b>				
Net loss	(1,624,575)	(9,291,037)	(1,624,575)	(9,291,037)
<b>Reconciliation of non-cash items:</b>				
Depreciation and amortization	-	-	693,032	976,578
Results from impairment of onerous assets and liabilities	-	-	(103,017)	-
Unrealized derivative results	(31,187)	505	(44,534)	1,657,922
Share-based payment	-	-	11,639	8,894
Foreign currency exchange, net	(58,103)	36,832	(690,362)	5,234,473
Interest income (expenses) on assets and liabilities	97,654	716,277	1,601,239	835,444
Related parties	-	-	-	831,277
Deferred income tax and social contribution	-	(267,070)	-	(267,070)
Provisions	-	-	12,533	189,524
Sale and leaseback	-	-	(22,736)	-
Result from modification of lease contracts	-	-	(17,123)	(150,136)
Proceeds from sale and/or disposal of property and equipment and intangible assets	-	-	22,443	(15,425)
Equity	1,593,649	8,787,448	-	-
<b>Adjusted net loss (profit)</b>	<b>(22,562)</b>	<b>(17,045)</b>	<b>(161,461)</b>	<b>10,444</b>
<b>Changes in operating assets and liabilities</b>				
Accounts receivable	-	60	(247,226)	543,998
Aircraft sublease receivables	-	-	17,733	(91,687)
Inventories	-	-	(80,293)	(39,511)
Security deposits and maintenance reserves	-	-	(189,629)	(41,500)
Prepaid expenses	(6,854)	(1,514)	(14,617)	45,165
Taxes recoverable	(668)	191	10,217	14,748
Other assets	17,457	3,606	(16,148)	248,140
Rights and obligations with derivatives	-	-	(14,642)	(322,116)
Accounts payable	(31,555)	1,775	621,629	1,169,549
Accounts payable – supplier finance	-	-	(463,969)	(204,120)
Reimbursement to customers, net	-	-	(11,252)	-
Salaries, accruals and payroll charges	1,674	(404)	149,511	19,328
Insurance premiums payable	6,180	1,169	(32,312)	(17,988)
Taxes payable	(16,073)	10,765	(7,417)	(18,651)
Government installment payment program	-	-	176,106	(2,561)
Air traffic liability	-	-	75,362	(269,539)
Accrual for tax, civil and labor risks	-	-	(65,634)	(48,505)
Other liabilities	-	-	(122,355)	(55,337)
Interest paid	-	-	(201,676)	(388,187)
Income tax and social contribution paid	-	(304)	-	(304)
<b>Total changes in operating assets and liabilities</b>	<b>(29,839)</b>	<b>15,344</b>	<b>(416,612)</b>	<b>540,922</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(52,401)</b>	<b>(1,701)</b>	<b>(578,073)</b>	<b>551,366</b>
<b>Cash flows from investing activities</b>				
Short-term investments	-	-	(97,688)	(1,278,904)
Acquisition of short-term investments	-	-	188,720	1,277,285
Redemption of short-term investments	-	21	(20,000)	(4,712)
Payment for acquisition of subsidiary	-	-	(67,942)	(43,097)
Acquisition of intangible assets	-	-	(281,906)	(264,579)
Acquisition of property and equipment	-	-	(278,816)	(314,007)
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>21</b>	<b>(278,816)</b>	<b>(314,007)</b>
<b>Cash flows from financing activities</b>				
Loans and financing	-	-	3,008,874	46,784
Proceeds	-	-	(295,310)	(40,537)
Repayment	-	-	(580,292)	(233,619)
Lease payment	-	-	21,256	5,801
Proceeds from sale and leaseback	23,345	-	23,345	-
Advance for future capital increase	-	1,860	-	1,860
Capital increase due to exercise of stock options	(4,208)	-	(4,208)	-
Treasury shares	19,137	1,860	2,173,665	(219,711)
<b>Net cash provided by (used in) financing activities</b>	<b>19,137</b>	<b>1,860</b>	<b>2,173,665</b>	<b>(219,711)</b>
Exchange rate changes on cash and cash equivalents	(3,660)	(375)	(42,517)	(99,162)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(36,924)</b>	<b>(195)</b>	<b>1,274,259</b>	<b>(81,514)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>437,896</b>	<b>7,961</b>	<b>3,064,815</b>	<b>1,647,880</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>400,972</b>	<b>7,766</b>	<b>4,339,074</b>	<b>1,566,366</b>

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).





# AZUL S.A.

## Statements of value added

Periods ended June 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Note	Parent company		Consolidated	
		Six-month periods ended		Six-month periods ended	
		06/30/21	06/30/20	06/30/21	06/30/20
<b>Sales revenue</b>					
Passenger revenue	27	-	-	3,111,152	3,018,338
Cargo transport and other revenue	27	-	-	576,527	305,040
Allowance (reversal) for expected credit losses		-	-	(617)	(2,863)
		-	-	3,687,062	3,320,515
<b>Inputs acquired from third parties</b>					
Aircraft fuel	28	-	-	(1,207,028)	(831,609)
Materials, energy, third-party services and other		(7,432)	(12,925)	(1,445,255)	(1,484,752)
Aircraft insurance		-	-	(26,072)	(28,797)
		(7,432)	(12,925)	(2,678,355)	(2,345,158)
<b>Gross value added</b>					
		(7,432)	(12,925)	1,008,707	975,357
<b>Retentions</b>					
Depreciation and amortization	28	-	-	(693,032)	(976,578)
Impairment	28	-	-	103,017	-
<b>Net value added produced by the entity</b>					
		(7,432)	(12,925)	418,692	(1,221)
<b>Value added received in transfers</b>					
Equity	14	(1,593,649)	(8,787,448)	-	-
Financial income	29	4,628	2,232	55,833	33,646
Result from related party transactions		-	(714,680)	(2,587)	(857,459)
		(1,589,021)	(9,499,896)	53,246	(823,813)
<b>Total value added to be distributed</b>					
		(1,596,453)	(9,512,821)	471,938	(825,034)
<b>Distribution of value added:</b>					
<b>Personnel</b>					
		6,244	2,217	692,411	596,741
Salaries and wages		4,876	1,254	515,285	463,617
Benefits		1,158	919	130,064	92,159
F.G.T.S.		210	44	47,062	40,965
<b>Taxes, fees and contributions</b>					
		1,137	(259,367)	272,667	(44,354)
Federal		816	(259,466)	248,339	(60,331)
State		-	-	18,358	11,526
Municipal		321	99	5,970	4,451
<b>Third party capital remuneration</b>					
		20,741	35,366	1,131,435	7,913,616
Financial expenses	29	110,044	13,770	1,781,424	1,041,466
Derivative financial instruments, net	29	(31,187)	-	(44,534)	1,546,780
Foreign currency exchange, net	29	(58,116)	21,596	(706,925)	5,273,579
Rentals		-	-	101,470	51,791
<b>Own capital remuneration</b>					
		(1,624,575)	(9,291,037)	(1,624,575)	(9,291,037)
Net loss		(1,624,575)	(9,291,037)	(1,624,575)	(9,291,037)

The accompanying notes are an integral part of this individual and consolidated quarterly information (ITR).





# AZUL S.A.

## Notes to the quarterly information

June 30, 2021

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

### 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.

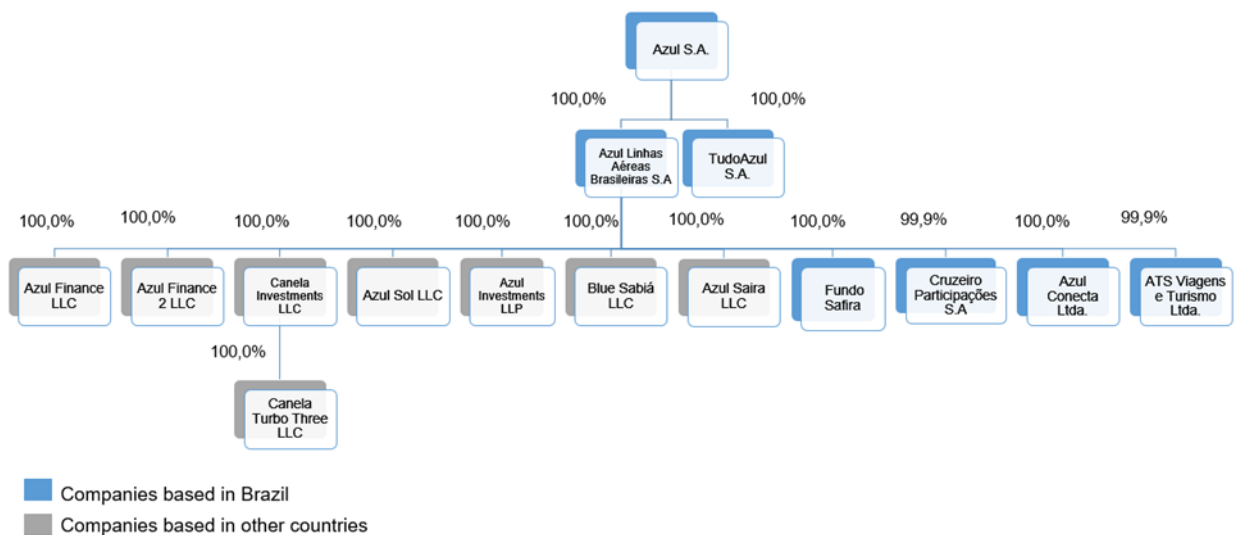
The Company carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. (“ALAB”), which holds authorization from government authorities to operate as an airline.

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 Penteadro de Uihôa Rodrigues, 939, 8<sup>th</sup> floor, in the city of Barueri, state of São Paulo, Brazil.

#### 1.1 Structure

The Company and its subsidiaries consolidation structure as of June 30, 2021 is as follows:







## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

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

Company	Type of investment	Main activity	Country	% equity interest	
				06/30/21	12/31/20
TudoAzul S.A.	Direct	Frequent-flyer program	Brazil	100.00%	100.00%
AZUL Linhas Aéreas Brasileiras S.A. (ALAB)	Direct	Airline operations	Brazil	100.00%	100.00%
Azul Conecta Ltda.	Indirect	Airline operations	Brazil	100.00%	100.00%
ATS Viagens e Turismo Ltda.	Indirect	Travel packages	Brazil	99.90%	99.90%
Fundo Safira	Indirect	Exclusive investment fund	Brazil	100.00%	100.00%
Cruzeiro Participações S.A	Indirect	Holding of equity interests in other companies	Brazil	99.90%	99.90%
Azul Investments LLP	Indirect	Funding	USA	100.00%	100.00%
Azul SOL LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Azul Finance LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Azul Finance 2 LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Blue Sabiá LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Canela Investments LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Canela Turbo Three LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Azul Saira LLC	Indirect	Aircraft financing	USA	100.00%	100.00%

## 1.2 Impacts of the Covid-19 pandemic

Management has been closely monitoring the developments related to the Covid-19 pandemic, which had the second wave hitting Brazil, once again requiring several cities to adopt stricter restrictive measures with the closing of bars, restaurants, supermarkets and non-essential shops, in order to encourage distancing.

As mentioned above, these measures caused a slowdown in the economy, which consequently affected the demand for passenger air transport; however, at lower levels than in the second quarter of 2020.

With the progress of the vaccination in the countries, the airline industry in the world started to indicate signs of strong resumption, moving towards the normalization of the operations, and restrictions to the entry of tourists in several countries have been relaxed. While vaccination in Brazil also progresses with vaccines that prove to be efficient, including against the Delta variant, the recovery of the passenger air transport is expected to be consolidated in the second half of 2021.

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 non-essential projects, and continuous search for opportunities to reduce costs and to raise funds in the capital market, seeking the economic and financial equilibrium among the whole set of stakeholders.





**AZUL S.A.**

**Notes to the quarterly information**

June 30, 2021

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

The Company continues to prioritize the well-being and health of its crew and customers and help Brazil to face this crisis by offering free transportation of vaccines and medical equipment such as respirators and intubation cubes to the cities in our network.

During the three- and six-month period ended June 30, 2021, there were no impacts on this individual and consolidated quarterly information related to changes in accounting estimates and/or provisions, the impacts caused by the second wave of COVID-19 are restricted to the reduction of the demand for passenger air transport.

### **1.3 Capital structure and net working capital**

As of June 30, 2021, the Company had a negative equity position of R\$15,742,550 (R\$14,148,750 as of December 31, 2020). The variation in the balance is mainly due to the decrease in the demand for passenger air transport due to the COVID-19 pandemic and its developments, which include the increased fuel, maintenance and interest costs with leasing operations, partially offset by the 3.7% appreciation of the Brazilian real against the U.S. dollar.

In turn, consolidated net working capital presented a positive variation of R\$1,187,429, reaching a negative balance of R\$3,607,779 as of June 30, 2021 (negative balance of R\$4,795,208 as of December 31, 2020). The variation in the balance is mainly related to the increase in cash, arising from the raising of funds through the issue of Senior Notes in the net amount of R\$2,976,795 (note 17.1).

Management continuously monitors the effects of the crisis and will continue to adopt measures to strengthen its cash position and restrain operating expenses while it prepares the Company to resume the demand with the progress of the vaccination program. Such actions have proven to be efficient for the business continuity and sustainability.

Management also evaluated and concluded that the Company is in a position to continue its operations and comply with its obligations, according to the contracted maturities. This assessment is based on the Company's business plan, approved by the Board of Directors on December 10, 2020, which in turn includes planned future actions, macroeconomic and aviation sector assumptions, such as: recovery in demand, exchange rate and fuel price estimation. The Company's Senior Management monitors and informs the Board of Directors about a performance performed in relation to the approved plan.

Based on this conclusion, this individual and consolidated quarterly information (ITR) was prepared based on the principle of going concern.

### **1.4 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.





**AZUL S.A.**

**Notes to the quarterly information**

June 30, 2021

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

## **2. BUSINESS COMBINATION**

On May 14, 2020, the Company completed the acquisition of all the shares of Azul Conecta, previously called Two Táxi Aéreo Ltda. The transaction was approved without restrictions by the Brazilian Antitrust Authority (“CADE”) on March 27, 2020. On April 30, 2020, through a power of attorney, the Company assumed control of Azul Conecta, therefore, the transfer of control occurred before the closing date mentioned above, in accordance with CPC 15 - Business Combinations, equivalent to IFRS 3.

At this time, Azul Conecta offered regular passenger and cargo services to 39 destinations in Brazil, of which only seven were served by Azul. The acquired company also had 14 daily departure and arrival times on the auxiliary runway at Congonhas airport, the country’s main domestic terminal. Its fleet consisted of 17 own aircraft, model Cessna Caravan, a single-engine regional turboprop with a capacity for nine passengers.

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

In the second quarter ended June 30, 2021, the Company completed the purchase price allocation report and such acquisition generated goodwill of R\$147,915 allocated in line item “Goodwill for expected future profitability” in the quarterly information.

The goodwill recognized for expected future profitability is not deductible for income tax purposes.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Description	Fair value of assets and liabilities
<b>Assets</b>	
Cash and cash equivalents	3,971
Accounts receivable	3,637
Inventories	1,624
Taxes recoverable	1,399
Other assets	458
Property and equipment (a)	74,205
Intangible assets (b)	44,351
	<u>129,645</u>
<b>Liabilities</b>	
Loans and financing	(16,540)
Accounts payable	(5,764)
Salaries, accruals and payroll charges	(2,707)
Taxes payable	(824)
Provision for tax, civil and labor risks (c)	(1,687)
Other liabilities	(135,470)
	<u>(162,992)</u>
Net assets acquired	<u>(33,347)</u>
Consideration at present value	<u>114,568</u>
Goodwill for expected future profitability	<u>147,915</u>
<b>Cash flows</b>	
Net cash acquired with subsidiary	3,971
Payment	(62,684)
Net cash flow from acquisition	<u>(58,713)</u>

(a) The Company carried out the fair value measurement of property and equipment based on conditions at the acquisition date. Goodwill recognized in this line item amounts to R\$56,820.

(b) The Company recognized the value of the Congonhas airport slots as intangible asset. These rights were assessed based on an analysis of the discounted cash flow. The amount attributed to these items was R\$44,351.

(c) The Company recognized the fair value of R\$500 related to possible contingencies.

### 3. DECLARATION OF MANAGEMENT, BASIS FOR PREPARATION AND PRESENTATION OF THE INDIVIDUAL AND CONSOLIDATED QUARTERLY INFORMATION (ITR)

The Company's individual and consolidated quarterly information (ITR) has 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 corporate 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").





**AZUL S.A.**

**Notes to the quarterly information**

June 30, 2021

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

The Company's individual and consolidated quarterly information (ITR) has been prepared based on the real ("R\$") as a functional and presentation currency and is expressed in thousands of reais, unless otherwise indicated. Items disclosed in other currencies are also duly identified, when applicable.

The preparation of the Company's individual and consolidated quarterly information - ITR 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 this individual and consolidated quarterly information (ITR), Management used disclosure criteria considering regulatory aspects and the relevance of the transactions to understand the changes in the Company's economic and financial position and its performance since the end of the year ended December 31, 2020, as well as the update of relevant information included in the annual financial statements disclosed on March 4, 2021.

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

The individual and consolidated quarterly information (ITR) has 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

The approval and authorization for issue of this individual and consolidated quarterly information (ITR) occurred at the extraordinary general meeting held on August 9, 2021.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Individual and consolidated quarterly information (ITR) presented herein was prepared based on policies, accounting practices and estimate calculation methods adopted and presented in detail in the annual financial statements for the year ended December 31, 2020 published on March 4, 2021 and should be read in conjunction with those statements.

##### **4.1 New accounting standards and interpretations adopted for the period**

On March 31, 2021, the IASB extended for one year, that is until June 30, 2022, the application of the practical expedient of IFRS 16 ("lease concessions") as a result of the Covid-19 pandemic.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

#### 4.2 New accounting standards and pronouncements not yet adopted

There are no other standards and interpretations issued and not yet adopted that, in Management's opinion, may have a significant impact on the result or equity disclosed by the Company.

#### 4.3 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 translation is recorded under the line item "Foreign currency exchange, net" in the statement of profit or loss.

The exchange rates in Brazilian reais at the date of this individual and consolidated quarterly information (ITR) are as follows:

Description	Final rate		Average rate	
	06/30/21	12/31/20	06/30/21	12/31/20
U.S. dollar	5.0022	5.1967	5.3862	5.1578
Euro	5.9276	6.3779	6.4902	5.8989

#### 5. CASH AND CASH EQUIVALENTS

Description	Effective interest rate p.a.	Parent company		Consolidated	
		06/30/21	12/31/20	06/30/21	12/31/20
Cash and bank deposits		15,012	21,417	123,180	465,054
Cash equivalents					
Bank Deposit Certificate - CDB	3.34%	385,960	416,479	1,226,537	2,216,592
Time Deposit - TD	0.25%	-	-	2,951,298	-
Repurchase agreements	3.34%	-	-	38,056	361,183
Exclusive investment funds	3.90%	-	-	3	21,986
		400,972	437,896	4,339,074	3,064,815

#### 6. SHORT-TERM INVESTMENTS

Description	Effective interest rate p.a.	Consolidated	
		06/30/21	12/31/20
Exclusive investment funds	3.90%	3	62,972
Investment funds	0.04%	1,046	28,847
TAP Bond	7.50%	824,036	854,462
		825,085	946,281
<b>Current</b>		1,049	91,819
<b>Non-current</b>		824,036	854,462





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Investment funds comprise Brazilian government bonds, bank notes, CDBs and debentures issued by companies with a risk rating between AAA and A+. Brazilian government bonds comprise National Treasury Bills (“LTN”), Financial Treasury Bills (“LFT”) and National Treasury Notes (“NTN”).

## 7. ACCOUNTS RECEIVABLE

Description	Consolidated	
	06/30/21	12/31/20
<b>Local currency</b>		
Credit card companies	527,612	394,895
Cargo and travel agencies	202,818	146,854
Travel package financing entities	69,494	56,870
TudoAzul Program partners	95,270	65,522
Other	34,493	52,713
Total local currency	929,687	716,854
<b>Foreign currency</b>		
Credit card companies	7,867	8,927
Maintenance reserves	141,387	112,170
Airline partner companies	27,815	24,910
Insurance	4,581	7,150
Other	16,654	21,502
Total foreign currency	198,304	174,659
Total	1,127,991	891,513
Allowance for expected credit losses	(16,748)	(16,131)
Total net	1,111,243	875,382

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

Description	Consolidated	
	06/30/21	12/31/20
Not past due	909,482	743,715
Past due	201,761	131,667
Total	1,111,243	875,382





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

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

Description	Consolidated	
	06/30/21	12/31/20
Balances at the beginning of the period	(16,131)	(14,716)
Business combination - Azul Conecta	-	(380)
(Additions) reversals	(687)	(3,205)
Write-off of uncollectible amounts	70	2,170
Balances at the end of the period	(16,748)	(16,131)

## 8. AIRCRAFT SUBLEASE RECEIVABLES

Description	Consolidated	
	06/30/21	12/31/20
2021	62,481	142,932
2022	69,372	62,547
2023	78,574	65,040
2024	78,716	65,188
2025	49,203	34,789
After 2025	4,138	1,994
Gross lease receivables	342,484	372,490
Accrued interest	(60,619)	(59,553)
Net lease receivables	281,865	312,937
<b>Current</b>	79,352	123,455
<b>Non-current</b>	202,513	189,482

As of June 30, 2021, the amount of R\$15,220 was past due. No provision was established as the Company's cash comprises amounts referring to security deposits advanced by the sub-lessor, and therefore there is no expectation of non-realization of such assets.

## 9. INVENTORIES

Description	Consolidated	
	06/30/21	12/31/20
Maintenance parts and materials	522,479	442,161
Flight attendance and uniforms	9,553	9,579
Provision for loss on inventories	(52,789)	(49,153)
Total net	479,243	402,587







## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

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

Description	Consolidated	
	06/30/21	12/31/20
Balances at the beginning of the period	(49,153)	(33,727)
Additions	(4,630)	(16,438)
Write-offs	994	1,012
Balances at the end of the period	(52,789)	(49,153)

## 10. SECURITY DEPOSITS AND MAINTENANCE RESERVES

The movement of security deposits and maintenance reserves for the period ended June 30, 2021 is as follows:

Description	Parent company	Consolidated		
	Security deposit	Maintenance reserves	Security deposits	Total
Balances at December 31, 2020	-	1,321,646	232,396	1,554,042
Additions	25	276,028	14,225	290,253
Provision for loss	-	(16,547)	-	(16,547)
Reimbursements	-	(79,229)	(13,613)	(92,842)
Foreign currency exchange	-	(61,173)	(6,418)	(67,591)
Balances at June 30, 2021	25	1,440,725	226,590	1,667,315
<b>Current</b>	-	218,551	38,745	257,296
<b>Non-current</b>	25	1,222,174	187,845	1,410,019

## 11. TAXES RECOVERABLE

Description	Parent company		Consolidated	
	06/30/21	12/31/20	06/30/21	12/31/20
PIS and COFINS	-	-	80,015	123,005
Withholding income tax	711	23	21,699	3,470
IRPJ and CSSL	13,888	13,888	13,949	4,443
ICMS	-	-	7,291	1,765
INSS	-	20	1,420	519
Other taxes	-	-	-	504
	14,599	13,931	124,374	133,706





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 12. PREPAID EXPENSES

Description	Parent company		Consolidated	
	06/30/21	12/31/20	06/30/21	12/31/20
Insurances premiums	7,291	374	37,158	49,428
Expenses with leased aircraft and engines	-	-	25,001	28,351
Guarantee commission	44	-	67,340	40,678
Other	209	316	39,660	36,085
<b>Total</b>	<b>7,544</b>	<b>690</b>	<b>169,159</b>	<b>154,542</b>
<b>Current</b>	<b>7,544</b>	<b>690</b>	<b>152,774</b>	<b>136,350</b>
<b>Non-current</b>	<b>-</b>	<b>-</b>	<b>16,385</b>	<b>18,192</b>

## 13 DEFERRED TAXES

### 13.1 Reconciliation of deferred tax assets (liabilities)

Description	Consolidated		
	12/31/20	Result	06/30/21
<b>Temporary differences</b>			
Fair value of TAP Bond	(26,132)	(1,481)	(27,613)
Financial instruments	(121,960)	46,164	(75,796)
Deferred revenue TudoAzul program	(117,540)	(47,538)	(165,078)
Depreciation of aircraft and engines	(53,182)	(7,857)	(61,039)
Temporary differences assets (*)	318,814	10,712	329,526
	-	-	-

(\*) Deferred tax set up in the limit of the deferred obligations recognized.

### 13.2 Reconciliation of the effective income tax rate

Description	Parent company			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
Profit (loss) before income tax and social contribution	1,162,053	(3,149,970)	(1,624,575)	(9,550,688)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	(395,098)	1,070,990	552,356	3,247,234
<b>Adjustments to determine the effective rate</b>				
Share of profit (loss) of subsidiaries	364,319	(1,061,436)	(541,841)	(2,987,732)
(Unrecorded) benefit on tax losses and temporary differences	18,988	-	(10,130)	-
Permanent differences	12,176	-	-	-
Other	(385)	7	(385)	149
	-	9,561	-	259,651
Current income tax and social contribution	-	5,597	-	(7,419)
Deferred income tax and social contribution	-	3,964	-	267,070
Income tax and social contribution credit (expense)	-	9,561	-	259,651
<b>Effective rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>3%</b>





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Description	Consolidated			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
Profit (loss) before income tax and social contribution	1,162,053	(3,149,970)	(1,624,575)	(9,550,688)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	(395,098)	1,070,990	552,356	3,247,234
<b>Adjustments to determine the effective rate</b>				
Profits earned abroad (estimate)	3,694	17,177	-	(9,101)
Profits from investments not taxed abroad	33,053	4,857	33,053	38,790
(Unrecorded) benefit on tax losses and temporary differences	362,903	(1,073,029)	(599,938)	(3,029,068)
Permanent differences	(4,114)	(10,481)	14,968	11,619
Other	(438)	47	(439)	177
	-	9,561	-	259,651
Current income tax and social contribution	-	5,597	-	(7,419)
Deferred income tax and social contribution	-	3,964	-	267,070
Income tax and social contribution credit (expense)	-	9,561	-	259,651
<b>Taxa efetiva</b>	0%	0%	0%	3%

The Company clears tax assets and liabilities if, and only if, it has a legal right to offset such assets when they are levied on the same legal entity and collected by the same tax authority.

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

Description	Parent company		Consolidated	
	06/30/21	12/31/20	06/30/21	12/31/20
Tax loss and negative social contribution base, net	85,231	108,084	6,817,618	5,751,867
Tax loss (25%)	21,308	27,021	1,704,405	1,437,967
Negative social contribution base (9%)	7,671	9,728	613,586	517,668

## 14. INVESTMENTS

### 14.1 Parent company's direct investments

Description	Company equity interest			
	Paid-up capital	Voting capital	Equity	Net loss
<b>At December 31, 2020</b>				
ALAB	100%	100%	(12,868,143)	(9,544,807)
TudoAzul	100%	100%	(27,039)	(3,705)
<b>At June 30, 2021</b>				
ALAB	100%	100%	(14,448,362)	(1,591,858)
TudoAzul	100%	100%	(28,831)	(1,792)





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 14.2 Movement of the parent company's investments

Description	ALAB	TudoAzul <sup>(a)</sup>	Total
Balances at December 31, 2020	(12,868,143)	793,541	(12,074,602)
Share of profit (loss) of subsidiaries	(1,591,857)	(1,792)	(1,593,649)
Share-based reserve of subsidiary	11,639	-	11,639
Balances at June 30, 2021	(14,448,361)	791,749	(13,656,612)

(a) Includes goodwill for expected future profitability arising from the acquisition of Tudo Azul S.A. in 2012, in the amount of R\$753,502, which represents the consideration transferred, less the fair value of assets acquired and liabilities assumed, net. Also includes amounts reimbursable by former shareholders in the amount of R\$67,078.

## 15. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

### 15.1 PROPERTY AND EQUIPMENT

Description	Weighted average rate (p.a.)	Consolidated				06/30/21
		12/31/20	Acquisitions	Disposals/ write-offs	Transfers <sup>(a)</sup>	
<b>Cost</b>						
Aircraft and engines		2,297,661	209,518	(116,081)	(2,993)	2,388,105
Buildings and leasehold improvements		485,247	10,284	(387)	-	495,144
Equipment and facilities		181,094	9,527	(500)	-	190,121
Other		28,008	524	-	-	28,532
Construction in progress		33,630	35,640	(4)	(8,830)	60,436
Advance payments for acquisition of aircraft		91,944	-	-	-	91,944
		3,117,584	265,493	(116,972)	(11,823)	3,254,282
<b>Depreciation</b>						
Aircraft and engines	9%	(624,736)	(97,894)	5,732	-	(716,898)
Buildings and leasehold improvements	9%	(128,761)	(22,145)	354	-	(150,552)
Equipment and facilities	12%	(107,917)	(10,540)	265	-	(118,192)
Other	10%	(19,606)	(1,398)	-	-	(21,004)
		(881,020)	(131,977)	6,351	-	(1,006,646)
<b>Property and equipment</b>		2,236,564	133,516	(110,621)	(11,823)	2,247,636
<b>Impairment <sup>(b)</sup></b>		(436,858)	-	68,776	-	(368,082)
<b>Total property and equipment, net</b>		1,799,706	133,516	(41,845)	(11,823)	1,879,554

(a) The balances of transfers are between the groups of Property and equipment and Right-of-use assets.

(b) The reversal of the impairment is results from the use of aircraft for cargo service.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 15.2 RIGHT-OF-USE ASSETS

Description	Weighted average rate (p.a.)	Consolidated					06/30/21
		12/31/20	Acquisitions	Disposals/ write-offs	Contractual modifications	Transfers <sup>(a)</sup>	
<b>Cost</b>							
Aircraft and engines		10,033,538	239,546	-	67,170	4,365	10,344,619
Simulators		70,148	-	-	-	-	70,148
Restoration of aircraft and engines		597,011	7,155	-	-	-	604,166
Maintenance of aircraft and engines		1,414,507	77,577	(48,713)	(4,710)	7,458	1,446,119
Properties		114,167	-	-	-	-	114,167
Other		30,435	1,517	-	-	-	31,952
		12,259,806	325,795	(48,713)	62,460	11,823	12,611,171
<b>Depreciation</b>							
Aircraft and engines	6%	(5,707,259)	(322,523)	-	-	-	(6,029,782)
Simulators	14%	(55,969)	(4,932)	-	-	-	(60,901)
Restoration of aircraft and engines	9%	(182,861)	(28,262)	-	-	-	(211,123)
Maintenance of aircraft and engines	21%	(892,325)	(150,410)	39,621	3,960	-	(999,154)
Properties	8%	(74,607)	(4,636)	-	-	-	(79,243)
Other	10%	(29,429)	(1,492)	-	-	-	(30,921)
		(6,942,450)	(512,255)	39,621	3,960	-	(7,411,124)
<b>Right-of-use assets</b>		5,317,356	(186,460)	(9,092)	66,420	11,823	5,200,047
<b>Impairment<sup>(b)</sup></b>		(706,615)	-	31,033	-	-	(675,582)
<b>Right-of-use assets, net</b>		4,610,741	(186,460)	21,941	66,420	11,823	4,524,465

(a) The balances of transfers are between the groups of Property and equipment and Right-of-use assets.

(b) The reversal of the impairment is results from the use of aircraft for cargo service.

During the period ended June 30, 2021, the Company carried out a sale and leaseback transaction for two of its own engines. The gain related to this operation corresponds to the amount of R\$22,736, recognized in the line item “Other costs of services”.

Additionally, due to aircraft and engine lease agreements, in accordance with CPC 06 (R2) – Leases, equivalent to IFRS 16, it was necessary to remeasure the lease liability through a revised discount rate, resulting in an increase in debt at present value by R\$49,297, with a corresponding entry in the amount of R\$66,420 in the right-of-use asset and the difference, a gain of R\$17,123.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 16. INTANGIBLE ASSETS

Set out below are the breakdown and the movement of intangible assets:

Description	Consolidated					
	Weighted average rate (a.a.)	12/31/20	Acquisitions	Disposals/ write-offs	Transfers	06/30/21
<b>Cost</b>						
Goodwill for expected future profitability (a)	-	810,948	134,820	-	(44,351)	901,417
Slots (b)	-	82,196	-	-	44,351	126,547
Software	-	593,334	67,942	(244)	-	661,032
		<u>1,486,478</u>	<u>202,762</u>	<u>(244)</u>	<u>-</u>	<u>1,688,996</u>
<b>Amortization</b>						
Software	17%	(316,210)	(49,685)	122	-	(365,773)
		<u>(316,210)</u>	<u>(49,685)</u>	<u>122</u>	<u>-</u>	<u>(365,773)</u>
<b>Total intangible assets, net</b>		<u>1,170,268</u>	<u>153,077</u>	<u>(122)</u>	<u>-</u>	<u>1,323,223</u>

- (a) Goodwill for expected future profitability, in the amounts of R\$753,502 and R\$147,915, arises from the acquisitions of Tudo Azul S.A. in 2012 and Azul Conecta 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 Tudo Azul S.A. and Azul Conecta, the Company recognized the value of operating licenses for certain airport slots, asset with an indefinite useful life (note 2).





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 17. LOANS AND FINANCING

### 17.1 Movement of loans and financing

Description	Nominal rate p.a.	Maturity	Parent company					06/30/21
			12/31/20	Variation of conversion right	Interest incurred	Foreign currency exchange	Amortized cost	
<b>In foreign currency – US\$</b>								
Convertible debentures (a)	6.0% to 7.5%	Oct/25	2,419,704	(31,187)	95,856	(53,854)	1,798	2,432,317
Total in R\$			2,419,704	(31,187)	95,856	(53,854)	1,798	2,432,317
<b>Non-current liabilities</b>			2,419,704					2,432,317

(a) The balance contains the conversion right in the amount of R\$1,434,812 (as of December 31, 2020 – R\$1,465,999).





# AZUL S.A.

## Notes to the quarterly information

June 30, 2021

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

Description	Nominal rate p.a.	Maturity	Consolidated								
			12/31/20	Funding	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	06/30/21
<b>In foreign currency – US\$</b>											
Working capital											
Senior notes - 2024	5.9%	Oct/24	2,076,310	-	-	-	(64,115)	63,439	(77,289)	3,404	2,001,749
Senior notes - 2026	7.3%	Jun/26	-	2,976,795	-	-	-	9,066	(49,842)	1,220	2,937,239
Other	1%	Jul/23	160,534	-	-	(170,547)	(1,110)	1,082	14,505	-	4,464
Convertible debentures (a)	6,0% a 7,5%	Oct/25	2,419,704	-	(31,187)	-	-	95,856	(53,854)	1,798	2,432,317
Aircraft and engines	3,0% a 6,7%	Mar/29	1,076,442	-	-	(17,579)	(59,241)	27,056	(37,065)	1,896	991,509
	Libor 3M + 2,6%	Mar/22	8,263	-	-	(1,914)	(64)	102	(111)	166	6,442
<b>In local currency - R\$</b>											
Working capital	CDI + 2% a 6%	Dec/23	709,668	14,395	-	(60,575)	(33,120)	17,919	-	94	648,381
	10.9%	Sep/25	43,444	-	-	(7,537)	(2,098)	2,107	-	-	35,916
	5.0%	Jul/21	10,846	-	-	(9,558)	(177)	342	-	283	1,736
	TJLP + 5%	Jul/21	12,523	-	-	(10,774)	(393)	232	-	-	1,588
Debentures	CDI + 3%	Dec/23	690,904	-	-	-	(6,000)	19,359	-	2,670	706,933
Aircraft and engines	6,0% a 8,2%	Jun/26	116,374	-	-	(18,800)	(3,034)	3,509	-	10	98,059
	Selic + 2,8% a 5,5%	May/25	35,502	-	-	(2,941)	(2,007)	580	-	20	31,154
Total in R\$			7,360,514	2,991,190	(31,187)	(300,225)	(171,359)	240,649	(203,656)	11,561	9,897,487
<b>Current liabilities</b>			858,332								250,535
<b>Non-current liabilities</b>			6,502,182								9,646,952

(a) The balance contains the conversion right in the amount of R\$1,434,812 (as of December 31, 2020 – R\$1,465,999).





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

#### 17.2 New funds and renegotiations

In March 31, 2021 the Company concluded the renegotiation of its working capital obligation with the United States International Development Finance Corporation (“DFC”), which resulted in a new payment stream, where the short-term debt was extended and, therefore, transferred to long term. Such negotiation did not entail extinguishment of debt instruments, according to CPC 48, equivalent to IFRS 9.

In June 2021, the subsidiary Azul Investments LLP concluded the raising of funds abroad in the total amount of principal of US\$600 million, equivalent to R\$3,052,440, in line item “working capital”, denominated Senior Notes 2026. The remuneration agreed was an annual interest 7.375%, with semi-annual amortizations and maturity of the principal in June 2026. 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 Azul Linhas Aéreas Brasileiras S.A. 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 corporate purposes in general.

#### 17.3 Schedule of amortization of long-term debt

Description	Consolidated	
	06/30/21	12/31/20
2022	751,636	743,137
2023	1,162,059	914,343
2024	2,163,716	2,264,451
2025	2,548,224	2,551,701
After 2025	3,021,317	28,550
	<u>9,646,952</u>	<u>6,502,182</u>

#### 17.4 Covenants

The Company has restrictive clauses in some of its financing contracts, as disclosed in the annual financial statements for December 31, 2020.

On March 31, 2021 the Company obtained a waiver from the United States International Development Finance Corporation (“DFC”) in relation to the Guarantor’s Covenants and, therefore, the related debt remains classified in this quarterly information according to the established contractual flow.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 18. LEASE LIABILITIES

### 18.1 Movement of lease liabilities

Description	Consolidated								
	Average remaining term	Weighted average rate	12/31/20	Additions	Contractual modifications	Payments	Interest incurred	Foreign currency exchange	06/30/21
<b>Lease without purchase option:</b>									
Aircraft and engines	8.06	22%	11,663,143	248,688	(28,311)	(576,614)	1,190,211	(465,703)	12,031,414
Other	1.80	8%	57,278	1,517	-	(12,216)	1,995	112	48,686
<b>Lease with purchase option:</b>									
Aircraft and engines	5.01	10%	800,391	-	77,608	(38,519)	43,850	(35,451)	847,879
Total in R\$			12,520,812	250,205	49,297	(627,349)	1,236,056	(501,042)	12,927,979
<b>Current liabilities</b>									3,152,376
<b>Non-current liabilities</b>									9,775,603





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

#### 18.2 Schedule of lease amortization

Description	Consolidated	
	06/30/21	12/31/20
2021	1,831,177	2,498,180
2022	3,160,039	3,206,765
2023	3,537,007	3,641,808
2024	3,510,489	3,610,754
2025	2,945,777	3,011,683
After 2025	11,027,328	11,199,380
Minimum lease payment	26,011,817	27,168,570
Financial charges	(13,083,838)	(14,647,758)
Present value of minimum lease payments	12,927,979	12,520,812

During the six-month period ended June 30, 2021, due to aircraft and engine lease agreements, in accordance with CPC 06 (R2) – Leases, equivalent to IFRS 16, it was necessary to remeasure the lease liability through a revised discount rate, resulting in an increase in debt at present value by R\$49,297, with a corresponding entry in the amount of R\$66,420 in the right-of-use asset and the difference, a gain of R\$17,123.

#### 19. SUPPLIERS

Description	Parent company		Consolidated	
	06/30/21	12/31/20	06/30/21	12/31/20
Accounts payable – local currency	1,674	32,096	1,631,645	1,612,933
Accounts payable – foreign currency	1,128	2,521	903,882	948,794
	2,802	34,617	2,535,527	2,561,727
<b>Current</b>	2,802	34,617	1,914,323	2,238,668
<b>Non-current</b>	-	-	621,204	323,059



**AZUL S.A.****Notes to the quarterly information**

June 30, 2021

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

**20. DERIVATIVE FINANCIAL INSTRUMENTS**

	Consolidated					
	Derivatives not designated as hedge					
	Options - foreign currency	Interest rate swap	Forward - Fuel	Forward - foreign currency	Conversion right (debentures)	Total
<b>Changes in fair value</b>						
Rights (obligations) with derivatives at December 31, 2020	8,947	(269,491)	(81,274)	349,093	(1,465,999)	(1,458,724)
Gains (losses) recognized in result	(9,803)	81,795	67,530	(126,175)	31,187	44,534
Payment in cash	1,276	4,189	9,177	-	-	14,642
Rights (obligations) with derivatives at 06/30/2021	420	(183,507)	(4,567)	222,918	(1,434,812)	(1,399,548)
<b>Rights with current derivative financial instruments</b>	420	67,775	-	-	-	68,195
<b>Rights with non-current derivative financial instruments</b>	-	-	-	222,918	-	222,918
<b>Obligations with current derivative financial instruments</b>	-	(73,566)	(4,567)	-	-	(78,133)
<b>Obligations with non-current derivative financial instruments</b>	-	(177,716)	-	-	-	(177,716)
<b>Conversion right (debentures)</b>	-	-	-	-	(1,434,812)	(1,434,812)
	420	(183,507)	(4,567)	222,918	(1,434,812)	(1,399,548)





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 21. AIR TRAFFIC LIABILITY

Description	Consolidated	
	06/30/21	12/31/20
Cargo and passenger air traffic liability	1,525,642	1,550,579
Travel packages	219,098	183,061
TudoAzul Program	819,494	755,232
	<u>2,564,234</u>	<u>2,488,872</u>

The air traffic liability balances are presented net of passenger revenue breakage and the TudoAzul program, corresponding to R\$485,506 as of June 30, 2021 (R\$372,534 as of December 31, 2020).

## 22. PROVISIONS

Description	Consolidated				
	Provisions for return of aircraft and engines	Provision for tax, civil and labor risks	Provision for onerous contract	Provision for post-employment benefit	Total
Balance at December 31, 2020	1,336,186	155,814	1,340,522	9,953	2,842,475
Addition of provision	7,156	55,041	50,640	106	112,943
Write-offs and/or payments	(57,852)	(65,632)	(63,415)	-	(186,899)
Interest incurred	30,537	-	83,360	423	114,320
Foreign currency exchange	(39,690)	-	(54,256)	-	(93,946)
Balance at June 30, 2021	1,276,337	145,223	1,356,851	10,482	2,788,893
<b>Current</b>	124,663	114,667	687,342	-	926,672
<b>Non-current</b>	1,151,674	30,556	669,509	10,482	1,862,221

### 22.1 Provision for tax, civil and labor risks

The Company and its subsidiaries are parties to legal and administrative proceedings.

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

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

Description	Consolidated			
	Probable loss		Possible loss	
	06/30/21	12/31/20	06/30/21	12/31/20
Tax	2,930	2,858	217,291	154,640
Civil	96,133	104,915	51,626	43,347
Labor	46,160	48,041	110,548	114,524
	<u>145,223</u>	<u>155,814</u>	<u>379,465</u>	<u>312,511</u>





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 23. RELATED PARTY TRANSACTIONS

### 23.1 Compensation of key management personnel

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			
	Three-month period ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
Salaries and charges	7,156	2,759	13,748	7,069
Share-based payment plan (a)	23,279	3,439	33,390	6,841
	30,435	6,198	47,138	13,910

(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 in the current year, with a forecast for settlement in up to eight years.

### 23.2 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.

### 23.3 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 six-month period ended June 30, 2021 was R\$26 (R\$51 as of December 31, 2020), recorded under "Other operating expenses, net" in the statement of profit or loss. As of June 30, 2021 there were no amounts to be paid as a result of this transaction.

### 23.4 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.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

#### 23.5 Sublease of aircraft receivable

In December 2019, the Company signed a letter of intent for the sublease of up to 28 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 June 30, 2021, the Company sub-leased three aircrafts to Breeze and recorded a balance receivable of R\$71,095.

#### 23.6 Indemnities

As of June 30, 2021, the Company has recorded a balance receivable from former shareholders of TRIP in the amount of R\$39,339 (R\$39,339 as of December 31, 2020). This balance refers to the reimbursement of expenses with legal proceedings originating prior to the merger between the companies and is recorded under “Other non-current assets”.

### 24. EQUITY

#### 24.1 Issued capital

Description	Parent company and Consolidated		
	Company's capital	Quantity	
		Common shares	Preferred shares
At June 30, 2021	2,289,312	928,965,058	333,605,241
At December 31, 2020	2,246,367	928,965,058	331,644,724

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.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Company shareholding structure is presented below:

Shareholder	Parent company and Consolidated					
	06/30/21			12/31/20		
	Common shares	Preferred shares	% economic participation	Common shares	Preferred shares	% economic participation
David Neeleman	67.0%	1.7%	4.0%	67.0%	1.2%	3.5%
Trip shareholders <sup>(a)</sup>	33.0%	5.5%	6.5%	33.0%	5.5%	6.5%
United Airlines Inc	-	8.1%	7.8%	-	8.1%	7.8%
Blackrock	-	5.1%	4.9%	-	5.1%	4.9%
Capital Research Global Investors	-	10.6%	10.2%	-	5.1%	4.9%
Other	-	68.9%	66.5%	-	74.9%	72.3%
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 102,872,452 (one hundred and two million, eight hundred and seventy-two thousand, four hundred and fifty-two) preferred shares. The Board of Directors will set the conditions for the issue, including price and payment term.

## 24.2 Treasury shares

Set out below is the movement of treasury shares:

Description	Parent company and Consolidated		
	Number of shares	Amount paid	Average cost (in R\$)
At December 31, 2020	265,461	13,182	20.14
Acquisition	149,800	4,208	35.60
At June 30, 2021	415,261	17,390	23.88

The Board of Directors meeting held on March 1, 2021 approved the buyback plan of 2,000,000 preferred shares of the Company to keep them in treasury for a subsequent payment of the installments of the RSU plan, as well as in any other long-term compensation plans.

## 25. RESULT PER ACTION

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 period attributable to the controlling shareholders is allocated proportionally in relation to the total economic participation of the amount of common and preferred shares.

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







## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

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 six-month period ended June 30, 2021 and 2020, these instruments issued by the parent 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.

Description	Parent company and consolidated			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Numerator</b>				
Net profit (loss) for the period	1,162,053	(3,140,409)	(1,624,575)	(9,291,037)
<b>Denominator</b>				
Weighted average number of common shares	928,965,058	928,965,058	928,965,058	928,965,058
Weighted average number of preferred shares	333,572,534	329,703,517	332,927,858	329,686,958
75 preferred shares (*)	75	75	75	75
Weighted average number of equivalent preferred shares (*)	345,958,735	342,089,718	345,314,059	342,073,159
Weighted average number of equivalent common shares (*)	25,946,905,133	25,656,728,833	25,898,554,408	25,655,486,908
Weighted average number of shares outstanding and presumed conversions	62,505,225	11,990,070	63,150,799	11,993,757
Weighted average number of shares that would have been issued at average market price	2,508,075	2,144,067	2,881,204	6,678,004
Basic earnings (loss) per common share	0.04	(0.12)	(0.06)	(0.36)
Diluted earnings (loss) per common share	0.04	(0.12)	(0.06)	(0.36)
Basic earnings (loss) per preferred share	3.36	(9.18)	(4.70)	(27.16)
Diluted earnings (loss) per preferred share	2.86	(9.18)	(4.70)	(27.16)

(\*) 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 12,386,200 preferred shares at the conversion ratio of 75 common shares for each preferred share.

(\*\*) 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 1 preferred share.

## 26. SHARE-BASED PAYMENT

The conditions of the share-based payment plans granted to the Company's executives were detailed in the financial statements for the year ended December 31, 2020, and have not changed in the six-month period ended June 30, 2021.

Set out below is the movement of the plans during the six-month period ended June 30, 2021:

Description	Consolidated		
	Number of shares		
	Stock option plan <sup>(a)</sup>	Restricted stock option plan	Phantom Shares <sup>(b)</sup>
At December 31, 2020	6,108,210	1,653,005	4,857,041
Exercised	(1,960,517)	-	-
Canceled	-	(10,520)	(14,571)
Settled	-	-	(23,927)
At June 30, 2021	4,147,693	1,642,485	4,818,543

(a) As of June 30, 2021, the number of options available is 2,512,479 (as of December 31, 2021 - 2,158,658)

(b) As of June 30, 2021, the total obligation related to the plan is R\$93,272 (R\$62,351 as of December 31, 2020).





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Set out below is the expense recognized in the statement of profit or loss for the six-month period ended June 30, 2020 and 2021:

Description	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
Stock option plan	1,526	2,440	3,051	4,869
Restricted stock option plan	4,262	2,288	8,588	4,025
Phantom Shares	27,531	7,276	34,506	9,407

## 27. SALES REVENUE

Description	Consolidated			
	Three-month period ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Sales revenue</b>				
Passenger revenue	1,461,083	292,079	3,111,152	3,018,338
Cargo transport and other revenue	317,627	137,361	576,527	305,040
Gross revenue	1,778,710	429,440	3,687,679	3,323,378
<b>Taxes levied</b>				
Passenger revenue	(43,647)	(9,542)	(96,074)	(82,382)
Cargo transport and other revenue	(32,697)	(18,306)	(63,417)	(36,729)
Total taxes	(76,344)	(27,848)	(159,491)	(119,111)
<b>Net revenue</b>	1,702,366	401,592	3,528,188	3,204,267

Revenues by geographical location are as follows:

Description	Consolidated			
	Three-month period ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
Domestic revenue	1,509,839	282,537	3,188,368	2,513,314
Foreign revenue	192,527	119,055	339,820	690,953
Net revenue	1,702,366	401,592	3,528,188	3,204,267

## 28. RESULT BY NATURE

Description	Parent company			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Administrative expenses</b>				
Salaries and benefits	(4,286)	(843)	(7,060)	(2,402)
Other	(4,399)	(12,278)	(7,739)	(13,024)
	(8,685)	(13,121)	(14,799)	(15,426)
<b>Other operating expenses</b>				
Other	-	-	(12)	-
	-	-	(12)	-
<b>Total</b>	(8,685)	(13,121)	(14,811)	(15,426)





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Description	Consolidated			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Cost of services</b>				
Aircraft fuel	(609,362)	(67,299)	(1,207,028)	(831,609)
Salaries and benefits	(354,058)	(191,918)	(729,679)	(646,931)
Airport charges	(138,790)	(43,758)	(288,133)	(245,665)
Provision of traffic services	(80,025)	(27,370)	(166,690)	(162,572)
Maintenance and repair materials	(141,348)	(93,174)	(235,233)	(233,883)
Depreciation and amortization (a)	(290,612)	(476,010)	(585,845)	(936,509)
Impairment (b)	103,017	-	103,017	-
Other	(310,664)	(211,357)	(539,121)	(399,250)
	(1,821,842)	(1,110,886)	(3,648,712)	(3,456,419)
<b>Selling expenses</b>				
Salaries and benefits	(5,141)	(4,305)	(9,924)	(11,649)
Advertising and publicity	(74,428)	(56,417)	(160,348)	(165,836)
	(79,569)	(60,722)	(170,272)	(177,485)
<b>Administrative expenses</b>				
Salaries and benefits	(61,965)	(23,753)	(96,081)	(39,473)
Depreciation and amortization	(1,968)	(19,902)	(3,932)	(40,069)
Other	(34,339)	(210,178)	(68,273)	(355,871)
	(98,272)	(253,833)	(168,286)	(435,413)
<b>Other operating expenses</b>				
Idleness - Depreciation and amortization	(56,703)	-	(103,255)	-
Other	(47,896)	-	(85,519)	-
	(104,599)	-	(188,774)	-
<b>Total</b>	<b>(2,104,282)</b>	<b>(1,425,441)</b>	<b>(4,176,044)</b>	<b>(4,069,317)</b>

(a) Net of PIS and COFINS credit in the amount of R\$885

(b) Reversal made in the line items Property and equipment, Right-of-use assets and Other assets.

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 period called idleness were reclassified from the "Costs of services" group to the "Other operating expenses, net" group.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 29. FINANCIAL RESULT

Description	Parent company			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Financial income</b>				
Interest on short-term investments	2,834	-	4,533	-
Other	6	2,232	95	2,232
	2,840	2,232	4,628	2,232
<b>Financial expenses</b>				
Interest on convertible debentures	(41,794)	-	(95,856)	-
Interest and fines on other operations	-	(12,118)	-	(12,772)
Borrowing cost	(904)	-	(1,798)	-
Other	(867)	(483)	(12,390)	(998)
	(43,565)	(12,601)	(110,044)	(13,770)
Derivative financial instruments, net	(22,845)	-	31,187	-
Foreign currency exchange, net	162,783	(4,549)	58,114	(21,596)
Financial result, net	99,213	(14,918)	(16,115)	(33,134)

Description	Consolidated			
	Three-month periods ended		Six-month periods ended	
	06/30/21	06/30/20	06/30/21	06/30/20
<b>Financial income</b>				
Interest on short-term investments	23,432	9,888	41,458	12,714
Sublease receivable	6,711	7,851	13,561	15,346
Other	341	3,020	814	5,586
	30,484	20,759	55,833	33,646
<b>Financial expenses</b>				
Interest on loans	(76,318)	(60,087)	(144,793)	(114,671)
Interest on lease	(602,173)	(345,282)	(1,236,056)	(611,048)
Interest on convertible debentures	(41,794)	-	(95,856)	-
Interest on factoring of credit card receivables	(4,025)	(6,722)	(10,456)	(15,126)
Interest on provisions	(56,005)	(56,791)	(114,320)	(104,280)
Interest and fines on other operations	(43,417)	(119,591)	(91,456)	(161,631)
Guarantee commission	(23,548)	(9,165)	(40,614)	(14,730)
Borrowing cost	(6,339)	(3,859)	(11,561)	(7,669)
Other	(12,653)	(1,499)	(36,312)	(12,311)
	(866,272)	(602,996)	(1,781,424)	(1,041,466)
Derivative financial instruments, net	(33,638)	(265,164)	44,534	(1,546,780)
Foreign currency exchange, net	2,434,685	(1,039,779)	706,925	(5,273,579)
Financial result, net	1,565,259	(1,887,180)	(974,132)	(7,828,179)

## 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

### 30.1 Accounting classification and fair value hierarchy of financial instruments

The accounting classifications of the Company's consolidated financial instruments and fair value hierarchy as of June 30, 2021 and December 31, 2020 are shown below:

Description	Level	Parent company			
		Carrying amount		Fair value	
		06/30/21	12/31/20	06/30/21	12/31/20
<b>Assets</b>					
Cash and cash equivalents	2	400,972	437,896	400,972	437,896
<b>Liabilities</b>					
Loans and financing	-	(997,505)	(953,705)	(1,020,013)	(532,868)
Loans and financing - conversion right	2	(1,434,812)	(1,465,999)	(1,434,812)	(1,465,999)
Accounts payable	-	(2,802)	(34,617)	(2,802)	(34,617)
Insurance premiums payable	-	(4,841)	-	(4,841)	-

Description	Level	Consolidated			
		Carrying amount		Fair value	
		06/30/21	12/31/20	06/30/21	12/31/20
<b>Assets</b>					
Cash and cash equivalents	2	4,339,074	3,064,815	4,339,074	3,064,815
Short-term investments	2	825,085	946,281	825,085	946,281
Accounts receivable	-	1,111,243	875,382	1,111,243	875,382
Aircraft sublease receivables	-	281,865	312,937	281,865	312,937
Security deposits and maintenance reserves	-	1,667,315	1,554,042	1,667,315	1,554,042
Derivative financial instruments	2	291,113	428,309	291,113	428,309
<b>Liabilities</b>					
Loans and financing	-	(8,462,675)	(5,894,515)	(8,615,274)	(5,414,689)
Loans and financing - conversion right	2	(1,434,812)	(1,465,999)	(1,434,812)	(1,465,999)
Lease liabilities	-	(12,927,979)	(12,520,812)	(12,927,979)	(12,520,812)
Accounts payable	-	(2,535,527)	(2,561,727)	(2,535,527)	(2,561,727)
Accounts payable – supplier finance	-	(301,949)	(157,801)	(301,949)	(157,801)
Reimbursement to customers	-	(213,828)	(221,342)	(213,828)	(221,342)
Insurance premiums payable	-	(19,850)	(52,427)	(19,850)	(52,427)
Derivative financial instruments	2	(255,849)	(421,034)	(255,849)	(421,034)

### 30.2 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 mature in 10 years from their 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.

### 30.3 Convertible debentures

On November 12, 2020, the Company concluded the public offering for the distribution of debentures convertible into preferred shares. 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 six-month period ended June 30, 2021, due to the change in the share price, a revenue of R\$31,187 was recognized.





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

#### 30.4 Derivative financial instruments

Derivative financial instruments, and their movements are presented in Note 20 to this quarterly information (ITR).

#### 30.5 Market risks

##### 30.5.1 Interest rate risk

As of June 30, 2021, the Company had swap contracts to hedge against the effect of fluctuations in interest rates on part of payments for finance leases. During the six-month period ended June 30, 2021, the Company recognized a total gain of R\$81,795 (loss of R\$9,523 as of June 30, 2020).

##### 30.5.2 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 June 30, 2020, forward transactions on fuel. During the six-month period ended June 30, 2021, the Company recognized a total gain of R\$67,530 (loss of R\$1,401,581 as of June 30, 2020).

##### 30.5.3 Foreign exchange risk

The foreign exchange risk arises from the possibility of unfavorable exchange differences to which the Company's liabilities or cash flows are exposed. The Company constantly monitors the net exposure in foreign currency and evaluates the contracting of derivative transactions, projecting for a maximum period of up to 12 months, and a longer term if deemed appropriate, to minimize its exposure. During the six-month period ended June 30, 2021, the Company recognized a loss of R\$135,977 (R\$135,676 as of June 30, 2020).

The exposure to foreign currency exchange is as follows:

Description	Consolidated			
	Exposure to US\$		Exposure to €	
	06/30/21	12/31/20	06/30/21	12/31/20
<b>Assets</b>				
Cash and cash equivalents and investments	3,020,470	262,309	833,415	854,462
Accounts receivable	189,155	232,950	-	-
Security deposits and maintenance reserves	1,631,323	1,540,231	-	-
Aircraft sublease receivables	281,865	312,937	-	-
Derivative rights	-	155,920	-	-
Other assets	93,023	60,576	-	-
<b>Total assets</b>	<b>5,215,836</b>	<b>2,564,923</b>	<b>833,415</b>	<b>854,462</b>
<b>Liabilities</b>				
Accounts payable	(903,882)	(831,429)	-	-
Loans and financing	(8,373,720)	(5,741,253)	-	-
Lease liabilities	(12,879,292)	(12,463,426)	-	-
Derivative obligations	(4,567)	(81,274)	-	-
Other liabilities	(2,776,572)	(951,348)	-	-
<b>Total liabilities</b>	<b>(24,938,033)</b>	<b>(20,068,730)</b>	<b>-</b>	<b>-</b>
<b>Net exposure</b>	<b>(19,722,197)</b>	<b>(17,503,807)</b>	<b>833,415</b>	<b>854,462</b>
<b>Net exposure in foreign currency</b>	<b>(3,942,705)</b>	<b>(3,368,254)</b>	<b>140,599</b>	<b>133,972</b>





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

#### 30.6 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.

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

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 credit risk. The Company has an obligation to assess the risks of counterparties in financial instruments and to diversify the exposure periodically.

#### 30.7 Liquidity risk

The maturity schedules of the Company's consolidated financial liabilities as of June 30, 2021 are as follows:

Description	Carrying amount	Contractual cash flows	Consolidated				
			06/30/21				
			2021	2022	2023	2024	After 2025
Accounts payable	2,535,527	2,535,527	1,878,226	315,092	161,611	4,183	176,415
Accounts payable – supplier finance	301,949	301,949	301,949	-	-	-	-
Loans and financing	9,897,487	10,038,792	164,142	872,206	1,214,199	2,189,943	5,598,302
Lease liabilities	12,927,979	26,011,817	1,831,176	3,160,039	3,537,007	3,510,489	13,973,106
Derivative obligations	255,849	255,849	78,133	68,966	65,619	43,131	-
Reimbursement to customers	213,828	213,828	213,828	-	-	-	-
	26,132,619	39,357,762	4,467,454	4,416,303	4,978,436	5,747,746	19,747,823

#### 30.8 Sensitivity analysis of financial instruments

##### 30.8.1 Risk factor: Foreign currency exchange rate

As of June 30, 2021, the Company adopted an exchange rate of R\$5.0022/US\$1.00 and R\$5.9276/€1.00, corresponding to the month's closing rate announced by the Central Bank of Brazil as a probable scenario. The table below shows the sensitivity analysis and the effect on the result of the exchange rate fluctuation in the amount exposed as of June 30, 2021:





## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

Description	Consolidated			
	Exposure to US\$		Exposure to €	
	Rate	06/30/21	Rate	06/30/21
Net exposure at 6/30/2021	5.0022	(19,722,197)	5.9276	833,415
<b>Effect on profit or loss</b>				
Foreign currency devaluation by -50%	2.5011	9,861,099	2.9638	(416,708)
Foreign currency devaluation by -25%	3.7517	4,930,549	4.4457	(208,354)
Foreign currency appreciation by 50%	7.5033	(9,861,099)	8.8914	416,708
Foreign currency appreciation by 25%	6.2528	(4,930,549)	7.4095	208,354

### 30.8.2 Risk factor: changes in aviation fuel prices

As of June 30, 2021, the Company has oil derivative contracts to protect future aviation fuel consumption. The probable scenarios used by the Company are the market curves at the June 30, 2021 closing for derivatives that protect the fuel price risk. The table below shows the sensitivity analysis in US dollars of the fluctuation of aviation fuel barrel prices:

Description	Consolidated	
	Exposure to HOA <sup>(a)</sup>	
	Price <sup>(b)</sup>	06/30/21
HOA reference price at 6/30/2021	\$211	(4,567)
<b>Effect on profit or loss</b>		
HOA devaluation by -50%	\$106	(202,605)
HOA devaluation by -25%	\$159	(101,335)
HOA appreciation by 50%	\$317	203,158
HOA appreciation by 25%	\$264	101,577

(a) HOA – Heating Oil

(b) Average price in US dollars, per gallon, projected for the next 12 months.

### 30.8.3 Risk factor: changes in interest rates

As of June 30, 2021, the Company held financial investments and debts 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 and exposed to such fluctuations, according to the scenarios shown below:

Description	Consolidated			
	Exposure to CDI		Exposure to LIBOR rate	
	Rate (p.a.)	06/30/21	Rate (p.a.) <sup>(a)</sup>	06/30/21
Net exposure at 6/30/2021	4.2%	(2,499)	0.2%	(929)
<b>Effect on profit or loss</b>				
Interest rate devaluation by -50%	2.1%	1,249	0.1%	465
Interest rate devaluation by -25%	3.1%	625	0.1%	232
Interest rate appreciation by 50%	6.2%	(1,249)	0.2%	(465)
Interest rate appreciation by 25%	5.2%	(625)	0.2%	(232)

(a) Weighted rate.

## 30.9 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.







## AZUL S.A.

### Notes to the quarterly information

June 30, 2021

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

## 31 NON-CASH TRANSACTIONS

Description	Consolidated						Total
	Accounts receivable	Property and equipment	Supplier finance	Sale and leaseback	Loans and financing	Lease	
Accounts receivable	(255)	-	-	-	-	(5,308)	(5,563)
Aircraft sublease receivables	(14,874)	-	-	-	-	(1,324)	(16,198)
Security deposits and maintenance reserves	5,022	-	-	2,760	-	-	7,782
Accounts payable	60,748	(61,164)	608,117	87,762	(22,599)	-	672,864
Accounts payable – supplier finance	-	-	(608,117)	-	-	-	(608,117)
Other liabilities	-	(134,820)	-	-	-	-	(134,820)
Sale and leaseback	-	-	-	(90,522)	-	(8,631)	(99,153)
Lease liabilities	-	-	-	-	-	(232,389)	(232,389)
Acquisition of intangible assets	-	134,820	-	-	-	-	134,820
Acquisition of property and equipment	-	61,164	-	-	-	-	61,164
Provisions	(50,641)	-	-	-	-	(7,156)	(57,797)
Other assets	-	-	-	-	-	6,590	6,590
Right-of-use assets	-	-	-	-	-	248,218	248,218
Proceeds from loans and financing	-	-	-	-	27,514	-	22,599
Repayments of loans and financing	-	-	-	-	(4,915)	-	-

## 32 COMMITMENTS

### 32.1 Aircraft acquisition

As of June 30, 2021, the Company had contractually assumed the commitment to acquire 138 aircraft, 97 directly from manufacturers and 41 from lessors (132 as of December 31, 2020, 94 directly from manufacturers and 38 from lessors). The amounts shown below are brought to present value using the weighted discount rate of leasing transactions and do not necessarily characterize a cash outflow as the Company evaluates the acquisition of financing to meet these commitments.

Description	Consolidated	
	06/30/21	12/31/20
2021	1,123,347	1,941,843
2022	1,077,555	855,247
2023	761,595	565,661
2024	1,852,328	1,533,423
2025	1,652,475	1,351,477
After 2025	4,510,403	3,926,183
	<u>10,977,703</u>	<u>10,173,834</u>

### 32.2 Letters of credit

As of June 30, 2021, the Company issued letters of credit in the amount of US\$507 million (US\$522 million as of December 31, 2020), equivalent to R\$2,538,561 (R\$2,713,794 as of December 31, 2020) and of R\$32,151 (R\$38,270 as of December 31, 2020) related to security deposits, maintenance reserves and local guarantees.

## 33 EVENTS AFTER THE REPORTING PERIOD

On August 2, 2021, the Company informed the market, through a material fact, about its plans for strategic partnership with Lilium GmbH (“Lilium”) to build an exclusive network with “eVTOL” aircraft in Brazil. This potential partnership may have a total value of up to US\$1 billion and include a fleet of 220 VTOL aircraft, with operation forecast to begin in 2025. This strategic partnership and order for aircrafts remain subject to the finalization of the commercial terms between the parties and the final documentation related to the agreement.

\*\*\*\*\*

