

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-38049

**AZUL SA**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

**Federative Republic of Brazil**

(Jurisdiction of incorporation or organization)

**Avenida Marcos Pentead de Ulh a Rodrigues, n. 939, 8th floor**

**Edifcio Jatob a, Condominio Castelo Branco Office Park**

**Tambor , Barueri, State of S o Paulo, Zip Code 06460-040**

**Federative Republic of Brazil**

(Address of principal executive offices)

**Alexandre Wagner Malfitani (Chief Financial Officer and Investor Relations Officer)**

**E-mail: invest@voeazul.com.br**

**Telephone: +55 (11) 4831-2880**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Title of each class	Trading Symbol	Name of each exchange on which registered
Preferred Shares without par value		New York Stock Exchange*
American Depositary Shares (as evidenced by American Depositary Receipts), each representing three Preferred Shares	AZUL	New York Stock Exchange

\*Not for trading purposes, but only in connection with the listing on the New York Stock Exchange of American Depositary Shares representing those Preferred Shares.

Securities registered or to be registered pursuant to Section 12 (g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15 (d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**928,965,058 Common Shares**  
**335,750,796 Preferred Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404 (b) of the Sarbanes-Oxley Act (15 U.S.C. 7262 (b)) by the registered public accounting firm that prepared or issued its audit report.

Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court:

Yes  No

# TABLE OF CONTENTS

	<b>Page</b>
<b>INTRODUCTION</b> .....	<b>1</b>
<b>GLOSSARY OF AIRLINE AND OTHER TERMS:</b> .....	<b>1</b>
<b>FORWARD LOOKING STATEMENTS</b> .....	<b>8</b>
<b>PART I</b>	
<b>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</b> .....	<b>10</b>
<b>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</b> .....	<b>10</b>
<b>ITEM 3. KEY INFORMATION</b> .....	<b>10</b>
A. Selected Financial Data.....	10
B. Capitalization and Indebtedness.....	10
C. Reasons for the Offer and Use of Proceeds.....	10
D. Risk Factors.....	10
<b>ITEM 4. INFORMATION ON THE COMPANY</b> .....	<b>44</b>
A. History and Development of the Company.....	44
B. Business Overview.....	45
C. Organizational Structure.....	92
D. Property, Plant and Equipment.....	93
<b>ITEM 4A. UNRESOLVED STAFF COMMENTS</b> .....	<b>94</b>
<b>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</b> .....	<b>94</b>
A. Operating Results.....	94
B. Liquidity and Capital Resources.....	108
C. Research and Development, Patents and Licenses.....	112
D. Trend Information.....	112
E. Critical Accounting Estimates.....	113
<b>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</b> .....	<b>113</b>
A. Directors and Senior Management.....	113
B. Management Compensation.....	120
C. Board Practices.....	125
D. Employees.....	126
E. Share Ownership.....	127
F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation.....	128
<b>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</b> .....	<b>129</b>
A. Major Shareholders.....	129
B. Related Party Transactions.....	130
C. Interests of Experts and Counsel.....	134
<b>ITEM 8. FINANCIAL INFORMATION</b> .....	<b>134</b>
A. Consolidated Statements and Other Financial Information.....	134
B. Significant Changes.....	138

<b>ITEM 9. THE OFFER AND LISTING</b> .....	<b>138</b>
A. Offering and Listing Details .....	138
B. Plan of Distribution .....	138
C. Markets .....	138
D. Selling Shareholders .....	141
E. Dilution .....	141
F. Expenses of the Issue .....	141
<b>ITEM 10. ADDITIONAL INFORMATION</b> .....	<b>141</b>
A. Share Capital .....	141
B. Memorandum and Articles of Association .....	141
C. Material Contracts .....	150
D. Exchange Controls .....	150
E. Taxation .....	150
F. Dividends and Payment Agents .....	160
G. Statements by Experts .....	160
H. Documents on Display .....	160
I. Subsidiary Information .....	161
<b>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</b> .....	<b>161</b>
<b>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</b> .....	<b>163</b>
A. Debt Securities .....	163
B. Warrants and Rights .....	163
C. Other Securities .....	163
D. American Depositary Shares .....	163
<b>PART II</b>	
<b>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</b> .....	<b>173</b>
<b>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</b> .....	<b>173</b>
<b>ITEM 15. CONTROLS AND PROCEDURES</b> .....	<b>173</b>
<b>ITEM 16. [RESERVED]</b> .....	<b>174</b>
A. Audit Committee Financial Expert .....	174
B. Code of Ethics .....	174
C. Principal Accountant Fees and Services .....	174
D. Exemptions from the Listing Standards for Audit Committees .....	175
E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers .....	175
F. Change in Registrant’s Certifying Accountant .....	175
G. Corporate Governance .....	175
H. Mine Safety Disclosure .....	177
I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections .....	177
J. Insider Trading Policies .....	178
K. Cybersecurity .....	178

	<b>Page</b>
<b>PART III</b>	
<b>ITEM 17. FINANCIAL STATEMENTS</b> .....	<b>180</b>
<b>ITEM 18. FINANCIAL STATEMENTS</b> .....	<b>180</b>
<b>ITEM 19. EXHIBITS</b> .....	<b>180</b>
<b>INDEX TO FINANCIAL STATEMENTS</b> .....	<b>F-2</b>

## INTRODUCTION

In this annual report, the discussion of our business includes the business of Azul S.A. and its direct and indirect subsidiaries. Unless otherwise indicated or the context otherwise requires, “Azul” “we,” “us,” “our” or the “Company” refer to Azul S.A. and its consolidated subsidiaries. The term “Brazil” refers to the Federative Republic of Brazil and the phrase “Brazilian government” refers to the federal government of Brazil. “Central Bank” refers to the Brazilian Central Bank (*Banco Central do Brasil*). References in the annual report to “real,” “reais” or “R\$” refer to the Brazilian real, the official currency of Brazil and references to “U.S. dollar,” “U.S. dollars” or “US\$” refer to U.S. dollars, the official currency of the United States of America.

## GLOSSARY OF AIRLINE AND OTHER TERMS:

The following is a glossary of industry and other defined terms used in this annual report:

- “ABEAR” means the Brazilian Association of Airline Companies (*Associação Brasileira das Empresas Aéreas*).
- “ABRACORP” means the Brazilian Corporate Agencies Association (*Associação Brasileira de Agências Corporativas*).
- “ADR” means American depositary receipts.
- “ADS” means American depositary shares.
- “*Aeroportos Brasil*,” a private consortium that operates Viracopos airport jointly with INFRAERO.
- The “Águia Branca Group,” or “Grupo Águia Branca,” is a Brazilian transportation and logistics conglomerate controlled by the Chieppe family.
- “Airbus” means Airbus S.A.S.
- “Airbus Group” means Airbus Group N.V.
- “aircraft utilization” represents the average number of block hours operated per day per aircraft for our operating fleet, excluding spare aircraft and aircraft in maintenance.
- “ALAB” refers to the main operating subsidiary of the Company, namely “Azul Linhas Aéreas Brasileiras S.A.”
- “ANAC” refers to the Brazilian National Civil Aviation Agency (*Agência Nacional de Aviação Civil*).
- “Atlantic Gateway” means Atlantic Gateway, SPGS, Lda., an entity jointly owned by our principal shareholder, Hainan and another European investor.
- “ATR” means aircraft with turboprop propulsion manufactured by Avions de Transport Régional G.I.E.
- “audited consolidated financial statements” means our audited consolidated financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021.
- “available seat kilometers,” or “ASKs,” represents aircraft seating capacity multiplied by the number of kilometers the aircraft is flown.
- “average fare” means total passenger revenue divided by passenger flight segments.
- “average ticket revenue per booked passenger” means total passenger revenue divided by booked passengers.
- “Avianca Brasil” means Oceanair Linhas Aéreas S.A.
- “Azul Investments” means Azul Investments LLP.
- “Azul Secured Finance” means Azul Secured Finance LLP.
- “Azul Viagens” means ATS Viagens e Turismo Ltda.
- “B3” means the Brazilian Stock Exchange (*B3 S.A. – Brasil, Bolsa, Balcão*).
- “block hours” means the number of hours during which the aircraft is in revenue service, measured from the time it closes the door at the departure of a revenue flight until the time it opens the door at the arrival on the gate at destination.
- “Boeing” means The Boeing Company.
- “booked passengers” means the total number of passengers booked on all passenger flight segments.
- “CADE” refers to the Brazilian Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), the Brazilian antitrust authority.
- “Calfinco” means Calfinco, Inc., a wholly-owned subsidiary of United Airlines, Inc.

- “CAPA” means the Centre for Aviation, a provider of independent aviation market intelligence, analysis and data services.
- “Cape Town Convention” means the Convention on International Interests in Mobile Equipment and its protocol on Matters Specific to Aircraft Equipment, concluded in Cape Town on November 16, 2001.
- “CASK” represents total operating cost divided by available seat kilometers.
- “CBP” means United States Customs and Border Protection.
- “Cirium” means a real-time provider of data for analyzing route dynamics, passenger demand and operational performance.
- “CMN” means the Brazilian National Monetary Council (*Conselho Monetário Nacional*).
- “completion rate” means the percentage of completion of our scheduled flights that were operated by us, whether or not delayed (i.e., not cancelled).
- “COVID-19” means the novel coronavirus that surfaced in the city of Wuhan, China in December 2019.
- “CPPI” means the Council of the Brazilian Investment Partnership Program (*Conselho do Programa de Parceria de Investimentos*).
- “crewmembers” is a term we use to refer to all our employees, including aircraft crew, airport ground, call center, maintenance and administrative personnel.
- “CVM” means the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).
- “DECEA” means the Brazilian Department of Airspace Control (*Departamento de Controle do Espaço Aéreo*).
- “departure” means a revenue flight segment.
- “DOT” means the United States Department of Transportation.
- “EASA” means the European Union Aviation Safety Agency.
- “economic interest” means a participation in the total equity value of our company, calculated as if all common shares issued and outstanding had been converted into preferred shares at the conversion ratio of 75.0 common shares to 1.0 preferred share pursuant to the mechanisms set forth in our bylaws.
- “E-Jets” refer to narrow-body jets manufactured by Embraer S.A.
- “Embraer” means Embraer S.A.
- “ESG” means Environmental, Social and Governance practices.
- “FAA” means the United States Federal Aviation Administration.
- “FGV” refers to the Getúlio Vargas Foundation (*Fundação Getúlio Vargas*), a Brazilian higher education institution that was founded in December 1944.
- “financial statements” refers to our audited consolidated financial statements.
- “flight hours” means the number of hours during which the aircraft is in revenue service, measured from the time it takes off until the time it lands at the destination.
- “focus-city” means a destination from which an airline operates several point-to-point routes. A focus-city may also function as a smaller scale hub.
- “FTEs” means full-time equivalent employees.
- “FTEs per aircraft” means the number of FTEs divided by the number of operating aircraft.
- “Global Distribution System” or “GDS” means a system that enables automated transactions between airlines and travel agencies. Travel agencies traditionally rely on GDS for services, products and rates in order to provide travel-related services to end consumers. GDS can link services, rates and bookings consolidating products and services across different travel sectors including airline reservations, hotel reservations and car rental. GDS charges participant airlines a booking fee per passenger and segment sold, typically applying additional charges for ticketing, credit card authorizations, real time connectivity, information pages and other ancillary services.
- “Gol” means Gol Linhas Aéreas Inteligentes S.A., or its operating subsidiary Gol Linhas Aéreas S.A.
- “gross billings” means the result of the sale of points to commercial partners and the cash portion of points plus money transactions. It is not an accounting measurement. This revenue may affect the current period or may be recognized as revenue in future periods, depending on the time of redemption on the part of program participants.
- “Hainan” means Hainan Airlines Holding Co., Ltd.
- “IATA” means the International Air Transport Association.
- “IBGE” means the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*).

- “ICAO” means the International Civil Aviation Organization.
- “IFRS” means International Financial Reporting Standards, as issued by the International Accounting Standards Board.
- “INFRAERO” means Empresa Brasileira de Infraestrutura Aeroportuária—INFRAERO, a Brazilian state-controlled corporation reporting to the Ministry of Infrastructure that is in charge of managing, operating and controlling federal airports, including control towers and airport safety operations.
- “INPI” means the Brazilian Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*).
- “IntelAzul S.A.” or “IntelAzul” means the entity formerly known as TRIP Linhas Aéreas S.A. and Tudo Azul S.A., which was acquired by Azul, in 2012, and subsequently changed its corporate name to “IntelAzul S.A.”
- “IP Co” means Azul IP Cayman Ltd.
- “IP HoldCo” means Azul IP Cayman Holdco Ltd.
- “JetBlue” means JetBlue Airways Corporation.
- “LATAM” means Latam Airlines Group S.A. including all of its subsidiaries. LATAM was formed in 2012, through the acquisition of TAM S.A., or TAM Linhas Aéreas S.A., by Lan Airlines S.A.
- “load factor” means the percentage of aircraft seats actually occupied on a flight (RPKs divided by ASKs).
- “main competitors” refers to Gol and LATAM, our competitors in the Brazilian market that have a market share larger than ours and publicly disclose their results of operations from time to time. When used in the singular, the term “main competitor” refers to Gol, our only direct competitor for which stand-alone information is publicly available.
- “LATAM Pass” is LATAM’s loyalty program.
- “Lilium” means Lilium GmbH, a wholly owned subsidiary of Lilium N.V.
- “Net promoter score or NPS” means a customer loyalty metric that we use to measure how willing a customer is to recommend our service.
- “NYSE” means the New York Stock Exchange.
- “on-time performance” refers to the percentage of an airline’s scheduled flights that were operated and that arrived within 15 minutes of the scheduled time.
- “operating fleet” means aircraft in service, spare aircraft and aircraft undergoing maintenance.
- “passenger flight segments” means the total number of revenue passengers flown on all revenue flight segments.
- “Petrobras” means Petróleo Brasileiro S.A., a mixed economy corporation in the oil and gas industry that is majority owned by the Brazilian government.
- “pitch” means the distance between a point on one seat and the same point on the seat in front of it.
- “PRASK” means passenger revenue divided by ASKs.
- “PRASK premium” refers to the positive difference between an airline’s PRASK and its main competitor’s PRASK over a given time period.
- “preferred shares” means our preferred shares issued and outstanding.
- “principal shareholder” means David Gary Neeleman, or simply David Neeleman.
- “RAB” means the Brazilian Aeronautical Registry (*Registro Aeronáutico Brasileiro*).
- “RASK” or “unit revenue” means operating revenue divided by ASKs.
- “revenue passenger kilometers” or “RPKs” means one-fare paying passenger transported per kilometer. RPK is calculated by multiplying the number of revenue passengers by the number of kilometers flown.
- “route” means a segment between a pair of cities.
- “Shareholders’ Agreement” means that certain shareholders’ agreement, dated September 1, 2017 and amendment dated on March 3, 2021 entered into by and between us and the holders of our common shares, David Neeleman, Trip, Rio Novo and Calfinco.
- “Smiles” means Smiles Fidelidade S.A., Gol’s loyalty program.
- “stage length” means the average number of kilometers flown per flight.
- “TAP” means TAP – Transportes Aéreos Portugueses, SGPS, S.A.
- “TAP Bonds” means Tranche A 7.5% bonds due March 2026 issued by TAP.
- “TRIP” means the entity formerly known as TRIP Linhas Aéreas S.A. and Tudo Azul S.A., which was acquired by Azul in 2012 and subsequently changed its corporate name to “IntelAzul S.A.”



- “TRIP acquisition” means our 2012 acquisition of TRIP.
- “trip cost” represents operating expenses adjusted for non-recurring events divided by departures.
- “TRIP’s former shareholders” means, collectively, the Caprioli family and the Águia Branca Group.
- “TSA” means the United States Transportation Security Administration.
- “TwoFlex” means Azul Conecta Ltda. (“Azul Conecta”) previously known as Two Táxi Aéreo Ltda.
- “United” means United Airlines Inc.
- “Vibra Energia” means Vibra Energia S.A., an energy company, formerly known as “BR Distribuidora”.
- “Viracopos” means the main airport of Campinas, located approximately 100 km from the city of São Paulo, State of São Paulo.
- “yield” represents the average amount one passenger pays to fly one kilometer.

## Summary of Risk Factors

An investment in our preferred shares is subject to a number of risks, including risks relating to the nature of our business as an airline and the aviation industry, our operations in Brazil and our common shares. The following list summarizes some, but not all, of these risks. Please read the information in the section entitled “Risk Factors” for a more thorough description of these and other risks.

### *Risk Relating to Our Business and the Brazilian Aviation Industry*

- Because the airline industry is characterized by high fixed costs and relatively elastic revenues, airlines cannot quickly reduce their costs to respond to shortfalls in expected revenues and this may harm our ability to attain our strategic goals.
- Further consolidation in the Brazilian and global airline industry may adversely affect us.
- Substantial fluctuations in fuel costs or the unavailability of fuel, which is mostly provided by one supplier, would have an adverse effect on us.
- We are highly dependent on our three hubs at Viracopos airport, Confins airport and Recife airport for a large portion of our business and as such, a material disruption at any of our hubs could adversely affect us.
- We depend significantly on automated systems and any cyberattacks, breakdown, hacking or changes in these systems, as well as any technical and operational problems in the Brazilian civil aviation infrastructure, may adversely affect us.
- We depend on our senior management team, and the loss of any member of this team, including our Chairman and key executives, could adversely affect us.
- Changes to the Brazilian civil aviation regulatory framework may adversely affect us.
- We have a significant amount of indebtedness and other financial obligations and insufficient liquidity may have a material adverse effect on our financial condition and business.
- Changes in the credit ratings issued by credit rating agencies could adversely affect our ability to raise funding, our cost of financing and the market price of our securities.
- The outbreak of highly contagious diseases worldwide, such as the COVID-19 pandemic, had, and may in the future cause, a material adverse effect on our business, financial condition, liquidity and results of operations.

### *Risk Relating to Brazil*

- The Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement as well as Brazil’s political and economic conditions could harm us and the price of our preferred shares, including in the form of ADSs.
- Economic, health, political, and environmental crises, or any other kind of crisis that has the ability to impact the Brazilian economy, may affect the Brazilian population’s purchasing power, which may result in a decrease in demand for air travel and, consequently, affect our business.
- We cannot predict which policies the President of Brazil may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy.
- Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our preferred shares, including in the form of ADSs.

- Developments and the perceptions of risks in other countries, including other emerging markets, the United States and Europe, and developments relating to the Russia-Ukraine conflict and relating to the conflict among Israel and militant groups in the Middle East (including Hamas), may adversely affect the Brazilian economy and the price of Brazilian securities, including the price of our preferred shares, including in the form of ADSs.
- Variations in interest rates may have adverse effects on us.
- Deficiencies in Brazilian infrastructure, particularly in airports and ports, may adversely affect us.
- Climate change, including increased regulation of our CO2 emissions, changing consumer preferences and the potential increased impacts of severe weather events on our operations and infrastructure.

#### *Risk Relating to Our Preferred Shares, Including in the Form of ADSs*

- Our controlling shareholder has the ability to direct our business and affairs, and its interests may conflict with that of other shareholders.
- An active and liquid trading market for our preferred shares, including in the form of ADSs, may not be maintained, thereby potentially adversely affecting the price our preferred shares, including in the form of ADSs.
- Our preferred shares will have limited voting rights.
- The sale of a significant number of our preferred shares, including in the form of ADSs, may negatively affect the trading price of our preferred shares, including in the form of ADSs.
- The Brazilian government may impose exchange controls and significant restrictions on remittances of *reais* abroad, which would adversely affect your ability to convert and remit dividends or other distributions or the proceeds from the sale of our preferred shares, our capacity to make dividend payments or other distributions to non-Brazilian investors and would reduce the market price of our preferred shares, including in the form of ADSs, and our capacity to comply with payment obligations in foreign currency.
- If we do not maintain a registration statement and no exemption from the Securities Act is available, U.S. Holders of ADSs will be unable to exercise preemptive rights with respect to our preferred shares.
- The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members or executive officers.
- If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, the market price and trading volume of our preferred shares, including in the form of ADSs could decline.
- Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.

## Market Share and Other Information

This annual report contains data related to economic conditions in the market in which we operate. The information contained in this annual report concerning economic conditions is based on publicly available information from third-party sources that we believe to be reasonable. Data and statistics regarding the Brazilian civil aviation market are based on publicly available data published by ANAC, INFRAERO, ABRACORP, Ministry of Transportation, Ports and Civil Aviation and Aeroportos Brasil, among others. Data and statistics regarding international civil aviation markets are based on publicly available data published by ICAO or IATA. We also make statements in this annual report about our competitive position and market share in, and the market size of, the Brazilian airline industry. We have made these statements on the basis of statistics and other information from third-party sources that we believe to be reasonable, such as Cirium, ANAC and *Dados Comparativos Avançados* (Advanced Comparative Data, a monthly report issued by ANAC that contains preliminary information on the number of ASKs and RPKs recorded in the Brazilian civil aviation market), and ABEAR. In addition, we include additional operating and financial information about Gol, LATAM, Smiles and LATAM Pass, which is derived from the information released publicly by them, including disclosure filed with or furnished to the SEC and other information made available on their respective websites. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect and believe and act as if they are reliable, we have not independently verified it. Governmental publications and other market sources, including those referred to above, generally state that their information was obtained from recognized and reliable sources, but the accuracy and completeness of that information is not guaranteed. In addition, the data that we compile internally and our estimates have not been verified by an independent source.

## Presentation of Financial and Other Information

Our audited consolidated financial statements, as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 are included in this annual report. Our financial statements were prepared in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

The financial information presented in this annual report should be read in conjunction with our financial statements, the related notes included elsewhere in this annual report and the section of this annual report entitled “Item 5. Operating and Financial Review and Prospects.”

### Convenience Translations

This annual report contains conversions of certain Brazilian *real* amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the Brazilian *real* amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate or any other exchange rate as of that or any other date. Unless we indicate otherwise, the U.S. dollar equivalent for information in Brazilian *reais* is based on the commercial selling rate published by the Central Bank on December 31, 2023, which was R\$4.8413 per US\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Brazilian *reais*.

### Rounding

Certain amounts and percentages included in this annual report, including in the section entitled “Item 5. Operating and Financial Review and Prospects,” have been rounded for ease of presentation. Percentage figures included in this annual report have not been calculated in all cases on the basis of the rounded figures but on the basis of the original amounts prior to rounding. For this reason, certain percentage amounts in this annual report may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain other amounts that appear in this annual report may not add up due to rounding.

### Note Regarding Operating Data

The following operating data are often provided, and utilized by the Company’s management, analysts, and investors to enhance comparability of year-over-year results, as well as to compare results to other airlines: Available seat kilometers (ASKs); Passenger revenue per ASK (PRASKs); Operating revenue per ASK (RASK); and total operating cost divided by ASK (CASK) amongst others.

## Operating Data

As of and For the Years Ended December 31,			
2023	2023	2022	2021
(US\$) <sup>(1)</sup>	(R\$)	(R\$)	(R\$)

### Operating Statistics (unaudited)

Operating passenger aircraft at end of period	183	183	177	161
Contractual passenger aircraft at end of period	189	189	194	179
Cities served at end of period	162	162	158	147
Average daily aircraft utilization (hours)	10.0	10.0	9.1	8.3
Stage length (km)	1,159	1,159	1,105	1,057
Number of departures	316,896	316,896	304,429	245,102
Block hours	550,843	550,843	518,813	409,424
Passenger flight segments	29,277,728	29,277,728	27,485,369	23,311,416
Revenue passenger kilometers (RPKs) (million)	35,399	35,399	31,561	24,851
Available seat kilometers (ASKs) (millions)	44,006	44,006	39,579	31,386
Load Factor (%)	80.4 %	80.4 %	79.7 %	79.2 %
Passenger revenue (in thousands)	US\$3,558,492	R\$17,227,728	R\$14,594,945	R\$8,811,044
Passenger revenue adjusted (in thousands) <sup>(2)</sup>	US\$3,586,412	R\$17,362,896	R\$14,595,579	R\$8,811,044
PRASK adjusted (cents) <sup>(2)</sup>	US\$8.15	R\$39.46	R\$36.88	R\$28.07
RASK adjusted (cents) <sup>(2)</sup>	US\$8.77	R\$42.48	R\$40.29	R\$31.78
Yield per ASK adjusted (cents) <sup>(2)</sup>	US\$10.13	R\$49.05	R\$46.25	R\$35.46
Trip cost adjusted <sup>(3)</sup>	US\$10,295.13	R\$49,841.79	R\$48,656.35	R\$40,508.56
End-of-period FTEs per aircraft	83	83	77	86
CASK adjusted (cents) <sup>(3)</sup>	US\$7,410.00	R\$35.89	R\$37.42	R\$31.63
CASK ex-fuel adjusted (cents) <sup>(3)</sup>	US\$4,650.00	R\$22.51	R\$20.85	R\$21.26
Fuel liters consumed (thousands)	1,291	1,291	1,207	980
Average fuel cost per liter	US\$940	R\$4.56	R\$5.44	R\$3.32

(1) For convenience purposes only, the amounts in reais as of December 31, 2023 have been translated to U.S. dollars using the rate of R\$4.8413, which corresponds to the commercial selling rate for US\$1.00 as of December 31, 2023, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate.

(2) Passenger revenue adjusted, PRASK adjusted, RASK adjusted and Yield per ASK adjusted for non-recurring items.

(3) Trip cost adjusted, CASK adjusted and CASK excluding all fuel costs adjusted for non-recurring items and impairment.

## FORWARD-LOOKING STATEMENTS

This annual report includes estimates and forward-looking statements principally under the captions “Item 3. Key Information” and “Item 5. Operating and Financial Review and Prospects.”

These estimates and forward-looking statements are based mainly on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of our preferred shares, including in the form of ADSs. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us.

These statements appear throughout this annual report and include statements regarding our intent, belief or current expectations in connection with:

- the economic, financial and other effects of pandemics, epidemics, diseases, public health threats and similar crises (including the coronavirus, or COVID-19, pandemic), and governmental responses thereto, particularly as such factors impact or may impact Brazil and the other markets in which we operate, thus adversely affecting our results of operations and financial condition, and heightening many of the other risks described in the “Risk Factors” section of this annual report;
- developments and the perception of risks in connection with laws, regulations and policies the President of Brazil, Luiz Inácio Lula da Silva, may adopt or change during his term in office, including economic, healthcare and fiscal reforms, any of which may negatively affect growth prospects in the Brazilian economy as a whole;
- our ability to implement in a timely and efficient manner, any measure necessary to respond to or reduce the impacts of developments related to pandemics, epidemics, diseases, public health threats and similar crises (including the COVID-19 pandemic), on our business, operations, cash flow, prospects, liquidity and financial conditions;
- changes in market prices, customer demand and preferences and competitive conditions;
- general economic, political and business conditions in Brazil, particularly in the geographic markets we serve as well as any other countries where we currently operate and may operate in the future, including developments and the perception of risks in connection with volatility from the heightened political and social tensions following the 2022 presidential elections in Brazil;
- our ability to keep costs low;
- existing and future governmental regulations;
- increases in maintenance costs, fuel costs and insurance premiums, especially in light of the Russia-Ukraine conflict and of conflicts in the Middle East;
- our ability to maintain landing rights in the airports where we operate;
- air travel substitutes;
- labor disputes, employee strikes and other labor-related disruptions, including in connection with negotiations with unions;
- our ability to attract and retain qualified personnel;
- our aircraft utilization rate;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our growth strategy, including our expected fleet growth, passenger growth, our capital expenditure plans, our future joint venture and partnership plans, our ability to enter new airports (including certain international airports), that match our operating criteria;
- management’s expectations and estimates concerning our future financial performance and our financing, plans and programs, as well as our plans for refinancing or amending our financial obligations;
- our level of debt and other fixed obligations;
- our reliance on third parties, including changes in the availability or increased cost of air transport infrastructure and airport facilities;
- inflation, appreciation, depreciation and devaluation of the *real*, as well as interest rates and exchange rates in Brazil and the other markets in which we operate, which have been particularly volatile as a result of, among other factors, monetary stimulus in response to the COVID-19 pandemic, supply chain disruptions and geopolitical tensions (such as tensions as a result of the Russia-Ukraine conflict and the escalation of conflicts in the Middle East);
- our lessors and aircraft and engine suppliers, as well as our commercial relationship with them;

- risks associated with cybersecurity incidents and privacy, including potential disruptions to our information technology systems, and information security breaches;
- impact of global climate change and legal, regulatory or market response to such change;
- increasing attention to, and evolving expectations regarding ESG matters; and
- other factors or trends affecting our financial condition or results of operations, including those factors identified or discussed as set forth under “Item 3.D. Risk Factors.”

The words “believe,” “understand,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “seek,” “intend,” “expect,” “should,” “could,” “forecast” and similar words are intended to identify forward-looking statements. You should not place undue reliance on such statements, which speak only as of the date they were made. We do not undertake any obligation to update publicly or to revise any forward-looking statements after we file this annual report because of new information, future events or other factors. Our independent auditors have neither examined nor compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. In light of the risks and uncertainties described above, the future events and circumstances discussed in this annual report might not occur and are not guarantees of future performance. Because of these uncertainties, you should not make any investment decision based upon these estimates and forward-looking statements.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. [Reserved]

#### B. Capitalization and Indebtedness

Not applicable.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable.

#### D. Risk Factors

The risks described below are those that we consider material to our business and an investment in our securities. In general, investing in the securities of issuers in emerging market countries such as Brazil involves risks that are different from the risks associated with investing in the securities of U.S. companies and companies located in other countries with more developed capital markets. You should carefully consider the risks described below. We believe we could be materially and adversely affected by any of these risks. Other risks that we currently deem immaterial or that are currently not known to us may also adversely affect us.

To the extent that information relates to, or is obtained from sources related to, the Brazilian government or Brazilian macroeconomic data, industry data or other third parties, the following information has been extracted from official publications of the Brazilian government or other reliable third-party sources and has not been independently verified by us.

#### *Risks Relating to Brazil*

*The Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement as well as Brazil's political and economic conditions could harm us and the price of our preferred shares, including in the form of ADSs.*

The Brazilian federal government frequently exercises significant influence over the Brazilian economy and occasionally makes significant changes in monetary, credit, fiscal and other policies and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, changes in monetary and tax policies, price controls, foreign exchange rate controls, currency devaluations, capital controls and limits on imports. We have no control over and cannot predict what measures or policies the Brazilian government may take in the future. We and the market price of our securities may be adversely affected by changes in Brazilian government policies, as well as general economic factors, including, without limitation:

- growth or downturn of the Brazilian economy;
- interest rates and monetary policies;
- exchange rates and currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets;



- import and export controls;
- exchange controls and restrictions on remittances abroad and payments of dividends;
- modifications to laws, regulations and policies according to political, social and economic interests;
- fiscal policy and changes in tax laws and related interpretations by tax authorities;
- economic, political and social instability, including general strikes and mass demonstrations;
- increases in unemployment;
- labor and social security regulations;
- changes in environmental, health and safety laws and regulations;
- energy and water shortages and rationing;
- public health, including as a result of epidemics and pandemics, such as the COVID-19 pandemic;
- the Brazilian government's intervention, modification or rescission of existing concessions;
- the Brazilian government's control of or influence on the control of certain oil producing and refining companies; and
- other political, social and economic developments in or affecting Brazil.

In addition, from 2014 to 2016, Brazil was in a recession, and from 2017 to 2019, it grew slowly. As a result of the COVID-19 pandemic and related economic impact, Brazil's Gross Domestic Product (GDP) increased 1.1% in 2019, declined by 4.1% in 2020, then increased by 4.6% in 2021, exceeding the loss caused by the effects of the COVID-19 pandemic in 2020. GDP increased by 2.9% in 2022 and 2023 by 2.9% in 2023.

The Brazilian federal government is facing increasing pressures from the population to implement economic reforms. We cannot predict what measures the Brazilian federal government will take in the face of mounting macroeconomic pressures or otherwise.

Developments in Brazil's political landscape may also impact us. Uncertainty regarding political developments and over whether the current government of President Luis Inácio Lula da Silva or future Brazilian governments will implement changes in policy or regulation affecting these or other factors in the future, including as a result of impacts of the Russia-Ukraine conflict, the conflict among Israel and militant groups in the Middle East (including Hamas), emerging geopolitical conflicts (including rising tensions between China and Taiwan and the relationship between China and the United States), other internal or external factors sustaining persistent inflation, among other factors, may affect economic performance and contribute to economic uncertainty in Brazil, which may have an adverse effect on us and our preferred shares, including in the form of ADSs. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and the trading price of our preferred shares, including in the form of ADSs. We cannot predict what future policies will be adopted by current or future Brazilian governments, or whether these policies will result in adverse consequences to the Brazilian economy or cause an adverse effect on us. See “—The ongoing economic uncertainty and political instability in Brazil may adversely affect us and the price of our preferred shares, including in the form of ADSs.”

***Economic, health, political, and environmental crises, or any other kind of crisis that has the ability to impact the Brazilian economy, may affect the Brazilian population's purchasing power, which may result in a decrease in demand for air travel and, consequently, affect our business.***

Economic, health, political, and environmental crises, or any other kind of crisis that has the ability to impact the Brazilian economy, may affect the Brazilian population's purchasing power, which may result in a decrease in sales of our products and services. Between 2014 and 2016 for example, when the Brazilian economy faced one of the worst recessions in history, the country's GDP decreased by 3.5% in 2015 and 3.3% in 2016. However, for the year ended December 31 2023, due to its sustainable competitive advantages of its business model, Azul reached a record operating revenue of R\$18.6 billion, representing an increase of 16.3% compared to for the year ended December 31, 2022. This clearly demonstrates the strength of our business model.



***The ongoing economic uncertainty and political instability in Brazil may adversely affect us and the price of our preferred shares, including in the form of ADSs.***

Brazil has experienced economic instabilities caused by various political and economic events in recent years, with the slowdown in GDP growth and effects on supply factors (including levels of investment and increases in the use of technology in production) and demand factors (including employment rates and income levels). Consequently, uncertainty about whether the Brazilian government will be able to approve the economic reforms needed to improve the deterioration of public accounts and the economy led to a decline in market confidence in the Brazilian economy. The Brazilian economy remains subject to government policies and actions, which, if not successful or implemented, could affect the operations and financial performance of companies, including ours. The recent economic and political instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment.

In addition, in recent years, the Brazilian political scenario has experienced intense instability mainly due to the unfolding of a corruption scheme involving several politicians, including high-ranking members of the government, which resulted in the impeachment of a Brazilian President and lawsuits filed against her successor and team. Various investigations into allegations of money laundering and corruption conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigation, known as *Lava Jato*, negatively impacted the Brazilian economy and political environment, the general market perception of the Brazilian economy, political environment and the Brazilian capital markets, as well as the image and reputation of the companies involved. Members of the Brazilian government, as well as senior officers of large state-owned companies, have faced allegations or convictions of, or have entered into plea bargain or leniency agreements for crimes related to crimes of political of corruption and money laundering. Although the task force in connection with *Lava Jato* was wound up in February 2021, we cannot assure that new investigations will not be launched or that additional persons will not become subject to investigation.

We have no control over, and cannot predict, whether such investigations, allegations, convictions, plea bargains and agreements will lead to further political and economic instability or whether new allegations, convictions, plea bargaining or agreements against or with government officials, officers and/or companies will arise in the future. In addition, we cannot predict the outcome of any such allegations, convictions, plea bargains and agreements, nor their effect on the Brazilian economy.

In addition, political demonstrations in Brazil over the last few years have affected the development of the Brazilian economy and investors' perceptions of Brazil.

The aftermath of the 2022 presidential election (including the January 8, 2023 violent disruption at Brazil's congress, presidential palace and supreme court) left Brazil in what many consider to be a heightened state of political and social tension. It is unclear whether this tension will dissipate or intensify over time and what resulting impacts may occur to adversely affect our business operations or the safety of our customers, our employees or the communities in which we operate.

We cannot guarantee that the unfolding of these events will not lead to additional adverse impacts on Brazil's political and economic situation. Furthermore, we cannot guarantee that other current or future political events, including new allegations against former or current government officials, may not come to cause even more instability in the Brazilian economy, in capital markets, or in the listing of our shares.

Moreover, the policies President Luiz Inácio Lula da Silva may adopt or alter may have material adverse effects on the macroeconomic environment in Brazil, as well as on businesses operating in Brazil, including ours. See “—We cannot predict which policies the President of Brazil may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy.”

Any of the above factors may create additional political uncertainty, which could have a material adverse effect on the Brazilian economy and, consequently, on us and the price of our preferred shares, including in the form of ADSs.

***We cannot predict which policies the President of Brazil may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy.***

In 2022, Brazil held elections for President and Luiz Inácio Lula da Silva was elected president. We cannot predict what policies he will maintain and which policies he may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy. Furthermore, uncertainty over whether the acting Brazilian government under the administration of President Luiz Inácio Lula da Silva will implement changes in policy or regulation in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the securities issued abroad by Brazilian companies. Any such new policies or changes to current policies may have a material adverse effect on us or the price of our preferred shares, including in the form of ADRs.

***Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our preferred shares, including in the form of ADSs.***

The Brazilian currency has been historically volatile and has devalued frequently over the past three decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the *real* is generally linked to the rate of inflation in Brazil, depreciation of the *real* occurring over shorter periods has resulted in significant variations in the exchange rate between the *real*, the U.S. dollar and other currencies. In 2021, the *real* depreciated against the U.S. dollar and, as of December 31, 2021, the U.S. dollar selling rate reported by the Central Bank was R\$5.58 per US\$1.00. In 2022, the *real* appreciated against the U.S. dollar and, as of December 31, 2022, the U.S. dollar selling rate reported by the Central Bank was R\$5.22 per US\$1.00. In 2023, the *real* further appreciated against the U.S. dollar and, as of December 31, 2023, the U.S. dollar selling rate reported by the Central Bank was R\$4.84 per US\$1.00. There can be no assurance as to whether the *real* will appreciate or depreciate against the U.S. dollar or other currencies in the future.

A devaluation of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil and cause the Brazilian government to, among other measures, increase interest rates. Any depreciation of the *real* may generally restrict access to the international capital markets. It would also reduce the U.S. dollar value of our results. Restrictive macroeconomic policies could reduce the stability of the Brazilian economy and adversely affect our results of operations and profitability. In addition, domestic and international reactions to restrictive economic policies could have a negative impact on the Brazilian economy. These policies and any reactions to them may adversely affect us by curtailing access to foreign financial markets and prompting further government intervention. A devaluation of the *real* relative to the U.S. dollar may also, as in the context of the current economic slowdown, decrease consumer spending, increase deflationary pressures and reduce economic growth.

On the other hand, an appreciation of the *real* relative to the U.S. dollar and other foreign currencies may deteriorate the Brazilian foreign exchange current accounts. We and certain of our suppliers purchase goods and services from countries outside Brazil, and thus changes in the value of the U.S. dollar compared to other currencies may affect the costs of goods and services that we purchase. Depending on the circumstances, either devaluation or appreciation of the *real* relative to the U.S. dollar and other foreign currencies could restrict the growth of the Brazilian economy, as well as our business, results of operations and profitability.

Most of our revenues are linked to the *real* and a significant part of our operating expenses, such as fuel, certain aircraft lease agreements, certain flight hour maintenance contracts and aircraft insurance, are denominated in, or linked to, foreign currency. In addition, we have and may incur substantial amounts of U.S. dollar-denominated lease or financial obligations, fuel costs linked to the U.S. dollar and U.S. dollar-denominated indebtedness in the future or similar exposures to other foreign currencies. As of December 31, 2023, 2022, and 2021, 45.5%, 52.7% and 43.2% of our operating expenses, respectively, were denominated in, or linked to, foreign currency. Historically, we have been able to increase our fares and revenues to compensate for the impact from U.S. dollar appreciation on our expenses, but there is no assurance that we will continue to be able to do so.

In addition, largely as a result of the Russia-Ukraine conflict, Brent oil prices sharply increased from about US\$75 per barrel at the end of 2021 to US\$128 per barrel on March 8, 2022. As of December 31, 2023 and 2022, the Brent oil price was US\$77.04 per barrel and US\$80 per barrel, respectively, and there was significant volatility in Brent oil prices during 2022 and, to a lesser extent, during 2023. There is no assurance that Brent oil prices will not further increase in the future. In 2023, our U.S. dollar denominated operating expenses decreased 7.2 p.p., as compared to 2022, mainly as a result of the decrease in oil prices.

We are not always fully hedged against fluctuations of the *real*. In light of the foregoing, there can be no assurance we will be able to protect ourselves against the effects of fluctuations of the *real*. Depreciation of the *real* could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole, harm us, curtail access to financial markets and prompt government intervention, including recessionary governmental policies. Depreciation of the *real* can also, as in the context of the current global economic recovery, lead to decreased consumer spending, and reduced growth of the economy as a whole.

Any depreciation of the *real* against the U.S. dollar may have an adverse effect on us, including leading to a decrease in our profit margins or to operating losses caused by increases in U.S. dollar-denominated costs (including fuel costs), increases in interest expense or exchange losses on unhedged fixed obligations and indebtedness denominated in foreign currency.

***Inflation and certain measures by the Brazilian government to curb inflation have historically adversely affected the Brazilian economy and Brazilian capital market, and high levels of inflation in the future would adversely affect us and the price of our preferred shares, including in the form of ADSs.***

In the past, Brazil experienced extremely high rates of inflation. Inflation and some of the measures taken by the Brazilian government in an attempt to curb inflation have had significant negative effects on the Brazilian economy generally. Inflation, policies adopted to curb inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty and heightened volatility in the Brazilian capital markets.

According to the National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA, Brazilian inflation rates were 4.6%, 5.8% and 10.1%, for the years 2023, 2022, and 2021, respectively. Brazil may experience high levels of inflation in the future and inflationary pressures may lead to the Brazilian government's intervening in the economy and introducing policies that could adversely affect us and the price of our preferred shares, including in the form of ADSs. In the past, the Brazilian government's interventions included the maintenance of a restrictive monetary policy with high interest rates that restricted credit availability and reduced economic growth, causing volatility in interest rates.

For example, the Monetary Policy Committee (*Comitê de Política Monetária do Banco Central do Brasil*), or COPOM, frequently adjusts interest rates in situations of economic uncertainty to achieve targets set in the Brazilian government's economic policy. The SELIC (*Sistema Especial de Liquidação e Custódia*), the Central Bank's overnight rate, as established by the COPOM increased from 10.00% at the beginning of 2014 to a high point of 14.25% in 2016 before a series of rate reductions in 2017, 2018 and 2019, bringing the SELIC rate down to 7.00% as of December 31, 2017, 6.50% as of December 31, 2018, to 4.50% as of December 31, 2019 and to 2.00% as of December 31, 2020. As of December 31, 2023, 2022 and 2021, the SELIC rate was 11.75%, 13.75% and 9.25%, respectively.

Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may continue to trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect us and increase our indebtedness.

In the event that Brazil experiences high inflation in the future, we will attempt to adjust the prices we charge our passengers to offset the potential impacts of inflation on our expenses, including salaries as we have done in the past, but we may not be able to. This would lead to decreased net income, adversely affecting us. Inflationary pressures may also adversely affect our ability to access foreign financial markets, adversely affecting us.

***Developments and the perceptions of risks in other countries, including other emerging markets, the United States and Europe, and developments relating to the Russia-Ukraine conflict and relating to the conflict among Israel and militant groups in the Middle East (including Hamas), may adversely affect the Brazilian economy and the price of Brazilian securities, including the price of our preferred shares, including in the form of ADSs.***

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging markets, as well as the United States, Europe and other countries. To the extent the conditions of the global markets or economy deteriorate, Brazilian companies may have their businesses adversely affected. The weakness in the global economy has been marked by, among other adverse factors, lower levels of consumer and corporate confidence, decreased business investment and consumer spending, increased unemployment, reduced income and asset values, reduction of global growth rate, bank failures, persistent inflation, currency volatility and limited availability of credit and access to capital. The economic and market conditions of other countries, including the United States and European countries, and emerging markets, may affect the credit availability and the volume of foreign investments in Brazil and in the countries in which we do business, to varying degrees. The market turmoil generated by bank failures in the United States in March 2023, and the forced sale of Credit Suisse, are two such examples of the exposure that we have to international financial events. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to Brazilian companies and resulted in considerable outflows of funds from Brazil, decreasing the amount of foreign investments in Brazil, which impacted overall growth expectations for the Brazilian economy. Any of these factors could have a material adverse effect on our results of operations and financial condition.

Since 2020, Brexit has contributed to increased volatility and uncertainty in a number of financial markets. In addition, the crisis affecting emerging markets that began in the second quarter of 2018 as a result of the rise in interest rates by the U.S. Federal Reserve and the trade war between the United States and China, among other factors, could have an impact on the Brazilian economy.

Moreover, global developments relating to Russia's invasion of Ukraine have (i) contributed to increases in the prices of energy, oil and other commodities, (ii) generated uncertainty in global capital markets, and the United States and European stock markets have seen increased price volatility, and (iii) forged a new landscape in relation to international sanctions. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, particularly if current or new sanctions continue for an extended period of time or if geopolitical tensions result in expanded military operations on a global scale. In addition, the Russia-Ukraine conflict, and the impact of sanctions against Russia and the potential for retaliatory acts from Russia, could result in increased cyberattacks.

In addition, the recent global tensions arising from the conflict among Israel and militant groups in the Middle East (including Hamas) has disrupted, and may continue to disrupt, the broader regional or global economic environment. Whilst we do not operate in the Middle East, the effects on our business and the duration and severity of the effects on global economy (including global supply chain disruptions, inflation, rising interest rates, and the imposition of sanctions) are inherently unpredictable.

We cannot predict how these developments will evolve and whether or to what extent they may affect Brazilian capital markets and, consequently, us.

Political risks remain mainly from the escalating war in Ukraine, the conflict among Israel and militant groups in the Middle East, medium-term relationship between the United States and China, uncertainty over government instabilities in Europe and other local geopolitical risks. The materialization of these risks may affect global growth and decrease investors' interest in assets from Brazil and other countries in which we do business, which may materially and adversely affect the market price of our preferred shares, including in the form of ADSs, making it more difficult for us to access capital markets and, as a result, to finance our operations in the future.

***Any further downgrading of Brazil's credit rating could adversely affect the trading price of our preferred shares, including in the form of ADSs.***

Brazil's sovereign credit rating is currently rated below investment grade by the three main credit rating agencies. Consequently, the prices of securities issued by Brazilian companies have been negatively affected. A new Brazilian recession or continued political uncertainty, among other factors, could lead to further ratings downgrades.

We can be adversely affected by investors' perceptions of risks related to Brazil's sovereign debt credit rating. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the perspective of changes in any of these factors. Brazil lost its investment grade sovereign debt credit rating by the three main U.S. based credit rating agencies, Standard & Poor's, Moody's and Fitch in 2015. Standard & Poor's reaffirmed Brazil's sovereign credit rating at BB- with a stable outlook in November 2021. Fitch reaffirmed Brazil's sovereign credit rating at BB- with a negative outlook in December 2021. On April 12, 2022, Moody's reaffirmed Brazil's Ba2 rating with a stable outlook, and Standard & Poor's reaffirmed Brazil's sovereign credit rating at BB- with a stable outlook on June 14, 2022. On July 14, 2022, Fitch reaffirmed Brazil's sovereign credit rating at BB- and upgraded its outlook to stable, reaffirming this rating and outlook on December 20, 2022. On December 15, 2023, Fitch upgraded Brazil's sovereign rating to BB with a stable outlook. On December 19, 2023, Standard & Poor's upgraded Brazil's sovereign rating to BB with a stable outlook.

Any future downgrades of Brazil's sovereign credit ratings could heighten investors' perception of risk and, as a result, adversely affect the price of our preferred shares, including in the form of ADSs.

***Variations in interest rates may have adverse effects on us.***

We are exposed to the risk of interest rate variations, principally in relation to (i) the Secured Overnight Financing Rate ("SOFR"), (ii) the London Interbank Offered Rate ("LIBOR"), and (iii) the Interbank Deposit Rate ("CDI Rate"). For the years ended December 31, 2023, 2022, and 2021, (i) the annual average SOFR index was 5.01%, 1.64%, and 0.04%, respectively, (ii) the average USD LIBOR 12 months index was 5.47%, 3.40%, and 0.30%, respectively, and (iii) the average CDI Rate index was 13.04%, 12.39%, and 4.42%, respectively. Assets and liabilities linked to LIBOR are being reviewed and we have plans to elect to use alternative rates other than LIBOR. See "—We may face challenges associated with IBOR transition."

If market interest rates increase in Brazil, as has recently been experienced from the first quarter of 2022 until August 2023, variable rate indebtedness or other obligations will create higher debt service and payment requirements, which could adversely affect our cash flow and compliance with our covenants or our obligations under our existing indebtedness [and leases], and we may not be able to adjust the prices we charge to offset increased payments. While we may, from time to time, enter into agreements limiting its exposure to higher market interest rates, these agreements may not offer complete protection from this risk.

Significant increases in consumption, inflation or other macroeconomic pressures may lead to an increase in these rates. For example, stock prices on the B3 S.A. – Brasil, Bolsa, Balcão, or the B3, are highly affected by fluctuations in U.S. interest rates and by the behavior of the major U.S. stock exchanges. Any increase in interest rates in other countries, especially the United States, could reduce overall liquidity and investor interest in Brazilian capital markets.

In addition, while tight monetary policies in Brazil with high interest rates may restrict Brazil's growth and the availability of credit, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could adversely affect us.

For further information regarding our exposure to the risk of interest rate variations, see "Item 5. Operating and Financial Review and Prospect—Operating Results—Principal Factors Affecting Our Financial Condition and Results of Operations—Effects of exchange rates, interest rates and inflation."

***We may face challenges associated with LIBOR transition.***

The Company does not have relevant amounts exposed to Libor and/or Sofr. The vast majority of these contracts have been already amended, and currently have the interest rate indexed to Sofr. The few remaining contracts still indexed to Libor, are considering the published synthetic Libor, and have the proper formal amendment ongoing.



***Deficiencies in Brazilian infrastructure, particularly in airports and ports, may adversely affect us.***

We offer products and services that depend on the performance and reliability of the infrastructure in Brazil and abroad. Historically, public investment in the construction and development of airports, ports, highways and railroads has been relatively low, which affects the demand for domestic tourism and could also affect our ability to carry out our operations or limit our expansion plans as well as cause delays and increase operational costs. For example, in 2007, Brazil went through a significant crisis related to its air traffic control system, which negatively impacted air travel and the tourism industry as a whole. Insufficient public and/or private investment in the expansion of Brazilian infrastructure, particularly airports, ports and other travel hubs could lead to a decrease in sales or lower growth rates than we expect, which may adversely affect us and growth prospects. In particular, lack of or insufficient investment in the maintenance at our main hub in Campinas could impact the general activity and operation of the airport, which would adversely impact us.

For example, Aeroportos Brasil, which holds a concession for the operation of Viracopos airport from ANAC, filed for bankruptcy protection in 2018 as it has not complied with its contractual obligations relating to the construction of a new terminal. On February 14, 2020 creditors approved Aeroportos Brasil's debt restructuring plan, which consists in returning the concession for the operation of Viracopos airport to ANAC to initiate a re-bidding process of the concession to a new operator. On February 18, 2020, the debt restructuring court approved the judicial recovery plan and on March 19, 2020, Aeroportos Brasil filed an application to ANAC for the rebidding of Viracopos airport, in compliance with the judicial recovery plan. On July 17, 2020, the Federal Government enacted Decree No 10.427/2020, authorizing the rebidding of Viracopos airport. On June 14, 2022 CPPI Resolution 232 extended the deadline for completion of the Viracopos airport licensing process to July 16, 2024 and the auction. On July 12, 2022 the CCPI Resolution 243 revoked the second article of the previous CPPI, nonetheless, the deadline for completion of the Viracopos airport licensing remained the same.

In April 2021, the Grupo de Consultores em Aeroportos (GCA), a consortium made up of various private companies and a potential bidder in the auction, filed a feasibility study with the Brazilian government for a new bidding process for the concession at Viracopos airport. Public consultation on the feasibility study was held in October 2021. After ANAC approval of the feasibility study on March 8, 2022, it was sent to the Tribunal de Contas da União. At the beginning of 2022, the process was suspended due to discussions between the concessionaire and ANAC about the non-depreciated assets to be indemnified, but on December 12, 2022 the minister of the Tribunal de Contas da União authorized the resumption of the process. In August 2023, however, Aeroportos Brasil formalized to the federal government a request to end the rebidding process and remain in charge of the terminal concession. The concessionaire is still awaiting a response from the Federal Government.

For more information, see “Item 4.B. Business Overview—Airports and Other Facilities and Properties—Airports” and “Item 8.A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

***The failure to adhere to LGPD or other privacy laws enacted in Brazil and/or other jurisdictions may adversely affect our reputation, business, financial condition, or results.***

We are subject to the legislation of protection of personal data, such as the Internet Civil Framework (Law No. 12,965/2014), and Law 13,709/2018, a comprehensive data protection law establishing general principles and obligations that apply across multiple economic sectors and contractual relationships (*Lei Geral de Proteção de Dados*), or the LGPD, as well as its related regulations, including those published by the National Data Protection Authority (“ANPD”).

The LGPD went into effect on September 18, 2020, after the former President Bolsonaro sanctioned into law Provisional Measure 959/2020, pursuant to Article 62, §12, of the Federal Constitution. The administrative sanctions under LGPD went into effect in August 2021. The LGPD established a new legal framework to be observed in personal data processing operations and provides for the rights of the ownership of personal data, the legal bases that allow the processing of personal data, requirements for obtaining consent, obligations and requirements for security incidents and leaks, domestic and international data transfers, as well as authorization for the creation of ANPD.

Since the LGPD sanctions went into effect, non-compliance by us or by any of our subsidiaries may result in judicial action by the holders of personal data (as provided for in the LGPD), or in judicial or extrajudicial action by consumer protection bodies. In addition, we and our subsidiaries may be subject to sanctions, in an isolated or cumulative manner, or may, separately or cumulatively, be subject to (i) warning with an indicative deadline for the adoption of corrective measures, (ii) obligation to disclose incidents, (iii) partial suspension of our database operations for a maximum period of six months, renewable for an equal period, until the controller's processing activity is reestablished, in case of recurrence; (iv) partial suspension of activities related to data processing for a maximum period of six months, renewable for an equal period, until the controller's processing activity is reestablished, in case of recurrence; (v) temporary blocking, or deletion, of personal data; (vi) partial or total prohibition of activities; and (vii) a fine of up to 2% of our revenues in Brazil in its previous fiscal year, excluding taxes, up to R\$ 50,000,000 per infraction. Further, we may be held liable for material, moral, individual or collective damages caused due to non-compliance with the obligations established by LGPD.

Failures in the protection of the personal data processed by us, as well as a failure to comply with the applicable legislation, may result in the application of significant fines, disclosure of the incident to the market, the obligation to eliminate the personal data from the relevant database, and the suspension of access to our databases and prohibition of our activities related to the processing of compromised data, which may adversely affect our reputation, business, financial condition or results. Accordingly, failure to protect personal data processed by us or any failure to implement adequate data protection measures in response to applicable legislation may subject us to additional costs such as the payment of fines and indemnities, implementation of adjustment measures, and loss of business, in addition of civil sanctions, which may adversely affect our reputation and results.

See "Item 4.B. Business Overview—Data Protection."

## **Risks Relating to our Business and the Brazilian Civil Aviation Industry**

***Substantial fluctuations in fuel costs or the unavailability of fuel, which is mostly provided by one supplier, would have an adverse effect on us.***

Historically, international and local fuel prices have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Fuel expenses, constitute a significant portion of our total operating expenses, accounting for 34.9% for the year ended December 31, 2023, 45.2% for the year ended December 31, 2022, and 32.8% for the year ended December 31, 2021. Fuel availability is also subject to periods of market surplus and shortage and is affected by demand for both home heating oil and gasoline. Events resulting from prolonged instability in the Middle East or other oil-producing regions, or the suspension of production by any significant producer, may result in substantial price increases and/or make it difficult to obtain adequate supplies, which may adversely affect us. Natural disasters or other large unexpected disrupting events in regions that normally consume significant amounts of other energy sources could have a similar effect.

In addition, because Russia is one of the world's largest oil exporters, global developments relating to Russia's invasion of Ukraine in February 2022, and resulting export restrictions, have caused shortages in the availability of aircraft fuel, including as a result of targeted sanctions and export control measures imposed by the United States and foreign government bodies. Furthermore, the conflict among Israel and militant groups in the Middle East (including Hamas) has caused, and may continue to cause, increased volatility in oil prices, which effects may be exacerbated by disruptions in seaborne trade routes in the region. There is no assurance that supply shortages and disruption will not become more severe, and we cannot predict the continued impact of sanctions, export control measures and trade disruptions, or the impact of any further retaliatory actions that may be taken by government bodies. Shortages in the availability of, or increases in demand for, crude oil in general, other crude oil-based fuel derivatives and aircraft fuel in particular have resulted, and could continue to result, in increased fuel prices.

We cannot predict the price and future availability of fuel with any degree of certainty, and significant increases in fuel prices may harm our business. Our hedging activities may not be sufficient to protect us from fuel price increases, and even though we have been able to adjust our fares adequately to protect us from this cost, we may not be able to do so in the future.

We purchase fuel from distributors in Brazil. In 2023, we purchased fuel mainly from Raízen Combustíveis Ltda, Air BP Brasil Ltda and Vibra Energia (f/k/a BR Distribuidora), being Raízen Combustíveis Ltda the responsible for the provision of 70% of our fuel. Usually, fuel supply contracts are terminated for many reasons, including non-compliance with some contractual obligations, non-payment of invoices, and in the event of judicial or extrajudicial liquidation. In addition, distributors may be unable to guarantee fuel supply, for example due to difficulties in its import or distribution activities. If we were unable to obtain fuel on similar terms from alternative suppliers, our business would be adversely affected. The agreement we executed with Vibra Energia enables us to lock in the cost of the jet fuel that we will purchase in the future. Accordingly, in case this agreement is terminated, we might be required to enter into alternative hedging or pay higher prices, which could adversely affect us.

***We have a significant amount of indebtedness and other financial obligations and insufficient liquidity may have a material adverse effect on our financial condition and business.***

We have a significant amount of indebtedness and other financial obligations, including aircraft lease and debt financings, and other material cash obligations. For more information on our loans and financings, see “Item 5. Operations and Financial Review and Prospects—Loans and Financings.” In addition, we have substantial commitments for capital expenditures, including commitments for future aircraft acquisitions. Although our cash flows from operations and available capital, including the proceeds from financing transactions, have been sufficient to meet our obligations and commitments to date, our liquidity has been, and may in the future be, negatively affected by the risks described in this annual report, including the risks described under “—We and the airline industry in general are particularly sensitive to changes in economic conditions and continued negative economic conditions that would likely continue to adversely affect us and our ability to obtain financing on acceptable terms”.

If our liquidity is materially diminished and we are unable to raise funding as and when required, we might not be able to timely pay our leases and debt obligations or comply with the operating and financial covenants under our financing and other agreements. See “—We may not be able to comply with the covenants and restrictions contained in our financing agreements, which could result in declaration of an event of default and acceleration of the maturity of indebtedness, causing an adverse effect on us.” In addition, the covenants and restrictions contained in our debt securities, loans, aircraft leases and aircraft debt financing may limit our access to new financing lines for the execution of our investment plan, as well as for cash availability, which may adversely affect our business and operational results.

Our substantial level of indebtedness and non-investment grade credit rating, as well as market conditions and the availability of assets as collateral for loans or other indebtedness may make it difficult for us to raise additional capital if needed to meet our liquidity needs on acceptable terms, or at all. In addition, in response to the effects of the COVID-19 pandemic (including travel restrictions and decreased demand) and other economic events, in recent years we have taken numerous measures to protect our operations and liquidity, significantly reducing fixed and variable costs, deferring certain lease obligations and rolling over and extending certain debt. In particular, in 2023, we completed a series of restructuring and capital raising transactions to strengthen our capital structure and improve our cash generation, which included (i) reductions in, and the reprofiling of, our obligations with certain aircraft lessors and original equipment manufacturers (“OEMs”), including the issuance of the Lessor/OEM Notes (as defined under “Item 4. Information on the Company—Business Overview—Restructuring”), (ii) exchange offers and consent solicitations, including the issuance of 2029 Notes and 2030 Notes (each as defined under “Item 4. Information on the Company—Business Overview—Restructuring”), (iii) amendments to our convertible debentures, (iv) the issuance of Initial 2028 Notes (as defined under “Item 4. Information on the Company—Business Overview—Restructuring”), and (v) the issuance of the ALAB non-convertible debentures due 2024. For more information on these restructuring and capital raising transactions, see “Item 4. Information on the Company—Business Overview—Restructuring.”

We cannot guarantee that our cash preservation and cost reduction initiatives will be sufficient to maintain sufficient liquidity, and we may be required to seek additional short-term liquidity or long-term financing. There can be no assurance as to the availability of any such financing or, if available, if their terms will be acceptable.

***We and the airline industry in general are particularly sensitive to changes in economic conditions and continued negative economic conditions that would likely continue to adversely affect us and our ability to obtain financing on acceptable terms.***

Our operations and the airline industry in general are particularly sensitive to changes in economic conditions. Unfavorable economic conditions, such as high unemployment rates, a constrained credit market, low or negative GDP growth, unfavorable exchange rates, increased business operating expenses, reduced consumer confidence and reduced consumer purchasing power, can reduce spending for both leisure and business travel. For some consumers, leisure travel is a discretionary expense, and short-haul travelers, in particular, have the option to replace air travel with surface travel. As a result of the COVID-19 pandemic, businesses and other travelers have increasingly foregone air travel by using communication alternatives such as videoconferencing, business communication platforms, and the Internet and there can be no assurance that levels of business travel will return to pre-COVID-19 levels. For more information on risks related to the COVID-19 pandemic, see “—The outbreak of highly contagious diseases worldwide, such as the COVID-19 pandemic, had, and may in the future continue to have, a material adverse effect on our business, financial condition, liquidity and results of operations.”

In particular, the recent recession in the Brazilian economy and political instability has adversely affected industries with significant spending in travel, including government, oil and gas, mining and construction. In addition to decreases in load factors, reduced spending on business travel also affects the quality of demand, resulting in our inability to sell as many high-yield tickets.



In addition, we cannot predict macroeconomic developments or their impact on us, including exchange rate volatility and increased fuel prices, especially in the context of the war between Russia and Ukraine, the conflict among Israel and militant groups in the Middle East (including Hamas) and the continuing political and social tension caused by the 2022 presidential election in Brazil, but we continue to expect to face inflationary pressures. In particular, because we may not be able to delay paying for significant amounts of our fuel costs or otherwise mitigate the cost of fuel price increases, we may not be able to adjust fuel costs in our ticket prices, and fuel price increases may materially and adversely affect us.

Any material change to the global financial markets or the Brazilian economy, caused by any factor, including pandemics other regional or international outbreaks and/or military conflicts, market turmoil associated with the failure of banks, internal or external factors sustaining persistent inflation, among other factors, may increase short- and long-term local interest rates, hinder both our access to new favorable financing terms and issuances of securities, as well as affect our growth and investment plans. An increasingly unfavorable economic environment would likely adversely affect us. In addition, a significant instability of the credit, capital and financial markets could result in increasing our borrowing costs, adversely affecting us.

We may not be able to continue to obtain financing on terms attractive to us, or at all. To the extent we cannot obtain such financing on acceptable terms or at all, we may be required to modify our aircraft acquisition plans or to incur higher than anticipated financing costs, which would adversely affect us and our growth strategy. These factors could also adversely affect our ability to obtain financing on acceptable terms and our liquidity in general.

***Because the airline industry is characterized by high fixed costs and relatively elastic revenues, airlines cannot quickly reduce their costs to respond to shortfalls in expected revenue and this may harm our ability to attain our strategic goals.***

The airline industry is characterized by low gross profit margins; high fixed costs, such as aircraft ownership and leasing, headquarters facility and personnel, information technology system license costs, training and insurance expenses; and revenues that generally exhibit substantially greater elasticity than costs. The operating costs of each flight do not vary significantly with the number of passengers flown and, therefore, a relatively small change in the number of passengers, fare pricing or traffic mix could have a significant effect on operating and financial results.

We expect to incur additional fixed costs, including contractual debt, as we lease or acquire new aircraft and other equipment we operate to implement our growth strategy or other purposes. Based on our current firm orders, we have contractually assumed the commitment to acquire 127 aircraft, 96 directly from manufactures and 31 from lessors.

As a function of our fixed costs, we may (i) have limited ability to obtain additional financing; (ii) be required to dedicate a significant part of our cash flow to fixed costs resulting from leases and debt for aircraft; (iii) incur higher interest or leasing expenses for the event that interest rates increase; or (iv) have a limited ability to plan for, or react to, changes in our businesses, the civil aviation sector generally and overall macroeconomic conditions. In addition, volatility in global financial markets may make it difficult for us to obtain financing to manage our fixed costs on favorable terms or at all.

As a result of the foregoing, we may be unable to quickly adjust our fixed costs in response to changes in our revenues. A shortfall from expected revenue levels could have a material adverse effect on us.

***Changes to the Brazilian civil aviation regulatory framework, or other policies of the Brazilian government in relation to the aviation industry, may adversely affect us.***

Brazilian aviation authorities monitor and influence the developments in Brazil's airline market. For example, in July 2014, ANAC published new rules governing the allocation of slots at the main Brazilian airports, which consider operational efficiency (on-time performance and regularity) as the main criteria for the allocation of take-off and landing slots at Brazilian airports. The policies of Brazilian aviation authorities, including ANAC, may adversely affect us and our operations.

Further, in December 2018, the former Brazilian president approved Provisional Measure MP 863/2018, which lifts restrictions on foreign ownership of Brazilian airlines' voting stock. On June 17, 2019, the Provisional Measure MP 863/2018 was converted into de Law No 13.842/2019, amending the Brazilian Aeronautical Code, and allowed 100% of the voting stock of a company belonged to foreigners. See "Item 4.B. Business Overview—Restrictions on the Ownership of Shares in Air Transportation Service Providers."

For a description of recent changes to the Brazilian civil aviation regulatory framework, see "Item 4.D. Regulation—Airport Infrastructure." For a description of recent changes to and pending legislation regarding the Brazilian civil aviation regulatory framework, see "Item 4.B. Business Overview—Pending Legislation."

Changes to the Brazilian civil aviation regulatory framework, including the policies of ANAC and/or INFRAERO, as well as other aviation supervisory authorities, including the Brazilian Aeronautical Code, could increase our costs and change the competitive dynamics of our industry and may adversely affect us. In addition, other policies of the Brazilian government in relation to the aviation industry, may adversely affect us. For example, in December 2023, in response to concerns of the Brazilian government in relation to rising airfares, Azul agreed to cap airfares on a certain number of domestic tickets at specified prices, and other airlines in Brazil also agreed to certain capped airfares. There can be no assurance that the Brazilian government will not continue to seek to impose additional price restrictions on airfares, and any such measures could have a material impact on our business, financial condition and results of operations. Furthermore, we cannot guarantee that any of the operating concessions that we hold will be renewed or that we will obtain new concession. Any change that requires us to dedicate a significant level of resources on compliance with new aviation regulations, for example, would result in additional expenditure on compliance and consequently adversely affect us.

***We operate in a highly competitive industry and actions by our competitors could adversely affect us.***

We face intense competition on certain routes in Brazil from existing scheduled airlines, charter airlines and potential new entrants in our market and also with regards to our business units TudoAzul, Azul Cargo and Azul Viagens. In particular, we face strong competition in a limited number of routes and markets where our network overlaps with that of our main competitors. As of December 31, 2023, 25% and 12% of our domestic network overlapped with that of Gol and LATAM, respectively. Airlines increase or decrease capacity in markets based on perceived profitability. Decisions by our competitors that increase overall industry capacity, or capacity dedicated to a particular region, market or route, as well as any other management decisions that increase a potential competitor's market share, could have a material adverse impact on us. Our growth and the success of our business model could stimulate competition in our markets through the development of similar strategies by our competitors. If these competitors adopt and successfully execute similar business models, we could be adversely affected.

We may face increased competition from existing and new participants in the Brazilian market. In addition, any consolidation of airlines in Brazil and Latin America could adversely impact our business, financial condition and results of operations. The air transportation sector is highly sensitive to price discounting and the use of aggressive pricing policies. Changes in practices, including with respect to change and cancellation fees as a result of the COVID-19 pandemic has led to further pricing changes among our competitors. Other factors, such as flight frequency, schedule availability, brand recognition, and quality of offered services (such as loyalty programs, VIP airport lounges, in-flight entertainment and other amenities) also have a significant impact on market competitiveness. In addition, the barriers to entering the domestic market are relatively low and we cannot guarantee that existing or new competitors in our markets will not offer lower prices, more attractive services or increase their route capacity in an effort to obtain greater market share. We may also face competition from international airlines as they introduce and expand flights to Brazil. In addition to competition among scheduled airlines and charter operators, the Brazilian airline industry faces competition from ground transportation alternatives, such as interstate buses and automobiles. Finally, the Brazilian government and regulators could give preference to new entrants or provide support to our competitors, for example, when granting new and current slots in Brazilian airports, as previously occurred with respect to new slots at Congonhas airport.

In addition, technology advancements may limit the desire for air travel. For example, new developments in video teleconferencing and other methods of electronic communication may reduce the need for in-person communication and add a new dimension of competition to the industry as travelers seek lower cost substitutes for air travel.

Furthermore, our TudoAzul program faces significant competition from the loyalty programs of other large commercial airlines and loyalty or frequent traveler programs offered by other airlines and credit card companies. Potential members have many frequent flyer program alternatives and choose among alternatives based upon factors such as accrual and redemption rate, airline partners, co-branding partners, benefits and reputation. Other loyalty programs, as well as travel-centric proprietary credit cards may increase the rates at which card members can earn points or enhance the redemption rate for points, such that customers may perceive other loyalty programs or travel-centric credit cards as providing better value than the TudoAzul program and TudoAzul program branded credit cards. In addition, new competitors may target TudoAzul's business partners and members or enter the loyalty marketing industry.

Our Azul Viagens business faces significant competition, including from travel agencies, tour operators, online travel agencies and marketplaces and business-to-business (B2B) travel agencies. The success of the Azul Viagens business depends on the attractiveness of the business model of the intermediation of tourism services provided to its customers. The performance and growth prospects of the Azul Viagens business could be adversely affected if it fails to anticipate and react to changes in market trends and customer preferences. Our Azul Viagens business is also subject to risks of disintermediation in the tourism sector, which is the risk that customers purchase the travel packages offered by the Azul Viagens business directly from its suppliers, such as hotel chains, car hire companies, cruise operators and insurance providers.

We cannot assure you that an increase in competition faced by TudoAzul or by Azul Viagens will not have an adverse effect on the growth of our business with respect to TudoAzul, Azul Viagens or in general. If we are unable to adjust rapidly to the changing nature of competition in our markets, it could have an adverse effect on us.

***Further consolidation in the Brazilian and global airline industry may adversely affect us.***

As a result of the competitive environment in which we operate, there may be further consolidation in the Brazilian and global airline industry, whether by means of acquisitions, joint ventures, partnerships or strategic alliances. We cannot predict the effects of further consolidation on the industry. Our competitors could increase their scale, diversity and financial strength and may have a competitive advantage over us, which would adversely affect us. Consolidations in the airline industry and changes in international alliances are likely to affect the competitive landscape in the industry and may result in the formation of airlines and alliances with increased financial resources, more extensive global networks and reduced cost structures than us.

We routinely engage in analysis and discussions regarding our own strategic position, including alliances, codeshare arrangements, investments, acquisitions, interline arrangements and loyalty program enhancements, and may have future discussions with other airlines regarding similar arrangements. To the extent we act as consolidators, we may not be able to successfully integrate the business and operations of companies acquired, governmental approvals may be delayed, costs of integration and fleet renovation may be greater than anticipated, synergies may not meet our expectations, our costs may increase and our operational efficiency may be reduced, all of which would negatively affect us. To the extent we do not engage in such consolidations, our competitors may increase their scale, diversity and financial strength and may have a competitive advantage over us, which would negatively affect us, including our ability to realize expected benefits from our own strategic partnerships.

***We are subject to costs and risks associated with increased or changing laws and regulations affecting our business, including those relating to the sale of consumer products. Specifically, developments in data protection and privacy laws could harm our business, financial condition or results of operations.***

We operate in a complex regulatory and legal environment that exposes us to compliance and litigation risks that could materially affect our results of operations. These laws may change, sometimes significantly, as a result of political, economic or social events. Some of the federal, state or local laws and regulations in Brazil that affect us include: those relating to consumer products, product liability or consumer protection; those relating to the manner in which we advertise, market or sell products; labor and employment laws, including wage and hour laws; tax laws or interpretations thereof; data protection and privacy laws and regulations; and securities and exchange laws and regulations.

For instance, data protection and privacy laws are developing to take into account the changes in cultural and consumer attitudes towards the protection of personal data and may be interpreted in a manner that is detrimental to our operations. There can be no guarantee that we will have sufficient financial resources to comply with any new regulations or successfully compete in the context of a shifting regulatory environment.

Any additional laws or regulations enacted or approved in Brazil or in other jurisdictions in which we operate could impose regulatory obligations not previously foreseen by us, causing us to incur additional costs to implement operational and systemic changes or controls within the required deadlines, or risk having our operations restricted if we were not able to do so.

***We depend significantly on automated systems and any cyberattacks, breakdown, hacking or changes in these systems may adversely affect us.***

We depend on automated systems to operate our businesses, including our sales system, automated seat reservation system, fleet and network management system, telecommunications system and website. Significant or repeated breakdowns of our automated systems may impede our passengers and travel agencies' access to our products and services, which may cause them to purchase tickets from other airlines, adversely affecting our net revenues. Our website and ticket sales system must accommodate a high volume of traffic and deliver important flight information and the increase in work-from-home arrangements since the onset of the COVID-19 pandemic has the potential to enhance cybersecurity risks. Substantial or repeated website, ticket sales, scheduling or telecommunication systems failures (including misconfigurations, bugs, and other vulnerabilities in software and hardware that support our operations) could reduce the attractiveness of our services and could cause our customers to purchase tickets from another airline. Any interruption in these systems or their underlying infrastructure could result in the loss of important data, increase our expenses and generally harm us.

These interruptions may include but are not limited to telecommunications failures, computer hackings, computer viruses, employee malfeasance, worms or other disruptive software, or other malicious activities. In particular, both unsuccessful and successful cyberattacks on companies have increased in frequency, scope and potential harm in recent years.

We and our business partners have been the target of cybersecurity attacks and data breaches in the past and expect that we will continue to be in the future. We reacted and responded to these cybersecurity attacks in accordance with the applicable legal requirements, our own approved cybersecurity protocols, as well as our commercial partners' standards, but we cannot ensure that our responses will be sufficient to prevent or mitigate the potential adverse impacts of these incidents, which may be material. Furthermore, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information. In addition, despite efforts to maintain and improve the security of digital information, individuals, including employees or contractors, may be able to circumvent the security measures we put in place, and we may be unable to anticipate new techniques used for these attacks and intrusions and implement adequate preventative measures.

The costs associated with a major cyberattack could include expensive incentives offered to existing customers to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption, litigation and damage to our reputation. In addition, as cyber security incidents become more frequent, intense, and sophisticated, the costs of proactive defensive measures may increase. Moreover, if we fail to prevent the theft of valuable information, protect the privacy of customer and employee confidential data against breaches of network or IT security, it could impact our brand and result in damage to our reputation, which could adversely impact customer and investor confidence. We may also implement certain changes to our systems that may result in breakdowns, reduced sales, fleet and network mismanagement or telecommunications interruptions, all of which would negatively affect us.

Furthermore, we are subject to evolving global privacy and security regulatory obligations, including reporting obligations in respect of material cybersecurity incidents, and an increasing customer focus on privacy issues and data security. See “—The failure to adhere to LGPD or other privacy laws enacted in Brazil and/or other jurisdictions may adversely affect our reputation, business, financial condition, or results.” A significant number of recent privacy and data security incidents, including those involving other large airlines, have resulted in very substantial adverse financial consequences to those companies. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information could result in legal claims or proceedings, liability, fines, damages, sanctions or other regulatory penalties under laws protecting the privacy of personal information or disruption to our operations. A significant number of recent privacy and data security incidents, including those involving other large airlines, have resulted in very substantial adverse financial consequences to those companies.

Over the past few years, there has been a global trend of increasing security threats, including, but not limited to, phishing and malware and ransomware campaigns, exploitation of video collaboration vulnerabilities among other issues. Such security threats are expected to accelerate even more on a global basis in frequency and magnitude as threat actors become increasingly sophisticated in leveraging techniques and tools (including artificial intelligence) that circumvent security controls, evade detection and even remove forensic evidence. In addition, the increase in employees working from home as a response to the COVID-19 pandemic and longer-term shifts towards remote or hybrid work may increase cybersecurity risks due to vulnerabilities associated with remote or hybrid work. Moreover, the risk of cyberattack may be heightened in the context of the ongoing war between Russia and Ukraine, and in response to the sanctions imposed, which could adversely affect our ability to maintain or enhance our cybersecurity and data protection measures, and government officials in various jurisdictions have called for increased cybersecurity and vigilance.

Any of these occurrences could result in a material adverse effect on us.

***We, our reputation, and the price of our preferred shares, including in the form of ADSs, could be adversely affected by events outside of our control.***

Accidents or incidents involving our aircraft could involve significant claims by injured passengers and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent loss from service. We are required by ANAC and lessors of our aircraft under our lease agreements to carry liability insurance. The amount of liability insurance we maintain may not be adequate, and events not covered by insurance may occur, and we may be forced to bear substantial losses in the event of an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident involving our aircraft, even if fully insured, or the aircraft of any major airline could cause negative public perceptions about us, our aircraft or the air transport system, due to safety concerns or other problems, whether real or perceived, which would harm our reputation, financial results and the market price of our preferred shares, including in the form of ADSs.



We may also be affected by other events that affect travel behavior or increase costs, such as the potential of epidemics or acts of terrorism. These events are outside of our control and may affect us even if occurring in markets where we do not operate and/or in connection with other airlines. Uncertainty surrounding the Russia-Ukraine conflict, the escalation conflict in the Middle East, or other sustained geopolitical events may affect our operations in unpredictable ways. Any future terrorist attacks or threats of attacks, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations, including an escalation of military involvement in the Middle East, or otherwise and any related economic impact, could result in decreased passenger traffic and materially and adversely affect us.

Demand for air travel may be adversely impacted by events beyond our control, such as adverse weather conditions and natural disasters, terrorist attacks, war or political and social instability. Epidemics and outbreaks such as the COVID-19 pandemic, Zika virus, Ebola, avian flu, foot-and-mouth disease, swine flu, Middle East Respiratory Syndrome, or MERS, and Severe Acute Respiratory Syndrome, or SARS, may also result in quarantines of our personnel or an inability to access facilities or our aircraft, which would harm us, our reputation, and the market value of our common shares and preferred shares, including in the form of ADSs. The outbreak of diseases such as COVID-19 could result in significant decreases in passenger traffic and the imposition of government restrictions in service and could have a material adverse impact on the airline industry. Situations such as these, or other conditions beyond our control, in one or more of the markets in which we operate could have a material impact on our business, financial condition and results of operations. Furthermore, the current spread of COVID-19 and other adverse public health developments could have a prolonged effect on air travel demand and any prolonged or widespread effects could significantly impact our operations.

Natural disasters, severe weather conditions and other events outside of our control may affect and disrupt our operations. In 2018, a truckers' strike disrupted the distribution of fuel supplies throughout Brazil, affecting flights as well as passengers' ability to commute to and from airports for a period of approximately 10 days. About 37 airports in which Azul operates ran out of fuel, and some airports remained closed for three days.

Severe weather conditions can cause flight cancellations or significant delays that may result in increased costs and reduced revenue. Any natural disaster or other event that affects air travel in the regions in which we operate could have a material adverse impact on us.

***The outbreak of highly contagious diseases worldwide, such as the COVID-19 pandemic, had, and may in the future cause, a material adverse effect on our business, financial condition, liquidity and results of operations.***

Disease outbreaks, such as the COVID-19 pandemic, or potential disease outbreaks, and governmental responses thereto had, and may in the future cause, a severe impact on global and Brazilian macro-economic and financial conditions, including the disruption of supply chains and the closures or interruptions of many businesses, leading to losses of revenues, increased unemployment and economic stagnation and contraction.

The COVID-19 pandemic also resulted in materially increased volatility in both Brazilian and international financial markets and economic indicators, including exchange rates, interest rates and credit spreads. For example, as a result of heightened volatility, the value of assets in the B3, decreased significantly and quickly in the month of March 2020, triggering their circuit breaker eight times. Any shocks or unexpected movements in these market factors resulted and could continue to result in financial losses associated with our trading portfolio or financial assets, which could deteriorate our financial condition. Measures taken by governmental authorities worldwide, including Brazil, to stabilize markets and support economic growth may not be sufficient to control high volatility or to prevent serious and prolonged reductions in economic activity. Moreover, as a result of the COVID-19 pandemic, the availability of credit line facilities became restricted, which adversely impacted and could further adversely impact our financial expenses and ability to finance our operations.

In addition, the social distancing measures imposed by governmental authorities to contain the spread of the COVID-19 pandemic (such as quarantine measures, travel restrictions, cancellation of business conventions and concerts, among others) resulted in a sharp drop in air travel in 2020 and 2021, and we experienced a precipitous decline in passenger demand and bookings for both business and leisure travel. Such measures coupled with the market downturn caused by the COVID-19 pandemic had, and may in the future continue to have, a negative impact on our performance across our business and results of operations. While cases have declined globally and many of these restrictions have since been lifted, there is no way to predict whether new patterns of contagion, increasing disease severity or other factors related to the COVID-19 pandemic or other disease outbreaks, including access to, or the efficiency of, any vaccines developed in response to any pandemic, may result in a renewed tightening of these policies or the imposition of new and different restrictions.

In April 2020, in light of the uncertainty due to the COVID-19 pandemic that was affecting the demand for air traffic, we operated 70 non-stop flights per day to 25 cities, representing a 90% reduction of our consolidated planned capacity in terms of ASKs for the month of April 2020. Thus, in response to the COVID-19 pandemic, in 2020 we significantly reduced capacity from our original plan. Although in 2022 and 2023 there was an increase in air passenger volumes (according to data released by ANAC, the Brazilian civil aviation regulator, 91 million people were transported by airplanes in 2023 in Brazil, an increase of 11.2% compared to 2022 and 2021, respectively), there can be no assurance that demand for air travel may decrease in the future. While in 2022 leisure travel demand surpassed pre pandemic levels, corporate demand did not return to pre pandemic levels, and we will continue to evaluate the need for further flight schedule adjustments throughout 2024.

We also announced several measures to reduce fixed costs and preserve our cash position. Ultimately, cost-saving measures that we implemented from 2020 to 2023, or may consider in the future, have not made up, and may not in the future make up, for the loss in cash as a result of decreased ticket sales and cancellations and could also negatively affect our service to customers.

Following a faster than expected return of demand for air travel as COVID-19 cases declined worldwide and governments lifted travel restrictions, suppliers and many of the airports we serve experienced acute shortages of personnel, resulting in increased delays, cancellations and, in certain cases, restrictions on passenger numbers or the number of flights to or from certain airports. Further, we have experienced difficulties in recruiting and retaining sufficient personnel to operate significantly increased schedules, and have in some instances been required to offer significant increases in pay and other benefits to recruit and retain pilots and other personnel. We cannot guarantee that, as a result of ongoing or future supply chain disruptions or staffing shortages, we, our third-party partners, or the airports we serve will be able to timely source all of the products and services we require in the course of our business, or that we will be successful in procuring suitable alternatives.

Moreover, the ability to attract and retain passengers depends, in part, upon our perception and reputation and the public's concerns regarding the health and safety of travel generally, especially regarding airline travel. Actual or perceived risk of infection on our flights had and could continue to have a material adverse effect on the public's comfort with air travel, which could harm our reputation and business. We expect to continue to incur COVID-19-related costs as we sanitize airplanes and implement additional hygiene-related protocol to airplanes and take other action to limit infection among our employees and passengers. In addition, the industry may continue to be subject to enhanced health and hygiene requirements in attempts to counteract future outbreaks, which requirements may be costly and take a significant amount of time to implement.

Disease outbreaks, such as the COVID-19 pandemic, may also exacerbate other risks described in this "Risk Factors" section, including, but not limited to, our competitiveness, demand for our services, shifting consumer preferences and our substantial amount of outstanding indebtedness.

***Changes in the credit ratings issued by credit rating agencies could adversely affect our ability to raise funding, our cost of financing and the market price of our securities.***

Credit rating agencies rate our securities on factors that include operating results, actions taken by us and our subsidiaries, their view of the general outlook for the airlines industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include (i) maintaining, upgrading or downgrading our rating, or (ii) placing us on a watch list for possible future downgrading.

Our credit rating was: (i) downgraded by S&P to B (in March 2020), to CCC+ (in March 2021, and reaffirmed in February 2023 with a negative outlook), and upgraded to B- (in July 2023 with stable outlook); (ii) downgraded by Fitch to B (in March 2020), to CCC+ (in March 2021), and to CCC- (in February 2023), and upgraded to B- (in July 2023 with stable outlook); (iii) downgraded by Moody's to B1 (in March 2020), to CCC+ (in March 2021), and Caa2 (in February 2023), and upgraded to Caa1 (in July 2023 with a positive outlook). The downgrades of our ratings were based on a number of factors, including the financial impacts of the COVID-19 pandemic. If our credit ratings were to be further downgraded, or general market conditions were to ascribe higher risk to our ratings levels, the airline industry, or us, our business, financial condition and results of operations would be adversely affected.

Ratings are limited in scope, and do not address all material risks relating to any debt securities, but rather reflect only the views of the rating agencies at the time the ratings are issued.

Our ability to access the capital markets is in part driven by our ratings and any downgrading the credit rating of our securities or placing Azul on a watch list for possible future downgrading could, among other things: (i) limit our access to the capital markets or otherwise adversely affect the availability of other new financing on favorable terms, or at all; (ii) result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur; (iii) increase our cost of financing; and (iv) adversely affect the market price and marketability of our outstanding securities.

There can be no assurance that such ratings or outlooks will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant, and any such changes may have a material adverse effect on us.

***Our insurance expenses may increase significantly as a result of a terrorist attack, war, aircraft accident, seizures or similar event, adversely affecting us.***

Insurance companies may significantly increase insurance premiums for airlines and reduce the amount of insurance coverage available to airlines for civil liability in respect of damage resulting from acts of terrorism, war, aircraft accident, seizures or similar events, as was the case following the terrorist attacks of September 11, 2001 in the United States.

In response to substantial increases in insurance premiums to cover risks related to terrorist attacks following the events of September 11, 2001 in the United States, the Brazilian government enacted legislation, specifically Law 10744, of October 9, 2003, authorizing the Brazilian government to assume civil liability to third parties for any injury to goods or persons, whether or not passengers, caused by terrorist attacks or acts of war against Brazilian aircraft operated by Brazilian airlines in Brazil or abroad. In addition, according to the above mentioned legislation, the Brazilian government may, at its sole discretion, suspend or cancel this assumption of liability. If the Brazilian government suspends its assumption of liability, Brazilian airlines will be required to assume the liability once more and obtain insurance in the market.

Airline insurers may reduce their coverage or increase their premiums in case of new terrorist attacks, war, aircraft accident, seizures and the Brazilian government's termination of its assumption of liability or other events affecting civil aviation in Brazil or abroad. If there are significant reductions in insurance coverage, our potential liability would increase substantially. If there are significant increases in insurance premiums, our operating expenses would increase, adversely affecting us.

In line with global industry practice, we leave some business risks uninsured, including business interruption, loss of profit or revenue and consequential business losses arising from mechanical breakdown. To the extent that uninsured risks materialize, we could be materially and adversely affected. In addition, there is no assurance that our coverage will cover all potential risks associated with our operations and activities. To the extent that actual losses incurred by us exceed the amount insured, we may have to bear substantial losses which will have an adverse impact on us.

***Technical and operational problems in the Brazilian civil aviation infrastructure, including air traffic control systems, airspace and airport infrastructure, may have a material adverse effect on our strategy and, consequently, on us.***

We are dependent on improvements in the coordination and development of Brazilian airspace control and airport infrastructure, which, mainly due to the large growth in civil aviation in Brazil in recent years, require substantial improvements and government investments. Technical and operational problems in the Brazilian air traffic control systems have led to extensive flight delays, higher than usual flight cancellations and increased airport congestion. The Brazilian government and air traffic control authorities have taken measures to improve the Brazilian air traffic control systems, but if the changes undertaken by the Brazilian government and regulatory authorities do not prove successful, these air traffic control related difficulties might recur or worsen, which may have a material adverse effect on us and our growth strategy.

Slots at Congonhas airport in São Paulo are fully utilized. The Santos Dumont airport in Rio de Janeiro, which is important for our operations, has certain landing rights restrictions, including a cap of 6.5 million passengers annually imposed by the federal government which came into effect in January 2024. Several other Brazilian airports, for example Brasília, Salvador, Belo Horizonte (Confins), São Paulo (Guarulhos and Viracopos) and Rio de Janeiro (Galeão), have limited the number of landing rights per day due to infrastructural limitations at these airports. Any condition that would prevent or delay our access to airports or routes that are vital to our strategy, or our inability to maintain our existing landing rights, slots and destinations served, and obtain additional landing rights and slots, could materially adversely affect us. New operational and technical restrictions imposed by Brazilian authorities in the airports we operate or in those we may seek to operate may also adversely affect us. In addition, we cannot assure that any investments will be made by the Brazilian government in the Brazilian aviation infrastructure to permit a capacity increase at busy airports and consequently additional concessions for new slots to airlines.

Furthermore, we cannot assure that any investments will be made by the holders of concessions for the operators of the airports which serve our routes. [For example, as a result of the transfer of our operations to the passenger terminal at Viracopos airport, we signed a “Terminal Transfer Incentive Agreement” with Aeroportos Brasil which established a detailed construction schedule for this terminal and gave us certain rights to impose penalties in the event of noncompliance. Due to the fact that Aeroportos Brasil has not complied with certain contractual obligations under this agreement, we have retained 40% of the airport landing tariffs since February 2017. As a result of this retention, Aeroportos Brasil filed a collection action against us, which was settled in May 2018. Pursuant to the settlement agreement, we agreed to carry out certain parts of the construction of the new terminal at Viracopos Airport using the airport landing tariffs retained from Aeroportos Brasil. For more information, see “Item 4.B. Business Overview—Airports and Other Facilities and Properties—Airports” and “Item 8.A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

***Increases in labor benefits, union disputes, strikes, and other worker-related disturbances may adversely affect us.***

Our business is labor intensive. Our expenses related to our workforce (salaries and benefits) represented 14.3%, 13.5% and 17.6%, of our total operating expenses for the years ended December 31, 2023, 2022 and 2021, respectively. All Brazilian airline employees, including ours, are represented by regional aviation unions and by two national labor unions: (i) the National Pilots’ and Flight Attendants’ Union (*Sindicato Nacional dos Aeronautas*) and (ii) the National Aviation Union (*Sindicato Nacional dos Aeroviários*). Negotiations regarding cost-of-living increases and salary payments are conducted annually between these unions and an association that represents all Brazilian airline companies, the National Union of Airline Companies (*Sindicato Nacional das Empresas Aeroviárias*), or SNEA. Work conditions and maximum work hours are regulated by federal legislation and are not subject to labor negotiations. Future terms and conditions of collective agreements could become costlier for us as a result of an increase in threats of strikes and binding negotiations between the unions and SNEA. Furthermore, certain employee groups such as pilots, mechanics and other airport personnel have highly specialized skills and cannot be easily replaced. Our labor costs could increase if the size of our business increases. Any labor proceeding or other workers’ dispute involving unionized employees could adversely affect us or interfere with our ability to carry out our normal business operations.

Moreover, we are subject to periodic and regular investigations by labor authorities, including the Brazilian Ministry of Labor and the Public Prosecutor’s Office, or the Labor Prosecution Office, with respect to our compliance with labor rules and regulations, including those relating to occupational health and safety. These investigations could result in fines and proceedings that may materially and adversely affect us. For example, in February 2017, the Public Labor Prosecutor’s Office filed a lawsuit against us claiming that we have allegedly violated certain labor regulations, including limitations on daily working hours and resting periods. The Public Labor Prosecutor’s Office claimed approximately R\$66 million in punitive damages.

***A failure to implement our growth strategy may adversely affect us.***

Our growth strategy and the consolidation of our leadership in terms of markets served includes, among other objectives, increasing the number of markets we serve and increasing the frequency of the flights we provide. These objectives are dependent on obtaining approvals for operating new routes from local regulators and obtaining adequate access to the necessary airports. Certain airports that we serve or that we may want to serve in the future are subject to capacity constraints and impose landing rights and slot restrictions during certain periods of the day such as the Santos Dumont airport in Rio de Janeiro and the Juscelino Kubitschek airport in Brasília. We cannot assure you that we will be able to maintain our current landing rights, slots and permitted destinations and obtain a sufficient number of landing rights and slots, gates, and other facilities at airports to expand our services as we propose. It is also possible that airports not currently subject to capacity constraints or other operational restrictions may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risks having those slots reallocated to other airlines. Where landing rights and slots or other airport resources are not available or their availability is restricted in some way, we may have to modify our schedules, change routes or reduce aircraft utilization.

Some of the airports to which we fly impose various restrictions, including limits on aircraft noise levels, limits on the number of average daily departures and curfews on runway use. In addition, we cannot assure you that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports, which may adversely affect us.

We cannot guarantee that we will be successful in the implementation of our growth strategy and the consolidation of our leadership in terms of markets served and, as a result, any factor preventing or delaying our access to airports or routes which are vital to our growth strategy (including our ability to maintain our current slots and obtain additional landing rights and slots at certain airports) may restrict our operations or the expansion of our operations and, consequently, adversely affect us, our financial results and our growth strategy.



Our current business plan contemplates the continued addition of Airbus and Embraer aircraft to replace older generation aircraft and serve high-density markets. Disruptions or changes in the manufacturers' delivery schedules for our new Embraer and Airbus aircraft have affected and may continue to affect our operations and might negatively affect us because we may not be able to accommodate increased passenger demand or develop our growth strategies.

***The successful execution of our strategy is partly dependent on the maintenance of a high daily aircraft utilization rate, making us especially vulnerable to delays that could adversely affect us.***

In order to successfully execute our strategy, we need to maintain a high daily aircraft utilization rate. Achieving high aircraft utilization allows us to maximize the amount of revenue that we generate from each aircraft and dilute fixed costs. High daily aircraft utilization is achieved, in part, by reducing turnaround times at airports and developing schedules that enable us to fly more hours on average per day. Our aircraft utilization rate could be adversely affected by a number of factors that we cannot control, including air traffic and airport congestion, interruptions in the service provided by air traffic controllers, adverse weather conditions and delays by third-party service providers in respect of matters such as fueling and ground handling. Such delays could result in a disruption in our operating performance, leading to lower daily aircraft utilization rates and customer dissatisfaction due to any resulting delays or missed connections, which could adversely affect us.

***Any expansion of our business activities will require us to incur additional and possible expenses and we may be unsuccessful in generating a profit from any such new activities, potentially adversely affecting us.***

We intend to expand our business activities through additional products and services if we believe this expansion will increase our profitability or our influence in the markets in which we operate. As part of our growth strategy, we periodically acquire additional aircraft, including different types of aircraft than the ones we currently operate or have operated in the past, and enter into commitments for additional aircraft based on our expectations of increased traffic given the significant time frames for ordering and taking delivery of these assets. We cannot assure you that we will be able to successfully operate these new aircraft and maintain our historical operating performance.

As the international and domestic markets develop and expand in Brazil, our expansion may also include additional acquisitions of existing service-related businesses, aircraft hangars and other assets and business that are expansions of or complementary to our core and ancillary business and responsive to our perceived needs to compete with our competitors. There can be no assurances that our plans to expand our business will be successful given a number of factors, including the possible need for regulatory approvals, additional facilities or rights, personnel and insurance. These new activities may require us to incur material costs and expenses, including capital expenditures, increased personnel, training, advertising, maintenance and fuel costs, as well as costs related to management oversight of any new or expanded activities. We may also incur additional significant costs related to integration of these assets and activities into our existing businesses and require significant ancillary expenditures for systems integration and expansion, financial modeling and development of pricing, traffic monitoring and other management tools designed to help achieve profitability from these new assets and activities.

Any expansion of our activities, change in management oversight and related costs may affect our results and financial condition until we are able to generate a profit from these new activities. Given the current and expected competitive landscape in the airline industry in general and in particular in Brazil, as well as other market factors and conditions, it is possible that there may be a significant period before we are able to generate profits relating to any such new or our existing activities and our overall business, and in certain circumstances we may never turn a profit at all, in each case potentially adversely affecting us.

***We may not be able to grow our operations to or in the United States and Europe and may be adversely affected if Brazil does not maintain a favorable safety assessment or if we fail to comply with the United States and European civil aviation regulatory frameworks.***

We cannot assure you that the laws and regulations of the jurisdictions to which we fly (including, without limitation, immigration and security regulations, which directly affect passengers) will not change or that new laws adverse to us will not be enacted, and any such events may adversely affect us and our ability to continue and expand our operations internationally.

For example, the FAA periodically audits the aviation regulatory authorities of other countries. As a result of their investigations, each country is given an International Aviation Safety Assessment, or IASA, rating. The IASA rating for Brazil is currently “Category 1,” which means that Brazil complies with the ICAO safety requirements. This allows us to continue our service from our hubs in Brazil to the United States in a normal manner and take part in reciprocal code-sharing arrangements with U.S. carriers. However, we cannot assure you that Brazil will continue to meet international safety standards, and we have no direct control over its compliance with IASA guidelines.

If Brazil does not maintain a favorable safety assessment or if we fail to comply with the United States and European civil aviation regulatory frameworks, our ability to continue or increase service to or in the United States and Europe could be restricted, which could in turn, adversely affect us.

***We are highly dependent on our three hubs at Viracopos airport, Confins airport and Recife airport for a large portion of our business and as such, a material disruption at any of our hubs could adversely affect us.***

Our business is heavily dependent on our operations at our three hubs at Viracopos airport, Confins airport and Recife airport. Many of our routes operate through these hubs, which account for a significant part of our daily arrivals and departures. Like other airlines, we are subject to delays caused by factors beyond our control and that could affect one or more of our hubs or other airports in any of the regions served by us. For example, in 2018, an incident with an aircraft from LATAM caused the closing of a runway at Confins airport, one of our main hubs, for 21 hours, which negatively impacted our operations and forced us to re-accommodate our passengers to new flights. Due to this geographical capacity concentration, we may not be able to react as quickly or efficiently as our competitors to any delays, interruption or disruption in service or fuel at any one or more of our hubs, which could have a material adverse impact on us. Furthermore, ANAC has granted concessions for the operation of Viracopos airport and Confins airport. We have no control over these concessions and cannot predict how the current concessions, any future concessions or the termination of any concessions could affect these airports.

For example, Aeroportos Brasil, which holds a concession for the operation of Viracopos airport from ANAC, filed for bankruptcy protection in 2018 as it has not complied with its contractual obligations relating to the construction of a new terminal. On February 14, 2020, creditors approved Aeroportos Brasil’s debt restructuring plan, which requires returning the concession for the operation of Viracopos airport to ANAC to initiate a new bidding process of the concession to a new operator. On February 18, 2020, the debt restructuring court approved the judicial recovery plan and on March 19, 2020, Aeroportos Brasil filed an application to ANAC for the rebidding of Viracopos airport, in compliance with the judicial recovery plan.

For more information, see “Item 4.B. Business Overview—Airports and Other Facilities and Properties—Airports” and “Item 8.A. Consolidated Statements and Other Financial Information—Legal Proceedings.” Any changes to these concessions could have a material adverse impact on us.

***We fly and depend upon Embraer, ATR and Airbus aircraft, and we could suffer if we do not receive timely deliveries of aircraft, if aircraft from these companies become unavailable or subject to significant maintenance or if the public negatively perceives our aircraft.***

As our fleet has grown, our reliance on Embraer, ATR and Airbus has also grown. As of December 31, 2023, our passenger operating fleet consisted of 57 Embraer E-Jets, 36 ATR aircraft, 55 Airbus narrowbody, and 11 Airbus widebody. Additionally, we are operating 24 Cessna Cavarans aircraft, with 9 passenger seats each.

Risks relating to Embraer, ATR and Airbus include: (i) our failure or inability to obtain Embraer, ATR or Airbus aircraft parts or related support services on a timely basis because of high demand or other factors, (ii) the issuance by the aviation authorities of directives restricting or prohibiting the use of Embraer, ATR or Airbus aircraft, (iii) the adverse public perception of a manufacturer as a result of an accident or other negative publicity or (iv) delays between the time we realize the need for new aircraft and the time it takes us to arrange for Embraer, ATR and Airbus or from a third-party provider to deliver this aircraft.

Our ability to obtain these new aircraft from Embraer, ATR and Airbus may be affected by several factors, including (i) Embraer, ATR or Airbus may refuse to, or be financially limited in its ability to, fulfill the obligations it assumed under the aircraft delivery contracts, (ii) the occurrence of a fire, strike or other event affecting Embraer's, ATR's or Airbus's ability to fulfill its contractual obligations in a complete and timely fashion and (iii) any inability on our part to obtain aircraft financing or any refusal by Embraer, ATR or Airbus to provide financial support. We may also be affected by any failure or inability of Embraer, ATR, Airbus, (or other suppliers) to supply sufficient replacement parts in a timely fashion, which may cause the suspension of operations of certain aircraft because of unscheduled or unplanned maintenance. Any such suspension of operations would decrease passenger revenue and adversely affect us and our growth strategy.

The occurrence of any one or more of these factors or the suspension of operations could restrict our ability to use aircraft to generate profits, respond to increased demands or could limit our operations and adversely affect us.

If the subleases and/or the renegotiation are not carried out, we may be obliged to restructure our plan of measures intended to address the impacts of the pandemic. In the event we are not able to carry out these agreements, we cannot guarantee that we will be able to take the appropriate measures, on favorable conditions, within a reasonable time. Furthermore, if the non-effectuation of transactions is not consensual, we may be subject to litigious procedures involving the parties involved in the transactions, which have the potential to result in relevant costs and expenses, adversely affecting us.

***We could be adversely affected by expenses or stoppages associated with planned or unplanned maintenance on our aircraft, as well as any inability to obtain spare parts on time.***

As of December 31, 2023, Azul had a passenger operating fleet of 183 aircraft and a passenger contractual fleet of 189 aircraft, with an average aircraft age of 7.4 years excluding Cessna aircraft. At the end of the fourth quarter of 2023, the 6 aircraft not included in our operating passenger fleet consisted of three Embraer E1s subleased to Breeze, one ATR and two Embraer E2s in the processing of exiting the fleet.

Our fleet will require more maintenance as it ages and our maintenance and repair expenses for each of our aircraft will be incurred at approximately the same intervals. In the event we cannot renew our fleet, our scheduled and unscheduled aircraft maintenance expenses will increase as a percentage of our revenue in future years. Any significant increase in maintenance and repair expenses would have a material adverse effect on us.

Our business would be significantly harmed by unplanned stoppages or suspensions of operations associated with planned or unplanned maintenance due to mechanical issues. For example, if a design defect or mechanical problem with Embraer E-Jets, ATRs or Airbus aircraft were to be discovered, this would cause our aircraft to be grounded while such defect or mechanical problem was being corrected. We cannot assure you that we would succeed in obtaining all aircraft and parts to solve such defect or mechanical problem, that we would obtain such parts on time, or that we would succeed in solving such defect or mechanical problem even if we obtained such parts. This could result in a suspension of the operations of certain of our aircraft, potentially for a prolonged period of time, while we attempted to obtain such parts and solve such defect or mechanical problem, which could have a materially adverse effect on us.

Additionally, General Electric is the sole manufacturer and supplier of the CF34 engines on our Embraer E-Jets and together with Safran, through CFM International, of the LEAP engines on our next-generation Airbus A320neos, Pratt & Whitney is the sole manufacturer and supplier of the PW 127M engines on our ATR 72 aircraft and engines for our Embraer E2s aircraft, and Rolls Royce is the sole manufacturer of the Trent 700 and Trent 7000 engines for our A330 aircraft. As prices for the engines and parts are payable in U.S. dollars, they are subject to fluctuations in exchange rates and may result in us incurring substantial additional expenses in the event that the U.S. dollar appreciates. We have also outsourced all engine maintenance for our Embraer E-Jet and next-generation Airbus A320neo fleet to General Electric, for our ATR fleet to Pratt & Whitney, and the engine maintenance of our A330 fleet to Rolls Royce. If General Electric, Rolls Royce or Pratt & Whitney are unable to perform their contractual obligations or if we are unable to acquire engines from alternative suppliers on acceptable terms, we could lose the benefits we derive from our current agreements with General Electric, Pratt & Whitney and Rolls Royce, incur substantial transition costs, or suffer from the suspension of the operations of certain of our aircraft due to the need for unscheduled or unplanned maintenance while these contractual obligations are not being performed.

***We rely on agreements with third parties to provide our customers and us with facilities and services that are integral to our business and the termination or non-performance of these agreements could affect us.***

We have entered into agreements with third-party contractors to provide certain facilities and services required for our operations, such as aircraft maintenance, ground handling, baggage handling and television and internet services for our flights. All of these agreements are subject to termination on short notice. The loss or expiration of these agreements or our inability to renew these agreements or to negotiate new agreements with other providers at comparable term and conditions or at all could harm our business and results of operations. Further, our reliance on third parties to provide essential services on our behalf gives us less control over the costs, efficiency, timeliness and quality of those services. Any of these third parties may fail to meet their service performance commitments, may suffer disruptions to their systems that could impact the fulfillment of their obligations, or the agreements with such third parties may be terminated. The failure of any third-party contractor to adequately perform their services, or other interruptions of services, may adversely affect us, including reducing our revenues and increasing our expenses or preventing us from operating our flights or providing other services to our customers. In addition, we, including our reputation, could be materially adversely affected if our customers believe that our services or facilities are unreliable or unsatisfactory.

***We rely on partner airlines for codeshare and loyalty marketing arrangements and the loss of a significant partner through bankruptcy, consolidation, or otherwise, could adversely affect us.***

Azul is a party to codeshare agreements with international air carriers United, TAP, JetBlue and Emirates, among others. These agreements provide that certain flight segments operated by us are held out as United, TAP, JetBlue or Emirates flights, as the case may be, and that certain United, TAP, JetBlue and Emirates flights, as the case may be, are held out for sale as Azul flights. In addition, these agreements provide that our TudoAzul members can earn points on or redeem points for United or TAP flights, as the case may be, and vice versa. We receive revenue from flights sold under these codeshare agreements. In addition, we believe that these frequent flyer arrangements are an important part of our TudoAzul program. The loss of a significant partner through bankruptcy, consolidation, or otherwise, could adversely affect us. We may also be adversely affected by the actions of one of our significant partners, for example, in the event of nonperformance of a partner's material obligations or misconduct by such partner, which could potentially result in us incurring liabilities, or poor delivery of services by one of our partners, which could damage our brand.

***We may be adversely affected if TudoAzul loses business partners or if these business partners change their policies in relation to the granting of benefits to their clients or take other decisions or actions that are beyond our control.***

TudoAzul relies on main business partners for a significant portion of its gross billings. The current business partners of TudoAzul include (i) financial institutions, including Caixa, Itaú, Livelô (Banco do Brasil's and Bradesco's loyalty joint venture) and Santander, (ii) retailers, including Casas Bahia, Magazine Luiza and Fast Shop, and (iii) travel partners, including Accor, RentCars, Hertz, and Booking.com.

A decrease in points sold to any one of the significant partners of TudoAzul for any reason, including a temporary or permanent downturn in their business or financial condition, a decrease in their activity or their development of new loyalty strategies for their respective clients, could adversely affect the TudoAzul business and therefore our business, results of operations and financial condition. In addition, a decision by any one of these partners to not participate in the TudoAzul business could have a negative effect on our business, results of operations and financial condition.

Most agreements with the business partners of TudoAzul are relatively short-term agreements which may be terminated or renewed under different terms when they expire or are renewed prior to expiry. In addition, some of these agreements may be terminated prior to expiration in the case of certain breaches by a party to the agreement. Any such termination or inability to renew agreements with business partners of TudoAzul could have a material adverse effect on the business and results of TudoAzul.

The success of TudoAzul also depends in part on the decisions or actions of our partners that are beyond our control. Many of the business partners of TudoAzul may freely change their policies for accumulating, transferring and redeeming points, as well as develop their own platforms for clients to exchange points for rewards, including airline tickets issued by other airlines, and as a result reduce the gross billings of TudoAzul and demand for points. Changes in these policies may (i) make TudoAzul less attractive or efficient for the clients of its business partners, and (ii) increase competition in the loyalty sector, which in turn may reduce and the demand for points, increase downward pressure on the average price of points and harm the business of TudoAzul. If the loyalty program sector does not grow enough to absorb new participants or if TudoAzul does not adequately react to the market or to the policies of our partners, the business of TudoAzul may be adversely affected.

In addition, financial institution business partners of TudoAzul may change the terms and conditions of the credit card accounts of their customers, including finance charges and other fees and required minimum monthly payments, in order to maintain their competitive position in the credit card industry or to comply with, among other things, regulatory guidelines, relevant law or prudent business practices. Changes in the terms of such credit card accounts may reduce the number of new accounts, the volume of credit card spend or negatively impact account retention, which in turn may reduce the number of points accrued and sold or impact TudoAzul, any of which could adversely affect the revenue generated by such partnerships.

No assurance can be given that TudoAzul's business partners will not take actions that adversely affect the success of TudoAzul.

***If actual redemptions by TudoAzul members are greater than expected, or if the costs related to redemption of reward points increase, we could be adversely affected.***

We derive most of our TudoAzul revenues by selling TudoAzul points to business partners. The earnings process is not complete, however, at the time points are sold, as we incur most of our costs related to TudoAzul upon the actual redemption of points by our TudoAzul members. Based on historical data, the estimated period between the issuance of a TudoAzul point and its redemption is currently approximately nine months; however, we cannot control the timing of the redemption of points or the number of points ultimately redeemed. Since we do not incur redemption-related costs for points that are not redeemed, our profitability depends in part on the number of accumulated TudoAzul points that are never redeemed by our TudoAzul members, or "breakage." We experience breakage when TudoAzul points are not redeemed for any number of reasons.

Our estimate of breakage is based on historical trends. We expect that breakage will decrease from historical amounts as TudoAzul expands its network of business partners and makes available a greater variety of reward options to our TudoAzul members. We seek to offset the anticipated decrease in breakage through our pricing policy for points sold. If we fail to adequately price our points or actual redemptions exceed our expectations, TudoAzul's profitability, and consequently our own profitability, could be adversely affected. Furthermore, if actual redemptions exceed our expectations, we may not have sufficient cash on-hand to cover all actual redemption costs, which could materially adversely affect us.

***We depend on our senior management team, and the loss of any member of this team, including our Chairman and key executives, could adversely affect us.***

Our business depends upon the efforts and skill of our senior management, including our Chairman, who has played a key role in establishing our corporate culture, and our key executives. Our future success depends on a significant extent on the continued service of our senior management team, who are critical to the development and the execution of our business strategies. Any member of our senior management team may leave us to establish or work in businesses that compete with ours. There is no guarantee that the compensation arrangements and non-competition agreements we have entered into with our senior management team are sufficiently broad or effective to prevent them from resigning in order to join or establish a competitor or that the non-competition agreements would be upheld in a court of law. In the event that our Chairman or a number of our senior management team leave our company, we may have difficulty finding suitable replacements, which could have a material adverse effect on us.

***We may be unable to maintain our culture and to retain and/or hire skilled personnel as our business grows, such as pilots, which could have an adverse impact on us.***

We believe that our growth potential and the maintenance of our results and customer-oriented company culture are directly linked to our capacity to attract and maintain the best professionals available in the Brazilian airline industry. In addition, there is increased scrutiny on companies' diversity, equity, and inclusion initiatives. As we grow, we may be unable to identify, hire, train or retain enough people who demonstrate our company culture, and who represent diverse backgrounds, experiences, and skill sets, or we may have trouble maintaining our company culture as we become a larger business. In addition, a negative perception of diversity, equity, and inclusion initiatives, whether due to our perceived over- or under-pursuit of such initiatives, may result in issues hiring or retaining employees, as well as potential litigation or other adverse impacts.

From time to time, the airline industry has experienced a shortage of skilled personnel, especially pilots. We compete against all other airlines, both inside and outside Brazil, for these highly-skilled personnel. We may have to increase salaries and benefits to attract and retain qualified personnel or risk considerable employee turnover. Our culture is crucial to our business plan, and failure to maintain that culture and/or retain skilled personnel could have an adverse impact on us.



***The airline industry is subject to increasingly stringent environmental regulations and non-compliance therewith may adversely affect us.***

The airline industry is subject to increasingly stringent federal, state, local and foreign laws (including those of the United States and Europe), regulations and ordinances relating to the protection of the environment, including those relating to emissions to the air, levels of noise, discharges to surface and subsurface waters, safe drinking water, and the management of hazardous substances, oils and waste materials. As far as civil liabilities are concerned, Brazilian environmental laws adopt a strict and joint liability regime. These laws and regulations are enforced by various governmental authorities. Non-compliance with such laws and regulations may subject the violator to administrative and criminal sanctions, in addition to the obligation to repair or to pay damages caused to the environment and third parties. Pursuant to Brazilian environmental laws and regulations, the piercing of the corporate veil of a company may occur to help provide enough financial resources for the recovery of damages caused against the environment. As far as civil liabilities are concerned, Brazilian environmental laws adopt a strict and joint liability regime.

In this regard we may be liable for violations by third parties hired to dispose of our waste, among other activities. Also, we may not hold all valid environmental licenses deemed necessary by the environmental authorities to perform our activities, which could subject us to financial fines, and depending on the degree of irregularity, may reach a value of up to R\$10 million, or even the total or partial suspension of our activities, in accordance with Federal Decree No. 6,514/2008, in addition to indemnity fines. State and municipal laws and regulations may impose distinct administrative sanctions at lower or higher values than the above.

***We are subject to risks associated with climate change, including increased regulation of our CO2 emissions, changing consumer preferences and the potential increased impacts of severe weather events on our operations and infrastructure.***

Efforts to transition to a low-carbon future have increased the focus by global, regional and national regulators on climate change and GHG emissions, including CO2 emissions.

In particular, in 2016, ICAO adopted a resolution creating the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), providing a framework for a global market-based measure to stabilize carbon dioxide emissions in international civil aviation (i.e., civil aviation flights that depart in one country and arrive in a different country). CORSIA is being implemented in phases, starting with the participation of ICAO member states on a voluntary basis during a pilot phase (from 2021 through 2023), followed by a first phase (from 2024 through 2026) and a second phase (from 2027 through 2035). ICAO member states have agreed that 2019 emissions would be used as the baseline for the CORSIA pilot phase (2021-2023) and that 85% of 2019 emissions would be used as the baseline for the remainder of CORSIA's phases (2024-2035). Accordingly, ICAO member countries further agreed to a long-term aspirational goal of reaching net zero aviation emissions by 2050. Certain CORSIA program details remain to be developed and could potentially be affected by political developments in participating countries or the results of the program. In 2020, we began reporting our emissions to Brazilian authorities. Brazil is expected to become a signatory of CORSIA in 2027.

To the extent most of the countries in which we operate continue to be ICAO member states, in the future we may be affected by regulations adopted pursuant to the CORSIA framework. In addition, CORSIA is expected to increase operating costs for airlines that operate internationally. At this time, the costs of complying with our future obligations under CORSIA are uncertain, and the potential impact of such costs would ultimately depend on a number of factors, including baseline emissions, the price of emission allowances or offsets that we would need to acquire, the efficiency of our fleet and the number of flights subject to these requirements. There is also significant uncertainty with respect to the future supply and price of carbon offset credits and sustainable or lower carbon aircraft fuels that could allow us to reduce our emissions of CO2. Due to the competitive nature of the airline industry and unpredictability of the market for air travel, we can offer no assurance that we may be able to increase our fares, impose surcharges or otherwise increase revenues or decrease other operating costs sufficiently to offset our costs of meeting obligations under CORSIA. In the event that CORSIA does not come into force as expected, we and other airlines could become subject to an unpredictable and inconsistent array of national or regional emissions restrictions, creating a patchwork of complex regulatory requirements that could affect global competitors differently without offering meaningful aviation environmental improvements.

In addition, the proliferation of national regulations and taxes on carbon emissions in the countries that we have domestic operations, including environmental regulations that the airline industry is facing in Brazil, may also affect our costs of operations and our margins.

Concerns about climate change and greenhouse gas emissions may result in additional regulation or taxation of aircraft emissions in Brazil, the United States or Europe. For example, we expect the SEC to adopt rules requiring certain new disclosures, including environmental-related disclosures, which could be difficult to implement and could require us to incur significant additional costs to comply, including by imposing significant additional internal controls processes and procedures regarding matters that have not been subject to such controls in the past, and increased oversight obligations on our management and board of directors. Future operations and financial results may vary as a result of the adoption of such regulations in Brazil, the United States or Europe. Moreover, certain airports have adopted, and others could in the future adopt, greenhouse gas, or GHG, emission or climate-related goals that could impact our operations or require us to make changes or investments in our infrastructure. Reporting expectations are also increasing, with a variety of commercial counterparties, including finance providers.

The European Union has proposed a directive under which the existing emissions trading scheme, or ETS, in each European Union member state was to be extended to all airlines. In June 2022, the European Parliament and European Council adopted their respective positions on a set of measures to reform the ETS as part of the European Union's "Fit for 55" program, an initiative published by the European Commission in July 2021. On December 6, 2022, the European Parliament and European Council reached a provisional political agreement on the revision of the ETS rules applying to the aviation sector. Under the provisional agreement, the ETS would have a narrow scope applying only for intra-European flights, including departing flights to the United Kingdom and Switzerland, while CORSIA would apply to extra-European flights to and from third countries participating in CORSIA from 2022 to 2027. In 2023, the European Union adopted new legislation extending this narrow scope of the ETS until 2027, but requires a review of CORSIA's effectiveness in 2026, which could, if CORSIA is not deemed sufficiently effective, potentially lead to expansion of the ETS to include all flights departing the European Union and the European Economic Area. Further, in 2023, the European Union adopted a legislation that will impose a sustainable aviation fuel, or SAF, mandate on fuel supplied at European Union airports. The mandate requires that, of the jet fuel supplied in the European Union, 2% must be SAF beginning in 2025, and the percentage increases incrementally over time to 70% in 2050. This mandate is expected to increase the cost of SAF in the European Union. Individual European Union member states have been developing their own requirements including, for example, a SAF mandate in France that came into force on January 1, 2022. We currently operate two routes to and from Europe (Lisbon and Paris) and service additional destinations in Europe through our code-sharing agreements.

All such climate change-related regulatory activity and developments may adversely affect our business and financial results by requiring us to reduce our emissions before cost-effective emissions reduction technologies are available, for example through requirements to make capital investments to purchase specific types of equipment or technologies, purchase carbon offset credits, or otherwise incur additional costs related to our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs.

Growing recognition among consumers of the dangers of climate change may mean some customers choose to fly less frequently or fly on an airline they perceive as operating in a manner that is more sustainable to the climate. Business customers may choose to use alternatives to travel, such as virtual meetings and workspaces. Greater development of high-speed rail in markets now served by short-haul flights could provide passengers with lower-carbon alternatives to flying with us. Our collateral to secure loans, in the form of aircraft, spare parts and airport slots, could lose value as customer demand shifts and economies move to low-carbon alternatives, which may increase our financing cost.

Finally, the potential acute and chronic physical effects of climate change, such as increased frequency and severity of storms, floods, fires, sea-level rise, excessive heat, longer-term changes in weather patterns and other climate-related events, could affect our operations, infrastructure and financial results. Climate change may also make destinations less attractive for visitors if the destination becomes more prone to extreme weather events. For example, during May 2024, the state of Rio Grande do Sul in the south of Brazil was hit by a natural disaster, which caused significant flooding across the state and resulted in the closure of airports, while we are working to measure all the impacts caused by the flooding, we evaluating alternatives to mitigate the impacts of flight cancellations in our revenue and network, among other adverse effects, among other adverse effects. Operational impacts of acute and chronic physical effects of climate change, such as delays, diversions or cancellation of flights, required us, and could further require us in the future, to incur additional operating or capital expenditures, reduce the demand for certain of our flight offerings, or otherwise adversely impact our business, financial condition, or results of operations. We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to reasonably predict the future materiality of any potential losses or costs associated with the physical effects of climate change.

***We may incur financial losses and damages to our reputation from ESG risks.***

Environmental and social risks are considered a material issue for our business since they can affect the creation of shared value in the short, medium and long terms, from the standpoint of our organization and our main stakeholders. Further, we understand environmental and social risk as the possibility of losses due to exposure to environmental and social events arising from the performance of our activities. We also recognize climate risk as an emerging environmental and social risk. Climate change is a risk as it affects our clients, suppliers and our operations, including property and equipment. For more information about risks associated with climate change, see “—We are subject to risks associated with climate change, including increased regulation of our CO2 emissions, changing consumer preferences and the potential increased impacts of severe weather events on our operations and infrastructure.”

Companies are facing increasing scrutiny from customers, regulators, investors and other stakeholders related to their ESG practices and disclosure, including practices and disclosures related to environmental and social risks, as well as related to diversity, inclusion, health and safety and human rights initiatives and governance standards. As a result, we may face increasing pressure regarding our ESG practices and disclosures, and may ultimately be unable to complete certain initiatives or targets, either on the timelines initially announced or at all, due to technological, legal, cost, or other constraints, which may be within or outside of our control. Moreover, actions or statements that we may take based on expectations, assumptions, or third-party information that we currently believe to be reasonable may subsequently be determined to be erroneous or be subject to misinterpretation.

Our reputation and brand image could be adversely affected by any failure, or perception of failure, to maintain satisfactory practices relating to our environmental, safety, diversity, equity and inclusion or other social and governance goals, including (i) any failure to comply with related federal, state and international binding or non-binding legislation, standards and accords, including voluntary commitments, such as Equator Principles, Principles for Responsible Investment and National Pact for the Eradication of Slave Labor, among others, (ii) customer perceptions of our advertising campaigns, sponsorship arrangements or marketing programs, including greenwashing concerns regarding our advertising campaigns and marketing programs related to our sustainability initiatives, and (iii) customer perceptions of statements made by us, our employees and executives, agents or other third parties. Damage to our reputation or brand image or loss of customer confidence in our services could adversely affect our business and financial results, as well as require additional resources to rebuild our reputation.

Moreover, if we fail, or are perceived to fail, to comply with or advance certain ESG initiatives, we may be subject to various other adverse impacts, including potential stakeholder engagement and/or litigation, even if such initiatives are currently voluntary. For example, there have been increasing allegations of greenwashing against companies making significant ESG claims due to a variety of perceived deficiencies in actions, statements, or methodology, including as stakeholder perceptions of sustainability continue to evolve. In the airline industry specifically, there has been particular scrutiny of and liability associated with the use of “sustainable aviation fuel” and carbon offsets and claims made in connection with same.

In addition, new government regulations could also result in new or more stringent forms of ESG oversight and expanded mandatory and voluntary reporting, diligence and disclosure. Increased ESG-related compliance costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance) could result in increases to our overall operational costs, which could have a material adverse effect on our business, results of operations and financial condition.

***We benefit from tax incentives on our purchases of jet fuel in Brazil, and these tax incentives may be suspended, changed, cancelled, revoked or not renewed at any time adversely affecting us.***

The price of the jet fuel that we purchase in most of Brazilian states is subsidized through tax incentives provided to us by those states. Depending on the type of agreement, if we fail to comply with our obligations in the tax incentive agreements that we have executed with those states, Governmental authorities may revoke, suspend or fail to renew these tax incentives at any time. Authorities may choose to do so even if we do comply with the obligations, for example if they are no longer interested in the agreement.

To ensure the continuity of these incentives, we must comply with several tax, labor, social and environmental requirements that may be questioned - and administrative or judicially - by third parties, such as the *Ministério Público Federal*, other Brazilian States, or even other public authorities.

We cannot ensure that there will be no changes to the laws and regulations applicable to the tax incentives that benefit us, or that these will be effectively maintained under the same favorable conditions until the end of their term, or that we will be able to renew the tax incentives under the same conditions after their current deadlines have expired.



Also, we cannot ensure that new tax incentives will be created after the expiration of tax incentives that we currently benefit from, and that, if they are created, that we will be subject to their terms, or that their terms and conditions will be equivalent to, or more favorable than, the terms and conditions currently in force. If tax incentives change, or expire, and we were unable to renew them, or if new tax incentives were not created after the expiry of those in force, or if the terms and conditions of any new incentives are not as beneficial to us as the ones currently in force, we could also be adversely affected.

New tax incentive agreements entered between Azul and the Brazilian states shall comply with the general rules set forth by Complementary Law No. 160/17. Regarding to tax regimes granted before Complementary Law No. 160/17, they were validated by National Council of Treasury Policy, and hence shall not be canceled. Although tax agreements that do not follow these procedures can be revoked at any time or could have their lawfulness challenged, as a rule the Brazilian states do not grant new tax incentives without attending to the general rules set forth by Complementary Law No. 160/2017. However, if any of these tax incentives are canceled, revoked, suspended, or not renewed, jet fuel prices would increase and the company may be forced to reduce its number of flights, which could lead to a significant impact in our results and adversely affect us.

In addition, on December 20, 2023, the Brazilian congress approved the Constitutional Amendment No. 132/23, which approved the proposal to extinguish (i) three federal taxes the Tax over Industrialized Products, the Social Integration Program, and the Social Contribution to Social Security Financing, (ii) one State tax, the Tax on Circulation of Goods and Services, and (iii) one Municipal tax: the Tax on Services. In replacement of those five taxes, Constitutional Amendment No. 132/23 approved the creation of (i) the Social Contribution on Goods and Services (CBS), and (ii) the Tax over Goods and Services (“IBS”).

The tax reform has also prohibited the taxes incentives and included the regional aviation segment on the list of services that will have a specific tax regime. However, the Brazilian Congress still needs to approve complementary laws to regulate the tax reform approved by the Constitutional Amendment No. 132/23 and to establish the CBS and the IBS, including the specific tax regime applied to the regional segment. It means, it is not possible so far, be aware of all the real effects accrued by this reform.

Moreover, Bill No. 2,337/2021 was approved by the Brazilian Chamber of Deputies, which was not voted on by the Brazilian Senate yet. This initiative proposes a thorough reform of the income tax rules, with the primary goal of repealing the exemption from income tax in the distribution of dividends by Brazilian corporations (and to impose a 15% tax rate), and extinguishing the possibility of deduction of expenses in the payment of interest on shareholder’s equity, extending the minimum amortization period for intangible assets, modifying income tax laws relating to investments in Brazilian investment funds, and lowering the rate of corporate income tax and social contribution on net income, among other changes.

In addition, certain tax laws may be subject to controversial interpretation by the tax authorities, and any increase in the amount of taxation as a result of challenges to our tax positions could adversely affect our business, financial condition and results of operations. Furthermore, we are subject to inspections by tax authorities at the federal, state, and local government levels. As a result of such inspections, our tax positions may be challenged by the tax authorities, on the same grounds as our current disputes. There is no assurance that the provisions for such proceedings (if any) shall be correct, that no additional tax exposure shall be identified, and that no additional tax reserves shall be required for any tax exposure. The Brazilian tax authorities have been intensifying the number of inspections. Any judicial and administrative proceedings related to tax matters before the courts, including the Administrative Council for Tax Appeals (*Conselho Administrativo de Recursos Fiscais*) and state and municipal administrative courts, may adversely affect us.

***We may not be able to comply with the covenants and restrictions contained in our financing agreements, which could result in declaration of an event of default and acceleration of the maturity of indebtedness, causing an adverse effect on us.***

Our debt securities, loans, aircraft leases and aircraft debt financing contain certain covenants and restrictions, which vary depending on the terms of each financing and which are subject to certain limitations and exceptions. Such covenants include, among other provisions (i) restrictions on the incurrence of debt, the granting of liens, the making of restricted payments and investments, entering into certain business activities, entering into mergers, consolidations or certain other transactions, the disposal of assets (including the disposal of collateral securing the relevant financings, as applicable), and the operation of the TudoAzul program, the Azul Viagens business and the Azul Cargo business (including obligations in respect of customer databases), and (ii) obligations to deliver financial statements and certain certificates, including relating to compliance with financial covenants and restrictions, to redeem or offer to repurchase the relevant debt in certain circumstances and to grant and perfect additional collateral in certain circumstances. For more information on these covenants and restrictions, see “Item 5. Operations and Financial Review and Prospects —Loans and Financings.”

Our ability to meet these covenants and comply with these restrictions may be affected by events beyond our control (including changes in economic, financial and industry-related conditions), and we cannot assure that we will meet these covenants and comply with these restrictions. See “—We and the airline industry in general are particularly sensitive to changes in economic conditions and continued negative economic conditions that would likely continue to adversely affect us and our ability to obtain financing on acceptable terms.” Failure to comply with any of these covenants, restrictions or payment obligations under our debt securities, loans, aircraft leases and aircraft debt financing could result in an event of default under these agreements and others, as a result of cross default provisions. If we were unable to comply with the covenants and restrictions to which we are subject, we need to seek waivers from our creditors, such as waivers that we obtained on a number of occasions in the recent years from the United States International Development Finance Corporation relating to debt service coverage ratio and net debt to EBITDA ratio financial covenants.

As of December 31, 2023, we were in compliance with, or had obtained waivers from our counterparties in connection with, the covenants provided for by the terms of our long-term indebtedness, but we cannot guarantee that we will be successful in complying with our covenants or in obtaining or renewing any waivers.

In order to mitigate the impacts of the COVID-19 pandemic on our business, we repeatedly deferred our lease obligations and payment obligations with other suppliers and breached financial covenants and financial obligations with our counterparties, which counterparties generally cooperated with us under deferrals, amendments to our outstanding agreements and alternative payment arrangements. Further to this, during 2023 we completed a series of restructuring and capital raising transactions to strengthen our capital structure and improve our cash generation, which included (i) reductions in, and the reprofiling of, our obligations with certain aircraft lessors and OEMs, including the issuance of the Lessor/OEM Notes (as defined under “Item 4. Information on the Company—Business Overview—Restructuring”), (ii) exchange offers and consent solicitations, including the issuance of 2029 Notes and 2030 Notes (each as defined under “Item 4. Information on the Company—Business Overview—Restructuring”), (iii) amendments to our convertible debentures, (iv) the issuance of Initial 2028 Notes (as defined under “Item 4. Information on the Company—Business Overview—Restructuring”), and (v) the issuance of the ALAB non-convertible debentures due 2024. For more information on these restructuring and capital raising transactions, see “Item 4. Information on the Company—Business Overview—Restructuring.”

If (i) we are unable to obtain or renew the necessary waivers or approvals from our creditors, or (ii) we do not have sufficient resources to repay our debts in a timely manner, this may result in the acceleration or early termination of the relevant debt or other obligations, which could have material adverse effect on our financial condition and, as a result, our debt-payment capacity may be materially and adversely affected and may result in our insolvency. Additionally, we may face difficulties or limitations in raising new financing, which may impair the implementation of our investment plan, materially and adversely affecting our business, our financial situation and our operational results.

***Unfavorable decisions in judicial or administrative proceedings could adversely affect us.***

We and our subsidiaries are parties to various proceedings in the judicial and administrative spheres, including civil, labor, social security, tax, consumer protection, civil, regulatory actions and environmental. There is no way to guarantee that such lawsuits will be ruled favorably to us and/or our subsidiaries, or that the amounts provisioned are sufficient to cover amounts resulting from any unfavorable rulings. Decisions contrary to the interests of us and/or our subsidiaries that could eventually result in substantial payments, affect our image and/or the image of our subsidiaries or impede the performance of our business as initially planned may have a material adverse effect on our business, the business of our subsidiaries, our financial condition and our results of operations.

***We are subject to tax surveillance by tax authorities in the Federal, State, and Municipal levels.***

As a result of such surveillance, our finances can be questioned by tax authorities. We cannot guarantee that provisions for such investigations will be sufficient, that no additional tax exposures will be identified, and that no additional tax reserves will be required for any given tax exposure. Any increase in the amount of taxation as a result of inquiries into our taxes may adversely affect our business, our operating results and our financial condition.

The Brazilian tax authorities have recently intensified the number of audits it orders. There are several fiscal issues of concern to the Brazilian authorities, regarding which Brazilian authorities regularly supervise companies, including inventory control, premium amortization expenses, corporate restructuring and tax planning, among others. Any judicial and administrative proceedings related to fiscal matters before the courts, including the Administrative Board of Tax Resources, (*Conselho Administrativo de Recursos Fiscais*), or CARF, and state and municipal administrative courts, may adversely affect us.

***We are subject to certain tax legislation due to the registration of tax debts in specific payment programs overseen by tax authorities. If we no longer comply with any of the rules set forth in said legislation, the programs may be terminated and the benefits derived from them revoked.***

We are registered in certain payment programs run by the competent and relevant tax authorities concerning various federal, state and municipal tax debts.

The federal, state and municipal payment programs we are party to require the adherence to, and compliance with, certain requirements, including the regularity of payment of debts subject to parceling. If we do not comply with the rules, the programs will be terminated and their benefits revoked. This would also cause the immediate enforceability of the remaining value of the debt, along with any additional values applicable to the legislation in effect at the time of the occurrence of the event at hand, which may impact our operational and financial results, with the return of debt on our liabilities.

***Any violation or alleged violation of anti-corruption, anti-bribery and anti-money laundering laws, or the failure to detect behavior that violates such laws, could adversely affect us, including our brand and reputation***

There can be no assurance that our employees, agents, and the companies to which we outsource certain of our business operations will not take actions in violation of our anti-corruption, anti-bribery and anti-money laundering policies, for which we may be ultimately held responsible. We are subject to the United States Foreign Corrupt Practices Act of 1977, or the FCPA, by virtue of having operations in the United States and our shares being listed and traded in the United States. We are also subject to the U.K. Bribery Act of 2010, Federal Law No. 8,429, of June 2, 1992, and Law No. 12,846 of August 1, 2013, as well as other national and international anti-fraud, anti-corruption, anti-money laundering, antitrust laws and other laws and regulations.

In addition, our corporate governance, policy, risk management and compliance processes may not be able to prevent or detect: (i) violations of the Federal Law No. 8,429, of June 2, 1992, Law No. 12,846 of August 1, 2013, or other violations related to other applicable laws and regulations; (ii) improper, fraudulent, and unfair conduct by our employees, shareholders, management and third parties that represent us; or (iii) conduct that is inconsistent with our ethical principles, which may adversely affect our reputation, business, financial condition and results of operations, as well as the market price of our common shares.

If we are not in compliance with anti-corruption laws, anti-money laundering laws and other laws governing the conduct of business with government entities, including under the FCPA and other United States and local laws, we may be subject to criminal and civil penalties and other remedial measures, which could harm our brand and reputation and have a material adverse impact on our business, financial condition, results of operations and prospects. Any investigation of any actual alleged violations of such laws could also adversely affect us, including our brand and reputation. In addition, we may also be held liable for corruption acts by third parties. The likelihood of such risks being realized may increase as we don't have consolidated policies for identifying and monitoring politically exposed persons, nor for due diligence with third parties.

***We are a holding company and do not have any material assets other than the shares of our subsidiaries.***

We are a holding company that conducts its operations through a series of operating subsidiaries. We support these operating subsidiaries with technical and administrative services through our various other subsidiaries. All of the assets we use to perform administrative and technical services and to operate the concessions and authorizations are held at the subsidiary level. As a result, we do not have any material assets other than the shares of our subsidiaries. Dividends or payments that we may be required to make will be subject to the availability of cash provided by our subsidiaries. Transfers of cash from our subsidiaries to us may be further limited by corporate and legal requirements, or by the terms of the agreements governing our indebtedness. If a shareholder were to assert a claim against us, the enforcement of any related judgment would be limited to our available assets, rather than our assets and those of our combined subsidiaries.

***Any inability to obtain or renew a material portion or all the licenses, permits and permissions necessary to conduct our business could have an adverse effect on us.***

We are in the constant process of obtaining and renewing federal, state and municipal licenses, authorizations, permits and permissions necessary to conduct our activities. If we fail to obtain or renew a material portion or all such licenses, authorizations, permits and permissions in a timely manner, or if such licenses, authorizations, permits and permissions are suspended or revoked, this could have an adverse effect on us.

## ***Risks Relating to Our Preferred Shares, Including in the Form of ADSs***

***Our controlling shareholder has the ability to direct our business and affairs, and its interests may conflict with that of other shareholders.***

In accordance with Brazilian corporate law and our bylaws, our controlling shareholder has the legal power to, among other things, elect the majority of our directors and determine the outcome of any action requiring shareholder approval. This power includes the ability to control decisions with respect to related party transactions (excluding transactions with a related party to the controlling shareholder himself), corporate restructurings, dispositions, partnerships, sale of all or substantially all of our assets, withdrawal of our shares from the Level 2 segment of the B3 and the time for payment of any future dividends. Our controlling shareholder may choose to enter into acquisitions, dispositions, partnerships or enter into loans and financing or other similar transactions for us that could conflict with the interests of investors and that may negatively affect us. As of December 31, 2023, our controlling shareholder owned, directly and indirectly, 67.0% of our voting capital (common shares), 2.1% of our preferred shares, and 49.8% of our total capital, in economic terms.

In particular, due to our capital structure, the capital contributions made by the holders of our common shares to date were considerably lower than those made by the holders of our preferred shares, which means that our controlling shareholder has the right to direct our business, but has considerably less economic interest with respect to the results of our activities than holders of our preferred shares. This difference in economic interest may intensify conflicts of interests between our controlling shareholder and other shareholders.

***Our controlling shareholder is entitled to receive significantly less dividends than holders of our preferred shares, which may cause his decisions on the distribution of dividends to conflict with preferred shareholders' interests.***

Holders of our common shares are entitled to receive an amount of dividends equivalent to 75 times less than the amount of dividends paid to holders of our preferred shares. The fact that our controlling shareholder receives a small portion of our dividends in each distribution in comparison to the amount of dividends to which holders of our preferred shares are entitled may influence his decisions on the distribution of dividends, which may differ from interests of the holders of our preferred shares. For more information on distribution of dividends and compensation of our management, see “Item 10.F. Dividends and Payment Agents—Dividend Policy” and “Item 6.B. Management Compensation,” respectively.

***Investors in our preferred shares, including in the form of ADSs, may experience book value dilution in the future.***

We have established stock option and restricted share plans for key personnel, including our officers, certain managers and other key crewmembers. We estimate that as of December 31, 2023, 7.816.370 new preferred shares would have been issued if all of our vested options were exercised by the holders thereof at a weighted average strike price of R\$12.93. The exercise of vested options by the holders thereof could result in substantial dilution in book value to investors if the public offering price for our preferred shares (including in the form of ADSs) is lower than the book value of such shares in the future upon the exercise of our stock options. See “Item 6.B. Management Compensation—Stock-Based Incentive Plans.”

Additionally, pursuant to the restructuring of our obligations with certain aircraft lessors and OEMs, certain lessors and OEMs entered into agreements pursuant to which such lessors and OEMs agreed to convert, in 12 equal quarterly consecutive installments, an aggregate of up to US\$570.0 million of payment and other obligations owed to such lessors and OEMs into our preferred shares. For more information, see “Item 4.B. Business Overview—Restructuring— Aircraft Lessor and OEM Restructuring.”

In addition, in the event that we need to obtain capital for our operations by issuing new shares in the future, any such issuance may be made at a value below the book value of our preferred shares on the relevant date. In that event, the holders of our ADSs and preferred shares at such time would suffer an immediate and significant dilution of their investment.

***An active and liquid trading market for our preferred shares, including in the form of ADSs may not be maintained, thereby potentially adversely affecting the price our preferred shares, including in the form of ADSs.***

An active and liquid public trading market for our preferred shares, including in the form of ADSs, may not be maintained. Active, liquid trading markets generally result in lower price volatility and more efficient purchases and sales of shares. If an active trading market is not maintained, the liquidity and price of our preferred shares, including in the form of ADSs, could be seriously harmed.



The investment in marketable securities traded in emerging countries, such as Brazil, usually represents higher levels of risk as compared to investments in securities issued in countries whose political and economic situations are more stable, and in general, such investments are considered speculative in nature. The Brazilian capital market is substantially smaller, less liquid, more volatile, and more concentrated than major international capital markets. B3 exchange-listed companies had an aggregate market capitalization of R\$4.1 trillion as of December 31, 2023 and a daily average trading volume of R\$25.3 billion as December 31, 2023, according to B3. These market characteristics may substantially limit the capacity of holders of our preferred shares to sell them at the price and time of their preference and this may have an adverse effect on the market price of our preferred shares.

In addition, the price of shares of companies in the worldwide airline industry are relatively volatile and investors' perception of the market value of these shares, including our preferred shares in the form of ADSs, may also be negatively impacted with additional volatility and decreases in the price of our ADSs and preferred shares.

***Our preferred shares will have limited voting rights.***

Except under certain situations, our preferred shares, including in the form of ADSs, do not carry general voting rights. See "Item 10.B. Memorandum and Articles of Association—Rights of Our Common and Preferred Shares—Voting Rights." Our main shareholders, who hold the majority of common shares with voting rights and control us, are therefore able to approve most corporate measures without the approval of holders of our preferred shares, including in the form of ADSs. Accordingly, you will generally not have control over any matters, including the approval of corporate measures such as appointment of directors, approval of significant transactions or changes in our capital structure.

According to Brazilian corporate law, preferred shares with limited or no voting rights and with rights to fixed or minimum priority dividends, gain voting rights if the company ceases to pay the fixed or minimum dividends to which such shares are entitled for three consecutive fiscal years. According to our by-laws, our preferred shares are not fixed or have minimum priority dividends. Consequently, our preferred shares will not have voting rights, even if we stop paying dividends for three consecutive years.

In addition, to the extent holders of our preferred shares are entitled to vote on certain limited matters pursuant to Brazilian corporate law, the provisions of our bylaws, and the provisions of or governing the deposited preferred shares, we cannot assure ADS holders that they will receive the voting materials in time to ensure that they can instruct the depositary to vote the preferred shares underlying their ADSs. Furthermore, there can be no assurance that ADS holders will be given the opportunity to vote or cause the custodian to vote on the same terms and conditions as the holders of our preferred shares. While ADS holders could exercise their right to vote directly if they withdraw the preferred shares, such ADS holders may not know about the meeting sufficiently in advance to withdraw the preferred shares. See "Item 10.B. Memorandum and Articles of Association—Rights of Our Common and Preferred Shares—Voting Rights."

Our controlling shareholder has the right to receive substantially less dividends than the holders of preferred shares, which may motivate it to decide on the distribution of dividends in a manner conflicting with the interest of the other shareholders. The right to receive dividends from holders of our common shares is 75 times lower than the dividend distributed to holders of our preferred shares. The fact that our controlling shareholder receives a proportionally smaller share than the dividends that we distribute, in relation to the dividends to which our shareholders that hold preferred shares are entitled, may influence their decisions regarding the distribution of dividends or proceeds, which may diverge from the interest of the shareholders holding preferred shares.

***Holders of our preferred shares, including in the form of ADSs, may not receive any dividends or interest on shareholders' equity.***

According to our bylaws, as long as we record a net income and there are no accumulated losses, we must pay our common and preferred shareholders at least 0.1% of our annual adjusted net income as dividends or interest on shareholders' equity, as calculated and adjusted pursuant to Brazilian corporate law. Interim dividends and interest on our shareholders' equity declared for each fiscal year may be attributed to our minimum obligatory dividend for the year in which it was declared. For more information, see "Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividend Policy." This adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed under Brazilian corporate law, and may not be made available for payment as dividends or interest on shareholders' equity.

Additionally, Brazilian corporate law allows a company like ours to suspend the mandatory distribution of dividends in any particular fiscal year if our board of directors informs our shareholders that such distribution would be inadvisable in view of our financial condition. If these events were to occur, the holders of our preferred shares, including in the form of ADSs may not receive dividends or interest on shareholders' equity.

***The sale of a significant number of our preferred shares, including in the form of ADSs, may negatively affect the trading price of our preferred shares, including in the form of ADSs.***

Our main shareholders, as well as our directors, officers and other affiliates, are able to sell additional preferred shares, including in the form of ADSs, and certain lock up agreements into which they had entered have expired. In addition, under our fifth amended and restated registration rights agreement, or the Registration Rights Agreement, which we entered into on August 3, 2016 with our main shareholders, we could be required to register additional preferred shares held by the shareholders who signed the Registration Rights Agreement with the SEC for future sale at any time commencing six months following our initial public offering. For further details of the Registration Rights Agreement, see “Item 7.A. Major Shareholders—Registration Rights Agreement.”

Sales of our preferred shares, including in the form of ADSs, made by our affiliates, including those effected by our directors, executive officers or controlling shareholders or those involving a large number of preferred shares or ADSs, or market perception of an intention to any of such sales, may negatively affect the trading price of our preferred shares, including in the form of ADSs.

***Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our preferred shares, including in the form of ADSs.***

Law 10833 of December 29, 2003 provides that the disposition of assets located in Brazil by a nonresident to either a resident or a nonresident of Brazil is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. This provision results in the imposition of income tax on the gains arising from a disposition of our preferred shares by a nonresident of Brazil to either a resident or a nonresident of Brazil. However, since currently there is no judicial guidance determining whether ADSs should be considered assets located in Brazil, we are unable to predict whether Brazilian courts may decide that income tax under Law 10833 applies to gains assessed on dispositions of our ADSs. In the event that the disposition of assets is interpreted to include the disposition of our ADSs, this tax law would result in the imposition of withholding taxes on the sale of our ADSs by a nonresident of Brazil to either a resident or a nonresident of Brazil. Because any gain or loss recognized by a U.S. Holder (as defined in “Item 10.E. Taxation—United States Federal Income Tax Considerations”) on the disposition of preferred shares or ADSs generally will be treated as U.S.-source gain or loss for U.S. foreign tax credit purposes, the U.S. Holder may not be able to benefit from a foreign tax credit for Brazilian income tax imposed on the disposition of preferred shares or ADSs unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. See “Item 10.E. Taxation—United States Federal Income Tax Considerations —Sale or Other Taxable Disposition of Preferred Shares, Including in the Form of ADSs.”

***The Brazilian government may impose exchange controls and significant restrictions on remittances of reais abroad, which would adversely affect your ability to convert and remit dividends or other distributions or the proceeds from the sale of our preferred shares, our capacity to make dividend payments or other distributions to non-Brazilian investors and would reduce the market price of our preferred shares, including in the form of ADSs, and our capacity to comply with payment obligations in foreign currency.***

In case of serious imbalances, the Brazilian government may restrict the remittance abroad of proceeds of investments in Brazil and the conversion of the *real* into foreign currencies. The Brazilian government last imposed such remittance restrictions for a brief period in 1989 and early 1990. We cannot assure you that the Brazilian government will not take similar measures in the future. The return of any such restrictions would hinder or prevent your ability to convert dividends or other distributions or the proceeds from any sale of our preferred shares into U.S. dollars and to remit U.S. dollars abroad, our capacity to make dividend payments or other distributions to non-Brazilian investors, and our capacity to comply with payment obligations in foreign currency. The imposition of any such restrictions would have a material adverse effect on the stock market price of our preferred shares, including in the form of ADSs, and on our capacity to access foreign capital markets.



***If you surrender your ADSs and withdraw preferred shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages.***

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our preferred shares underlying the ADSs in Brazil, permitting the custodian to convert dividends and other distributions with respect to our preferred shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw preferred shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of distributions relating to our preferred shares, unless you obtain your own electronic certificate of foreign capital registration, or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration, you would not be able to remit abroad non-Brazilian currency. In addition, if you do not qualify under the foreign investment regulations, you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our preferred shares.

If you attempt to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our preferred shares or the return of your capital in a timely manner. The depository's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

***If we do not maintain a registration statement and no exemption from the Securities Act is available, U.S. Holders of ADSs will be unable to exercise preemptive rights with respect to our preferred shares.***

We may, from time to time, offer preferred shares or other securities, or preemptive rights to acquire additional preferred shares or other securities to shareholders, including as a result of the Brazilian corporate law. We will not be able to offer such securities or rights to holders of ADSs unless a registration statement under the Securities Act is effective with respect to such preferred shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file such registration statement, and we cannot assure you that we will file a registration statement. If a registration statement is not filed and an exemption from registration does not exist, Citibank, N.A., as depository, will attempt to sell such preemptive rights or securities, as the case may be, and you will be entitled to receive the proceeds of the sale. However, if the depository is unable to sell these preemptive rights or securities, U.S. holders of ADSs will not receive any value in connection with such distribution.

In the event that you are not entitled to preemptive rights or are unable or unwilling to exercise preemptive rights in connection with the preferred shares, including in the form of ADSs or other securities, your investment could be subjected to dilution.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members or executive officers.***

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act of 2002, as amended, and related rules implemented by the SEC. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our preferred shares, fines, sanctions and other regulatory action and potentially civil litigation which may adversely affect us.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, the market price and trading volume of our preferred shares, including in the form of ADSs could decline.***

The trading market for our preferred shares, including in the form of ADSs, depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price may be negatively impacted. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our preferred shares, including in the form of ADSs, could decline, which might cause the market price and trading volume of our preferred shares, including in the form of ADSs to decline.

***Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.***

We are a “foreign private issuer” within the meaning of the NYSE corporate governance standards. Under NYSE rules, a foreign private issuer may elect to comply with the practices of its home country and not comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Brazilian practices concerning corporate governance and intend to continue to do so.

We rely on certain exemptions as a foreign private issuer listed on the NYSE. For example, the NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the affirmative determination of the board of directors of absence of a material relationship between a director and the listed company. Under the listing standards of Level 2 segment of the B3, our board of directors must have at least five members, at least 20% of which must be independent. Also, Brazilian corporate law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company’s executive officers and directors. While our directors meet the qualification requirements of Brazilian corporate law and the CVM, we cannot guarantee that a majority of our directors would be considered independent under the NYSE rules. Pursuant to Brazilian corporate law and CVM Resolution No. 23, dated February 25, 2021, currently in force (which replaced CVM Instruction No. 308), the statutory audit committee is an advisory board to the board of directors, that if installed must be made up of independent members appointed by the board of directors, one of which must also be a member of the board, unlike NYSE rules, which require all audit committee members to also be members of the board of directors. While our audit committee is currently composed entirely of independent directors, our audit committee may not always meet all of the NYSE rules.

In addition, we do not have a nominating committee as required for U.S. issuers under the NYSE rules and although we have a compensation committee and a corporate governance committee, we are not required to comply with the NYSE standards applicable to compensation or corporate governance committees of listed companies.

Furthermore, the corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. company and, as a result, you may receive less information about us than you would receive from a comparable U.S. company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The disclosure requirements applicable to foreign private issuers under the Exchange Act are more limited than the disclosure requirements applicable to U.S. issuers. Publicly available information about issuers of securities listed on the CVM, which is provided in Portuguese, also provides less detail in certain respects than the information regularly published by listed companies in the United States or in certain other countries.

Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements. For a comparison of the foregoing requirements, see “Item 16.G. Corporate Governance”.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and Development of the Company

We are incorporated as a Brazilian *sociedade por ações* under the corporate name Azul S.A. Our headquarters are at Avenida Marcos Penteados de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboaré, Zip Code 06460-040, in the city of Barueri, State of São Paulo – Brazil. Our telephone number is +55 11 4134-9800 and our website is <https://ri.voeazul.com.br/en>. In addition, the SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains information filed electronically by us. The information contained on our website, any website mentioned in this annual report or any website directly or indirectly linked to these websites, is not part of, and is not incorporated by reference in, this annual report and you should not rely on such information. We are registered with the Board of Trade of the state of São Paulo under corporate registration number, or NIRE, number 35.300.361.130. We have been registered with the CVM as a publicly held corporation since April 7, 2017.

We were founded on January 3, 2008 by entrepreneur David Neeleman and began operations on December 15, 2008. Backed by Mr. Neeleman and other strategic shareholders, we have benefited from our partnerships and have invested in a robust and scalable operating platform. We have a management team that effectively combines local market expertise with diversified international experience and knowledge of best practices from the United States, the largest aviation market in the world.

Our start-up capital of R\$ 400.7 million enabled us to invest up-front in a scalable operating platform and efficient young fleet. After less than six months of operations, we became Brazil's third-largest airline in terms of domestic market share in May 2009, according to ANAC. Our operating fleet has grown from three Embraer E-Jets in December 2008 to a total of 183 aircraft in our passenger operating fleet as of December 31, 2023, consisting of 57 Embraer E-Jets, 36 ATR aircraft, 11 Airbus widebody, 55 Airbus narrowbody, 24 Cessna Caravan aircraft, and 2 Boeing 737.

In August 2012, we acquired TRIP, which at the time was the largest regional carrier in South America by number of destinations. The fleet similarity between the two airlines allowed us to integrate all of TRIP's activities by June 2014. The TRIP acquisition substantially increased our network connectivity, enabling us to serve 106 destinations upon completion of the acquisition and to become the leading carrier in terms of departures in 80 cities as of December 31, 2022 as well as to consolidate our position as a leader in Brazil's fast-growing regional aviation market. As of December 31, 2023 we had the largest airline network in Brazil in terms of departures and cities served, with around 1,000 daily departures spanning 167 destinations – an unparalleled network of more than 400 non-stop routes.

Leveraging the strength of the network we built over the previous years, in December 2014 we started operating international flights with Airbus A330 aircraft, gaining the ability to serve millions of passengers that connected throughout our network and that previously did not have a convenient option to travel internationally.

As part of our plans to expand globally, we have also established codeshare agreements with carriers such as United and TAP, giving our passengers the ability to connect to more than 350 destinations worldwide in addition to the 158 destinations we currently serve.

On February 21, 2020, our wholly-owned subsidiary, ALAB, and TwoFlex (rebranded Azul Conecta), announced that they entered into a Quota Purchase Agreement under which we agreed to acquire the Brazilian regional carrier TwoFlex for the total purchase price of R\$123 million. Azul Conecta is a domestic airline based in Jundiaí, Brazil, founded in 2013, that offers, currently, regular passenger service more than 50 destinations in Brazil, of which only three regional destinations were previously served by Azul. Azul Conecta also holds 14 daily departure and arrival slots on the auxiliary runway of Congonhas, São Paulo's downtown airport. Congonhas is a particularly coveted airport because of its proximity to São Paulo's business districts and because of its status as Brazil's most slot-constrained airport. Currently, our two largest competitors, Gol and LATAM, control most of the flights into and out of Congonhas. Azul Conecta's fleet is composed of 25 owned Cessna Caravan aircraft, a regional turboprop with a 9-passenger capacity.

The acquisition of Azul Conecta was approved without restrictions by CADE on March 27, 2020. On May 14, 2020, Azul announced the completion of the acquisition process, whose payment will be made in up to 30 monthly installments, subject to certain financial and operating conditions, and one final payment of up to R\$30 million, which will be deposited as a guarantee in favor of the Company for a specified period.

With the acquisition of Azul Conecta, we plan to reach more than 200 cities in the coming years.

In August 2021, we announced a strategic partnership with Lilium, to build an exclusive “eVTOL” (electric vertical take-off and landing vehicles) network in Brazil. The efforts to implement operations through eVTOL, a 100% electric airplane model with zero carbon emissions, is part of our strategy to innovate and maintain a sustainable business model, aligned to our ESG commitments and the best practices in the market. This potential commercial arrangement has a total value of up to US\$1 billion and includes a fleet of 220 Lilium eVTOL aircraft with anticipated delivery to commence no earlier than 2025, subject to completion of aircraft certification activities and any required regulatory approvals. This strategic alliance and aircraft order remains subject to the parties finalizing commercial terms and definitive documentation relating thereto.

In October 2021, we entered into a partnership with Disney to offer a unique experience to our customers. The initial steps of the partnership consisted of the new A320neo airplane with a Mickey Mouse-inspired painting and the A321neo airplane with a Minnie-inspired painting. During 2022, the new A320neo airplane with a Donald Duck-inspired painting and the A320neo with a Daisy-inspired painting also joined the magic fleet of Azul. In 2023, Disney's Goofy was be the theme of the fifth plane of Azul's magical fleet.

In 2023, Azul Cargo, our logistics business reached R\$1.4 billion in net revenue, more than double compared to 2019, when we generated revenues of R\$ 480.7 million. In February 2022, we announced the launch of the Embraer Class-F freighter, a cargo aircraft that can provide competitive advantages for our clients. Azul Cargo currently serves more than 5,000 cities and communities across the country, 2,000 of which we can deliver to in 48 hours or less.

TudoAzul, our wholly-owned loyalty program, had more than 16 million members as of December 31, 2023. Azul Viagens, our vacations business, is another important driver of margin expansion. In 2023, we sold 35% more travel packages compared to 2022, mainly by leveraging the uniqueness of our network and the flexibility of our fleet. During weekends, for example, when utilization is normally low for airlines, we dedicated 25% of our capacity to fly exclusive nonstop leisure routes, which are ideal for Azul Viagens.

As part of our focus on ESG, in December 2023, we were included for the third consecutive time in the Corporate Sustainability Index of the B3 (“ISE B3”). Azul is the only airline in the ISE B3. In 2023 we also maintained our CDP score to “B”, highlighting our dedication to environmental initiatives.

In January 2023, Azul was included in the 13<sup>th</sup> portfolio of the Carbon Efficient Index, the ICO2 B3, an index that demonstrates our commitments on the climate change agenda and our actions for a low carbon economy transition. In August 2022, Azul was also awarded by the *SustentAr* project, of ANAC, for best practices in environmental management.

### ***Capital Expenditures***

For a description of our capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures”.

## **B. Business Overview**

### ***General***

We are the largest airline in Brazil in terms of departures and cities served, with around 975 daily departures to 167 destinations, creating an unparalleled network of more than 400 non-stop routes as of December 31, 2023. As the sole airline on 74% of our routes, we are the leading airline in 140 Brazilian cities in terms of departures and carried approximately 28 million passengers in the year ended December 31, 2023. In addition to having an extensive network, optimized fleet, and a high-quality product, we also have strategic revenue generating business units including our wholly-owned loyalty program TudoAzul, and our logistics solutions business Azul Cargo.

Brazil is geographically similar in size to the continental United States and is currently the sixth largest market for domestic airline passengers in the world. Since 2008, the number of domestic airline passengers carried in Brazil has increased by 90% to 95 million in 2019. By the end of 2023, the number of domestic airline passengers in Brazil had already reached 99% of the total number of domestic airline passengers transported in the pre-pandemic period of 2019, indicating that the aviation sector is on recovery. Brazil’s air travel market remains significantly under penetrated and in 2019 was expected to double by 2029 according to ABEAR.

We have the most extensive route network in Brazil, serving 167 domestic destinations, about twice as many as our main competitors Gol and LATAM, which served 64 and 56 destinations respectively as of December 31, 2023. We are the only provider of scheduled service to 85 of our domestic destinations and hold the leading position in 7 out of the 10 largest domestic airports in which we operate in terms of departures. Through our network, we connect travelers to destinations exclusively served by us from our three hubs, which cater to the São Paulo, Belo Horizonte and Recife markets, all among the largest metropolitan areas in the country. Notably, we are the leading airline at Viracopos airport, one of the principal airports in the São Paulo area and the largest domestic hub in South America in terms of non-stop destinations served, with a 96% share of its 150 domestic daily departures as of December 31, 2023.

We operate a young, fuel-efficient fleet that we believe is better tailored for Brazil than those of our main competitors, as it allows us to serve markets with different demographics, ranging from large capitals to smaller cities. As of December 31, 2023, our passenger operating fleet in service totaled 183 aircraft, with an average age of 7.5 years (excluding Cessna aircraft), which is significantly younger than that of our main competitors. We believe that our diversified fleet is optimized to efficiently match capacity to demand. This enables us to offer superior connectivity as well as more convenient and frequent non-stop service to more airports than our main competitors, which exclusively operate larger aircraft.

A key driver of our profitability is our management team's extensive experience in implementing a disciplined, low-cost operating model. Our optimized fleet yields lower trip costs than our main competitor. With the recovery and the increase in the number of next-generation Airbus A320neos and Embraer E2s in our fleet in the coming years, we expect to maintain our market-leading low trip cost advantage. In addition, our FTEs per aircraft were the lowest in Brazil at 79 FTEs as of December 31, 2023. We have built a strong brand by offering what we believe is a superior travel experience, based on a culture of customer service provided by a highly-motivated and well-trained team of crewmembers. Our service features include advanced seat assignment, leather seats, individual entertainment screens with free live television at every seat in all our Embraer jets and most of our A320neos, extensive legroom with a pitch of 30 inches or more, complimentary beverage and snack services, and free bus service to key airports we serve. In addition, we offer Wi-Fi service in some of our A320neo, A321neo, E2 fleet and are currently installing it in additional aircraft. As a result of our strong focus on customer service, our NPS (Net Promoter Score) average in 2023 totaled 54.9, significantly higher than our competitors in Brazil. In 2020, Azul was awarded best airline in the world by TripAdvisor, the first time a Brazilian Flag Carrier ranked number one in the Traveler's Choice Awards.

We continue to invest in and expand our loyalty program TudoAzul, which had more than 16 million members as of December 31, 2023. TudoAzul has been the fastest growing loyalty program in terms of members in Brazil for the past eight years compared to Smiles and LATAM Pass, the loyalty programs of Gol and LATAM respectively, according to publicly available information of such competitors, including disclosure filed with or furnished to the SEC and information available on their respective websites. In the fourth quarter of 2020, we launched the Azul Itaucard Infinite, the best positioned co-branded credit card in the Itaucard portfolio and also elected the "Best credit card from Brazilian airlines" by *Melhores Destinos*. Given our network strength and the expected growth of passenger air travel, credit card penetration and usage and customer loyalty in Brazil, we believe that TudoAzul is a key strategic asset for us.

Other revenue streams are expected to be mostly driven by our logistics solutions business, Azul Cargo. In 2023, Azul Cargo net revenue reduced 5.4% compared to 2022, reaching R\$1.1 billion mainly due to the 40.4% reduction in international cargo operations. We ended 2023 with a 32.5% share of cargo volume transported in Brazil, resulting from our unique network and the capillarity support it provides to our cargo business. In addition, we intend to continue growing our ancillary services and other revenue streams, including Azul Viagens, our travel package business.

In 2023, our revenues reached an all-time record, and we generated net revenue of R\$18.6 billion and a loss for the year of R\$2,380.5 million.

### ***Impact of the COVID-19 pandemic***

The year 2020 began with a favorable environment to the Company, with good performance in sales and revenues, announcement of a new route to New York, and new key customers in our logistics business. However, on March 11, 2020 the World Health Organization ("WHO") classified COVID-19 as a "public health emergency of international concern" and declared it a pandemic, causing a sharp rupture in global economic activity and unleashing an unprecedented economic crisis.



The speed of spread and contagion of the disease has caused countries around the world, including Brazil, to adopt measures such as social distancing, travel restrictions and the closure of borders. As a consequence, the airline industry was one of the sectors impacted the earliest and hardest on its operations and results. In order to face this challenging scenario, our board of executive officers began monitoring the crisis as it developed and established operational and financial strategies to go through this period of crisis until the normalization of operations. We communicated these strategies to the public in detail through documents such as Material News Releases or Statements to the Market. Main actions included the following:

Resizing of the airline network: one of the first and most important actions taken by management in response to the economic crisis unleashed by the COVID-19 pandemic was the resizing our airline network, with reductions in capacity that reached its lowest levels in April 2020. In April 2020, the volume of ASKs offered in the domestic market accounted for only 13% of the volume of the same period in 2019, amounting to approximately 70 daily flights. At the same time, demand dropped to 11% of the total for the same period in the previous year.

Since the beginning of the pandemic, management has monitored the recovery of demand and managed the number of flights offered to match it. In 2023, both domestic and international market fully recovered 2019 levels in terms of capacity and demand.

Our management continuously monitors all developments related to the COVID-19 pandemic and will continue to make adjustments to the flight offer if necessary, matching supply and demand and prioritizing above all the health and safety of all its crew and customers.

Cost reductions: over the course of 2020, we adopted several measures to reduce our fixed and variable costs, including:

- Suspension of hiring new crewmembers in the period between March and August 2020;
- Launch of an unpaid leave program, with the adhesion of more than 10,000 crewmembers for periods between 30 and 120 days;
- Reduction of 50% to 100% in salaries for board of executive officers members and directors and of 25% for managers for the period between March and July 2020;
- Reduction of general salary expenses by 65% in the period between March and August 2020, due to adherence to Provisional Executive Order 936/20, which implemented labor relation alternatives for confronting crisis caused by the COVID-19 pandemic, including agreements to reduce work hours and salaries and temporary suspension of employment contracts; and
- Collective bargaining agreement to reduce pilot and flight attendant working hours for 18 months starting in June 2020, which was terminated at the end of 2020 due to the faster than originally expected demand recovery in the domestic market.

Support from government and regulators: since the beginning of the pandemic, state and federal governments and regulators took certain actions in support of airline companies, including:

- Enactment of Provisional Executive Order No. 925/20, converted into Law No. 14034/20, which extended the period to rebook trips to a period of up to 18 months and extended deadlines to reimburse customers to 12 months from the flight cancellation date;
- Change in the deadline to pay navigation and airport fees;
- Suspension of regularity-based slot cancellation rules, in line with a similar decision with other civil aviation organizations and authorities; and
- Extension by 120 days of the term to renew technical crew qualifications.

Crewmember and customer care: our number one priority has always been and continues to be the health and safety of our crewmembers and customer, and to that end, we implemented a wide range of initiatives, including:

- First airline in Brazil to introduce daily temperature checks for all crewmembers and to require all customers and crewmembers to wear masks while on board.
- Intensified aircraft cleaning procedures between flights and deep cleaning of all aircraft overnight.
- First airline in Latin America to use Honeywell's ultraviolet cabin cleaning system.
- All jets fitted with hospital-grade HEPA filters that remove at least 99.9% of all airborne particles, including the novel coronavirus.
- Only airline in the world to implement an innovative boarding process called "Tapete Azul" or Blue Carpet, a virtual boarding system which projects a moving walkway in the gate area to provide distancing and increase boarding efficiency.

- First airline in Brazil to offer, without any cost, medical assistance to customers during international trips in case of a positive diagnosis of COVID-19.
- Free transportation of health professionals.
- Free transportation of vaccines to cities where we operate.

These initiatives have contributed to increase customer confidence and support the strong market recovery in Brazil observed in 2021, 2022 and 2023.

**Strengthening of cash and liquidity:** throughout the year, with the evolution of the pandemic, our management has endeavored to keep the necessary cash levels to face the crisis, which required negotiating deferral agreements with suppliers, bank creditors and lessors, as well as to access the capital market through the issuance of debentures. Main initiatives to preserve cash included:

- Postponement of profit share payments for 2019;
- Negotiation of new payment terms with suppliers;
- Suspension of business travels and discretionary expenses;
- Negotiation to reduce aircraft parking fees;
- Agreement to postpone delivery of 59 model E2 aircraft;
- Agreement with lessors resulting in a reduction of approximately 77% of the cash outflow for the period between April and December 2020, offset by slightly higher amounts from 2023 and the extension of the contractual terms.
- Renegotiation of the conditions and maturities of debentures and obligations of the Special Agency for Industrial Financing (*Agência Especial de Financiamento Industrial*), or FINAME; and
- Issuance of debentures convertible into shares in the amount of R\$1,745.9 million with a five-year maturity and interest of 7.5% in the first year and 6.0% starting the second year, with semiannual settlements.

**Debentures convertible into shares:** on November 12, 2020, we concluded the public offering for the distribution of debentures convertible into first-issue preferred shares, with security interest and additional guarantee by our subsidiary ALAB, under CVM Resolution No. 160, dated as of July 13, 2022, currently in force (which replaced CVM Instruction No. 400), with the following characteristics: (i) total issue amount: R\$1,745,900; (ii) issue date: October 26, 2020; (iii) term and maturity date: 5 years from the date of issue, maturing therefore on October 26, 2025; (iv) conversion price: R\$32.2649 per preferred share, resulting in an initial conversion premium of 27.50%, calculated on the VWAP (Volume Weighted Average Price) of 30 trading sessions of the reference share price of R\$25.3058.

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

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

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

Our management continues to monitor our profitability and financial position, taking actions to sustain our ability to continue with operations in the foreseeable future. For more information regarding risks, see "Item 3.D. Risk Factors.

## ***Strengths and Opportunities***

### ***Our Competitive Strengths***

We believe the following business strengths allow us to compete successfully:

#### ***Largest Network in Brazil***

We have the largest network in Brazil in terms of departures and cities served, with around 1,000 daily departures to 167 destinations, creating an unparalleled network of more than 400 non-stop routes as of December 31, 2023. Our connectivity at large hubs allows us to consolidate traffic, serving larger and medium-sized markets as well as smaller cities that do not generate sufficient demand for point-to-point service. We believe that our extensive network coverage allows us to connect more passengers than our competitors, who serve significantly fewer destinations. As of December 31, 2023, we served 167 destinations in Brazil, compared to 64 for Gol and 56 for LATAM. In addition, we were market leader in 90% of our routes as of December 31, 2023. By comparison, as of December 31, 2023, Gol and LATAM were leading carriers in 10 and 11 cities in Brazil, respectively. In addition, the routes in which we hold a leadership position represent approximately 86% of our total ASKs.

#### ***Our Optimized Fleet Enables us to Efficiently Serve our Target Markets***

Our fleet strategy is based on optimizing the type of aircraft for the different markets we serve. Our diversified fleet of ATR, E-Jets and Airbus aircraft enables us to serve markets that we believe our main competitors, who only fly one type of larger narrow-body aircraft, cannot serve profitably. We believe our current fleet of aircraft allows us to match capacity to demand, achieve high load factors, provide greater convenience and frequency, and serve low and medium density routes and markets in Brazil that are not served by our main competitors. Our domestic fleet consists of Embraer E-Jets which seat up to 136 passengers, fuel-efficient ATR aircraft which seat 70 passengers, next-generation Airbus A320neos which seat 174 passengers and Cessna Caravan which seat 9 passengers, while all the narrow-body aircraft used by Gol and LATAM in Brazil have between 138 and 220 seats. We also operate Airbus A330s and A350s to serve international markets, E-Jets converted to dedicated freighters and Boeing 737 freighter aircraft to support our cargo business.

Our fleet plan focuses on maintaining a trip cost advantage relative to our main competitors while also providing us with flexibility for growth into new markets both domestically and internationally. Based on our current firm orders, between 2024 and 2025, we expect to add approximately 30 next-generation E2 aircraft, two A320neo aircraft and 4 A330neo aircraft replacing older generation aircraft. These new generation aircraft are more fuel-efficient than older generation aircraft, and therefore we expect that our fleet plan will allow us to maintain market-leading trip costs and to reduce our CASK, both in absolute terms and relative to our main competitors.

#### ***Industry-Leading PRASK***

We utilize a proprietary yield management system that is key to our strategy of optimizing yield through dynamic fare segmentation and demand stimulation. We target both business travelers, to whom we offer convenient flight options, and cost-conscious leisure travelers, to whom we offer low fares to stimulate air travel and to encourage advanced purchases. This segmentation model has enabled us to achieve a market-leading PRASK of 30.41 centavos in the year ended December 31, 2019. In addition, in 2019, our PRASK represented a 18.7% premium compared to Gol. We believe our superior network and product offering allows us to attract high-yield and frequent business travelers. Our PRASK was impacted by the COVID-19 pandemic, reaching R\$24.95 centavos in the year ended December 31, 2020 and R\$28.07 centavos in the year ended December 31, 2021. Our PRASK reached R\$36.88 centavos in 2022 and R\$39.46 centavos in 2023, record level, which is further evidence of the demand recovery and the sustainable competitive advantages of our business.

According to ABRACORP, we held a 30% share in terms of Brazilian revenue share.

#### ***Most Efficient Cost Structure in the Brazilian Market***

We have leveraged our management team's experience by implementing a disciplined, low-cost operating model to achieve our operational efficiencies. We believe we have achieved these operational efficiencies primarily through:

- Optimized aircraft for markets and routes served;
- Low cost of sales, distribution and marketing through direct-to-consumer marketing, e-commerce and associated use of social networking tools;

- Lower costs due to single-class cabin configuration for our domestic flights;
- Operation of a modern fleet with better fuel-efficiency and lower maintenance costs than previous generation aircraft;
- Innovative and beneficial financial arrangements for our aircraft, as a result of being one of the largest customers for Embraer and ATR aircraft;
- Investment in check-in technology to increase operating efficiencies; and
- Creation of a company-wide business culture focused on driving down costs.

We have a robust and scalable operating platform that features advanced technology such as ticketless reservations, an Oracle financial system, a mobile app, and electronic check-in kiosks at our main destination airports. We believe that our scalable platform provides superior reliability and safety and will generate economies of scale as we continue to expand.

### ***Strategic Global Partnerships***

We have established long-term strategic partnerships with United and TAP. In 2015, United, acting through a subsidiary, acquired shares representing approximately a 5% economic interest in our company for US\$100 million. In 2018, United acquired additional shares and increased its economic interest in our company to 8.0%. Our alliance with United has enhanced the reach of our mutual networks and created additional connecting traffic, as both we and United began selling each other's flights on our websites through a codeshare agreement. This codeshare agreement also provides customers flying on both airlines with a seamless reservations and ticketing process, including boarding pass and baggage check-in to their final destination, and we are evaluating possible additional cooperation with United.

As part of the TAP's privatization process in 2016, a consortium of private investors (including our principal shareholder) acquired a stake in TAP, and we invested €90 million in exchange for TAP Bonds convertible into 41.25% economic interest in TAP.

On March 14, 2019, we acquired a fully diluted economic stake of 6.1% in TAP from Hainan Airlines (Hong Kong) Co. Limited for a purchase price of US\$25 million.

On August 10, 2020, as informed at TAP's extraordinary shareholders meeting, due to the crisis caused by the COVID-19 pandemic, the Portuguese government negotiated an aid package of €1.2 billion for TAP airline with the European Commission, conditioned upon, among other factors, the elimination of the right to convert senior bonds into equity, so that they would not be diluted by the Portuguese government's financial contribution.

On October 2, 2020 Azul successfully concluded the sale of its equity participation in TAP as part of the restructuring effort led by the Portuguese government, raising approximately R\$70 million in cash.

As a result of our existing codeshare agreements with United and TAP, our customers have access to more than 200 additional destinations worldwide. In addition, we believe that our strategic partnerships with these airlines provide our TudoAzul members with a broad range of attractive redemption options.

### ***High-Quality Customer Experience Through Product and Service-Focused Culture***

We believe we provide a high-quality, differentiated travel experience and have a strong culture focused on customer service. Our crewmembers are trained to be service-oriented, focusing on providing the customer with a travel experience that we believe is unique among Brazilian airlines. We provide extensive training for our crewmembers that emphasizes the importance of both safety and customer service. We strive to hold our employees accountable to maintain the quality of our crew and customer service.

Our service features include advanced seat assignment, leather seats, individual entertainment screens with free live television at every seat in all our jets, extensive legroom with a pitch of 30 inches or more, complimentary beverage and snack service, free bus service to key airports we serve (including between the city of São Paulo and Viracopos airport) and a fleet younger than that of our competitors.

We focus on meeting our customers' needs and in 2023 Azul was elected the second most on-time airline in the world in 2023! We are the first Brazilian airline to achieve this recognition, awarded by Cirium, the world's leading reference for operational data in the airline industry. An airline is considered punctual when its flights land up to 14 minutes after the planned arrival time, and Azul has been recognized for meeting this goal in most of its almost 1,000 daily flights. We are very proud to show the world the excellence of Brazilian work.

## ***Well-Recognized Brand***

We believe we have been successful in building a strong brand by using innovative marketing and advertising techniques with low expenditures that focus on social networking tools to generate word-of-mouth recognition of our high-quality service. As a result of our strong focus on customer service, surveys that we have conducted indicate that, as of December 31, 2023, 71% of our customers would recommend or strongly recommend Azul to a friend or relative. In addition, we use the NPS (Net Promoter Score) metric to measure customer satisfaction and in 2023, our average score totaled 54.9. The strength of our brand has been recognized in a number of awards:

- Named “#2 world’s most on-time airline” in 2023 by CIRIUM;
- Winner in “Air mobility” and “Best net promoter score (NPS)” categories in 2023 by Experience Awards;
- Named “Best National Airline” in 2023 by *O Melhor de Viagem 2023/2024*;
- Winner in “Best Wi-Fi and entertainment” category in 2023 by Passenger Choice Awards;
- Named “Best Regional Airline in South America” in 2023 by Skytrax;
- Named “Best Airline” in 2023 by Kayak Travel Awards;
- Named “Best Airline” and “Most on-time Airline” 2023 by *Aviação Mais Brasil* (federal government’s annual award);
- Named “world’s most on-time airline” in 2022 by CIRIUM;
- Named “Best Airline in customer service in Brazil” in 2022 by *Consumidor Moderno Awards*;
- Named “Best Innovation in Customer Experience” in 2022 by International Customer Experience Awards;
- Named “Best Airline” in 2022 by *Reclame Aqui Awards* in the following categories: Airline (Azul), Tourism and Leisure (Azul Viagens);
- Named “Best Airline” in 2022 by “*Aviões e Músicas*” Awards in Azul: winner in Brazilian Airline and economic class categories
- Named “Best Regional Airline in South America” in 2022 by Skytrax;
- Named “Best Satisfaction Index among airlines in Brazil” in 2022 by NPS Awards;
- Ranked the best airline in Brazil by “*ANAC (Consumidor.gov.br)*” in 2022: Least amount of customer complaints, Number one in problems solution with Highest customer satisfaction index;
- Ranked among 100 most responsibility companies in ESG ranking by MERCO (Corporate Reputation Business Monitor);
- Named “Best Airline in South America” in 2022 by APEX (Airline Passenger Experience Association);
- Named “Best in Customer Centric Culture” in 2022 by Customer Centricity World Series Awards;
- Named “Best Airline” in 2021 by Kayak Travel Awards in all categories: boarding, comfort, crew member, entertainment and food;
- Named “Best Company” in 2021 by Customer Experience Track in the following categories: disruptive innovation, customer journey, spotlight and culture;
- Named “Best Airline” for the third consecutive year by Reclame Aqui and the second in the overall;
- Named “The Most Admired Brand” by Band Communication Award in Aviation category;
- Named “Best Airline in the World” in 2020 by TripAdvisor Traveler’s Choice Awards, the first time a Brazilian Flag Carrier ranked number one in the Traveler’s Choice Awards;
- Ranked among the ten best airlines in the world in 2017, 2018 and 2019 and best airline in Latin America in 2018 and 2019 by TripAdvisor Traveler’s Choice Awards, the only Brazilian airline ever to appear on this ranking;
- Named “Best Airline in Brazil” in 2019 for the third consecutive year by Melhores Destinos, the largest web portal of airline fare promotions and loyalty programs in Brazil;
- Named “Best Regional Carrier in South America” in 2018 and 2019 by Skytrax, an aviation research organization;
- Named “Best Staff in South America” in 2019 for the fourth consecutive year by Skytrax;
- Recognized as the “Most On-Time Low Cost Carrier in the World” by OAG in 2018 for the second time;
- Recognized as the “Most On-time Low Cost Carrier in the Americas” by OAG in 2018;
- Named “Fastest Check-in in Brazil” in 2018 for the third consecutive year by the Civil Aviation Secretariat (Secretaria de Aviação Civil);
- Named “Best Low Cost Carrier in South America” in 2017 for the seventh consecutive year by Skytrax;



- Named “*Best Low Cost Carrier in The World*” in 2012 by CAPA, an independent aviation research organization;
- Named one of the “*50 Most Innovative Companies in The World*” and “*Most Innovative Company in Brazil*” in 2011 by Fast Company, a business magazine; and
- Named one of the “*50 Hottest Brands In The World*” in 2010 by Ad Age, a leading marketing news source.

In addition, as a result of our strong brand awareness and focus on customer service, our TudoAzul loyalty program had more than 16 million members as of December 31, 2023 and has been recognized with the following awards:

- Named “*Best Loyalty Program in Brazil*” from 2016 to 2020 by Melhores Destinos;
- Named “*The Loyalty Program with the Best Fares in Brazil in 2016-2017*” by Melhores Destinos; and
- Recognized as having “*The Most Innovative Co-Branded Credit Card*” at the 2015 Loyalty Awards Event presented by Flight Global, a renowned website recognized by the global aviation community as a reliable source of news, data and expertise relating to the aviation and aerospace industries.

### ***Experienced Management Team***

We believe we benefit from our highly knowledgeable and experienced management team. Our senior management, which has senior airline experience both in Brazil and in the United States, includes:

- Our Chairman and Founder David Gary Neeleman, a dual Brazilian and U.S. citizen, who has founded five airlines in three different countries, including JetBlue Airways;
- Our Chief Executive Officer, John Peter Rodgerson, who previously served as our Chief Financial Officer and our Investor Relations Officer, where he was responsible for implementing our financial strategy and cost structure since our inception. Mr. Rodgerson also served as Director of Planning and Financial Analysis at JetBlue Airways for five years, and as President of our main operating subsidiary – ALAB, from August 2019 to October 2022;
- Our Chief Financial Officer and Investor Relations Officer, Alexandre Wagner Malfitani, who previously served as the Head of our TudoAzul loyalty program, and our Director of Finance and Treasurer. Before joining Azul, Mr. Malfitani held the position of Managing Director of Treasury at United Airlines, having also worked in the finance industry, including as a fund manager at Deutsche Bank and as a trader at Credit Agricole Indosuez;
- Our Chief Revenue Officer, Abhi Manoj Shah, who has nearly 20 years of experience in the aviation industry and has previously held executive positions at JetBlue Airways and Boeing. He was responsible for developing our yield management, network planning and revenue structure. Mr. Shah also serves as President of our main operating subsidiary – ALAB, since October 2022;
- Our Chief Technical Officer, Antônio Flávio Torres Martins Costa, who has been part of the Azul founding team since inception and has nearly half a century of experience in the airline industry, having served as Chief Technical and Operations Officer at Pluna S.A. and OceanAir, and as Chief Technical Officer at Varig;

Most of our senior management team has worked together for almost ten years and has been with us since our launch. All non-Brazilian individuals on the team are residents in Barueri, State of São Paulo, with permanent work visas. In addition to Mr. Neeleman, all of our principal officers are also shareholders in our company, and all are motivated by participation in our stock-based incentive plans, which we believe aligns shareholders’ and management’s interests. Our management team has focused on establishing a successful working environment and employee culture. We believe the experience and commitment of our senior management team have been a critical component in our growth, as well as in the continuing enhancement of our operating and financial performance.

To align senior management interests with our results of operations, we provide a leadership incentive plan based on the achievement of pre-defined company performance targets including operating margin, customer satisfaction, crewmember satisfaction, and on-time performance. We also have established a stock option plan for our leadership that vests over a four-year period. See “Item 6.B. Management Compensation—Stock-Based Incentive Plans.”

## ***Principal Strategies***

### ***Adding Larger, More Fuel Efficient, Next-Generation Aircraft to our Fleet***

We intend to continue adding next-generation, more fuel-efficient aircraft to our fleet replacing older generation aircraft. In addition to providing us with leading low seat costs, these aircraft have more seats contributing to an increase in revenue generated from connecting traffic, our loyalty business, our cargo business, and our travel package business. Based on our current firm orders, between 2024 and 2025, we expect to add approximately 30 next-generation E2 aircraft, two A320neo aircraft and 4 A330neo aircraft replacing older generation aircraft.

We have begun to introduce next-generation Airbus A320neos, which have 56 more seats than our current E-Jets for longer-haul leisure service in December 2016. At that time, we started flying between our main hub in Campinas and our other hub in Recife with our next-generation Airbus A320neos. This approximately three-hour flight provides us with a 29% lower seat cost than our current E-Jets and provides sufficient seat capacity to connect customers between both hubs.

We started to introduce the Embraer E2 to replace current generation E-Jets starting in the second half of 2019. The E2s have 18 additional seats and a 25% lower cost per seat and a 14% lower cost per trip compared to the E-Jets.

We believe that by applying this strategy we will continue improving our profitability going forward by reducing our cost per seat while expanding revenue.

### ***Increasing Flight Frequencies, Connecting Cities and Adding New Destinations***

While most of our capacity growth over the next five years is expected to derive from the replacement of smaller aircraft with larger next generation aircraft, we intend to continue identifying, entering into and rapidly achieving leading market presence in new markets or underserved markets with high growth potential. We also intend to continue to grow by adding new destinations to our network, further connecting the cities that we already serve with new non-stop service, increasing frequency in existing markets, and using larger aircraft in markets that we have developed and grown over the years.

We intend to apply our disciplined approach of selecting new destinations that can be served by our ATR or Embraer aircraft, with a continued focus on Brazilian cities where we believe there is the greatest opportunity for profitable growth, and on select destinations in South America with perceived high growth potential. Our ATR aircraft give us a significant strategic advantage in the ability to enter new cities and access previously untapped demand, since these aircraft only have 70 seats and, therefore, have much lower trip costs than larger aircraft and require fewer passengers for the flight to become profitable.

We believe there are significant opportunities to connect the cities we currently serve with non-stop service where none existed before. We believe that our Embraer fleet is the ideal fleet type to connect such cities due to the combination of seat count and low trip costs.

On existing routes that we believe present additional demand, we intend to increase the number of daily flights with our E-Jets to achieve or further increase schedule superiority over our competitors. For example, we increased our daily departures on the Campinas—Rio de Janeiro route from three to 15 between March 2009 and December 2019, and our daily departures on the Campinas—Belo Horizonte route from four to 10 between August 2009 and December 2019. By providing this additional convenience to our customers, we aim to continue stimulating demand for our products and services. We also intend to continue operating the A320neos mostly in high density, longer-haul leisure markets. In 2020, as a result of the COVID-19 pandemic, the number of daily departures reduced significantly compared to 2019, but we remain focused on our long-term strategy and confident in a full recovery by the end of 2021.

We plan to focus our international growth on connecting our strong presence in Brazil via our hub in Campinas, Belo Horizonte and Recife and our current long-haul international destinations Fort Lauderdale, Orlando, Lisbon and Porto. We believe we are especially suited to stimulate additional demand for travel to key long-haul international destinations, which can be served by our Airbus A330s, by taking advantage of our focused domestic route structure, both in terms of passengers and overall connectivity throughout Brazil. We continue to leverage our position as the largest airline in Viracopos airport by offering international flights as well as connecting passengers throughout Brazil. Additionally, our codeshare flights with United and TAP enables us to connect our main hubs with United's destinations in the U.S. and TAP's destinations in Europe.

### ***Continue to Unlock Value from our TudoAzul Loyalty Program***

As a result of the growth of our network, we believe there is an opportunity to further unlock value from our TudoAzul loyalty program. With more than 16 million members as of December 31, 2023, TudoAzul has been the fastest growing loyalty program among the three largest programs in Brazil for the past seven years, according to publicly available information of such competitors, including disclosure filed with or furnished to the SEC and information available on their respective websites. TudoAzul sells loyalty points to business partners as well as directly to program members. Our current business partners include financial institutions such as Itaú, Santander, Livelô (Banco do Brasil's and Bradesco's loyalty joint venture), and Caixa, retailers (including Casas Bahia, Magazine Luiza and Fast Shop), and travel partners (including Accor, RentCars, Hertz, and Booking.com).

In September 2014, we launched an Azul-branded credit card in partnership with Banco Itaucard S.A.

In addition, in December 2015, we launched Clube TudoAzul, an innovative, subscription-based product through which members pay a fixed recurring amount per month in exchange for TudoAzul points, access to promotions and other benefits. We also offer members the ability to buy points to complete the amount required for a reward, or pay a fee to renew expired points or transfer points to a different member's account. We believe that our international flights and strategic partnerships with international carriers, including United and TAP, provide our TudoAzul members with a broad range of attractive redemption options.

In October 2020, we also launched an Azul co-branded credit card, the Azul Itaucard Visa Infinite, which is the best positioned card in Itaú portfolio and offers the best benefit of any airline credit card in Brazil.

We offer last-seat availability to TudoAzul members and have significant flexibility to price redemptions in a way that is competitive with other loyalty programs, thus helping to maximize TudoAzul's attractiveness. We actively manage the price of our redemptions, offering very competitive fares in points when seat availability is high and optimizing margin in peak, high-demand flights. We have also developed an exclusive, proprietary pricing system, which provides ample flexibility to price redemptions within a given flight. This allows us to sell seats using several combinations of points and money. It also allows us to customize pricing using a number of different factors, such as a member's elite tier, membership in Clube TudoAzul, and age (allowing us to offer lower prices to infants and children). We are confident that this proprietary system offers more flexibility than those of our main competitors, therefore allowing us to create promotions, stimulate cross-sell of other TudoAzul products, and more accurately price redemptions to maximize profitability.

In an effort to maximize the value creation potential of TudoAzul, we have been managing the program through a dedicated team since mid-2015. On a standalone basis, TudoAzul's gross billings ex-airline totaled R\$2,692 million in the year ended in December 31, 2023. Given the number of exclusive destinations we operate, our network strength, and the expected growth of passenger air travel, credit card penetration and usage and member loyalty in Brazil, we believe that TudoAzul is a strategic business for us. As TudoAzul is our wholly-owned subsidiary, all of the cash flows generated by this high-growth, high-margin business accrue to our shareholders in a tax-efficient manner. We plan to continue investing in TudoAzul's expansion and evaluating opportunities to unlock value for this strategic asset.

### ***Continue to Increase Ancillary, Cargo and Other Revenue***

We intend to continue growing our ancillary, cargo and other revenue, by both leveraging our existing products and introducing new ones. We intend to focus on deriving further value from our existing ancillary and other revenue streams, which represented R\$116.93 per passenger as of December 31, 2023 and included revenue from bag fees, upgrades, other passenger related fees, cargo services, sales of advertising space in our various customer-facing formats, and commissions on travel insurance sales. As a result of the introduction of larger next-generation aircraft to our fleet, we expect to have more seat availability for our TudoAzul loyalty program and our Azul Viagens travel package business as well as additional cargo capacity.

Other revenue streams are expected to be mostly driven by our logistics solutions business, Azul Cargo. In 2023, Azul Cargo net revenue decreased 5.4% compared to 2022, reaching R\$1.1 billion mostly driven by our decrease in international cargo volume transported. We ended 2023 with a 32.5% share of cargo volume transported in Brazil, resulting from our unique network and the capillarity support it provides to our cargo business. In addition, we intend to continue growing our ancillary services and other revenue streams, including Azul Viagens, our travel package business.

### ***Continue to Establish and Extend Strategic Partnerships***

As of December 31, 2023, we had codeshare agreements with United, TAP, JetBlue, Turkish Airlines, Ethiopian Airlines, Emirates, Air Canada, Copa Airlines, Beijing Capital, Alitalia and Avianca Colombia, as well as 26 interline agreements with a number of other international airlines, allowing us to handle passengers traveling on itineraries that require multiple flights on multiple airlines widening our network. As part of our plans to expand globally, we have established strategic partnerships with United and TAP. We view these and possible future relationships with other airlines as strategic ways of allowing us to expand our network with connectivity throughout the United States, Europe and Asia without having to commit the full resources on our own. We believe that our existing and future customer base are increasingly taking advantage of the ability to fly internationally, and we aim to be able to offer our Brazilian customers a seamless ability to do so, whether by purchasing tickets on partner airlines on our website or through connected and complimentary schedules facilitating onward travel outside of Brazil. In addition to facilitating a more global network for us through these partnerships, we are exploring a variety of cooperative arrangements, including additional interline agreements, code-sharing, access to partner airlines' frequent flyer programs and possible cobranding efforts. We also see opportunities to leverage these relationships to facilitate greater operating efficiencies by utilizing partner expertise in maintenance, cargo transport and even possible pilot and crew training and redeployment, as well as redeployment of redundant or unneeded aircraft. We are exploring joint ventures and other arrangements with our partners to determine the most effective and beneficial ways to leverage these relationships for all parties.

We view our partnerships as critical to our global connectivity but also as a way to addressing macroeconomic pressures in Brazil. By working with our partners, we believe we have and can continue to adapt to changing economic conditions and do so swiftly in areas involving our fleet, crews and operating expenses. We expect to continue evaluating strategic partnership opportunities, including investments and acquisitions, that allow us to improve our network, offer more attractive benefits to our TudoAzul members, enhance our brand and build loyalty and revenue.

In June 2020, we announced a codeshare agreement with LATAM to connect routes in our respective domestic networks in Brazil. The two carriers also signed a frequent flyer agreement, enabling 12 million TudoAzul and 37 million LATAM Pass members to earn points in the frequent flyer program of their choice. The codeshare agreement would provide customers in Brazil with a vast array of new and more convenient connection opportunities and also facilitate a smoother travel experience between Azul and LATAM flights with shared ticketing, check-in and baggage transportation. In May 2021, we announced the cancellation of the codeshare by Latam Airlines Brasil.

### ***Description of Our Products and Services***

Our principal product is the scheduled air transportation of customers, which generates passenger ticket and non-ticket revenue. In addition, we generate revenue through our wholly-owned TudoAzul loyalty program, our cargo transportation operations, and our travel and tourism operations.

### ***Scheduled Air Transportation***

We target business travelers by offering convenient and frequent service to numerous destinations, 95 of which we served exclusively as of December 31, 2023. We also target leisure travelers with our extensive route network and our segmented pricing model, offering low fares for advance purchases. In connection with our scheduled air transportation services, we generate passenger ticket revenue and other revenue, such as passenger related ancillary revenue, cargo revenue through our Azul Cargo business, and the sale of travel packages, through our Azul Viagens business.

### ***Passenger Revenue***

We believe our extensive network and our range of product offerings allow us to attract high-yield business travelers, who we believe make up the largest component of our ticket revenue and customers. According to ABRACORP, we held a 30.2% share in terms of Brazilian business-focused travel agency revenue and our average business-focused travel agency ticket price was the highest compared to our main competitors in the year ended December 31, 2023. We attribute this to our network connectivity, which provides business passengers with several connection options allowing them to more easily and conveniently reach their destinations, as well as to the fact that we are the only player in certain markets that are attractive to business travelers. Leisure travelers, by contrast, are typically more price sensitive than business travelers, but tend to be more flexible regarding flight schedules.

Passenger revenue also includes revenue derived from the sale of TudoAzul points to third parties. For more information, see "Item 4.B. Business Overview—TudoAzul Loyalty Program."

In the year ended December 31, 2023, passenger revenue was R\$17,227.7 million, representing 92.8% of our net revenue. Ancillary items such as bags, upgrades, itinerary changes and other air travel-related fees are recognized in passenger revenue while non-passenger related items including cargo, travel packages, and revenue from aircraft subleases are recognized under other revenue.

In addition to generating passenger revenue derived from the sale of tickets and TudoAzul points, we generate ancillary revenue by selling travel insurance and by charging fees for certain services, such as checked baggage fees, cancellation fees, change fees, no-show fees, call center booking fees, online booking fees. We also offer upgrades to our premium “Espaço Azul” seats that feature additional legroom in our domestic flights and to our “Economy Xtra,” “SkySofas” and business class seats available on our international flights serviced with Airbus A330 and A350 aircraft. Our “Economy Xtra” cabin has an additional three inches of legroom in a 2-4-2 configuration and our “SkySofas” are an innovative feature consisting of four economy seats with a footrest that can be raised to create a flat, sofa-like, flexible space for families to sleep together more comfortably.

### ***Other Revenue***

Other revenue streams are expected to be mostly driven by our logistics solutions business, Azul Cargo. In 2023, Azul Cargo net revenue decreased 5.4% compared to 2022, reaching R\$1.1 billion, mostly driven by our decrease in international cargo volume transported. We ended 2023 with a 32.5% share of cargo volume transported in Brazil.

We have two 737-400 freighter aircraft and 5 E-Jets dedicated cargo freighter. We offer cargo transportation services to over 4,500 cities and communities, more than 2,000 of which we can deliver to in 48 hours, and we have around 300 cargo stores across Brazil that offer our cargo transportation services. We transport cargo by air and hire independent third parties to transport and deliver cargo to its final destination by ground transportation. While we are liable to our customers for proper cargo delivery, our agreements with such independent third parties provide for our right of recourse against them if any losses occur during the ground transportation.

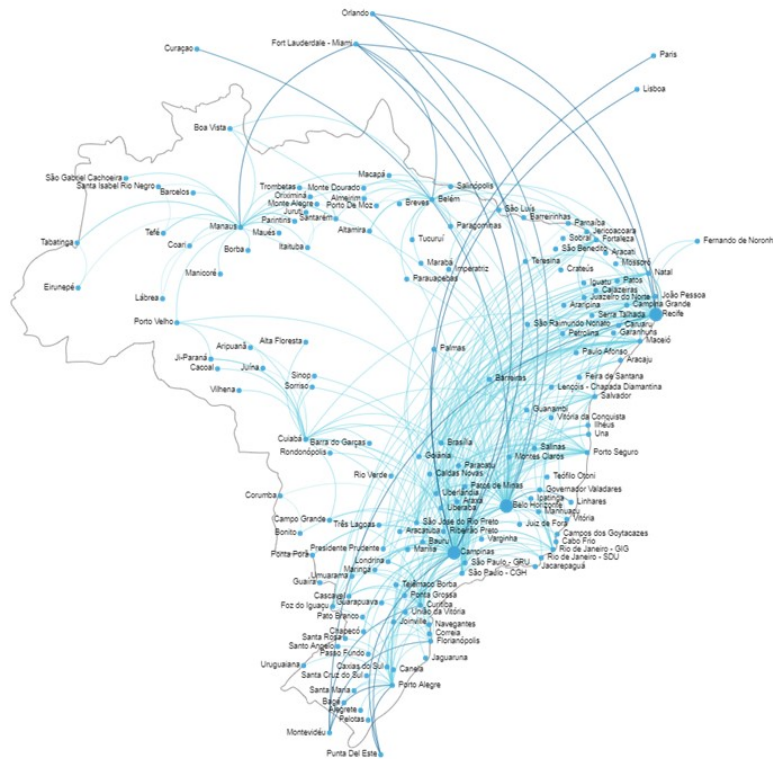
We also derive revenue streams from our travel and tourism operations, Azul Viagens, which combine airfare, ground transportation and lodging options. The travel packages we offer are either pre-built or flexible and customized and can be purchased through our website or, as of December 31, 2023, at one of the 3,282 travel agencies that offer our travel products or at one of our 100 free-standing stores.

Other revenue was R\$1.3 billion in 2023, representing 7.2% of our net revenue, respectively. Ancillary items such as bags, upgrades, itinerary changes and other air travel-related fees are recognized in passenger revenue while non-passenger related items including cargo, travel packages, and revenue from aircraft subleases are recognized under other revenue.



## Route Network

We offer flights to every region in Brazil and to select international destinations. The map below shows the destinations and routes we currently serve.



As of December 31, 2023, we served 167 destinations, including 147 cities across every region in Brazil, the largest number of destinations offered by a Brazilian airline and our flights represented 40% of the total domestic departures in the country. Our main hub is in Campinas at Viracopos airport, approximately 100 kilometers (62 miles) from the city of São Paulo. From Viracopos airport, we provided non-stop service to 62 Brazilian cities accounting for 96% of that airport’s 141 daily domestic departures as of December 31, 2023.

Our second largest hub is located at Belo Horizonte’s main airport, where we served 51 domestic destinations and had a 67% share of that airport’s 125 daily departures as of December 31, 2023. This hub serves Belo Horizonte, which is the capital city of Minas Gerais, the third wealthiest state in Brazil according to IBGE.

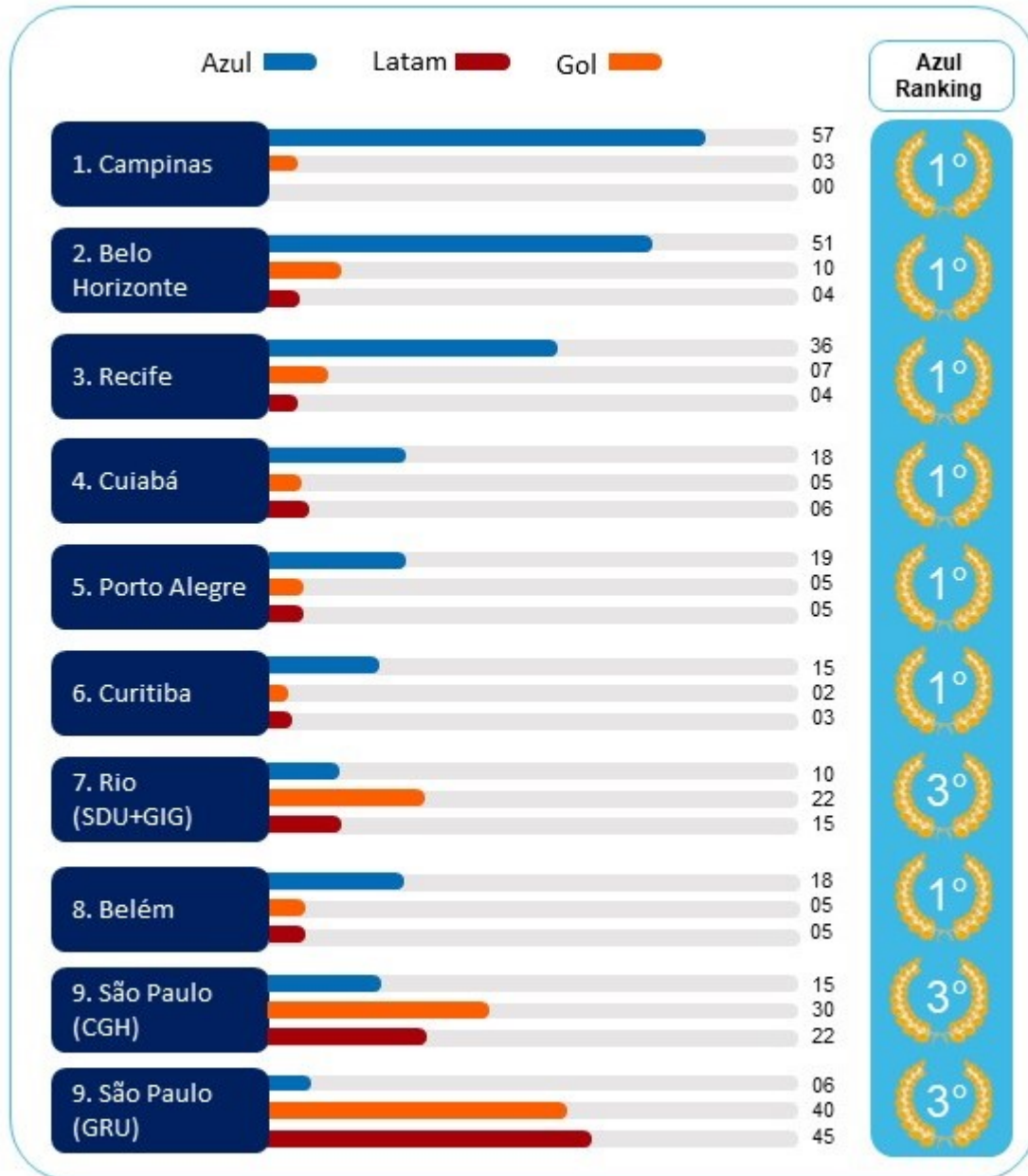
We also built a hub in Recife, which serves 34 non-stop destinations. We had a 71.2% share of Recife’s airport’s 103 daily domestic departures as of December 31, 2023. Recife is one of the largest cities in the Northeast of Brazil, and this hub allows us to increase flight connectivity within the Northeast region to other parts of Brazil.

Our diversified network allows us to connect not only our main hubs but also strategic airports throughout Brazil located in, among other places, São Paulo (Guarulhos and Congonhas airports), Rio de Janeiro (Santos Dumont and Galeão airports), Porto Alegre, Cuiabá, Belém and Manaus.

**Domestic Routes**

The chart below shows the number of non-stop domestic destinations offered by us and by our competitors at select airports as of December 31, 2023:

**Non-stop Domestic Destinations by Airport (December 31, 2023)**



Source: ANAC and Azul

The table below shows our top ten cities served by average number of departures per day as of December 31, 2023.

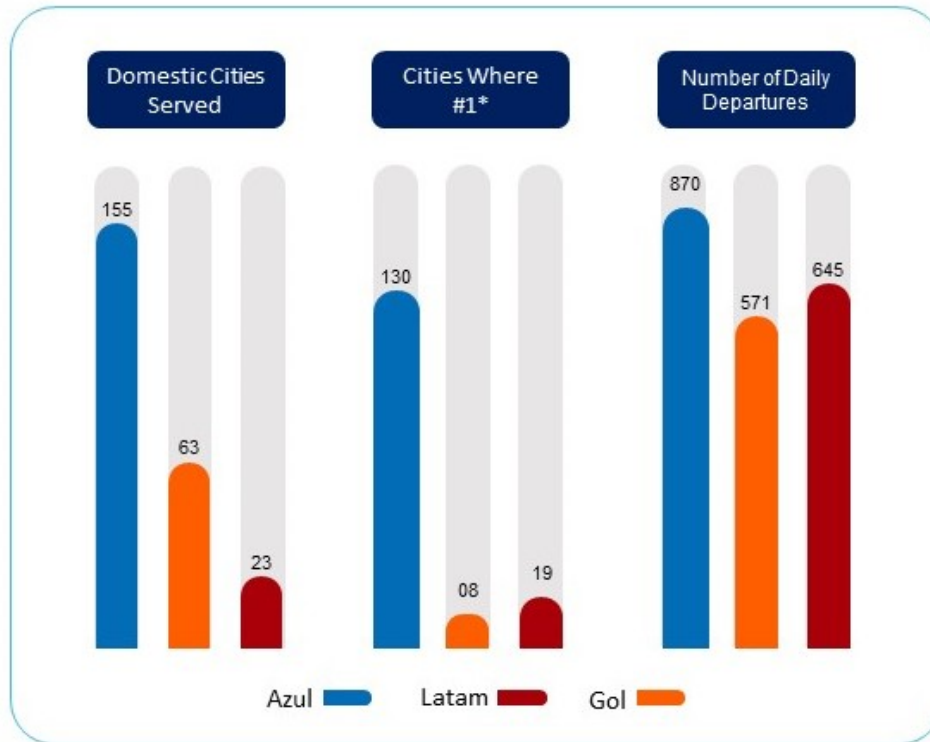
<b>Airport</b>	<b>Azul Average Number of Departures per Day</b>	<b>Azul Leadership Position (departures)</b>
Campinas	147	1
Belo Horizonte (Confins)	93	1
Recife	79	1
Rio de Janeiro (Santos Dumont+GIG)	44	3
Curitiba	38	1
Porto Alegre	38	1
Cuiabá	20	1
São Paulo (Guarulhos)	23	3
São Paulo (Congonhas)	45	3
Belém	26	1

Source: Azul

Our focus on providing a large route network with convenient service has enabled us to become the market leader in 130 cities and 84% of our routes in terms of departures, being the only operating airline in 91 cities and the leader on 84% of our routes as of December 31, 2023. By comparison, as of December 31, 2023, Gol and LATAM were leading carriers in 8 and 19 cities in Brazil, respectively. In addition, the routes in which we hold a leadership position represent approximately 86% of our total ASKs and 81% of our total passenger revenue.

The chart below shows the number of cities we serve and the number of cities in which we are a market leader in terms of departures by cities served in comparison with Gol and LATAM, as of December 31, 2023.

## Azul Route Position (Domestic, Dec 2023)



Source: ANAC and Azul  
 \* Considers leadership in terms of number of departures

Our extensive network coverage allows us to offer more itineraries and connections than our competitors, which serve a significantly lower number of destinations.

We believe our optimized fleet is uniquely tailored to the Brazilian market and to our growth strategy, allowing us to serve cities with different demographics ranging from large capitals to smaller cities throughout Brazil. For more information on our fleet, see “Item 4.B. Business Overview—Fleet.” As a result, we believe we effectively match capacity to demand by offering more convenient and frequent non-stop service than Gol and LATAM, which exclusively fly larger aircraft within Brazil, and we believe are limited to serving only a subset of cities profitably due to infrastructure restrictions that do not affect certain of our aircraft. We believe we are effective in adjusting our capacity to meet demand by timing aircraft deliveries and maintenance schedules accordingly. We intend to continue to grow sustainably and profitably by further adding new domestic and international destinations, interconnecting the cities that we already serve and increasing frequency in existing markets.

### International Routes

Our international expansion strategy is based on connecting our strong presence in various cities in Brazil. We recently announced new destinations such as Paris and Curaçao. Together with Miami/Fort-Lauderdale, Orlando, Lisbon and Montevideo, we are putting together a very relevant international network. In addition, we serve other international destinations according to seasonal demand.

For the year ended December 31, 2023, our international revenue, including cargo, represented 20.9% of our net revenue, compared to 18.4% for the year ended December 2022.

We believe our main hub in Campinas, which offers non-stop flights to 66 domestic destinations and is the largest domestic hub in South America in terms of destinations served is uniquely suited to serve our international routes due to our focused domestic route structure, both in terms of passengers and overall connectivity throughout Brazil. Once in Campinas, our international passengers are able to take advantage of our full domestic route structure to connect to every region in Brazil. In the United States, we already serve Fort Lauderdale and Orlando, Florida from Viracopos, Belo Horizonte and Recife.

To enhance our connectivity outside of Brazil, we have entered into codeshare and frequent flyer reciprocity agreements with United and TAP, as well as 9 other codeshare and 26 interline agreements with several other international carriers. For more information on our codeshare arrangements and strategic partnerships, see “Item 4.B. Business Overview—Strategic Partnerships, Alliances and Commercial Agreements.”

In March 2016, we established a strategic partnership with TAP, further supporting our plans to expand globally. For more information regarding our investment in TAP, see “Item 4.B. Business Overview—Strategic Partnerships, Alliances and Commercial Agreements—TAP.” As a result of this strategic partnership, in June 2016, we successfully launched a non-stop codeshare flight between our and TAP’s main hubs, Campinas and Lisbon, respectively. As of December 31, 2023, TAP served over 80 destinations, including over 10 destinations in Brazil, and therefore was the number one European carrier serving Brazil in terms of number of seats and flights. Our flight to Lisbon enhances our passenger connectivity between Brazil and Europe and allows our business and leisure passengers to take advantage of TAP’s network to access key destinations in Europe. Furthermore, we expect to continue taking advantage of our network connectivity by adding select destinations in South America to be served by our narrow-body aircraft.

### ***Customer Service***

We believe that a high-quality product and exceptional service significantly enhance customer loyalty and brand recognition through word-of-mouth, as satisfied customers communicate their positive experience to others. Based on this principle, we have built a strong company culture focused on customer service that serves as the foundation of a differentiated travel experience. According to surveys we have conducted, as of December 31, 2023, 71% of our customers would recommend or strongly recommend Azul to a friend or relative. In addition, we use NPS (Net Promoter Score) to measure customer satisfaction, and in 2023 our score totaled 54.9.

#### ***Crewmembers***

Our crewmembers are specifically trained to implement our values in their interactions with our customers, particularly through being service-oriented and taking individual initiatives, focusing on providing customers with a travel experience that we believe is unique among Brazilian airlines. We strive to instill our “customer comes first” and “can do” approach in all our crewmembers, which is reflective of how we manage our business.

#### ***Product Features***

We endeavor to provide our passengers with a differentiated travel experience focused on convenience and comfort. To serve this goal, we offer customers the following features:

- a fleet younger than those of our main competitors, Gol and LATAM;
- advanced seat assignment;
- leather seats;
- individual entertainment screens with free live television at every seat in all our jets;
- extensive legroom with a pitch of 30 inches or more;
- complimentary beverage and snack service on domestic flights;
- free bus service to certain key airports we serve (including between the city of São Paulo and Viracopos airport); and
- four-seat “SkySofas,” offering full-length beds in certain economy class cabins.



## ***On-Time Performance***

Our commitment to operating an on-time airline with a high-quality customer experience, which we believe is unique among Brazilian airlines, has resulted in us been ranked among the top ten most on-time low-cost carriers in the world since 2016.

The following table sets forth certain performance-related customer service measures for the periods indicated:

	For the year ended December 31,		
	2023	2022	2021
On-Time Performance <sup>(1)</sup>	85.7 %	88.9 %	90.5 %
Completion Rate <sup>(2)</sup>	98.6 %	98.7 %	99.1 %
Mishandled Bag Rates <sup>(3)</sup>	3.83	3.36	2.68

Source: Cirium and Azul

(1) Percentage of our scheduled flights that were operated by us and that arrived on time (within 15 minutes).

(2) Percentage of our scheduled flights that were operated by us, whether or not delayed (i.e., not cancelled).

(3) Number of bags mishandled per 1,000 passengers.

## ***Strategic Partnerships, Alliances and Commercial Agreements***

### ***General***

As part of our plans to expand globally, we have established strategic partnerships that allow us to improve our overall network, expand our international connectivity, offer more attractive benefits to our TudoAzul customers, enhance our brand and build customer loyalty and revenue. These strategic partnerships provide for expanded cooperation through commercial cooperation agreements, codeshare and interline arrangements, as well as marketing initiatives, loyalty program reciprocity or benefit sharing, enhanced service levels at airports and equity and debt investments in us by our partners, or by us in our partners.

Our commercial cooperation agreements establish broad frameworks for cooperation in such areas as code-sharing, interlining, marketing, service and aircraft and engine maintenance, among other areas. Interline agreements are entered into among individual airlines to handle passengers traveling on itineraries that require multiple airlines, allowing passengers to utilize a single ticket and to check their baggage through to their final destination. Code-share agreements differ from interline arrangements in that they allow airlines to identify a flight with an airline's code even though the flight is operated by another airline, which enhances marketing and customer recognition.

We have entered into a commercial cooperation, a codeshare and frequent flyer reciprocity agreements with United and TAP and have entered into another 9 codeshare and 26 interline agreements with several other international carriers, including JetBlue, Etihad Airways, Air Europa, Lufthansa, Copa Airlines, and Aerolíneas Argentinas. We believe these strategic relationships allow us to increase our load factor on flights departing from Brazilian airports operated by our partners and expand our brand exposure internationally for our Brazil-based and international customers. Our codeshare agreements with United, JetBlue and TAP allow us to sell flights to virtually all destinations served by these carriers, contributing to the growth of our international operations and offering our passengers additional connectivity beyond Brazil. Furthermore, our relationships with other carriers allow us to expand our cargo operations by offering these services beyond the locations served by our own aircraft.

As a result of these arrangements and relationships, our customers have access to more than 200 additional destinations worldwide. We believe that our strategic relationships with our partner airlines, particularly United and TAP, provide our TudoAzul members with a broad range of attractive redemption options and allow us to leverage our TudoAzul program beyond our own network. We continue exploring joint ventures and other arrangements with our strategic partners to determine the most effective and beneficial ways to expand our business and increase profitability through these relationships.

## *United*

On June 26, 2015, we entered into an investment agreement with Calfinco, a subsidiary of United, pursuant to which it acquired Class C preferred shares representing a 5%, non-voting economic interest in us. Such Class C preferred shares were converted on a one-to-one basis into Class A preferred shares on February 3, 2017, which were then simultaneously renamed “preferred shares” and subsequently subject to a two-for-one stock split on February 23, 2017, resulting in United holding 10,843,792 preferred shares through a subsidiary. Pursuant to this agreement, United has the right to elect one member of our board of directors so long as it retains at least 50% of the Class C preferred shares it received on the date of its investment or preferred shares resulting from their conversion. United has designated a representative on our board effective as of August 24, 2018. See “Item 6.A. Directors and Senior Management—Board of Directors.” United is a party to our Shareholders’ Agreement, which provides for United’s right to elect one director, so long as they hold at least 50% of the Class C preferred shares it received on the date of its investment or preferred shares resulting from their conversion. For more information, see “Item 7.B. Related Party Transactions—Shareholders’ Agreement.” On April 27, 2018, United closed a private preferred share transaction with Hainan to acquire 16,151,524 preferred shares of our company increasing its shareholding in us to 26,995,316 preferred shares, representing 7.75% of our economic interest as of December 31, 2023.

In connection with United’s investment, we also entered into a commercial cooperation agreement with United on June 26, 2015 which governs the expanded cooperation between both of our companies with respect to certain matters, including (i) code-sharing, (ii) loyalty programs, (iii) special terms relating to passengers and cargo, (iv) marketing programs, (v) corporate accounts and sales contracts, (vi) employee interline pass travel, (vii) service levels at specific airports, and (viii) the negotiation of a commercial joint venture between us and United whereby we would share resources with United and split revenue related to specified matters relating to our and their route networks in order to optimize profitability for both us and United. To date, this joint venture has not yet been established, and we and United continue discussing objectives, the type of joint venture, revenue sharing and other matters.

Our alliance with United enhances the reach of our network and creates additional connecting traffic, as both we and United cross-sell each other’s flights on our websites. This arrangement provides customers flying on both airlines with a seamless reservation and ticketing process, including boarding pass and baggage check-in to their final or any other destination. United is a principal member of StarAlliance, but Azul currently has no plans to join such alliance.

We expect that our overall relationship with United, including the code-sharing, commercial and other arrangements that are either in place or being discussed by us, will increase international travel by Azul customers to the United States and other international destinations that we do not serve but which are served by United. We also expect that such relationship will increase traffic of United customers to and across Brazil via our network of domestic locations beyond the limited airports served by United in Brazil.

## *TAP*

TAP is the national carrier of Portugal and is a leading carrier between Europe and Brazil. We have had a long relationship with TAP since our inception.

TAP was wholly-owned and operated by the Portuguese government until June 2015, when it was privatized. At that time, Atlantic Gateway owned 45% of TAP’s voting shares, employees held a 5% interest, and the Portuguese government had an ownership of 50% of the voting shares. On March 14, 2019, we acquired a 6.1% economic stake in TAP for US\$25 million.

In connection with TAP’s privatization process, we invested €90 million in 7.5% bonds due March 2026, secured by an interest in TAP’s loyalty program, convertible at our option into newly issued TAP equity securities without any further payment by us.

On July 3, 2020, TAP announced an agreement with the Portuguese government in exchange for financial support in the amount of €1.2 billion. The agreement consists of the sale of Azul’s indirect stake in TAP of 6.1%, for approximately R\$65 million, and elimination of the right to convert the senior bonds held by the Company of €90 million maturing in 2026, according to the terms and conditions of the transaction, which was approved by Azul shareholders at an extraordinary general meeting held on August 10, 2020. All other contractual conditions of the senior bonds will be maintained, including the status of senior creditor, annual interest rate of 7.5%, the right to the constitution of guarantees agreed on the respective terms and conditions, such as TAP’s loyalty program.

## *Codeshare Agreement*

ALAB signed, in 2015, a codeshare agreement with United and TAP which will provide transport of passengers whose tickets have been issued by one of the airlines and the service is performed by the other.

### ***Sublease of Aircraft to TAP***

As part of our fleet optimization efforts, we leveraged our strategic partnership with TAP by subleasing, at a discount, aircraft to TAP since 2016. As of December 31, 2023, 4 aircraft were subleased to TAP.

### ***Joint Venture with TAP***

On February 6, 2020, we entered into a Cooperation Agreement with TAP. This transaction was approved by Azul shareholders on December 9, 2019 and was submitted to regulatory approvals in February 2020. On March 27, 2020 the Brazilian Administrative Council for Economic Defense (CADE – *Conselho Administrativo de Defesa Econômica*) approved the acquisition without imposing further obligations for the parties. The closing date of the transaction has not been determined as of the date of this filing and is subject to further developments following the impact of the COVID-19 pandemic.

We have no other formal strategic partnership or other operating agreements with TAP, but are exploring other agreements and arrangements with TAP as a means of further connecting TAP and its widespread European operations with our Brazilian customers. We are also discussing the possibility of establishing a joint venture with TAP in order to jointly explore flights between Brazil and Portugal. We believe that such cooperation with TAP has the potential for significant synergies primarily through the joint marketing and sales of tickets and cargo for our flights as well as TAP's flights between Brazil and Portugal. On December 9, 2019 the shareholders of Azul approved the execution of a Cooperation Agreement regarding a "Non-Corporate Joint Venture" directed to offer joint air transportation services between ALAB and TAP that further aligns both companies' strategies. This agreement was executed on February 7, 2020 and remains subject to regulatory approvals.

For more information on the impact of the COVID-19 pandemic on our investments and business arrangements, including with respect to TAP, see "Item 3.D. Risk Factors.

### ***TwoFlex***

On February 21, 2020, our wholly-owned subsidiary ALAB and TwoFlex announced that they have entered into a certain Quota Purchase Agreement under which Azul agreed to acquire the Brazilian regional carrier TwoFlex for the total purchase price of R\$123 million. TwoFlex, rebranded "Azul Conecta" is a domestic airline based in Jundiaí, Brazil, founded in 2013, and currently offers regular passenger and cargo service to 83 destinations in Brazil, of which only three regional destinations were previously served by Azul. Azul Conecta also holds 14 daily departure and arrival slots on the auxiliary runway of Congonhas, São Paulo's downtown airport. Congonhas is a particularly coveted airport because of its proximity to São Paulo's business districts and because of its status as Brazil's most slot-constrained airport. Currently, Azul's two larger competitors, Gol and LATAM, control most of the flights in Congonhas. Azul Conecta's fleet is composed of 19 owned Cessna Caravan aircraft, a regional turboprop with a capacity of 9 passengers. The transaction was approved without restrictions by the Administrative Council for Economic Defense (CADE) on March 27, 2020 and on May 14, 2020, Azul announced the completion of the acquisition process of TwoFlex and the purchase price payments were completed in 2022.

### ***LATAM***

In June 2020, we announced a codeshare agreement with LATAM to connect routes in our respective domestic networks in Brazil. The two carriers also signed a frequent flyer agreement, enabling more than 12 million TudoAzul and 37 million LATAM Pass members to earn points in the frequent flyer program of their choice. The codeshare agreement would provide customers in Brazil with a vast array of new and more convenient connection opportunities and also facilitate a smoother travel experience between Azul and LATAM flights with shared ticketing, check-in and baggage transportation. In May 2021, we announced the cancellation of the codeshare by Latam Airlines Brasil.

### ***LILIUM***

In August 2021, we announced a strategic partnership with Lilium, a wholly owned subsidiary of Lilium N.V., to build an exclusive "eVTOL" network in Brazil. The efforts to implement operations through eVTOL, a 100% electric airplane model with zero carbon emissions, is part of our strategy to innovate and maintain an even more sustainable business model, aligned with our ESG commitments and the best practices in the market. This potential commercial arrangement has a total value of up to US\$1 billion and includes a fleet of 220 Lilium eVTOL aircraft with anticipated delivery to commence no earlier than 2025, subject to completion of aircraft certification activities and any required regulatory approvals. This strategic alliance and aircraft order remains subject to the parties finalizing commercial terms and definitive documentation relating thereto.

## ***Revenue Management***

Our revenue management model is focused on effective pricing and yield management, which are closely linked to our route planning, and our sales and distribution methods.

The fares and the number of seats we offer at each fare are determined by our internally developed, proprietary, proactive yield management system and are based on a continuous process of analysis and forecasting. Past booking history, load factors, seasonality, the effects of competition and current booking trends are used to forecast demand. Current fares and knowledge of upcoming events at destinations that will affect traffic volumes are also included in our forecasting model to arrive at optimal seat allocations for our fares on specific routes. We use a combination of approaches, taking into account yields and flight load factors, depending on the characteristics of the markets served, to design a strategy to achieve the maximum revenue by balancing the average fare charged against the corresponding effect on our load factors.

Our model of fare segmentation seeks to maximize revenue per seat through dynamic inventory adjustment depending on demand. By increasing price segmentation, we are able to ensure that we continue to attract and retain high-yield business traffic including last-minute seat availability for late-booking business travelers, which is integral to our revenue management, as well as leisure travelers who usually pay lower fares for tickets purchased in advance.

Utilizing the appropriate aircraft for a specific market enables us to better match capacity to demand. As a result, we believe we are able to enter new markets, cater to underserved destinations with high growth potential and provide greater flight frequency than our main competitors. With this model, we optimize revenue through dynamic fare segmentation, targeting both business travelers, who appreciate the convenience of our frequent non-stop service, and cost-conscious leisure travelers, many of whom are first-time or low-frequency flyers, and for whom we offer low fares to stimulate air travel and encourage advance purchases.

We utilize a proprietary yield management system that is key to our strategy of optimizing yield through dynamic fare segmentation and demand stimulation. We target both business travelers, to whom we offer convenient flight options, and cost-conscious leisure travelers, to whom we offer low fares to stimulate air travel and to encourage advanced purchases. We believe that our fare segmentation model has enabled us to achieve a market-leading PRASK. We believe our superior network and product offering allows us to attract high-yield and frequent business travelers.

## ***TudoAzul Loyalty Program***

Our wholly-owned loyalty program TudoAzul, which was launched in May 2009, aims to enhance customer loyalty and brand recognition. TudoAzul had more than 16 million members as of December 31, 2023 and has been the fastest-growing loyalty program in terms of members among the three largest programs in Brazil for the past six years according to information publicly available on the websites of Smiles and LATAM Pass, the loyalty programs of Gol and LATAM, respectively. TudoAzul members earn at least one point and up to six points per each real spent in tickets on Azul.

Redemptions of points for one-way tickets start at 3,000 points and go up for more expensive flights. TudoAzul also offers a points plus cash option, in which tickets can be purchased using a combination of cash and TudoAzul points. Periodically, as a promotional tool, we may offer awards for fewer than 3,000 points. We believe that with a system that awards at least as many points as Brazilian reais spent, customers perceive they are also receiving a higher reward for their purchases. At the same time, we believe that the variable amount of points required to redeem awards gives us flexibility in exercising discretion over the costs we incur in relation to these redemptions.

We offer last-seat availability to TudoAzul members and have significant flexibility to price redemptions in a way that is competitive with other loyalty programs, thus helping to maximize TudoAzul's attractiveness. We actively manage the price of our redemptions, offering very competitive fares in points when seat availability is high and optimizing margins in peak, high-demand flights. We have also developed an exclusive, proprietary pricing system, which provides ample flexibility to price redemptions within a given flight. This allows us to sell seats using several combinations of points and money. It also allows us to customize pricing using a number of different factors, such as a member's elite tier, membership in Clube TudoAzul, and age (allowing us to offer lower prices to infants and children). We are confident that this proprietary system offers more flexibility than those of our main competitors, therefore allowing us to create promotions, stimulate cross-sell of other TudoAzul products, and more accurately price redemptions to maximize profitability.

Most TudoAzul points expire two years after issuance. Frequent flyers achieve “TudoAzul Topázio” (Topaz) status when they accumulate 5,000 qualifying points, “TudoAzul Safira” (Sapphire) status once they accumulate 10,000 qualifying points and “TudoAzul Diamante” (Diamond) status once they accumulate 20,000 qualifying points during a given calendar year. Topázio, Safira or Diamante status is valid during the rest of the year of qualification and the entire following year, and provides the following benefits, among others: bonus points, check-in privileges at major airports like Viracopos, Santos Dumont, Confins, Brasília and others, priority boarding, higher baggage allowances, and dedicated telephone and e-mail services.

Since the program’s inception, TudoAzul members have generally demonstrated a willingness to pay higher average fares than those paid by non-members. We believe this is in part because of high customer satisfaction, increased passenger loyalty and because many of our business travelers, who frequently purchase more expensive, last-minute tickets, are typically also TudoAzul members.

Our current TudoAzul business partners, which offer TudoAzul members options to accrue and redeem points, include financial institutions such as Itaú, Santander, Livel (Banco do Brasil’s and Bradesco’s loyalty joint venture), and Caixa, retailers (Casas Bahia, Magazine Luiza and Fast Shop), and travel partners (including Accor, RentCars, Hertz and Booking.com).

In September 2014, we also launched an Azul-branded credit card in partnership with Banco Itaucard S.A. In addition, in December 2015, we launched Clube TudoAzul, an innovative subscription-based product through which members pay a fixed recurring amount per month in exchange for TudoAzul points, access to promotions and other benefits. We also offer members the ability to buy points to complete the amount required for a reward, or pay a fee to renew expired points or transfer points to a different member’s account. Finally, we believe that our international flights and loyalty program partnerships with international carriers, including United, TAP and Copa provide our TudoAzul members with a broad range of attractive redemption options.

To maximize the value creation potential of TudoAzul, we have been managing the program through a separate, dedicated team since mid-2015. On a standalone basis, TudoAzul’s gross billings excluding the airline totaled R\$2,692 million for the year ended December 31, 2023, R\$2,218 million for the year ended December 31, 2022 and R\$1,105 million for the year ended December 31, 2021. We believe TudoAzul has significant growth potential.

Given the number of exclusive destinations we operate, our network strength, the expected growth of passenger air travel, credit card penetration and usage and member loyalty in Brazil, we believe that TudoAzul is a key strategic asset for us. We plan to continue investing in TudoAzul’s expansion and evaluating opportunities to unlock value for this strategic asset.

A sample of the key operating statistics demonstrating TudoAzul’s growth are set forth below:

	2023	2022	2021
Gross billings ex-airline (in millions of reais)	2,692	2,217.7	1,104.8
<b>Total members (in millions)</b>	<b>16.6</b>	<b>15.0</b>	<b>13.7</b>
<b>Total partners</b>	<b>103</b>	<b>71</b>	<b>86</b>

## Marketing

We strive to achieve the highest marketing impact at the lowest cost through efficient and effective marketing and advertising strategies. Our marketing and advertising strategies are consistent with our low-cost operating model. We believe we have been successful in building a strong brand by focusing on innovative marketing and advertising techniques rather than traditional marketing tools, such as print ads. Our marketing and advertising techniques focus on social networking tools (Google Search, Facebook, Twitter, and YouTube), email, websites, mobile marketing, and generating word-of-mouth recognition of our service, including through our TudoAzul loyalty program and our visibly branded bus service between São Paulo and Viracopos airport. Our marketing and advertising strategies also involve sales and promotion campaigns with our travel partners.



In addition, we increase our visibility and brand recognition by featuring Azul advertisements on the individual entertainment screens at every seat in all of our E-Jets and Airbus fleet, which feature free live television on domestic flights, and by offering our onboard customers our Azul Magazine (which is also a source of revenue, mainly from paid advertisements), snacks branded with our logo, Coca-Cola soft drinks and seasonal free premium beer happy hours. We also build our brand by offering our business travelers with our VIP lounge in Viracopos airport. Additionally, we engage in marketing by maintaining planes in our livery painted with recognizable symbols, like the Brazilian flag, and symbols supporting important social causes, like breast cancer awareness, a social cause that we have supported through our corporate social responsibility platform since our foundation. We also place logos of key partners on our planes to generate additional revenue, such as Sky TV and Coca-Cola, and feature high visibility partnerships, such as “The World’s Most Magical Fleet”, with Walt Disney World Resort. Furthermore, we engage in guerilla marketing campaigns (which consist of marketing activities conducted in public places, such as the airports and the aircraft that we operate) to enhance our brand recognition and provide promotions directed at our customers.

### ***Sales and Distribution***

We currently sell our products through six primary distribution channels: (i) our website, (ii) our mobile app, (iii) our call center, (iv) airport stations, (v) Azul Viagens freestanding stores, and (vi) third parties such as travel agents, including through their websites. Direct internet bookings by our customers represent our lowest cost distribution channel.

We intend to continue working to increase sales through online channels, in particular sales through our website and our mobile app, as these sales are more cost-efficient and involve lower distribution costs than sales through travel agencies. In conjunction with Navitaire, a provider of host reservation services and other ancillary services, including data center implementation services, network configuration and design services, we developed a direct connection to travel agencies using online portals that bypass expensive distribution through GDS, resulting in a considerably lower indirect distribution cost. This allows travel agencies to use common internet programming schemes, which have almost fixed low costs that do not vary by sales, to develop their front end, mobile and internet applications with a direct connection to our reservation system. In connection with sales booked through travel agents, we pay incentive commissions to travel agents who attain our sales targets rather than upfront commissions.

We maintain a high-quality call center, staffed solely with our crewmembers, as we believe that having a high-quality call center is crucial to our culture focused on customer service. We charge a fee for reservations made through our website and call center to offset its operating costs.

### ***Fleet***

As of December 31, 2023, Azul had a passenger operating fleet of 183 aircraft and a passenger contractual fleet of 189 aircraft, with an average aircraft age of 7.4 years excluding Cessna aircraft. At the end of 2023, the 6 aircraft not included in our operating passenger fleet consisted of (i) 3 Embraer E1s subleased to Breeze, and (ii) 1 ATR and 2 Embraer E1s being prepared to exit the fleet. Azul ended the year with approximately 82% of its capacity coming from next-generation aircraft, far higher than any competitor in the region.

Our operating fleet excluding Cessna Caravan aircraft has an average age of 7.4 years, which is significantly younger than the average of our main competitor. We believe operating a young fleet leads to better reliability, greater fuel efficiency and lower maintenance costs. Our Embraer E-Jets seat up to 118 customers, our next-generation Airbus A320neos accommodate 174 passengers and our fuel-efficient ATR aircraft seat 70 customers, while the aircraft used by our two principal competitors in Brazil have between 144 and 220 seats. As of December 31, 2023, the average trip cost of our fleet was R\$49,842, resulting from the resumption of the operation after the impacts of the COVID-19 pandemic.

In addition to leveraging the strength of our domestic network and maximizing the growth potential of our loyalty program and cargo operations, in December 2016, we began adding next-generation Airbus A320neo aircraft to our fleet with lower seat and trip costs to serve longer-haul leisure and peak hour focus-city to focus-city service. For example, on long-haul flights such as a flight between Campinas and Salvador, the trip cost flying a next-generation Airbus A320neo is approximately only 5% higher than the trip cost of an E-195. However, as the next-generation Airbus A320neo has 56 more seats than the E-195, its CASK is 29% lower. As a result, by adding next-generation aircraft to our fleet, we expect to maintain market-leading trip costs and to reduce our CASK, both in absolute terms and relative to our main competitors.

The following tables set forth the composition of (i) our contractual fleet, which consists of aircraft that are contractually leased or owned by us and; (ii) our operating fleet, which consists of aircraft that are being operated by us, including spare aircraft, for the periods indicated.

Total Contractual Fleet	Number of seats	As of December 31,						
		2023	2022	2021	2020	2019	2018	2016
Embraer aircraft								
E-190/195	106-118	47	55	57	67	70	72	81
E-195-E2	136	20	14	9	9	4	—	—
ATR aircraft								
ATR 72	68-70		44	42	39	33	33	49
Airbus aircraft								
Airbus narrowbody	174-214	55	52	49	45	41	20	5
Airbus widebody	242-298	12	16	14	13	10	7	7
Cessna Caravan	9	27	27	17	17	—	—	—
Boeing 737 (Freighter)	—	2	2	2	2	2	—	—
<b>Total Contractual Fleet</b>		<b>207</b>	<b>210</b>	<b>190</b>	<b>192</b>	<b>160</b>	<b>132</b>	<b>142</b>

Total Operating Fleet	Number of seats	As of December 31,						
		2023	2022	2021	2020	2019	2018	2017
Embraer aircraft								
E-190/195	106-118	42	43	47	53	55	63	79
E-195-E2	136	20	14	9	7	4	—	—
ATR aircraft								
ATR 72	68-70	39	40	33	33	33	33	39
Airbus aircraft								
Airbus narrowbody	174-214	55	52	47	45	38	20	12
Airbus widebody	242-298	11	12	11	11	10	7	7
Cessna Caravan	9	24	19	17	17	—	—	—
Boeing 737 (Freighter)	—		2	2	2	2	2	—
<b>Total Operating Fleet</b>		<b>191</b>	<b>182</b>	<b>166</b>	<b>168</b>	<b>142</b>	<b>125</b>	<b>137</b>

As of December 31, 2023, 40 aircraft of our fleet were owned or debt-financed and 169 were financed under leases. Our owned aircraft and debt-financed aircraft were financed through credit facilities with different creditors, of which 3.5% was denominated in reais and 96.5% was denominated in U.S. dollars as of December 31, 2023.

Based on our current firm orders, we have contractually assumed the commitment to acquire 127 aircraft, 96 directly from manufactures and 31 from lessors.

### ***Embraer***

We were the first and currently are the only airline in Brazil to operate Embraer E-Jets. We believe that our successful launch of the Embraer E-Jets in the Brazilian market is a result of the significant experience of most of our senior management team, who were trained in operating and maintaining E-Jet aircraft in the United States. We believe this experience provides us with a significant advantage over any competitor that may intend to reproduce our model.

We have a strong and close partnership with Embraer, which is headquartered in São José dos Campos, São Paulo, approximately 100 km from our headquarters in the city of Barueri, state of São Paulo, and approximately 150 km from our main hub in Campinas, São Paulo. Our Embraer E-Jets have a two-by-two cabin layout with no middle seats, and our aircraft are configured to offer standard seats with 31 inches of legroom and premium seats called “Espaço Azul” with 34 inches of legroom. Our over-wing exit seats (four per aircraft) offer a spacious 39 inches of legroom. Our first generation of Embraer E-Jets (the “E1s”) are fuel-efficient, with fuel consumption averaging approximately 20% less than a Boeing 737 series, according to Embraer, and thus offering significantly lower trip costs than larger narrow-body aircraft.

The new generation of Embraer E-Jets (the “E2s”) have 18 additional seats, accommodating up to 136 passengers, and offering 26% lower cost per seat and 14% lower trip cost compared to the E1s. As part of our fleet transformation process, we expect to replace our entire Embraer E1 fleet with next-generation E2 aircraft in the upcoming years, resulting in a significant reduction in operating cost, achieving more efficiency for a sustainable growth from both economic and environmental standpoint. Embraer E-Jets continue to feature state-of-the-art fly-by-wire technology, which continues to provide operating safety while reducing pilot workload and fuel consumption.

### ***ATR***

We are one of the largest ATR operators in the world and ATR is the world’s largest manufacturer of 50-to-70-seat turboprop aircraft. ATR turboprop aircraft provide significantly lower operating costs than jets, with fuel consumption averaging approximately 45% per trip less than a comparably sized jet. The ATR 72-600 is the newest member of the ATR family known for its high efficiency, dispatch reliability and low fuel burn. It features a new glass cockpit, communications and flight management system. Like Embraer E-Jets, ATR aircraft have a two-by-two layout with no middle seats, and our aircraft are configured to offer 30 inches of legroom, which is comparable to our Embraer E-Jets. We began operating ATR aircraft in March 2011 for two strategic purposes: to serve short-haul direct routes between smaller destinations where jet aircraft would be less profitable, and to feed customer traffic from secondary markets into our main hubs.

### ***Airbus***

As part of our strategy to maintain a young and efficient fleet, we expect to add more 37 next-generation Airbus 320neo family aircraft to our fleet up to 2029. The next-generation Airbus A320neo family replaces the current A320ceo family, featuring a new engine option and other improvements such as aerodynamic refinements, large curved winglets (sharklets), weight savings, and a rearranged cabin that accommodates up to 174 passengers with larger luggage spaces, and an improved air purification system. Our A320neos are equipped with CFM International LEAP-1A engines and have approximately 15% less fuel consumption and less noise production when compared to the A320ceos, as well as an increase in range of approximately 500 nautical miles.

We began operating the Airbus A330-200 aircraft (the “A330ceo”), configured up to 272 seats, in December 2014, and currently have 5 aircraft serving Fort Lauderdale, Orlando, and Lisbon with these aircraft. According to Airbus, the A330 aircraft delivers better economics than competing aircraft, meets higher environmental standards, and provides greater passenger comfort. We also have 5 Airbus A330-900neo aircraft (the “A330neo”). This aircraft comes with 298 seats in a high-density configuration. The cabin interior is divided into 34 business class, 108 “Economy Extra”, and 156 economy seats. The A330neo has the most advanced passenger cabin today dubbed “Air Space by Airbus,” bringing together an enhanced experience for passengers and optimum performance based on comfort, ambience, service and design. Moreover, the A330neo reduces fuel consumption by 14% per seat compared to the A330ceo, making it the most cost-efficient, medium range widebody aircraft in the market.

Between 2024 and 2025, we expect to add approximately 30 next-generation E2 aircraft, two A320neo aircraft and 4 A330neo aircraft replacing older generation aircraft.

We began operating the Airbus A350-900 aircraft (the “A350neo”), configured up to 334 seats, in December 2022. According to Airbus, the structure of the A350neo includes more than 70% state-of-the-art items such as composites, titanium, and modern aluminum alloys to create a lighter and more economical aircraft, which increases its technical-operational efficiency and guarantee 20% less fuel consumption per seat, resulting in much lower CO<sub>2</sub> emissions per seat compared to the A330ceo, aircraft that will be replaced by the A350neo aircraft, bringing much more comfort to our customers and more efficiency in terms of fuel consumption and CO<sub>2</sub> emission, resulting in a reduction in the cost per seat and helping us to achieve carbon neutrality by 2045.

### ***Fuel***

Fuel costs are our largest operating expense. Fuel accounted for 34.9%, 45.2% and 32.8% of our total operating expenses for the years ended December 31, 2023, 2022 and 2021, respectively. Aircraft fuel prices are composed of a variable and a fixed component. The variable component is set by the refinery and reflects international price fluctuations for oil and the Brazilian real/U.S. dollar exchange rate. This variable component is re-set monthly in the Brazilian market, as opposed to daily in North America and Europe. The fixed component is a spread charged by the supplier and is usually a fixed cost per liter during the term of the contract.

We purchase fuel from a number of distributors in Brazil, principally from Raízen Combustíveis Ltda., Air BP Brasil Ltda. and Vibra Energia (formerly BR Distribuidora). All such companies are authorized by the National Petroleum Agency (Agência Nacional do Petróleo), or ANP, to market products derived from oil for aviation throughout Brazil, with whom we have agreements to purchase all of our jet fuel needs in certain locations. Our agreements with Air BP Brasil Ltda. and Raízen Combustíveis Ltda. are in effect until December 2027. Our agreement with Vibra Energia is in effect until 2025 subject to certain conditions and corporate approvals. For our international flights departing from outside of Brazil, we purchase fuel from local providers.

International oil prices, which are denominated in U.S. dollars, are volatile and cannot be predicted with any degree of certainty as they are subject to many global and geopolitical factors. For more information on the fuel-related risks we face, see “Item 3.D. Risk Factors—Risks Relating to our Business and the Brazilian Civil Aviation Industry – Substantial fluctuations in fuel costs or the unavailability of fuel, which is mostly provided by one supplier, would have an adverse effect on us”.

Airlines often use West Texas Intermediate, or WTI, crude or heating oil future contracts to protect their exposure to jet fuel prices. In order to protect us against volatile oil prices, we have entered into derivative future contracts in the past and may do so from time to time. We also have the possibility of negotiating customized hedging products directly with fuel distributors, with the purpose of locking in the cost of the jet fuel we will consume in the future, and protect ourselves against any fuel price or exchange rate risk.

Moreover, building on our operations team’s significant experience with the E-Jet and Airbus aircrafts, we operate an active fuel conservation program involving reducing taxi times, taxiing using a single engine, and managing the aircraft’s load balance, angle of attack and cruising airspeed for optimal fuel-efficiency. We have a robust program to reduce the auxiliary power unit (APU) utilization during transit time and we are working together with the relevant authorities to optimize the air space to reduce our flown distance.

The following chart summarizes our fuel consumption and our fuel costs for the periods indicated.

	For the Year Ended December 31,		
	2023	2022	2021
Liters consumed (in thousands)	1,291,297	1,206,925	979,762
Aircraft fuel (R\$ in thousands)	5,890,485	6,561,288	3,257,223
Average price per liter (R\$)	4.56	5.44	3.32
Percent increase (decrease) in price per liter	(16.18)%	63.52 %	43.34 %
Percent of operating expenses	34.9 %	45.2 %	32.8 %

## ***Airports and Other Facilities and Properties***

### ***Airports***

Currently, a significant number of Brazil’s public airports are currently managed by INFRAERO, an airport operator wholly-owned by the Brazilian government, or by private concession holders. Brazil’s airline industry has grown significantly over the past years and, as a result, some of Brazil’s airports face significant capacity constraints.

Airlines and service providers may lease areas within federal, state or municipal airports, such as hangars and check-in counters, cargo terminals, ticket counters and back offices, subject to concessions or authorizations granted by the authority that operates the airport – which may be federal, the state, the municipality or a private concession holder, as the case may be. No public bid is required for leases of spaces in passenger terminal, although federal typically conducts processes similar to a public bidding process if there is more than one applicant, for cargo terminals or hangars. In other cases, the use may be granted by a simple authorization or permission issued by the authority that operates the airport. In the case of airports operated by private entities, the use of concession areas is subject to a commercial agreement between the airline and the airport operator.

With respect to our international facilities, we have entered into lease agreements or other occupancy agreements directly with the applicable local airport authority on varying terms dependent on prevailing practice at each airport. It is customary in the airline industry to have agreements that automatically renew. Our terminal passenger service facilities of ticket counters, gate space, operations support area and baggage service offices generally have agreement terms ranging from less than one year to five years. These agreements can contain provisions for periodic adjustments of rental rates, landing fees and other charges applicable under the type of lease and the extension of the concession term. Under these agreements, we are responsible for the maintenance, insurance, utilities and certain other facility-related expenses and services.

In 2011, the Brazilian government started to grant the operation of certain airports in Brazil by way of concessions following public bids. Between 2011 and 2019, 22 airports have been privatized after bidding procedures, including our three hubs, Viracopos, Confins and Recife airports. The concessions for these airports have terms of between 20 and 30 years. In April 2021, the Brazilian government auctioned off another 22 airports located in the Southern, Mid and Northern regions of the country.

Following the concession for the operation of Viracopos airport, our largest hub, in February 2012, a series of new investments for Viracopos airport have been made by Aeroportos Brasil, a private consortium that won the bid to operate Viracopos airport. In April 2016, Aeroportos Brasil transferred all operations to a new passenger terminal, which is approximately six times larger than the old terminal. Total investments at Viracopos airport totaled approximately R\$3.0 billion between 2012 and 2016.

As a result of the transfer of our operations to the new passenger terminal at Viracopos airport, we signed a “Terminal Transfer Incentive Agreement” with Aeroportos Brasil which established a detailed construction schedule for this new terminal and gave us certain rights to impose penalties in the event of noncompliance. Due to the fact that Aeroportos Brasil has not complied with certain contractual obligations under this agreement, we have retained 40% of the airport landing fees from February 2017 until May 2018. As a result of this retention, Aeroportos Brasil filed a collection action against us, which was settled in May 2018 and, consequently, the retention of airport landing fees was resolved. Pursuant to the settlement agreement, we agreed to finish some certain areas of the construction of the new terminal at Viracopos Airport using the airport landing tariffs retained from Aeroportos Brasil. For more information on this proceeding, see “Item 8.A. Consolidated Statements and Other Financial Information —Legal Proceedings.”

In addition, Aeroportos Brasil, which holds a concession for the operation of Viracopos airport from ANAC, filed for bankruptcy protection in 2018 as it has not complied with its contractual obligations relating to the construction of a new terminal. On February 17, 2020 creditors approved Aeroportos Brasil’s debt restructuring plan, which requires returning the concession for the operation of Viracopos airport to ANAC to initiate a re-bidding process. In accordance with article 13 and pursuant to Law 13448, to begin the re-bidding process for the concession to a new operator ANAC will (i) suspend concession forfeiture proceedings; (ii) amend the concession agreement entered into with Aeroportos Brasil to determine the covenants and minimum services to be rendered during the new bidding process; (iii) issue a technical and economic viability study, public bidding rules and a new concession agreement. Once the proceeding is concluded, the operation of Viracopos airport should be transferred to a new operator (in case the re-bidding is successful) or otherwise returned to the government.

Our second largest hub is Confins airport, the main airport in Belo Horizonte, whose concession was granted to private operators in 2013. In 2016, this concession concluded the construction of a new passenger terminal increasing Confins airport’s capacity to up to 22 million passengers per year. We are the leading carrier at Confins airport with a 72% share of its domestic departures to 60 destinations in 93 domestic daily flights as of December 31, 2023

In July of 2014, ANAC enacted a resolution establishing new procedures to allocate slots in airports operating at full capacity. Through such allocation, we received 26 new slots at Congonhas airport. In November 2014, we started operating 13 daily flights from Congonhas airport to some of our most profitable markets including Belo Horizonte, Porto Alegre, and Curitiba, leveraging the connectivity we have in these cities and expanding our flights available to São Paulo passengers. In August 2019 ANAC announced a temporary distribution of 41 slots in Congonhas airport previously operated by Avianca Brasil, of which 15 slots were allocated to us. As a result, we adjusted our flight schedules at Congonhas airport and since September 2019, we started operating a shuttle service between Congonhas and Rio de Janeiro and between Congonhas and Belo Horizonte ceasing to operate flights to Porto Alegre and Curitiba. In 2022, Azul achieved an important advance in its presence in Congonhas. With the new rules for slot distribution defined in Resolution No. 682/2022 and the increased capacity in Congonhas operations, Azul increased its number of slots at this airport from 26 to 84. As a result, Azul started to offer more scheduled flights from Congonhas to important destinations such as Brasília, Porto Alegre, Curitiba, Belo Horizonte, Recife and Rio de Janeiro as of March 26, 2023.

We built a hub in Recife to increase flight connectivity within the Northeast region of Brazil. Recife has the largest GDP of Brazil’s Northeast region according to IBGE and is our closest Latin American hub for non-stop flights to both Europe and the United States. Our Recife hub serves 47 destinations. We had a 73.0% share of Recife’s airport, and 79 daily domestic departures as of December 31, 2023. Our diversified network allows us to connect not only our main hubs but also strategic destinations throughout Brazil such as São Paulo (Guarulhos and Congonhas airports), Rio de Janeiro (Santos Dumont and Galeão airports), Porto Alegre, Cuiabá and Manaus.



## ***Other Facilities and Properties***

Our primary corporate offices and headquarters are located in the city of Barueri, state of São Paulo, where we lease 8,213.95 square meters under three lease agreements that expire in December of 2025. We also entered into a lease agreement for a warehouse and office complex in Fort Lauderdale, United States.

We also lease four hangars totaling 29,560.64 square meters for our full capability maintenance center in Belo Horizonte, with expirations from 2023 to 2035. We also lease one hangar in Manaus totaling 3,133.20 square meters and one in Cuiabá totaling 2,535.71 square meters for E-Jets and ATR line maintenance with leases expiring in 2024 and undetermined period, respectively. We also lease one hangar in Campinas totaling 92,219.86 square meters, with the lease expiring in 2042. Our training facility for pilot and cabin crew education, UniAzul, located at Viracopos airport has 14,576 square meter is under a lease agreement that expires in 2027. UniAzul is located less than a mile away from Viracopos airport, our main hub. This facility provides training services both for our own crewmembers, including pilots, and for third parties on a commercial basis. At UniAzul we train all of our crewmembers, including pilots, flight attendants and maintenance technicians. As part of our extensive training program at UniAzul we operate two E-Jet flight simulators, one ATR flight simulator and one A320 flight simulator, all of them with full-flight capacity, a technology we believe none of our main competitors has. We also provide training and grant access to our onsite flight simulators to third parties, including TAP, Embraer and the Brazilian Air Force. We have plans to expand the training programs offered at UniAzul through partnerships with technical schools and universities.

We also lease a 9,600 square-foot warehouse and office complex, located in Fort Lauderdale within the airport area, under a lease that expired in 2022 and a new contract is under negotiation.

## ***Competition***

### ***Domestic***

The two largest airlines in Brazil in terms of RPK share are Gol and LATAM. Both Gol and LATAM operate similar hub-and-spoke networks, which require that passengers on many of their routes connect through the cities of São Paulo, Rio de Janeiro or Brasília. The principal competitive factors on these routes that are served by more than one airline are fares, total price, flight schedules, aircraft type, passenger amenities, number of routes served from a city, customer service, on-time performance, safety record and reputation, code-sharing relationships, and frequent flyer programs and redemption opportunities.

As a result of our innovative business model, which is based on stimulating demand in underserved markets, we believe we are less susceptible to the effects of fare competition involving our main competitors, which fly from the airports in the city of São Paulo. As of December 31, 2023, 25% and 12% of our domestic network overlapped with that of Gol and LATAM, respectively. At Viracopos airport, our primary hub, only 7 out of 66 domestic destinations faced direct competition from Gol or LATAM as of December 31, 2023. While Gol, LATAM or any other airline may enter the markets we currently serve exclusively or in which we hold a large market share, we believe that our extensive connectivity allows us to avoid competition in numerous of the markets we serve, in particular from our competitors operating larger aircraft such as Gol and LATAM as it is more difficult to profitably serve our markets with larger aircraft. See “—Route Network.”

Before we started our operations, Gol and LATAM controlled over 90% of the Brazilian airline market in terms of RPK share. From 2008 to 2015, the Brazilian airline market has grown significantly, partially because of (i) our entry into the market, which stimulated demand, and (ii) the organic growth of the market, with more individuals using airline transportation services. As a result, despite the fact that Gol and LATAM lost market share following our entry into the market, the number of passengers transported by both airlines increased in that time period. As of December 31, 2023, we had an 28.4% market share of domestic RPKs, according to ANAC.

In December 2018, Avianca Brasil filed for judicial reorganization (*recuperação judicial*) and as of May 2019 it ceased to operate flights. Most of Avianca Brasil’s slots have been redistributed by ANAC to incumbent airlines.

The following table sets forth the historical market shares on domestic routes, based on revenue passenger kilometers, of the significant airlines in Brazil for each of the periods indicated:

<b>Domestic Market Share— Scheduled Airlines</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Gol	33.3 %	33.7 %	31.8 %
LATAM Brasil	37.8 %	36.5 %	33.8 %
Azul	28.4 %	29.3 %	33.5 %
Others	0.5 %	0.4 %	0.9 %

Source: ANAC

In addition to other airlines, our competitors also include companies catering to other forms of transportation, principally bus services. We believe that many of our fares are competitive with the cost of road travel on many of our routes, in particular the discounted fares we offer through our yield management system for advance purchases.

### ***International***

We currently are the only carrier in Viracopos airport that offers non-stop service to the United States and Europe. As we expand our international services to select international destinations, our pool of competitors may increase and we may face competition from Brazilian, North American, South American and other foreign airlines that are already established in the international market and that participate in strategic alliances and codeshare arrangements. In addition, non-Brazilian airlines may decide to enter or increase their schedules in the market for routes between Brazil and other international destinations, which would also drive up competition.

In 2010, ANAC approved regulations regarding international fares for flights departing from Brazil to the United States and Europe, which gradually removes the previous minimum fares. In 2010, ANAC approved the continuity of bilateral agreements providing for open skies policies with other South American countries, as well as a new open skies policy with the United States. The open skies policy with the United States was approved by the Brazilian National Congress in March 2018. In March 2011, Brazil also signed an open skies agreement with Europe, which was initially expected to come into force in 2014 but still lacks the necessary approvals from the Brazilian executive branch in order to be considered and ratified by the Brazilian National Congress. These new regulations should increase the number of passengers in South America and may enable the expansion of our international services.

During 2022, our international operations were affected by the COVID-19 pandemic as a result of lockdowns imposed, border closures and travel restrictions. The table below shows the 2023 market share of Brazilian airlines in routes to/from Brazil based on RPKs:

<b>International Market Share—Airline</b>	<b>RPK</b>	<b>Market Share</b>
LATAM	23,696,385	67.38 %
Azul	8,085,240	22.99 %
GOL	3,384,034	9.62 %
Other	2,735	0.01 %
<b>Total</b>	<b>35,168,393</b>	<b>100.0 %</b>

Source: ANAC

### ***Maintenance***

Safety is our core value. Aircraft maintenance, repair and overhaul are critical to the safety and comfort of our customers and the optimization of our fleet utilization. Our maintenance policies and procedures are regulated by FAA, EASA and ANAC requirements, and our aircraft maintenance programs are approved by ANAC and are based on manufacturers' maintenance planning documents and recommendations. We employ our own experienced qualified technicians to perform line maintenance services rather than relying on third-party service providers. All technicians are certified by ANAC and meet stringent qualification requirements. Our maintenance technicians undergo extensive initial and ongoing training provided by UniAzul and by our aircraft and engine manufacturers to ensure the safety and continued airworthiness of our aircraft. Our training programs are all approved by ANAC.

We have developed a technical operations organization structure and a Continuous Analysis and Surveillance System, or CASS, aimed at achieving the highest level of safety, airworthiness, customer-worthiness, dependability, quality and cost efficiencies of our aircraft fleet.

With this in mind, we have established an engineering and quality assurance department that oversees the compliance of all airworthiness requirements, and provides oversight of all maintenance activities in accordance with ANAC regulations and our CASS. Our engineering technical services set the standards and specifications for maintaining our aircraft and engines, monitor the performance reliability of the aircraft systems, engine and components, perform root-cause analyses of defects, and forecast long-term and short-term maintenance activities. We have also implemented aircraft and engine health monitoring programs to determine preventative or corrective actions. The newer generation aircraft and engines are able to transmit over ten times more performance data to the airline and aircraft manufacturer engineers, contributing to a higher reliability performance and improved safety. Our engineering and quality assurance crewmembers are trained and qualified in technical and airworthiness management with relevant aircraft type training and certification.

Aircraft maintenance and repair consists of routine and non-routine maintenance work and is divided into two general categories: line maintenance and base maintenance.

Line maintenance consists of routine, scheduled daily and weekly maintenance checks on our aircraft, including pre-flight, daily and overnight checks, any diagnostics and routine repairs and any unscheduled items on an as needed basis. All of our line maintenance is currently performed by our own experienced and certified technicians, primarily in Campinas, Porto Alegre and Belo Horizonte, in addition to other airports we serve.

Base maintenance consists of more complex tasks that cannot be accomplished during an overnight visit and require well-equipped facilities, such as hangars. Base maintenance checks are performed following a pre-scheduled agenda and work scope for major checks. The scheduled interval for such major checks is set forth in the ANAC Approved Maintenance Program, and is based on the number of hours flown, landings and/or calendar time. Base airframe maintenance checks (which do not cover engine performance and overhaul shop visits) may normally take from one week to one month to be accomplished, depending on the manpower requirements of the work package, and typically are required approximately every 18 months. Engine performance and overhaul shop visits are performed approximately every three years.

We currently perform all base airframe maintenance checks for our ATR aircraft and most of the E-Jets base airframe maintenance at our full-capability maintenance facility in Belo Horizonte and outsource certain base airframe maintenance checks for our E-Jets, Airbus A320neos and A330s to FAA, EASA and ANAC certified maintenance, repair and overhaul providers. Since April 2020, we are performing maintenance checks for our Airbus and E-Jet aircraft at our new full-capability maintenance facility in Campinas.

We hold concessions for three hangars at our ATR full-capability maintenance center in Belo Horizonte, where we perform airframe heavy checks, line maintenance, painting and interior refurbishment of our ATR aircraft. We also have one hangar in Manaus and Cuiabá for E-Jets and ATR line maintenance.

Our current strategy is to outsource all engine repair, performance restoration and overhaul shop visit maintenance to qualified third parties. As such, we have entered into the following long-term flight hour agreements with the following parties; most of such agreements require us to make monthly payments based on utilization and, in turn, these agreements transfer certain risks to the third party provider:

- a) General Electric, or GE, the manufacturer of the CF34 engines installed on our E-Jet aircraft fleet—A power-by-the-hour agreement, effective throughout the period in which we operate each engine part of the agreement, which provides for comprehensive engine repair, performance restoration, overhaul, engine condition monitoring and diagnostics management of the CF34 engine fleet. Under this agreement, GE has equipped its GE Celma plant in Petrópolis near Rio de Janeiro to perform our engine maintenance since September 2012, resulting in a significant reduction in turnaround time and engine spares inventory, and avoiding the cost of shipping engines to the United States for maintenance.
- b) Rolls-Royce, the manufacturer of the Trent 700 and Trent 7000 engines installed on our A330 and A330neo wide-body aircraft fleet, respectively—Separate power-by-the-hour agreements, or Total Care, each effective throughout the period in which we operate each engine part of the agreement, which provides for comprehensive engine repair, performance restoration, overhaul, engine condition monitoring and diagnostics management of Trent 700 and Trent 7000 engines fleet.

- c) CFM International, a joint venture between GE and Safran Aircraft Engines, the manufacturer of the Leap 1A engines installed on our next-generation Airbus A320neo family fleet—A power-by-the-hour twelve year agreement, which provides for the repair, performance restoration, overhaul, engine conditioning monitoring and diagnostics management of each Leap 1A engine fleet. Under this agreement, GE had the obligation to develop its GE Celma plant in Petrópolis near Rio de Janeiro to perform our engine maintenance with full capability by 2020, which it has fulfilled. This will result in significant reduction in turnaround time and engine spares inventory, and will avoid the cost of shipping engines to the United States for maintenance.
- d) Pratt & Whitney, the manufacturer of the PW1900G engines installed on the E2 aircraft fleet—A power-by-the-hour twelve year agreement for each engine effective from the delivery date of the first aircraft and covering the repair, performance restoration, overhaul, engine conditioning monitoring and diagnostics management of the engine fleet.

To support the maintenance of our aircraft, we have entered into component flight hour services program agreements with various industry-leading specialists in the supply, exchange, repair, and lease of commercial aircraft repairable spares. These programs provide us with comprehensive inventory solutions for component repair, on-site inventory and access to spare parts exchange pools for our ATR, E-Jets, and Airbus aircraft fleets. Such programs allow us to optimize our component maintenance costs, improve our cash flow forecasting and achieve the high standards of component reliability required to maximize our aircraft availability. These agreements require us to make monthly payments based on flight hours, and in turn, the agreements transfer certain risks related to the supply and repair of component parts to the third-party service provider.

We have entered into the following long-term component flight hour agreements with the following parties:

- a) ATR — An agreement expiring in 2028 which covers the component repair, on-site inventory and access to a spare parts exchange pool for our ATR72-600 aircraft fleet.
- b) Embraer — E2 aircraft fleet is supported by an agreement expiring in 2032 which covers the component repair, on-site inventory and access to a spare parts exchange pool. The E1 aircraft fleet has a warranty repair agreement expiring in September 2022 which covers the repair of components
- c) Airbus — Separate agreements for both the A320neo and A330 fleet expiring in 2028 and 2027, respectively, which cover the component repair, on-site inventory and access to a spare parts exchange pool.

### ***Safety and Quality***

We are committed to the safety and security of our customers and crewmembers as well as certified by the IATA Operational Safety Audit – IOSA, an internationally recognized quality and safety evaluation system designed to assess the operational management and control systems of an airline. We maintain an Operational Safety Team, divided into four departments that report to a General Manager: (i) Operational Safety, (ii) Maintenance and Occupational Safety, (iii) Ground Operations Safety, and (iv) Crisis and Emergency Response. The General Manager itself reports directly to the Director of Quality and Safety. Other three areas report directly to the Director of Quality and Safety: (i) Safety Promotion and Training, (ii) Quality and Safety Performance, (iii) Security. All our safety and quality team members have significant experience in the aviation industry and some of them have previously worked for international airlines and aircraft manufacturers, which provides them not only knowledge of airline safety and quality systems, but also familiarity with the fleet we operate.

The Operational Safety and Safety Promotion and Training departments are responsible for safety programs such as managing Safety Reports (voluntary and mandatory), Human Factors, the Flight Data Monitoring – FDM, and Line Oriented Safety Audit – LOSA, which maximizes reactive, proactive, and predictive actions to achieve high levels of safety in our operations.

The Quality and Performance department conducts audits and inspections in all operational areas in accordance with the Quality Management System. These stringent standards and requirements are key to assuring the very highest levels of safety and quality throughout the operational areas.

Maintenance and Occupational Safety strictly adheres to all activities related to the Safety Management System, or SMS, including the SMS standards established by ANAC, which follows the highest recognized safety standards in the world. The International Civil Aviation Organization ranks Brazil as Category 1 in flight safety standards, the same classification held by the United States and Canada. See “Regulation.” The area also guarantees the safety levels required by labor regulations.

The Security department focuses on the protection of aviation operations against acts of unlawful interference in compliance with TSA and ANAC security protocols, being also responsible for the security of executives and VIP customers, as well as physical and electronic security at administrative and operational facilities.

Ground Operations Safety is responsible for preventing incidents during transportation of all different goods we carry in our passenger flights and in our freighter fleet. The department is also in charge of setting rules and procedures for the safe transportation of goods, being dangerous goods or regular cargo, as well as keeping track of all safety related procedures regarding ground handling suppliers and their operations.

The Crisis and Emergency Response department is responsible for training and maintaining a Special Assistance Team – SAT, composed of volunteers that are trained for emergency responses. This department also conducts regular drills, trainings and relevant media training along with our Communications Office.

Together with all the major safety programs currently in place, all of our fleet is equipped with electronic flight bags, an information management device that helps flight crew to perform flight management tasks safely. We are also the only airline in Brazil with ownership of full flight simulators. We maintain our aircraft in strict adherence to the manufacturer’s specifications and all applicable safety regulations, performing routine daily line maintenance as well as other proactive maintenance practices. We are also part of Embraer’s and Airbus’ Aircraft Integrity Monitoring Program, which provides close monitoring of malfunction trends in aircraft’s systems and components. We also strive to comply with or to exceed most health and safety standards. In pursuing these goals, we maintain an active aviation safety program, in which all our personnel is expected to participate and take an active role in the identification, reduction and elimination of hazards and threats.

We also operate the largest maintenance facility in Latin America: our MRO hangar, built in our home base and major hub, Campinas – Viracopos Airport (VCP). We are capable of carrying out most of our major maintenance procedures there, following the most up to date maintenance standards, along with state of the art equipment to maintain and improve several aircraft systems. Together with our main hangar, we operate another maintenance facility at Belo Horizonte’s Pampulha Airport, which serves our ATR-72 and E-Jets fleet. We are also investing on a second location in Belo Horizonte located at the international airport for future development and expansion of our maintenance services capabilities.

Our ongoing focus on safety and quality is reflected in the training of our crewmembers, who are provided with the appropriate tools and equipment required to perform their job functions in a safe and efficient manner. Safety in the workplace targets several areas of our operations, including flight operations, maintenance, flight dispatch and station operations.

## ***Employees***

We believe that the quality of our employees, whom we refer to as crewmembers, promotes our success and growth potential. We believe we have created a strong service-oriented company culture, which is built around our values of safety, consideration, integrity, passion, innovation and excellence. We are dedicated to carefully select, train and maintain a highly productive workforce of considerate, passionate and friendly people who serve our customers and provide them with what we believe is the best flying experience possible. We reinforce our culture by providing an extensive orientation program for new crewmembers and instill in them the importance of customer service and the need to remain productive and cost efficient. Our crewmembers are empowered to not only meet our customers’ needs and say “yes” to a customer, but to also listen to our customers and solve problems.

We communicate regularly with all of our crewmembers, keeping them informed about events at our offices through town hall meetings and question and answer sessions and soliciting feedback for ways to improve cooperation and their work environment. We conduct an annual crewmember survey and provide training for our leadership that focuses on crewmember engagement and empowerment. In addition, each of our executives adopts a city and is responsible for meeting with crewmembers on a periodic basis to be an additional source of corporate communication and assistance. Our executives also interact directly with our customers when traveling to obtain feedback and suggestions about the Azul experience.

We aspire to be the best customer service company in Brazil and, as a result, we believe our crewmembers are more likely to recommend us as a place to work to a friend or relative. We have good relations with our crewmembers and we have never experienced labor strikes or work stoppages.



We are focused on increasing the efficiency and productivity of our crewmembers. As of December 31, 2023, we had 79 FTEs per aircraft. The following table sets forth the number of our crewmembers per category and the number of FTEs per aircraft at the end of the periods indicated:

	At December 31,		
	2023	2022	2021
<b>Crewmembers</b>			
Pilots	2,219	2,010	1,970
Flight attendants	3,526	3,285	3,038
Airport personnel	3,706	3,265	2,976
Maintenance personnel	2,566	2,052	2,040
Call center personnel	1,017	823	895
Others	2,976	2,812	2,244
<b>Total</b>	<b>16,010</b>	<b>14,247</b>	<b>13,163</b>
End-of-period FTEs per aircraft	79	77	78

We provide extensive training for our crewmembers that emphasizes the importance of safety. In compliance with Brazilian and international IATA safety standards, we provide training to our pilots, flight attendants, maintenance technicians, managers and administrators and customer service (airport and call center) crewmembers. We have implemented employee accountability initiatives both at the time of hiring and on an ongoing basis in order to maintain the quality of our crew and customer service. We currently operate four flight simulators and have an extensive training program at UniAzul, our training facility adjacent to Viracopos airport. See “—Airports and Other Facilities and Properties—Other Facilities and Properties” and “—Safety and Quality.”

A national union represents all airline employees in Brazil. However, we do not have a direct collective bargaining agreement with any labor unions. Binding negotiations in respect of cost of living and salary increases are conducted annually between the national union and an association representing all of Brazil’s airlines. Work conditions and maximum work hours are regulated by federal legislation and are not the subject of labor negotiations. In addition, we have no seniority pay escalation. Since our FTEs per aircraft is lower than that of our main competitor, any wage increases have a lower impact on us, thus making labor costs less significant to our operations. As a result, we believe our results of operations are less affected by labor costs than those of our main competitor.

Our compensation strategy is competitive and meant to retain talented and motivated crewmembers and align the interests of our crewmembers with our own. Salaries and benefits paid to our crewmembers, include, among others, health care, dental care, child care reimbursement, life insurance, funeral assistance, psychosocial assistance under our Anjo Azul program, school aid (granted to expatriate executive officers only), housing allowance (granted to expatriate executive officers only), salary-deduction loans, bonuses, pension plans, transportation tickets, food allowances and meal vouchers. We believe that we have a cost advantage compared to industry peers in salaries and benefits expenses due to high employee productivity measured by the average number of employees per aircraft. We also benefit from generally lower labor costs in Brazil, when compared to other countries, which is somewhat offset by lower productivity due to government requirements over employee labor conditions and taxes on payroll.

To motivate our crewmembers and align their interests with our results of operations, we provide a leadership incentive plan based on the achievement of pre-defined company performance targets (Programa de Recompensa). We also have established a stock option plan for our leadership that vests over a four-year period. See “Item 6.B. Management Compensation—Stock-Based Incentive Plans.”

### **Insurance**

We maintain insurance policies as required by law and the terms of our aircraft leasing agreements. Our insurance coverage for third party and passenger liability is consistent with general airline industry standards in Brazil and we insure our aircraft against physical loss and damage on an “all risks” basis. We maintain all mandatory insurances coverage for each of our aircraft and additional insurances coverage required by lessors, although liability for war and associated acts, including terrorism, is covered by the Brazilian government.

## ***Environmental, Social and Governance (“ESG”) Responsibility***

Aviation connects people, cultures and economies, leading in economic growth and social progress. Since our foundation in 2008, we have established our operations with a concern for social values, local development and environmental protection, aiming to create sustainable long-term relationships with all of our stakeholders.

Emissions efficiency is a constant concern for our sector. In May 2021, we announced our commitment to reach net-zero carbon emissions by 2045. To achieve this target, we are already implementing some initiatives focused on eco-efficient operation through the country’s youngest and most fuel-efficient fleet, aligned with a robust social responsibility initiatives and fleet transformation plan.

Fuel consumption per passenger decreased as a result of new developments, more efficient aircraft models and effective operating processes. Our ongoing fleet transformation process, which consists of replacing older generation aircraft with next-generation fuel-efficient aircraft, will play a significant role in our sustainability efforts as we expect the renewed fleet to reduce our fuel consumption and carbon emissions per flight as well as passenger basis. We are constantly working on other initiatives to reduce our fuel consumption including route optimization and operational improvements.

In August 2021, we announced a strategic partnership with Lilium, a wholly owned subsidiary of Lilium N.V., to build an exclusive “eVTOL” network in Brazil. The efforts to implement operations through eVTOL, a 100% electric airplane model with zero carbon emissions, is part of our strategy to innovate and maintain an even more sustainable business model, aligned with our ESG commitments and the best practices in the market. This potential commercial arrangement has a total value of up to US\$1 billion and includes a fleet of 220 Lilium eVTOL aircraft, with anticipated delivery to commence no earlier than 2025, subject to completion of aircraft certification activities and any required regulatory approvals. This strategic alliance and aircraft order remains subject to the parties finalizing commercial terms and definitive documentation relating thereto.

The most valuable asset of Azul is our committed and passionate crewmembers. Our mission is for our crewmembers to have the best job experience of their life while working at Azul, and for our customers the best flight experience. For us, our crewmembers are essential to our capacity to achieve excellence. Regardless of our position in the Company, we are all part of the same team, and the Azul experience is a collective effort that involves the commitment of all of us.

As of December 31, 2022, we were the sole airline on 74% of our routes, we are the leading airline in 134 Brazilian cities in terms of departures and carried approximately 30 million passengers in the year ended December 31, 2023. As a result, we support smaller communities that are located far from larger metropolitan areas, boosting their local economy. In addition to our diversified domestic network, we also serve select international destinations and partner with several airlines connecting customers to global destinations.

In 2020, we reaffirmed our commitment to the United Nations (UN) Sustainable Development Goals (SDGs) and developed an increasingly engaged social action, not only around our operating stations, but also across Brazil. We are committed to building a promising future, connecting people and changing lives through the work of our team of 6,012 volunteers and social investment projects that have directly benefited over 53,373 people in 2023.

We have developed several humanitarian aid actions such as transportation of health professionals and relevant cargo, such as masks, face shields, medical equipment, medication, alcohol gel, infrastructure for the field hospital in Campinas and vaccines, as well as repatriation flights for Brazilians. In 2022, with the expansion of the war in Ukraine, we lead an initiative to raise funds for the Ukraine people, giving the opportunity for the customers who want to donate to this important cause, to purchase seats for virtual flights between São Paulo-Campinas, Brazil and Ukraine. While the flights will not be flown, the total value of the purchase will be donated to the International Committee of the Red Cross to support their efforts to aid the millions of refugees leaving Ukraine.

We conduct our corporate governance with transparency and in accordance with the most relevant market guidelines that comply with SEC and CVM requirements. In order to formalize our commitments, we rely on several corporate documents, such as our Bylaws, the Code of Ethics, Conduct, and our Sustainability Policy and during 2021; we implemented some additional policies as the Anti-Corruption, Prevention of Use and Disclosure of Material Nonpublic Information and Disclosure and Securities Trading.

In 2023, our ESG initiatives and improvements were recognized by the market through our inclusion, for the third consecutive year, in the B3 Corporate Sustainability Index. At the same time, our Annual Report was among the 5 bests in Brazil in the ABRASCA ranking, highlighting our commitment to transparency. Our SBTi target short term was approved and it represent important milestone and endorsement of our ESG efforts and commitments.

For more information about our ESG, initiatives and results visit [www.voeazul.com.br/ir](http://www.voeazul.com.br/ir).

## Seasonality

Our operating revenue and results of operations are substantially dependent on overall passenger traffic volume, which is subject to seasonal and other changes in traffic patterns. Therefore, our operating revenue and results of operations for any interim period are not necessarily indicative of those for the entire year. We generally expect demand to be greater in the first, third and fourth quarters of each calendar year compared to the second quarter of each year.

This demand increase occurs due to an increase in business travel during the second half of the year, as well as the Christmas season, Carnival and the Brazilian school summer vacation. Although business travel can be cyclical depending on the general state of the economy, it tends to be less seasonal than leisure travel, which peaks during vacation season and around certain holidays in Brazil.

The table below shows our average fare in *reais* for the periods indicated, reflecting our total passenger revenue divided by passenger flight segments for such periods:

Year Ended December 31,	Average Fare (RS)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2021	304.3	316.0	374.0	474.4
2022	449.1	518.8	558.3	588.7
2023	590.8	550.1	587.6	643.6

## Intellectual Property

### Brands

We have registered, or applied for registration or renewed licenses for approximately 100 trademarks with the INPI including, among others, the trademarks “AZUL”, “TUDO AZUL,” “AZUL LINHAS AÉREAS BRASILEIRAS,” “AZUL FLEX,” “AZUL PROMO,” “AZUL VIAGENS,” “VOE AZUL,” and “AZUL CARGO EXPRESS.”. We have also registered / applied for approximately 20 trademarks outside Brazil, such as the European Union, Argentina, Chile and China.

Nonetheless, most of these trademarks were recently gave as collateral in the Company’s debt restructuring.

We operate software products under licenses from our vendors, including Oracle, Trax, Sabre, Navitaire, Amadeus, Comarch, Lufthansa, Sita, Jeppesen, SmartKargo, Juniper, Adobe, Service Now, Microsoft and OneTrust. Under our agreements with Embraer, ATR and Airbus we use their knowledge and proprietary information to maintain our aircraft.

### Patents

We possess no patents registered with or granted by the INPI.

### Domain Names

We have also registered several domain names with NIC.br, Brazil’s internet domain name registry, and other domain registrars. The registered domains are, among others, “voeazul.com.br,” “flyazul.com,” “azulcargoexpress.com,” “azulviagens.com.br” and “tudoazul.com”.

## Regulation

### Overview

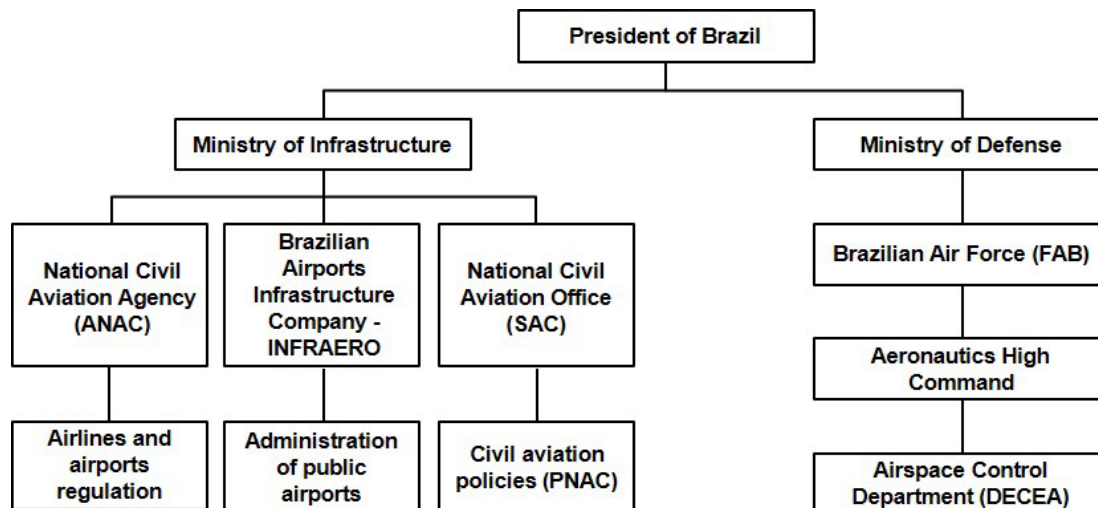
Under the Brazilian Constitution, air transportation is a public service. It is therefore subject to extensive governmental regulation and monitoring by several federal agencies and entities. The sector is regulated by the Brazilian Aeronautical Code, which covers air service concessions; airport infrastructure and operations; flight safety; airline certification; leasing, taking security, disposal, registration and licensing of aircraft; crew training; inspection and control of airlines; public and private air carrier services; civil liability; and penalties for infringement.

Brazil has signed and ratified the Chicago Convention of 1944, the Geneva Convention of 1948, the Montreal Convention of 1999 and the Cape Town Convention of 2001, the leading international conventions relating to worldwide commercial air transportation activities.

The National Civil Aviation Policy (Política Nacional de Aviação Civil), or PNAC, which was adopted in 2009, sets out the main governmental guidelines and policies that apply to the Brazilian civil aviation system. The PNAC encourages all regulatory bodies to issue regulations on strategic matters such as safety, competition, environmental and consumer issues, and to inspect, review and evaluate the activities of all operating companies.

### **Regulatory Bodies**

The chart below illustrates the main regulatory bodies together with their responsibilities and reporting lines:



The Ministry of Infrastructure (formerly the Ministry of Transport, Ports and Civil Aviation) supervises civil aviation services and activities in Brazil and is responsible for issuing governmental policies for the sector. The Ministry of Infrastructure reports directly to the President of Brazil and is responsible for the oversight of ANAC and INFRRAERO.

ANAC, which was created in 2005, has full regulatory powers regarding the following:

- guiding, planning, stimulating and supporting the activities of public and private civil aviation companies in Brazil;
- regulating flight operations; and
- regulating economic issues affecting air transportation and airports, including air safety, certification and fitness, insurance, consumer protection and competitive practices.

INFRAERO is a state-controlled airport operator that reports to the Ministry of Infrastructure. It is responsible for managing, operating and controlling all government-operated federal airports (i.e., those whose operations have not been transferred to private parties by way of concessions), including safety, operational conditions and infrastructure. With respect to the recently privatized airports (Natal, Galeão, Confins, Guarulhos, Viracopos and Brasília), although INFRAERO still holds a minority stake in each of them, INFRAERO is no longer in charge of operations, which are now handled by their respective private operators.

The National Commission of Airport Authorities (Comissão Nacional de Autoridades Aeroportuárias), or CONAERO, which was created in 2011, is a commission within the Ministry of Infrastructure. Its role is to coordinate the activities of the different entities and public agencies with respect to airport efficiency and safety.

The Department of Airspace Control (*Departamento de Controle do Espaço Aéreo*), or DECEA, reports indirectly to the Brazilian Minister of Defense. It is responsible for planning, administrating and controlling activities related to airspace, aeronautical telecommunications and technology, as well as military aviation. Its functions include approving and overseeing the implementation of equipment and navigation, meteorological and radar systems. The DECEA also controls and supervises the Brazilian Airspace Control.

The Brazilian Civil Aviation Council (*Conselho de Aviação Civil*), or CONAC, which was created in 2000, is an advisory body to the President of Brazil with authority to establish national civil aviation policies, to be adopted and enforced by the Aeronautics High Command and ANAC. CONAC establishes guidelines relating to following:

- the representation of Brazil in conventions, treaties and other activities related to international air transportation;
- airport infrastructure;
- the provision of funds to airlines and airports to further strategic, economic or tourism interests;
- the coordination of civil aviation;
- air safety; and
- the granting of air routes, concessions and permissions for commercial air transportation services.

### ***Airport Infrastructure***

Brazil currently has more than 3,600 private and public airfields. Airlines that operate regularly scheduled flights primarily use public airport infrastructure, with 98% of total passenger traffic passing through a network consisting of 52 airports.

A number of smaller, regional airports in Brazil are under the control of state or municipal governments and are managed by local governmental entities. INFRAERO is responsible for safety and security activities at the largest airports, including passenger and baggage screening, cargo security measures and airport security.

In 2011, the Brazilian government started to grant the operation of certain airports in Brazil by way of concessions following public bids. Between 2011 and 2022, 59 airports have been privatized after bid concessions, including our three hubs, Viracopos, Confins and Recife. The concessions for these airports have terms of between 20 to 30 years.

Aeroportos Brasil, the holder of the concession to operate Viracopos airport, has announced its intention to return this concession to ANAC. Aeroportos Brasil's judicial reorganization plan was approved by its creditors on February 14, 2020, provided that Aeroportos Brasil present its request for rebidding of Viracopos airport concession to the Brazilian federal government.

On February 18, 2020, the debt restructuring court approved the judicial recovery plan and on March 19, 2020, Aeroportos Brasil filed an application to ANAC for the rebidding of Viracopos airport, in compliance with the judicial recovery plan. On July 17, 2020, the Federal Government enacted Decree No 10.427/2020, authorizing the rebidding of Viracopos airport. On June 14, 2022 CPPI Resolution 232 extended the deadline for completion of the Viracopos airport licensing process to July 16, 2024 and the auction is planned to take place in the second quarter of 2023.

In April 2021, the Grupo de Consultores em Aeroportos (GCA), a consortium made up of various private companies and a potential bidder in the auction, filed a feasibility study with the Brazilian government for a new bidding process for the concession at Viracopos airport. Public consultation on the feasibility study was held in October 2021. After ANAC approval of the feasibility study on March 8, 2022, it was sent to the Tribunal de Contas da União. At the beginning of 2022 the process was suspended due to discussions between the concessionaire and ANAC about the non-depreciated assets to be indemnified, but on December 12, 2022 the minister of the court authorized the resumption of the process.

In March 2019, the Brazilian government concluded an auction for the concession of 12 airports grouped into three regional blocks – Northeast, Midwest, and Southeast, including our third largest hub in Recife. In April 2021, the Brazilian government auctioned another 22 airports located in the Southern, Mid and Northern region of the country, concluding the 6th concession round. In August 2022, the Brazilian government auctioned another 15 airports located in the North, Southeast and Central West region of Brazil. This auction is the most important one because includes Congonhas airport.

Resolution No. 682, of June 2022 regulates airport coordination and defines rules for slot allocation at coordinated airports. Under this resolution, airports operating at a high level of occupancy of their capacity are deemed by ANAC “coordinated airports.” The following airports are currently deemed to be “coordinated airports” by ANAC: Congonhas, Guarulhos, Pampulha, Recife and Santos Dumont.



In July of 2014, ANAC enacted a resolution establishing new procedures to allocate slots in airports operating at full capacity. Through such allocation, we received 26 new slots at Congonhas airport. In November 2014, we started operating 13 daily flights from Congonhas airport to some of our most profitable markets including Belo Horizonte, Porto Alegre, and Curitiba, leveraging the connectivity we have in these cities and expanding our flights available to São Paulo passengers. In August 2019 ANAC announced a temporary distribution of 41 slots in Congonhas airport previously operated by Avianca Brasil, of which 15 slots were allocated to us. As a result, we adjusted our flight schedules at Congonhas airport and since September 2019, we started operating a shuttle service between Congonhas and Rio de Janeiro and between Congonhas and Belo Horizonte ceasing to operate flights to Porto Alegre and Curitiba. In 2022, Azul achieved an important advance in its presence in Congonhas. With the new rules for slot distribution defined in Resolution No. 682/2022 and the increased capacity in Congonhas operations, Azul increased its number of slots at this airport from 26 to 84. As a result, Azul will offer more scheduled flights from Congonhas to important destinations such as Brasília, Porto Alegre, Curitiba, Belo Horizonte, Recife and Rio de Janeiro as of March 26, 2023.

Due the significant impact caused by the COVID-19 pandemic, responsible for drastically reducing the number of flights, ANAC granted waiver for the rules about slots cancellations at airports coordinated for all seasons between winter 2019 and summer 2022, inclusive.

Due to the exceptional Avianca situation, ANAC amended Resolution No. 682 in June 2022 to increase the competition in congested airports. The new rules were used for the definitive distribution of the 41 slots used by Avianca Brasil at Congonhas airport, which were allocated provisionally in 2019, as well as the slots that may arise from increased airport capacity. In addition, the secondary slot market was also created, through the possibility of slot assignments between airlines from different economic groups, which reduces access and exit barriers for airlines at airports with scarce infrastructure, allows for dynamic market solutions among the players themselves, which can promote increased efficiency in the use of slots.

Additionally, the Federal Senate Resolution No. 32 of November 16, 2023, authorized the Brazilian Development Bank (BNDES) to contract an external credit operation with the New Development Bank (NDB), with the guarantee of the Federative Republic of Brazil, in the amount of up to US\$500 million, which we expect it may facilitate the financing of airport infrastructure projects and air services, contributing to the growth and modernization of the sector.

Airlines and service providers may lease areas within federal, state or municipal airports, such as hangars and check-in counters, subject to concessions or authorizations granted by the authority that operates the airport—which may be INFRAERO, the state, the municipality or a private concession holder, as the case may be. No public bid is required for leases of spaces within airports, although INFRAERO may conduct a public bidding process if there is more than one applicant. In other cases, the use may be granted by a simple authorization or permission issued by the authority that operates the airport. In the case of airports operated by private entities, the use of concession areas is subject to a commercial agreement between the airline and the airport operator.

We have renewable concessions with terms varying from one to five years from INFRAERO and other granting authorities to use and operate all of our facilities at each of the major airports that we serve. Most of our concession agreements for passenger service facilities at our terminals, which include check-in counters and ticket offices, operational support areas and baggage service offices, contain provisions for periodic adjustments of the lease rates and the extension of the concession term. We have airport areas under concession and certain areas which concessions are being duly formalized in order to be renewed.

### ***Air Transportation Service Concessions***

With the "Voo Simples" (Simple Flight) program, the sector was made less bureaucratic with changes in Brazilian legislation and air services are no longer public services but are now considered economic activities of public interest subject to regulation by the civil aviation authority, in the form of specific legislation. Airports can be private or public, which can be operated directly by the government, by specialized companies of the Federal Public Administration, through agreements with states or municipalities, or by concession or authorization for third parties.

ANAC requires companies interested in operating air services to meet certain economic, financial, technical, operational and administrative requirements. The applicant must be an entity incorporated in Brazil, must have a valid Airline Operating Certificate (Certificado de Operador Aéreo – "COA") and must comply with the ownership restrictions discussed below. ANAC has the authority to revoke a concession if the airline fails to comply with the Brazilian Aeronautical Code and any other relevant laws or regulations, including if the airline fails to meet specified service levels, ceases operations or declares bankruptcy.

ALAB's first concession was granted on November 26, 2008 by ANAC and had a term of ten years. Therefore, on November 21, 2018, ALAB made a formal request to renew the concession. On December 6, 2018, ANAC published the renewal of concession contract for another 10 years. With the legislative changes made as part of the "Voo Simples" (Simple Flight) program, it is no longer necessary to obtain a concession to operate air services, but the regulatory requirements of ANAC and the maintenance of the COA remain. Azul's updated COA was issued on July 23, 2020, with unlimited validity, except in case of cancellation, suspension, or revocation for non-compliance with ANAC requirements. On December 23, 2022 ANAC certified Azul's compliance with all requirements for air service operation, after the agency's evaluation process.

## ***Route Rights***

### ***Domestic routes***

Until March 25, 2017, ANAC was the intermediary between airlines and airport operators regarding new routes, changes to existing routes and surveillance of allocated routes. After this date, pursuant to Resolution No. 440/2017, airlines negotiate the use of airport and aeronautical infrastructure directly with airport operators and providers of air navigation services prior to registering routes with ANAC. For airports defined by ANAC as "coordinated" or "of interest," pursuant to Resolution No. 682/2022, airlines are still required to obtain slots. The implementation of Resolution No. 440/2017 permits more flexible and efficient networks to better serve demand for air services, principally in high and low seasons.

### ***International Routes***

In accordance with Resolution No. 491, as of September 10, 2018, rights regarding international routes and the corresponding transit rights depend on the bilateral air transport treaties between Brazil and the foreign government. Under these treaties, each government grants to the other the right to designate one or more domestic airlines to operate scheduled services between certain destinations in each country. Airlines are only entitled to apply for new international routes when they are made available under these agreements.

ANAC has the authority to grant Brazilian airlines approval to operate a new international route or change an existing route, subject to the airline having filed satisfactory studies to ANAC demonstrating the viability of the routes and fulfilling certain conditions with respect to the concession for the routes. A Brazilian airline that received ANAC approval to provide international services may address a request for approval of a new or changed route to the Air Services Superintendence of ANAC (SAS – Superintendência de Acompanhamento de Serviços Aéreos da ANAC). The Superintendence submits a non-binding recommendation to the president or ANAC, who may decide whether to approve the request.

An airline's international route frequency rights may be terminated if the airline fails to maintain an Index of Frequency Utilization (Índice de Utilização de Freqüência), or IUF, of at least 66% of flights for any 180-day period, or if the airline does not initiate operations within a period of 180 days from the grant of the new route.

Resolution No. 491 also established that, after March 2019, low frequency international routes may be reallocated to different operators if an allocation request is made by another company and there are no other available frequencies to the country of destination. Low frequency routes are those with less than 50% of usage in the period of evaluation of 26 consecutive weeks.

In 2010, ANAC approved regulations regarding international fares for flights departing from Brazil to the United States and Europe, which gradually removes the previous minimum fares. In 2010, ANAC approved the continuity of bilateral agreements providing for open skies policies with other South American countries.

In 2011, United States and Brazil reached an open-skies aviation agreement to liberalize the air services and traffic between both countries, including, among other things, removal of restrictions on pricing and additional scheduled and charter services to the congested airports of São Paulo and Rio de Janeiro. Both countries agreed to a transition period of five years; however, the agreement was only approved by the Brazilian National Congress in March 2018 and sanctioned by the President in office (Michel Temer) in June 2018. In addition, Brazil and United Kingdom reached a similar agreement in December 2018 that includes unlimited flight numbers, no restriction of routes, freedom of tariffs and of codeshare between airlines.

In 2022, ANAC signed a Memorandum of Understanding with Switzerland and Suriname for the exchange of 7th freedom of air traffic rights for cargo-only services. Open Skies type agreements have been obtained with Republic of Guinea, Suriname and Kenya and agreements are under negotiation with Saudi Arabia, Bahamas, Ethiopia, Morocco, India and Benin.

## ***Domestic Slots Policy***

For certain airports that are classified as operating at a high level of occupancy of their capacity by ANAC, passenger airlines are required to obtain slots from ANAC. A slot is a predetermined period of time during which the airline is allowed to take off or land at a specific airport. To obtain domestic slots, the airline must submit a request to ANAC, and ANAC will, in turn, distribute slots to the requesting airlines in accordance with the number of new slots available as per the slot allocation calendar defined by Resolution No. 682. Airlines may transfer slots with ANAC's prior approval. An airline may lose its rights to its slots where service provision is below the quality determined by ANAC. In these cases, the slots are distributed to other airline companies by public tender.

Currently, there are a five Brazilian ANAC "coordinated airports", where slots are necessary to perform scheduled flights: Congonhas, Guarulhos, Santos Dumont, Recife, and Pampulha. All the other airports are also subject to slot coordination procedures (coordination performed by their respective airport operators instead of ANAC).

Congonhas airport, which is the busiest domestic airport in Brazil, has a shortage of slots due to the lack of airport infrastructure to meet current demand. As a result, the number of new slots granted by ANAC at this airport is limited. New slots are awarded by public tender and generally only become available when they are taken from existing airlines as a result of disciplinary proceedings, or when airport capacity is increased. In the most recent distribution of slots, ANAC opened the public tender to all airlines that were qualified to bid. Airports in smaller and medium-sized markets, which are the focus of our growth strategy, do not require slots, which allows us greater flexibility in establishing our timetable when building out our route network.

In July of 2014, ANAC enacted a resolution establishing new procedures to allocate slots in airports operating at full capacity. Through such allocation, we received 26 new slots at Congonhas airport. In November 2014, we started operating 13 daily flights from Congonhas airport to some of our most profitable markets including Belo Horizonte, Porto Alegre, and Curitiba, leveraging the connectivity we have in these cities and expanding our flights available to São Paulo passengers. In August 2019 ANAC announced a temporary distribution of 41 slots in Congonhas airport previously operated by Avianca Brasil, of which 15 slots were allocated to us. As a result, we adjusted our flight schedules at Congonhas airport and since September 2019, we started operating a shuttle service between Congonhas and Rio de Janeiro and between Congonhas and Belo Horizonte ceasing to operate flights to Porto Alegre and Curitiba. As a result of the new rules for slot distribution defined in Resolution No. 682/2022 and the increased capacity in Congonhas operations, in 2022 Azul increased its number of slots at Congonhas airport from 26 to 84. As a result, Azul will offer more scheduled flights from Congonhas to important destinations such as Brasília, Porto Alegre, Curitiba, Belo Horizonte, Recife and Rio de Janeiro as of March 26, 2023.

Due the significant impact caused by the COVID-19 pandemic, responsible for drastically reducing the number of flights, ANAC granted waiver for the rules about slots cancellations at airports coordinated for all seasons between winter 2019 and summer 2022 inclusive.

## ***Import of Aircraft into Brazil***

Any civil or commercial aircraft must be certified in advance by ANAC before being imported into Brazil. Once certified, the aircraft may be imported in the same way as other goods. Following import, the importer must register the aircraft with the Brazilian Aeronautical Registry (*Registro Aeronáutico Brasileiro*, "RAB").

## ***Registration of Aircraft***

Brazilian aircraft must have a certificate of registration (*certificado de matricula*) and a valid certificate of airworthiness (*certificado de aeronavegabilidade*), both of which are issued by the RAB after technical inspection of the aircraft by ANAC. The certificate of registration establishes that the aircraft has Brazilian nationality and serves as proof of its enrollment with the aviation authority. The certificate of airworthiness, which is generally valid for 15 years from the date of ANAC's initial inspection, authorizes the aircraft to fly in Brazilian airspace, subject to continuing compliance with certain technical requirements and conditions. An aircraft's registration may be cancelled if the aircraft is not in compliance with the requirements for registration and, in particular, if it has failed to comply with any applicable safety requirements specified by ANAC or the Brazilian Aeronautical Code.

All information relating to the contractual status of an aircraft, including title documents, leases and mortgages, must be filed with the RAB in order to update public records.

## ***Fares***

Brazilian regulations allow airlines to establish their own domestic fares without prior approval from the Brazilian government or any other authority. However, ANAC regularly monitors domestic fares. In particular, under regulations published in 2010, Brazilian airlines must report their monthly prices to ANAC by the last business day of each month.

## ***Baggage Charge***

According to ANAC's Resolution 400 of December 13, 2016 (General Conditions of Air Transport), which became effective on March 14, 2017 (but had its applicability and effects suspended until April 29, 2017) airlines are allowed to charge for checked baggage. On June 1, 2017, we started charging our passengers a fee for checked baggage and believe this will be an important source of revenue going forward. The legality of charging for checked baggage was confirmed by the Presidential veto of Provisional Measure MP 863/2018, which intended to prohibit charging for checked baggage.

In 2022, the Senate included the right to free baggage check in Provisional Measure MP 1,089/2021, but this was subject to a Presidential veto. The Presidential veto remains to be analyzed by the National Congress, which would need an absolute majority vote of congressmen and senators to reject the Presidential veto and establish the resumption of free checked baggage.

### *General Conditions Applicable to Air Transportation*

On December 14, 2016, ANAC approved Resolution No. 400, of December 2016, which sets forth certain general conditions applicable to air transportation. Resolution No. 400 was enacted on March 14, 2017 for all flight tickets purchased on and after this date. This resolution establishes boarding documentation requirements, provides customers with a 24 hour post-purchase period to cancel a flight ticket without charge (as long as the flight is at least 7 days in advance), reduces repayment periods, increases the baggage allowance, allows for free passenger name corrections on flight tickets, guarantees return tickets in the event a one-way cancellation is made in advance for a domestic flight and simplifies the return and compensation process for lost baggage.

In addition, law 14,034/20 and 14,174/21 were enacted as a result of the COVID-19 pandemic to bring financial relief to the airlines' cash outflows by changing the refund term from 7 days to 12 months for any flights canceled between March 19, 2020 to December 31, 2021.

## ***Restrictions on the Ownership of Shares in Air Transportation Service Providers***

On December 13, 2018, the Brazilian Federal government issued Provisional Measure MP 863/2018, a new rule amending the Brazilian Aeronautical Code, which established that at least 80% of the voting stock of a company that holds a concession to provide scheduled air transportation services must be held directly or indirectly by Brazilian citizens, and the company must be managed exclusively by Brazilian citizens. MP 863/2018 allows foreign shareholders to hold up to 100% of the voting stock of Brazilian airlines companies and lifts the restriction on foreign management of domestic carriers. Thus, regardless of the company's capital origin, as long as the legal entity is incorporated under Brazilian law, there are no restrictions on the foreign capital interest in such entities.

On June 17, 2019, Provisional Measure MP 863/2018 was converted into Law No 13.842/2019, amending the Brazilian Aeronautical Code, and allowed 100% of the voting stock of a company that holds a concession to provide scheduled air transportation services to be owned by foreigners, which completely opened up the market to non-Brazilian citizens. Besides that, the leadership of companies that hold a concession to provide scheduled air transportation services can now be carried by foreigners and ANAC will not need to approve any acts of formation or changes to the corporate governance structure of such companies.

## ***Environmental Regulation***

Brazilian airlines are subject to various federal, state, and municipal laws and regulations relating to the protection of the environment, including the disposal of waste, the use of chemical substances, and aircraft noise. These laws and regulations are enforced by various governmental authorities. If an airline fails to comply with these laws and regulations it may be subject to administrative and criminal sanctions, in addition to the obligation to remediate the environmental damage and/or to pay damages to third parties. In addition, Brazilian environmental law establishes a regime of strict civil liability (i.e., irrespective of fault) as well as joint civil liability, meaning that we may be held liable for violations by any third parties whom we hire, for example, to dispose of waste. Brazilian environmental law also provides for the "piercing of the corporate veil," which imposes liability on a corporation's controlling shareholders to ensure sufficient financial resources to cover environmental damage. Accordingly, we may be directly liable for any violations caused by ALAB and TRIP.

We seek to comply with all environmental legislation and all requirements of public authorities to avoid liabilities and limit additional expenses.

### ***Environmental Permits***

Under Brazilian law, the authority to grant environmental permits for facilities or activities within a state, among other activities, belongs to the state authorities, unless the environmental impact would extend beyond the state border, in which case the Brazilian federal government has jurisdiction. Municipal authorities have jurisdiction over the licensing of facilities or activities that have a local impact. Each state has the power to establish specific regulations regarding environmental licensing procedures, within the scope of general guidelines established by the Brazilian government.

Most of the requests for renewal of an environmental permit must be filed at least 120 days before its expiry. Provided that this deadline is complied with, the permit is automatically extended until the environmental authority issues its decision.

The construction, implementation, operation, expansion, or enlargement, without a permit, of any facility or activity that causes significant environmental impact, or the expansion of an activity in violation of an existing permit, subjects the violator to various penalties, including the requirement to shut down the facility or activity and fines ranging from R\$500 to R\$10,000,000. These penalties would therefore apply if we were to carry out any potentially polluting activity without a valid permit or in violation of the permit conditions.

We exercise caution in environmental matters and reserve the right to reject goods and services from companies that do not meet our environmental protection parameters unless confirmation of compliance is received.

### ***Federal Technical Register***

Federal Law 6938/1981 and IBAMA's Instruction No. 13/2021 of the Brazilian Institute for the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis), or IBAMA set forth that all legal entities that carry out potentially polluting activities must be registered with the IBAMA's Federal Technical Register or CTF. This register is an instrument to promote the preservation of the environment.

Activities with a significant potential for pollution and intense use of natural resources, such as the manufacture and assemble of aircraft, besides being subject to the CTF, are also subject to the quarterly payment of the Environmental Control and Inspection Fee, or TCFA, to IBAMA.

The Federal Decree 6514/2008 subjects entities with no CTF register to fines that range from R\$50.00 to R\$9,000.00, depending on the size of the enterprise and the economic capability of the offender. The Failure to pay TCFA entails a fine of 20% (twenty percent) on the amount owed, as well as default interest of 1% (one percent) per month. Currently, all of our activities subject to registration with the IBAMA's CTF are duly regular.

### ***Gas Emissions***

We are monitoring and analyzing developments regarding amendments to the Kyoto protocol and the emissions regulations in the United States and Europe. We are now integrated into the European Emissions Trading System (EU ETS) and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). In 2021, we committed to reaching zero emissions by 2045 (NETZERO).

### ***Waste***

Brazilian law, and particularly the National Policy on Solid Waste of 2010, provides that the transportation, management, and final disposal of waste matter may not cause damage to the environment or inconvenience public health and welfare. Brazilian legislation regulates the segregation, collection, storage, transportation, treatment, and final disposal of waste, and states that parties who outsource waste disposal to third-party providers are jointly and severally liable to the service provider.

The administrative penalties applicable to the improper discharge of solid, liquid, and gas waste, whether or not resulting in effective contamination, include, among others, an embargo of the activity or civil work and fines up to R\$50 million. The costs for proper waste management will probably increase in the coming years, because of the implementation of sectorial agreements and greater regulation.



Proper transportation, treatment, and final discharge of waste depending on the waste classification for disposal. The projects are subject to prior approval by the environmental authorities. Waste treatment activities are prone to licensing.

In the context of the shared responsibility (*responsabilidade compartilhada*), the National Solid Waste Policy provides that some industrial sectors shall implement a reverse logistics (*logística reversa*) system, defined as the actions and procedures to enable the collection and recovery of solid residues, for reuse in the manufacture cycles, as well as in other destinations. As stated in the applicable legislation, the reverse logistics systems may be implemented jointly or individually by companies.

The reverse logistics system shall envisage the take-back of products after the consumer's use for their reuse in the manufacturing cycle or a proper final destination. Such obligation applies to the Company as a consumer of lubricating oil, tires, etc. The reverse logistics systems of these products are currently being implemented in Brazil. Each part of the chain has specific obligations with the goal of reducing the volume of the solid residue and mitigating adverse impacts on human health and the environment.

### ***Environmental Liability***

The Brazilian Federal Constitution provides for three different types of environmental liabilities: (i) civil, (ii) administrative, and (iii) criminal. These liabilities may be applied separately and cumulatively. Any individual or legal entity (public or private) that directly or indirectly causes, by action or omission, any damage to the environment may be held liable for such damage, as well as for any violation of environmental regulation.

Brazil's National Environmental Policy provides for strict civil liability for damages caused to the environment, which means that we can be held liable for any damage irrespective of fault. To establish strict liability, one simply has to demonstrate a cause-effect relationship between the polluter's activity and the resulting damage to trigger the obligation to redress the environmental damage. Public Attorneys' offices, foundations, state agencies, state-owned companies, and environmental protection associations are empowered to file public civil actions seeking compensation for environmental damages. The National Environmental Policy establishes joint liability among all the parties involved in polluting activity and that benefit directly or indirectly from it. Accordingly, the affected party or any of the other parties entitled to sue may choose to seek damages against any single responsible party, and the defendant is entitled to seek a right of recourse against all other parties involved in polluting activity. According to prevailing legal opinion in Brazil, there is no statute of limitations for claims seeking compensation for environmental damages.

Brazilian Federal Decree 6.514/2008 sets forth the infractions and administrative sanctions regarding environmental matters and the federal administrative procedure to investigate these infractions. Administrative sanctions include: (i) warnings; (ii) simple fines; (iii) daily fines; (iv) seizure of the animals, products, and subproducts of fauna and flora; (v) product destruction; (vi) product sales and manufacturing suspension; (vii) closure of the plant or construction; (viii) construction demolition; (ix) full or partial suspension of the activities; and (x) restriction of rights.

Criminal liability for environmental matters in Brazil extends to corporations as well as to individuals. If a corporation is found criminally liable for an environmental violation, its officers, directors, managers, agents, or proxies may also be subject to criminal penalties if there is proof of their intent or fault in preventing the occurrence of the crime. The settlement of a civil or administrative lawsuit does not prevent criminal prosecution for the same violation. Freedom-restricting penalties (confinement or imprisonment) are reduced to right-restricting penalties, such as community service mandates. Criminal sanctions encompass imprisonment in the case of individuals, or dissolution or restriction of rights for legal entities. Fines may be replaced by an undertaking by the violator to take specific steps to redress the environmental damage if approved by the appropriate environmental authority. Enforcement of fines may be suspended upon settlement with environmental authorities for damage redress.

### ***Data Protection***

The Brazilian General Data Protection Law (LGPD – *Lei Geral de Proteção de Dados*) was published in the Federal Official Gazette on August 15, 2018 and was amended by Provisional Measure MP 869, issued by the President of Brazil in December 2018. The LGPD came into force in a staggered manner, (i) in December 2018, the articles relating to the creation of the National Data Protection Authority (ANPD) and the National Council for the Protection of Personal Data and Privacy (CNPD) – art.55-A to 58-B; (ii) in September 2020, the other articles of the law, except those relating to the application of administrative sanctions; (iii) in August 2021, the articles dealing with administrative sanctions (art.52 to 54).

Before LGPD comes into force, Brazil lacks a Data Protection comprehensive regulation and a data protection authority. Privacy and Data Protection are protected through the Federal Constitution, the Brazilian Civil Code (Law 10406 of January 10, 2002), the Brazilian Consumer Protection Code (Law 8078 of September 11, 1990) and the Civil Rights Framework for the Internet (Law 12965 of April 23, 2014 and the Decree 8771 of May 11, 2016, also known as the Internet Law).

The LGPD brings about major changes in the conditions for personal data processing, with a set of rules to be observed in activities such as collection, processing, storage, use, transfer, sharing and erasure of information concerning identified or identifiable natural persons. The LGPD applies to any industry or business that processes personal data.

The Brazilian National Data Protection Authority – ANPD, was created in 2018, which will have equivalent activities to the European data protection authorities, exercising the triple role of (i) investigation, being able to issue norms and procedures, deliberate on the interpretation of the Act and request information to controllers and processors; (ii) enforcement, in cases of noncompliance with the law, through an administrative process; and (iii) education, disseminating knowledge about the Act and security measures, stimulating standards for services and products that facilitate control of data subjects, and elaborating studies on national and international practices for the protection of personal data and privacy, amongst others.

The ANPD has been assured technical and decision-making independence, and was submitted to the special autarchy regime in 2002, through Provisional Measure No. 1.134, which was converted into Law No. 14.460 of October 25, 2022.

In order to improve the management of privacy controls and protection of personal data, including LGPD and GDPR (European Union General Data Protection Regulation), Azul implemented, in 2021, the OneTrust tool, which permits increased controls and processes by Azul related to data protection. In addition, Azul has a specialist team for demands related to data protection and privacy, has made an exclusive channel available on its website to respond to requests from data subjects and has appointed a Data Protection Officer (DPO).

### ***Pending Legislation***

In 2022, the Senate included the right to free baggage check in Provisional Measure 1,089/2021, but it was blocked by the President of the Republic. The president's move will still be analyzed by the National Congress, which will need an absolute majority vote of congressmen and senators to reject it and establish the resumption of free baggage check-in.

Additionally, Ordinance No. 11,631/SPI, of June 15, 2023, establishes the deadlines for the issuance of rules relating to the themes that make up the 2023-2024 Regulatory Agenda of ANAC. We expect this ordinance will be an important step towards defining new regulations that will guide civil aviation, including aspects of safety, operations, and environmental standards, ensuring that Brazil continues to develop an air sector aligned with international practices and the needs of the national market.

If the Brazilian civil aviation framework changes in the future, or if ANAC implements increased restrictions, our growth plans and our business and results of operations could be adversely affected.

### ***Aircraft Repossession***

On March 1, 2012, Brazil ratified the Cape Town Convention, which created a system of international registration of legal interests in aircraft and engines. This convention has been ratified and published by Presidential Decree 8008, dated May 15, 2013, and was regulated by ANAC through Resolution No. 309, of March 18, 2014.

The Cape Town Convention is intended to standardize transactions involving movable property. The treaty creates international standards for registration of ownership, security interests (liens), leases and conditional sales contracts, as well as various legal remedies for default in financing agreements, including repossession and provisions regarding how the insolvency laws of the signatory states will apply to registered aircraft and engines. The Convention provides specific remedies such as the Irrevocable Deregistration and Export Request Authorization, which allows recovery of the aircraft in case of default and insolvency. The Brazilian Aeronautical Registry (*Registro Aeronáutico Brasileiro – RAB*) has been appointed as the responsible authority regarding the international registry in Brazil.

Although the Cape Town Convention has been duly internalized into the Brazilian legal system with the status of an ordinary law, further specific rules relating to the export of aircraft in accordance with the Cape Town Convention, especially upon enforcement of an Irrevocable Deregistration and Export Request Authorization in an event of default under financing or lease agreements, are pending further regulations to be issued by the Government of Brazil. The lack of regulations, at this state, is not likely to prevent export of aircraft in accordance with the Cape Town Convention entirely, but may represent an increase in the time required for actual export of aircraft.

## ***Government Insurance***

In response to substantial increases in insurance premiums to cover risks related to terrorist attacks following the events of September 11, 2001 in the United States, the Brazilian government enacted Law 10744 of 2003, authorizing the government to assume civil liability to third parties for any injury to goods or persons, whether or not passengers, caused by terrorist attacks or acts of war against Brazilian aircraft operated by Brazilian airlines in Brazil or abroad. This statutory coverage is limited to an amount of US\$1 billion. In addition, under the above mentioned legislation, the Brazilian government may, at its sole discretion, suspend this assumption of liability at any time, provided that it gives seven days' notice of the suspension. Brazil is currently the sole jurisdiction worldwide still providing such statutory coverage to its registered fleet.

We maintain all other mandatory insurance coverage for each of our aircraft and additional insurance coverage as required by lessors. See "Item 4.B. Business Overview—Insurance."

## ***U.S. and International Regulation***

### ***Operational Regulation***

The airline industry is heavily regulated by the U.S. government. Two of the primary regulatory authorities overseeing air transportation in the United States are the DOT and the FAA. The DOT has jurisdiction over economic issues affecting air transportation, such as unfair or deceptive competition, advertising, baggage liability and disabled passenger transportation. The DOT has authority to issue permits required for airlines to provide air transportation. We hold an open skies foreign air carrier DOT permit authorizing us to engage in scheduled air transportation of passengers, property and mail to and from certain destinations in the United States.

The FAA is responsible for regulating and overseeing matters relating to air carrier flight operations, including airline operating certificates, aircraft certification and maintenance and other matters affecting air safety. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate and to comply with Federal Aviation Regulations 129 and 145. This certificate, in combination with operations specifications issued to the airline by the FAA, authorizes the airline to operate at specific airports using aircraft approved by the FAA. As of December 31, 2017 ALAB has FAA operations specifications approved as Part 129 to use Airbus A330-200 in scheduled flights to the U.S. We have also obtained the necessary FAA authorization to fly to Fort Lauderdale and Orlando. We hold all necessary operating and airworthiness authorizations, certificates and licenses and are operating in compliance with applicable DOT, FAA and applicable international regulations, interpretations and policies.

### ***Customs and Border Protection***

Our service to the U.S. is also subject to U.S. Customs and Border Protection, or CBP (a law enforcement agency that is part of the U.S. Department of Homeland Security), immigration and agriculture requirements and the requirements of equivalent foreign governmental agencies. Like other airlines flying international routes, from time to time we may be subject to civil fines and penalties imposed by CBP if un-manifested or illegal cargo, such as illegal narcotics, is found on our aircraft. These fines and penalties, which in the case of narcotics are based upon the retail value of the seizure, may be substantial. We have implemented a comprehensive security program at our airports to reduce the risk of illegal cargo being placed on our aircraft, and we seek to cooperate actively with CBP and other U.S. and foreign law enforcement agencies in investigating incidents or attempts to introduce illegal cargo.

### ***Security Regulation***

The TSA was created in 2001 with the responsibility and authority to oversee the implementation, and ensure the adequacy, of security measures at airports and other transportation facilities in the United States. Since the creation of the TSA, airport security has seen significant changes including enhancement of flight deck security, the deployment of federal air marshals onboard flights, increased airport perimeter access security, increased airline crew security training, enhanced security screening of passengers, baggage, cargo and employees, training of security screening personnel, increased passenger data to CBP and background checks. Funding for passenger security is provided in part by a per enplanement ticket tax (passenger security fee) of \$5.60 per one-way trip in air transportation that originates at an airport in the U.S., except that the fee imposed per round trip shall not exceed \$11.20. The TSA was granted authority to impose additional fees on air carriers if necessary to cover additional federal aviation security costs. Pursuant to its authority, the TSA may revise the way it assesses this fee, which could result in increased costs for passengers and/or us. We cannot forecast what additional security and safety requirements may be imposed in the future in the United States or in the EU, or the costs or revenue impact that would be associated with complying with such requirements. The TSA also assess an Aviation Security Infrastructure Fee on each airline.

## **Restructuring**

In 2023, we completed a series of restructuring and capital raising transactions to strengthen our capital structure and improve our cash generation, which included, as described below, (i) reductions in, and the reprofiling of, our obligations with certain aircraft lessors and OEMs, including the issuance of the Lessor/OEM Notes (as defined below), (ii) exchange offers and consent solicitations, including the issuance of 2029 Notes and 2030 Notes (each as defined below), (iii) amendments to our convertible debentures, (iv) the issuance of Initial 2028 Notes (as defined below), and (v) the issuance of the ALAB non-convertible debentures due 2024.

### ***Aircraft Lessor and OEM Restructuring***

On September 29, 2023, we completed the restructuring of our obligations with certain aircraft lessors and OEMs. The terms of the restructuring included (i) the elimination of lease payment obligations that had previously been deferred during the COVID-19 pandemic, (ii) the permanent reduction in lease payments from original contractual lease rates to agreed-upon current market rates, (iii) the deferral of certain payments to lessors and OEMs, as well as certain obligations under supplier agreements, and (iv) other concessions including improved end-of-lease compensation obligations and aircraft return conditions, the elimination of future maintenance reserves payments, and the negotiated early termination of certain aircraft leases. As part of this restructuring, we restructured and reprofiled substantially all of our aggregate payment obligations under our aircraft lease agreements and agreements with OEMs.

Pursuant to this restructuring, on September 28, 2023, Azul Investments issued to certain lessors and OEMs an aggregate of US\$370.5 million principal amount of 7.500% Senior Notes due 2030 (the “Lessor/OEM Notes”), which were issued in satisfaction on a dollar-for-dollar basis of certain payment and other obligations owed to such lessors and OEMs. The Lessor/OEM Notes are guaranteed by Azul S.A. and ALAB and are unsecured.

In addition, pursuant to this restructuring, certain lessors and OEMs entered into agreements pursuant to which such lessors and OEMs agreed to convert, in up to 12 equal quarterly consecutive installments, an aggregate of up to US\$570.0 million of payment and other obligations owed to such lessors and OEMs into our preferred shares, if we elect to pay such credit in preferred shares. We are entitled to satisfy our obligation to issue preferred shares in respect of any installment by making a cash payment equal to the amount of the relevant payment and other obligations that would have been converted into preferred shares in such installment plus the relevant maximum upside amount as set forth in the relevant agreement.

If we elect to pay the credits under the relevant agreements in preferred shares, we are required to commence making quarterly issuances of preferred shares in July 2024 (in respect of one lessor) or January 2025 (in respect of all other lessors and OEMs), with the issuance of all preferred shares issuable under the relevant agreements scheduled to be completed by October 2027.

The terms of the relevant agreements provide that the relevant payment and other obligations shall be satisfied through the issuance of preferred shares at a notional subscription price of R\$36.00 per preferred share. The terms of the relevant agreements provide for upside and downside limitations, whereby if the trading price of our preferred shares is lower than R\$36.00 on the date that is two business days prior to the relevant meeting of our board of directors to be held to ratify the capital increase required for the relevant quarterly issuance of preferred shares (each, a “measurement date”), we are required to compensate the relevant lessors and OEMs for the difference through the issuance of additional preferred shares. If the trading price of our preferred shares is higher than R\$39.60 on any such measurement date, the number of preferred shares issuable pursuant to the relevant agreements is capped at a subscription price of R\$39.60 per preferred share.

Such preferred shares issued in connection with the restructuring of our obligations with certain aircraft lessors and OEMs will have the same political and economic rights as to those of the preferred shares currently issued by us and, as such, will be subordinated to any of our senior debt. See “Item 10.C. Material Contracts.”

### ***Exchange Offers and Consent Solicitations***

On June 13, 2023, Azul Investments launched (i) an offer to exchange its 5.875% Senior Notes due 2024 (the “2024 Notes”) for 11.500% Senior Secured Second Out Notes due 2029 (the “2029 Notes”) issued by Azul Secured Finance and (ii) an offer to exchange its 7.250% Senior Notes due 2026 (the “2026 Notes”) for 10.875% Senior Secured Second Out Notes due 2030 issued by Azul Secured Finance (the “2030 Notes”) (the “Exchange Offers”). Settlement of the Exchange Offers occurred on July 14, 2023, pursuant to which Azul Secured Finance issued (i) US\$294.2 million in aggregate principal amount of 2029 Notes (which 2029 Notes were issued in exchange for an equal principal amount of 2024 Notes), and (ii) US\$568.2 million in aggregate principal amount of 2030 Notes (which 2030 Notes were issued in exchange for US\$568.3 million in aggregate principal amount of 2026 Notes).

The 2029 Notes and the 2030 Notes are guaranteed by Azul S.A. and our subsidiaries ALAB, IntelAzul, Azul Viagens, IP HoldCo and IP Co. The 2029 Notes and the 2030 Notes are secured (i) on a “second out” basis by a shared collateral package comprising certain receivables generated by TudoAzul, certain receivables generated by Azul Viagens, and certain brands, domain names and certain other intellectual property used by the Azul airline business (excluding Azul Cargo), TudoAzul and Azul Viagens (the “Shared Collateral”) (which Shared Collateral also secures certain other debt and obligations), and (ii) by an additional collateral package comprising receivables generated by the Azul Cargo business and certain brands, domain names and certain other intellectual property used by the Azul Cargo business (which shall constitute “second out” collateral if we raise “first out” debt secured by such Azul Cargo collateral).

In addition, on July 14, 2023, we entered into supplemental indentures to amend the terms of the 2024 Notes and 2026 Notes pursuant to the solicitation of consents of the holders of the 2024 Notes and 2026 Notes, respectively, which eliminated substantially all of the restrictive covenants, events of default and related provisions contained in the related indentures (the “Consent Solicitations”).

### ***Amendments to Convertible Debentures***

As part of our restructuring, on July 14, 2023, the indenture governing the convertible debentures issued by Azul S.A., which was originally entered into on October 26, 2020, and amended on November 9, 2020, was further amended to change certain terms and conditions of the convertible debentures, including to amend, among other things (i) certain of the guarantees of the convertible debentures and the collateral securing the convertible debentures, (ii) the maturity date from October 26, 2025 to October 26, 2028, (iii) the conversion price and the formula for calculating such conversion price, (iii) the remuneration, the respective payment dates and the formula for calculating the remuneration; (iv) certain covenants, (v) certain events of default, (vi) events of full and/or partial mandatory redemption or mandatory repurchase, and (vii) events of optional full and/or partial redemption or optional repurchase.

As a result of these amendments, the convertible debentures are (i) guaranteed by ALAB, Azul Secured Finance, Azul Viagens, IntelAzul, IP Co and IP HoldCo, (ii) secured on a “first out” basis by the Shared Collateral, and (iii) secured by certain specific equipment necessary for maintenance of our hangar at Viracopos airport and the right of use of that hangar.

### ***Issuance of 11.930% Senior Secured First Out Notes due 2028***

On July 20, 2023, Azul Secured Finance initially issued 11.930% Senior Secured First Out Notes due 2028 in an aggregate principal amount of US\$800.0 million (the “Initial 2028 Notes”), raising gross proceeds of US\$790.2 million. On October 31, 2023, Azul Secured Finance issued an additional US\$36.8 million aggregate principal amount of 11.930% Senior Secured First Out Notes due 2028 Notes (the “Additional 2028 Notes” and, together with the Initial 2028 Notes, the “2028 Notes”). The Additional 2028 Notes were issued in exchange for US\$37.7 million in aggregate principal amount of 2024 Notes. The 2028 Notes are (i) guaranteed by Azul S.A. and our subsidiaries ALAB, IntelAzul, Azul Viagens, IP HoldCo and IP HoldCo, and (ii) secured on a “first out” basis by the Shared Collateral.

### ***ALAB Non-Convertible Debentures due 2024 (11th Issuance)***

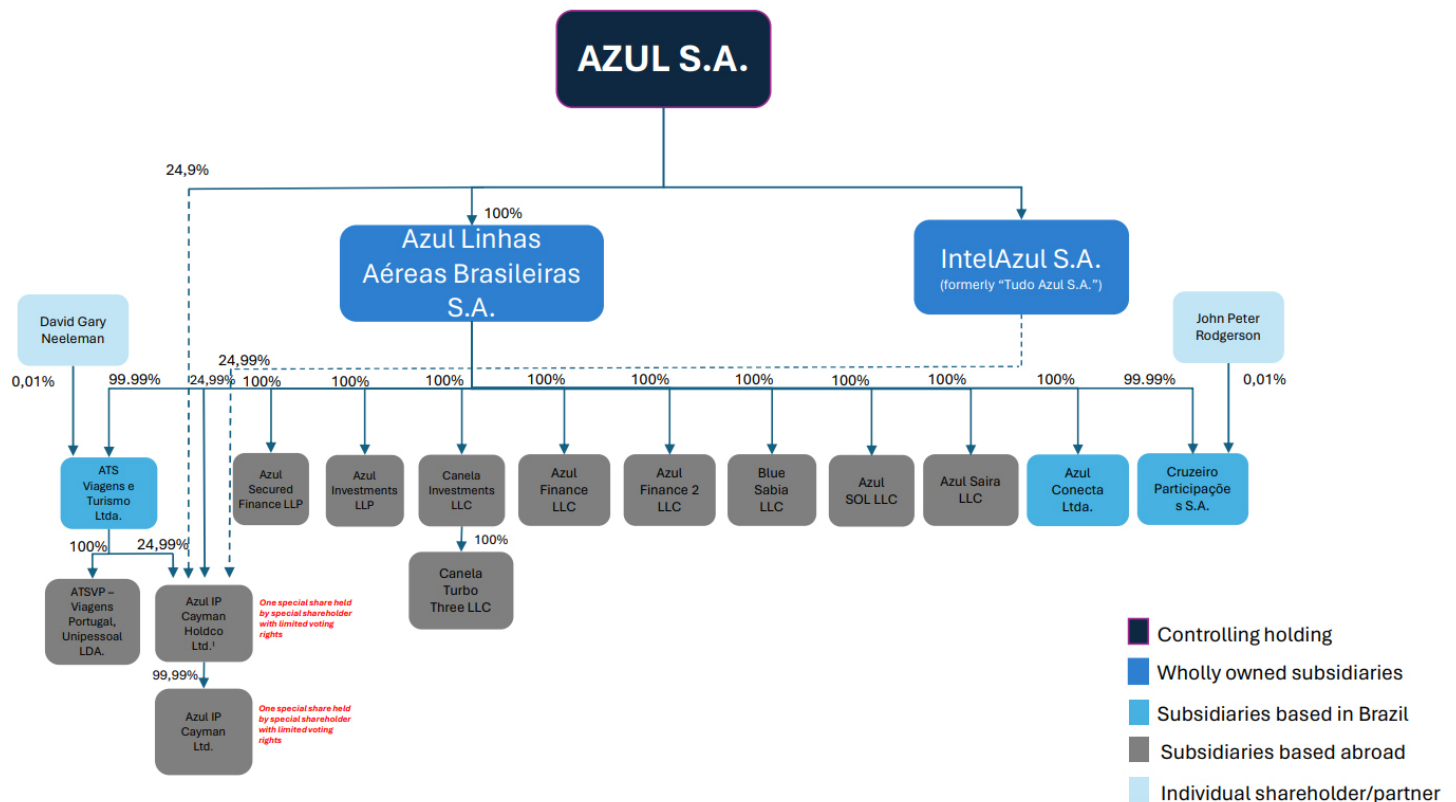
In June 2023, ALAB issued non-convertible debentures that mature on June 1, 2024 in an aggregate principal amount of R\$600.0 million. The non-convertible debentures accrue interest at a rate equal to the CDI rate plus 6.00% per annum. The non-convertible debentures are guaranteed by Azul S.A. and secured by over specified amounts of credit card receivables generated by ALAB through the purchase of airline tickets by customers. The net proceeds from the issuance of the non-convertible debentures are to be used solely for the payment of fuel supplied by Raízen S.A. Raízen S.A. has agreed that if an event of default under the debentures occurs and is continuing, subject to certain cure periods, Raízen S.A. will be required to cease all supplies of fuel to ALAB and its affiliates.



## C. Organizational Structure

We operate as a holding company and own 100% of our two principal subsidiaries: (i) ALAB; and (ii) IntelAzul S.A. (formerly Tudo Azul S.A.). The following organizational chart sets forth, in summary form, our material direct or indirect subsidiaries as of the date of this annual report:

ORGANIZATION CHART – AZUL GROUP



ALAB is our original operating subsidiary through which we operate all of our flight activities. ALAB wholly owns Azul Finance LLC and Azul Finance 2 LLC, subsidiaries incorporated in Delaware for the purpose of acquiring next-generation Airbus A320neos from Airbus and E-Jets from Embraer. ALAB also wholly owns Azul SOL LLC, a subsidiary incorporated in Delaware, through which ALAB holds the option to purchase six E-Jets under a lease structure, and Blue Sabia LLC, a wholly-owned subsidiary incorporated in Delaware, which leases certain aircraft to Portugalia – Companhia Portuguesa de Transportes Aéreos, S.A., a subsidiary of TAP.

In addition, ALAB wholly owns Azul Viagens, a subsidiary organized in Brazil, which sells travel packages offered by our Azul Viagens business unit. Azul Viagens., since March, 2023, wholly owns ATSVP – Viagens Portugal, Unipessoal LDA., an entity incorporated in Portugal, which is currently in the regularization stage to enable the expansion of the activities of the Azul Viagens business unit in Europe.

ALAB wholly owns TwoFlex (rebranded Azul Conecta Ltda.), a domestic airline based in the city of Jundiaí, State of São Paulo, Brazil, which offers sub-regional domestic passenger and cargo service in Brazil, increasing our connectivity. ALAB is also the Managing Partner of Azul Investments and Azul Secured Finance, limited liability partnerships incorporated in Delaware for the issuance of debt securities in the United States. ALAB also wholly owns a non-operating subsidiary, Cruzeiro Participações S.A., located in Brazil.

ALAB wholly owns Canela Investments, a limited liability company incorporated in Delaware, which is the parent company of our aircraft operating companies that finance aircraft in U.S. dollars. Canela Investments wholly owns Canela Turbo Three, a limited liability company incorporated in Delaware.

We either acquire aircraft using financing obtained in the United States in U.S. dollars, or in Brazil, in reais, or lease them from third parties. Each aircraft that we purchase through financing in U.S. dollars is owned by a separate subsidiary of Canela Investments. Each subsidiary of Canela Investments owns one such aircraft and leases it to ALAB, whereas aircraft that we purchase through financing in Brazilian reais are held directly by ALAB. Aircraft that we lease from third parties under leases are owned by our relevant counterparty and leased to ALAB.

Azul Saira LLC., a wholly-owned subsidiary of ALAB and a co-lessor in the sublease contract entered with Breeze Airways, was established on December 7, 2020, in the United States.

We, ALAB, IntelAzul and Azul Viagens, own 100% of the issued ordinary shares in the capital of IP HoldCo, an exempted company incorporated with limited liability under the laws of the Cayman Islands, except for a single special share by a special shareholder with limited voting rights. IP HoldCo owns 100% of the issued ordinary shares in the capital of IP Co, an exempted company incorporated with limited liability under the laws of the Cayman Islands, except for a single special share by a special shareholder with limited voting rights. Both IP HoldCo and IP Co were incorporated in connection with the restructuring we completed, as described under “Item 4.B. Business Overview—Restructuring.”

## **D. Property, Plant and Equipment**

We lease all of our facilities at each of the airports we serve. Our leases for our terminal passenger service facilities, which include ticket counter and gate space, operations support area and baggage service offices, generally have terms ranging from one to three years and contain provisions for periodic adjustments of lease rates. We expect to either renew these leases or find alternative space that would permit us to continue providing our services. We also are responsible for maintenance, insurance and other facility-related expenses and services. We have also entered into use agreements at each of the airports we serve that provide for the non-exclusive use of runways, taxiways and other facilities. Landing fees under these agreements are based on the number of landings and weight of the aircraft.

Our primary corporate offices and headquarters are located in the city of Barueri, state of São Paulo, where we lease 8.213,95 square meters under three lease agreements that expire in December of 2025.

We also lease four hangars totaling 14,698,01 square meters for our full capability maintenance center in Belo Horizonte (Pampulha), with expirations from 2023 to 2026. We also lease one hangar in Manaus totaling 3,133.20 square meters and one in Cuiabá totaling 2,535.71 square meters for E-Jets and ATR line maintenance with leases expiring in 2024 and an undetermined period, respectively. We also lease one hangar in Campinas totaling 93,642 square meters, with the lease expiring in 2042. Our training facility for pilot and cabin crew education, UniAzul, located at Viracopos airport has 14,576 square meter is under a lease agreement that expires in 2027. We also lease a 900 square-foot office complex, located in Fort Lauderdale within the airport area.

The facilities we lease are located in areas that might be subject to natural disasters and severe weather, and which may be adversely affected in the future by climate change.

Property and equipment are recorded at acquisition or construction cost (which include interest and other financial charges) and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Under International Accounting Standard, or IAS 16 “Property, Plant and Equipment,” major engine overhauls are treated as a separate asset component with the cost capitalized and depreciated over the period to the next overhaul. In estimating the lives and expected residual values of our airframes and engines, we primarily have relied upon actual experience with the same or similar aircraft types and recommendations from third parties. Subsequent revisions to these estimates, which can be significant, could be caused by changes to our maintenance program, changes in utilization of the aircraft, governmental regulations related to aging aircraft.

We evaluate annually whether there is an indication that our property and equipment may be impaired. Factors that would indicate potential impairment may include, but are not limited to, significant decreases in the market value of long-lived assets, a significant change in the long-lived asset’s physical condition, and operating or cash flow losses associated with the use of long-lived assets. An impairment loss exists when the book value of an asset unit exceeds its recoverable amount, which is the higher of fair value less selling costs and value in use. The calculation of fair value less to sell costs is based on information available of sales transactions regarding similar assets or market prices less additional costs for disposing of assets.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### A. Operating Results

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included elsewhere in this annual report, as well as the data set forth in “Item 3.A. Selected Financial Data.” The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this annual report particularly in “Item 3.D. Risk Factors.”

#### *Principal Factors Affecting Our Financial Condition and Results of Operations*

We believe our operating and business performance is driven by various factors that affect the global and Brazilian economy, the Brazilian airline industry, trends affecting the broader Brazilian travel industry, and trends affecting the specific markets and customer base that we target. The following key factors may affect our future performance. In 2023, we continued to experience some challenges from the war between Russia and Ukraine, and a sharp increase in fuel prices. However, despite the challenges, we grew as an airline during 2023, expanded our reach to 167 destinations, and won historic awards in several areas, such as being the 2nd most punctual airline in the world, according to Cirium. In 2023 the demand for our products and services remained extremely strong, our capacity and traffic increased 11% and 12% respectively. Through our strong operations, we now have the ability to focus on our growth and margin expansion for the next several years. We continue to see exciting opportunities in our passenger, loyalty, vacations and logistics businesses.

Financial markets have been negatively impacted by the current macroeconomic trends, including high interest rates, rising inflation, and more recently, the government closures of Silicon Valley Bank and Signature Bank and liquidity concerns at other financial institutions, and concerns regarding the potential for local and/or global economic recession. However, uncertainty remains over liquidity concerns in the financial services industry and potential impacts on the broader economy, and our business, our business partners, and/or industry as a whole may be adversely impacted in ways that we cannot predict at this time.

#### *Brazilian Economic Environment*

As most of our flight operations are within Brazil, our revenues and profitability are affected by conditions in the Brazilian economy. Our operations and the airline industry in general are particularly sensitive to changes in economic conditions. Unfavorable economic conditions, such as high unemployment rates and a constrained credit market, can reduce spending for both leisure and business travel. Unfavorable economic conditions can also impact our ability to raise fares to counteract increased fuel, labor, and other expenses, and generally increase our credit risk, particularly with respect to our trade receivables.

The following table shows data for real GDP, inflation and interest rates in Brazil, the Brazilian real/U.S. dollar exchange rate and crude oil prices for and as of the periods indicated.

	As of and for the Years ended December 31,		
	2023	2022	2021
Real growth (contraction) in gross domestic product	2.9 %	2.9 %	4.6 %
Inflation (IGP-M) <sup>(1)</sup>	(3.2)%	5.5 %	17.8 %
Inflation (IPCA) <sup>(2)</sup>	4.5 %	5.8 %	10.0 %
Long-term rates – TLP (average) <sup>(3)</sup>	6.6 %	7.2 %	5.3 %
CDI Rate (average) <sup>(4)</sup>	13.0 %	12.4 %	4.4 %
SOFR <sup>(5)</sup>	5.5 %	3.4 %	0.3 %
Period-end exchange rate—reais per US\$ 1.00	4.9	5.2	5.6
Average exchange rate—reais per US\$ 1.00 <sup>(6)</sup>	5.0	5.2	5.4
Average depreciation of the real vs. US\$	(3.3)%	(4.3)%	4.6 %
WTI crude price (average US\$ per barrel during period)	\$ 77.7	\$ 94.5	\$ 68.0
Unemployment rate <sup>(7)</sup>	7.8 %	9.3 %	13.2 %

Source: FGV, IBGE, Central Bank, Bloomberg and Energy information administration

- (1) Inflation (IGP-M) is the general market price index measured by the FGV.
- (2) Inflation (IPCA) is a broad consumer price index measured by the IBGE.
- (3) TJLP was replaced by TLP and is the Brazilian long-term interest rate (average of monthly rates for the year).
- (4) The CDI Rate is an average of inter-bank overnight rates in Brazil (daily average for the period).
- (5) Average U.S. dollar three-month SOFR for 2023 and LIBOR for the years 2022 and 2021.
- (6) Average of the exchange rate on each business day of the year.
- (7) Average unemployment rate for year as measured by IBGE.

According to IBGE, the Brazilian economy grew 2.9% in 2023 mainly due to the strength of the services sector, an improved job market. This represents a clear recovery in the Brazilian economy, after a 4.1% drop in 2020 due to the pandemic and a 4.6% and 2.9% growth in 2021 and 2022, respectively. Azul was one of the very few airlines worldwide to surpass pre-pandemic revenues already in 2021.

In terms of passenger demand as measured by RPKs, according to ANAC, the Brazilian domestic aviation market grew 7.2% for the year ended December 31, 2023, compared to a growth of 28.3% in 2022 and 40.5% in 2021.

### ***Impact of Airline Industry Competition***

The airline industry is highly competitive. The principal competitive factors in the airline industry are fare pricing, flight schedules, flight times, aircraft type, passenger amenities, number of routes served from a city, customer service, safety record and reputation, brand recognition, code-sharing relationships, and loyalty programs and redemption opportunities. Price competition occurs on a market-by-market, route-by-route and flight schedule basis through price discounts, changes in pricing structures, fare matching, target promotions and loyalty program initiatives.

As of December 31, 2023, 25% and 12% of our domestic network overlapped with that of Gol and LATAM, respectively. At Viracopos airport, our primary hub, only 7 out of 66 domestic destinations faced direct competition from Gol or LATAM as of December 31, 2023.

In addition, we were the sole airline on 74% of our routes and more than 90 destinations we served, and the market leader in 134 cities in terms of departure as of December 31, 2023. By comparison, Gol and LATAM were market leaders in only 8 and 17 cities, respectively, as of December 31, 2023.

## ***Effects of Aviation Fuel Costs***

Aviation fuel costs have been subject to wide fluctuations in recent years. Fuel availability and pricing are also subject to refining capacity, periods of market surplus and shortage, and demand for heating oil, gasoline and other petroleum products, as well as meteorological, economic and political factors and events occurring throughout the world, which we can neither control nor accurately predict. We attempt to mitigate fuel price volatility through commodity forward agreements with banks or a fixed price agreement with Vibra Energia (formerly BR Distribuidora). See “Item 5.A. Operating Results —Principal Components of Our Results of Operations—Operating Expenses.” Our fuel hedging practices are dependent upon many factors, including our assessment of market conditions for fuel, the pricing of hedges and other derivative products in the market and applicable regulatory policies. Petrobras, the leading player in the Brazilian oil industry and the parent company of Vibra Energia, has a strategy to equalize aviation fuel prices to international fuel prices every month. There are also regional differences based on logistical issues and different regional taxes.

## ***Seasonality***

Our operating revenue and results of operations are substantially dependent on overall passenger traffic volume, which is subject to seasonal and other changes in traffic patterns. Therefore, our operating revenue and results of operations for any interim period are not necessarily indicative of those for the entire year. We generally expect demand to be greater in the first, third and fourth quarters of each calendar year compared to the second quarter of each year. This demand increase occurs due to an increase in business travel during the second half of the year, as well as the Christmas season, Carnival and the Brazilian school summer vacation. Although business travel can be cyclical depending on the general state of the economy, it tends to be less seasonal than leisure travel, which peaks during vacation season and around certain holidays in Brazil.

The table below shows our average fare in reais for the periods indicated, reflecting our total passenger revenue divided by passenger flight segments for such periods:

<b>Year Ended December 31,</b>	<b>Average Fare (R\$)</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
2021	304.3	316.0	374.0	474.4
2022	449.1	518.8	558.3	588.7
2023	590.8	550.1	587.6	643.6

## ***Effects of Exchange Rates, Interest Rates and Inflation***

Our results of operations are affected by currency fluctuations. For the year ended December 31, 2023, 79.1% of our revenue was domestic and therefore denominated in reais while 20.9% of our operating expenses were either payable in or affected by the U.S. dollar, such as aviation fuel, certain flight hour maintenance contract payments and aircraft insurance. We also have certain aircraft debt denominated in U.S. dollars, see “Item 5.B. Liquidity and Capital Resources—Loans and Financings.” We use short-term arrangement to hedge against exchange rate exposure related to our aircraft lease and other rent payment obligations.

We also have assets denominated in foreign currency such as security deposits, maintenance reserves, cash and equivalents, and the TAP bond, providing us with a natural hedge against our U.S. dollar denominated liabilities. In addition, our aircraft, engines, and spare parts are commercialized in U.S. dollars.

Inflation also had, and may continue to have, effects on our financial condition and results of operations. For the year ended December 31, 2023, approximately, 23.7% of our operating expenses, including salaries, catering and ground handling expenses were impacted by changes in inflation.

The Central Bank determines the base interest rate in order to manage inflation. Variations in interest rate affect primarily our long-term obligations subject to variable interest rates, including our loans and financing. As of December 31, 2023, we had R\$ 9,698.9 million in current and noncurrent loans and financing of which 9.8% were indexed by the CDI rate, or interbank interest rate. In addition, interest rates also affect our financial income to the extent that we have investments indexed to the CDI Rate. The Central Bank has changed the base interest rate several times over the past years in order to keep inflation within its targets.



## Principal Components of Our Results of Operations

### Operating Revenue

Our operating gross revenue is primarily derived from transporting customers in our aircraft. For the year ended December 31, 2023, 92.8% of our gross revenue was derived from passenger revenue, and 7.2% was derived from other revenue.

For the year ended December 31, 2023, 79.1% of our revenue was domestic and therefore denominated in Brazilian reais. Passenger revenue is recognized either upon departure of the scheduled flight or when a purchased ticket expires unused, including revenue related to the redemption of TudoAzul points for Azul flights. Cargo revenue is recognized when transportation is provided. Passenger revenue depends on our capacity, load factor and yield. Capacity is measured in terms of ASKs, which represents the number of seats we make available on our aircraft multiplied by the number of kilometers these seats are flown. Load factor, or the percentage of our capacity that is actually used by paying customers, is calculated by dividing RPKs, which represents the number of kilometers flown by revenue passengers, by ASKs. Yield is the average amount that one passenger pays to fly one kilometer. We use RASK, or revenue divided by ASKs, and PRASK, or passenger revenue divided by ASKs, as our key performance indicators, because we believe they enable us to evaluate the balance between load factor and yield. Since our first year of operations, we have maintained a significant RASK and PRASK premium compared to our competitors given our higher load factors and yields. We expect that our strategy will enable us to maintain that premium in the future.

Our revenues are net of certain taxes, including state-value added tax, the Tax on Circulation of Goods and Services (*Imposto sobre Circulação de Mercadorias e Serviços*), or ICMS; federal social contribution taxes, including the Social Integration Program (*Programa de Integração Social*), or PIS; and the Social Contribution to Social Security Financing (*Contribuição Social para o Financiamento da Seguridade Social*), or COFINS. ICMS does not apply to passenger revenue. The average rate of ICMS on cargo revenues varies by state and ranges from 4% to 19%. In respect of passenger transportation revenues, the applicable rates of PIS and COFINS are 0.65% and 3%, respectively, due to a specific rule which enforces the use of the cumulative system of PIS and COFINS on these revenues. The remaining revenue related to air transportation activity is levied at rates of 1.65% and 7.60%, respectively. The Municipal Tax on Services (*Imposto Sobre Serviços*), or ISS, is a municipal tax assessed at rates varying from 2% to 5% of our service rendered revenues.

The air transportation business is volatile and highly affected by economic cycles and trends. Fluctuations in aviation fuel prices, customer discretionary spending, fare initiatives, labor actions, pandemics such as COVID-19, weather and other factors have resulted in significant fluctuations in revenues and results of operations in the past.

ANAC, the Brazilian civil aviation agency, may adopt regulations that influence our ability to generate revenue as it is responsible for approving the concession of landing rights slots, entry of new companies, launch of new routes, increases in route frequencies and lease or acquisition of new aircraft. Our ability to grow and to increase our revenues is dependent on approvals for new routes, increased frequencies and additional aircraft by ANAC.

### Operating Expenses

We are committed to maintaining a low-cost operating structure, and we seek to keep our expenses low by operating a young and efficient fleet with a single-class of service on domestic routes, maintaining high employee productivity, investing significantly in technology, utilizing our fleet efficiently and deploying low-cost distribution processes.

Our largest operating expense is aviation fuel, which represented 34.9% of our total operating expenses in 2023, 45.2% in 2022 and 32.8% in 2021. Aircraft fuel prices in Brazil are much higher than in the United States, as the Brazilian infrastructure needed to produce, transport and store fuel is expensive and aviation fuel prices are controlled by a concentrated number of suppliers. Our aviation fuel expenses are variable and fluctuate based on global oil prices. Since global prices are denominated in U.S. dollars, our aviation fuel costs are also subject to exchange rate fluctuations between the real and U.S. dollar.

During the year ended December 31, 2023, the fuel price per liter decreased 16.1%, from R\$5.44 per barrel for the year ended December 31, 2022 to R\$4.56 per barrel for the year ended December 31, 2023.

We attempt to mitigate fuel price volatility related to global changes in fuel prices through commodity forward agreements with banks and also have the option to enter into hedge agreements with Petrobras. The Petrobras hedging product available to us enables us to lock in the cost of the jet fuel we will consume in the future, thereby offering a more tailored hedge than WTI or heating oil futures, which are not perfectly correlated to jet fuel. In addition, Petrobras offers us the option to lock the jet fuel price in reais, thereby hedging our exposure not only to fuel prices, but also to the Brazilian real/U.S. dollar exchange rates.

In addition, local taxes applicable to the sale of jet fuel are high, ranging from 0.0% to 18.0%. Different states in Brazil apply different rates of value-added tax to fuel, requiring us to continually adjust our fuel prices to optimize fuel uplift. Several states in Brazil offer a value-added fuel tax relief or subsidy to airlines that provide better connectivity between cities within the state and other domestic or international destinations. Given the size of our network and diversified fleet, we believe we pay lower value-added fuel tax rates compared to our main competitors.

Salaries and benefits paid to our crewmembers, include, among others, health care, dental care, child care reimbursement, life insurance, funeral assistance, school aid (granted to expatriate executive officers only), housing allowance (granted to expatriate executive officers only), bonuses, pension plans, transportation tickets, food allowances and meal vouchers. We believe that we have a cost advantage compared to industry peers in salaries and benefits expenses due to high employee productivity measured by the average number of employees per aircraft. We had 79 FTEs per aircraft as of December 31, 2023. We also benefit from generally lower labor costs in Brazil, when compared to other countries, which is somewhat offset by lower productivity due to government requirements over employee labor conditions and taxes on payroll.

Landing fees include airport charges for each landing and aircraft parking, connecting fees as well as aeronautical and navigation fees. Most of these fees vary based on our level of operations and the rates are set by INFRAERO, DECEA and private airports.

Traffic and customer servicing includes the cost of airport facilities, ground handling expenses, customer bus service and inflight services and supplies. During the pandemic, due to Anvisa's orientation, we suspended the inflight service. We provide complimentary bus services between a limited number of locations and certain strategic airports, such as transportation from the city of São Paulo to Viracopos airport, and we believe that the additional customers we attract by offering this service more than offset its cost.

Our advertising and publicity expenses include commissions paid to travel and cargo agents, fees paid to credit card companies and advertising associated with the sale of our tickets and other products and services. We believe that our distribution costs are lower than those of our competitors because a higher proportion of our customers purchase tickets directly through our website instead of through traditional distribution channels, such as ticket offices, and we have comparatively fewer sales made through higher cost global distribution systems. We employ low-cost, innovative marketing techniques, focusing on social networking tools (Instagram, Facebook, Twitter, YouTube and Instagram) and generating word of mouth recognition, including visibly branded complimentary bus service and guerrilla marketing campaigns to enhance brand recognition and provide promotions directed at our customers. We believe that we have an advantage compared to industry peers in advertising and marketing expenses and expect this advantage will remain in the future.

Our maintenance and repair expenses consist of line maintenance checks and certain maintenance fees based on number of hours flown to access spare parts to repair aircraft and engines. Our fleet is the youngest compared to our main competitors, with an average age of 7.4 years, excluding the 24 Cessna Caravan aircraft as of December 31, 2023. As the aircraft age, our maintenance expenses tend to increase.

At the initial recognition of aircraft or right-of-use assets, Azul allocates the total cost of the aircraft between major components; airframe, engines, auxiliary power unit ("APU"), or propeller landing gear, heavy maintenance and structural checks. The useful economic life is the period extending up to the next heavy maintenance or structural check or the remaining useful life of the aircraft/engines or lease contract, whichever is shorter. Azul has maintenance contracts for its engines that cover all significant maintenance events. Azul has "power-by-the-hour" type contracts, which stipulate a rate for maintenance per hour flown, which are paid in accordance with the total hours flown when maintenance occurs. Subsequent heavy maintenance events and structural checks, which increase the useful lives of the assets, are capitalized and recognized as property and equipment or in addition to the right-of-use assets, according to the underlying asset. Subsequently they are depreciated during the respective period of use or until the end of the lease. Repairs and other routine maintenance are recognized in maintenance expenses during the period in which they are incurred.

Depreciation and amortization expenses include the depreciation of all fixed assets we own or right-of-use assets, including amortization of capitalized maintenance expenses.

Other operating expenses, net consist of general and administrative expenses, purchased services, equipment rental, communication costs, professional fees, travel and training expenses for crews and ground personnel, provisions for legal proceedings, interrupted flights and all other overhead expenses.

Slightly over half of our expenses, such as fuel and maintenance, fluctuate with changes in the exchange rate between the real and the U.S. dollar. We currently enter into arrangements to hedge against increases in fuel prices. For further information, see item 5 see section 5 of the Reference Form to be released in May, 2023.

### ***Financial Results***

Our financial income includes interest earned on our cash and cash equivalents (which bear interest indexed to the CDI Rate) and short-term investments. Our financial expenses include interest expense on lease liabilities, aircraft debt, loans and financings and working capital facilities, which are exposed to foreign currency fluctuations. The balances of derivative financial instruments include gains or losses on our derivatives not designated for hedge accounting. Foreign currency exchange is the net gain or loss on our assets and liabilities related to the appreciation or depreciation of the real against the U.S. dollar and has limited impact on our cash position.

### ***Taxes***

We account for income taxes using the liability method. We record deferred tax assets only when, based on the weight of the evidence, it is more likely than not that the deferred tax assets will be realized. Deferred taxes are recorded based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. In assessing whether the deferred tax assets are realizable, our management considers whether it is more likely than not that some or all of the deferred tax assets will be utilized. We consider all available evidence, both positive and negative, in determining future taxable income on a jurisdiction by jurisdiction basis.

We and our subsidiaries had net operating loss carryforwards of R\$18,325.9 million for the year ended December 31, 2023, represented by income tax losses and negative basis of social contribution.

### ***Critical Accounting Policies and Estimates***

For this discussion, see our audited consolidated financial statements included elsewhere in this annual report.

## ***Results of Operations***

### ***General***

We believe we have created a robust network of profitable routes by stimulating demand through frequent and affordable air service. We expect that most of our domestic capacity growth will come from replacing smaller aircraft with larger, fuel efficient, next generation aircraft that have a lower seat cost. We also expect to continue adding select routes and cities that we believe possess high demand and growth potential and are either not served or underserved by other airlines. We expect to continue leveraging the strong connectivity we have created in Brazil to benefit from the addition of select international destinations in the United States and Europe. In addition, we believe that we will continue benefiting from additional revenue streams coming from our TudoAzul loyalty program, our cargo, and our travel package businesses.

The following chart includes certain operating information that evidences the evolution of our business between 2008 through December 31, 2023:

As of	Cities Served	FTEs	Total Aircraft at End of Period		
			Owned	Leased	Total <sup>(1)</sup>
December 31, 2008 <sup>(1)</sup>	3	712	3	2	5
December 31, 2009 <sup>(1)</sup>	17	1,535	8	6	14
December 31, 2010 <sup>(1)</sup>	28	2,940	14	13	27
December 31, 2011 <sup>(1)(2)</sup>	43	4,329	22	27	49
December 31, 2012 <sup>(1)</sup>	100	8,914	50	74	124
December 31, 2013 <sup>(1)</sup>	103	9,848	56	81	137
December 31, 2014 <sup>(1)</sup>	106	10,501	46	107	153
December 31, 2015 <sup>(1)</sup>	102	10,533	46	106	152
December 31, 2016 <sup>(1)(3)</sup>	102	10,311	39	100	139
December 31, 2017 <sup>(1)(3)</sup>	104	10,878	27	120	147
December 31, 2018 <sup>(1)(3)</sup>	110	11,807	20	123	143
December 31, 2019 <sup>(3)</sup>	116	13,189	19	147	166
December 31, 2020 <sup>(4)</sup>	112	11,946	34	158	192
December 31, 2021 <sup>(5)</sup>	147	12,485	37	155	192
December 31, 2022 <sup>(6)</sup>	158	13,543	40	172	212
December 31, 2023 <sup>(6)</sup>	167	15,248	40	169	209

(1) Includes aircraft held under finance and operating leases.

(2) Includes operating information resulting from the TRIP acquisition since November 30, 2012.

(3) Includes aircraft subleased to TAP, 15 as of December 31, 2019 and 13 as of December 31, 2020.

(4) Includes 13 aircraft subleased to TAP and 1 subleased to Breeze Airways.

(5) Includes 6 aircraft subleased to TAP and 3 subleased to Breeze Airways.

(6) Includes 3 aircraft subleased to Breeze Airways.

**Comparison of the year ended December 31, 2023 to the year ended December 31, 2022**

	Years Ended December 31,		Percent Change
	2023	2022	
	(in thousands of reais)		
Passenger revenue	17,227,728	14,594,945	18.0 %
Other revenues	1,326,697	1,353,122	(2.0) %
<b>Total revenue</b>	<b>18,554,425</b>	<b>15,948,067</b>	<b>16.3 %</b>
Aircraft fuel	(5,890,485)	(6,561,288)	(10.2) %
Salaries and benefits	(2,408,364)	(1,954,568)	23.2 %
Airport taxes and fees	(1,059,258)	(911,246)	16.2 %
Auxiliary services for air transport	(807,563)	(641,900)	25.8 %
Maintenance	(898,282)	(616,209)	45.8 %
Advertising and publicity	(779,264)	(699,003)	11.5 %
Depreciation and amortization	(2,404,223)	(2,094,448)	14.8 %
Impairment and onerous contracts	245,636	1,102,791	(77.7) %
Insurance	(89,492)	(103,216)	(13.3) %
Other	(2,802,036)	(2,039,425)	37.4 %
	<b>(16,893,331)</b>	<b>(14,518,512)</b>	<b>16.4 %</b>
<b>Operating profit (loss)</b>	<b>1,661,094</b>	<b>1,429,555</b>	<b>16.2 %</b>
Financial income	220,141	277,289	(20.6) %
Financial expenses	(5,608,771)	(4,793,782)	17.0 %
Derivative financial instruments, net	(238,458)	958,005	(124.9) %
Foreign currency exchange, net	1,625,064	1,406,566	15.5 %
<b>Financial result</b>	<b>(4,002,024)</b>	<b>(2,151,922)</b>	<b>86.0 %</b>
<b>Loss before income tax and social contribution</b>	<b>(2,340,930)</b>	<b>(722,367)</b>	<b>224.1 %</b>
Deferred income tax and social contribution	(39,526)	—	— %
<b>Loss for the year</b>	<b>(2,380,456)</b>	<b>(722,367)</b>	<b>229.5 %</b>



The table below sets forth the breakdown of our operating revenues and expenses on a per-ASK basis for the periods indicated:

	<b>For the Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>Percent Change</b>
	(per ASK in R\$ cents)		
Net revenue:			
Passenger revenue	39.46	36.88	7.0 %
Cargo and other revenue	3.03	3.42	(11.4) %
<b>Net revenues</b>	<b>42.48</b>	<b>40.29</b>	<b>5.4 %</b>
Operating expenses:			
Aircraft fuel	13.39	16.58	19.3 %
Salaries and benefits	5.45	4.94	10.3 %
Depreciation and amortization	5.26	5.29	(0.6) %
Airport fees	2.40	2.30	4.3 %
Passenger expenses	1.84	1.62	13.2 %
Advertising and publicity	1.77	1.77	n.a.
Maintenance and repairs	1.56	1.50	4.0 %
Other operating expenses	4.23	3.43	23.4 %
<b>Total operating expenses, net</b>	<b>35.89</b>	<b>36.68</b>	<b>(4.1) %</b>

The table below presents our passenger revenue and selected operating data for the periods indicated.

	<b>For the Year Ended December 31,</b>				<b>Percent Change</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	
Passenger revenue (in millions of reais)	R\$ 17,227	R\$ 14,594			18.0 %
Available seat kilometers (ASKs) (millions)	44,006	39,579			11.2 %
Load factor (%)	80.4%	79.7%			0.5p.p.
Passenger revenue per ASK (cents) (PRASK)	39.46	36.88			7.0 %
Operating revenue per ASK (cents) (RASK)	42.48	40.29			5.4 %
Yield per passenger kilometer (cents)	49.05	46.25			6.1 %
Number of departures	316,896	304,429			4.1 %
Block hours	550,843	518,813			6.2 %

### ***Total Revenue***

In 2023, Azul's total operating revenue increased 16.3% or R\$2.6 billion in the year ended December 31 2023, reaching a record of R\$18.6 billion. Passenger revenue increased 18.0% on 11.2% more capacity compared to the same period last year, boosted by the full recovery of corporate and international passenger demand.

#### ***Passenger Revenue***

Passenger revenue increased 18.0% or R\$2,632.8 million, from R\$14,594.9 million in the year ended December 31, 2022 to R\$17,227.7 million in 2023, due primarily to (i) a 12.2% growth in RPKs as a result of the recovery in passenger demand; and (ii) our ability to increase fares, clearly demonstrating our rational capacity deployment and the sustainable competitive advantages of network and business model.

## ***Other Revenues***

Other Revenues decreased 2.0% or R\$26.4 million, from R\$1,353.1 million in the year ended December 31, 2022 to R\$1,326.7 million in 2023, due primarily to a reduction in international cargo net revenue of 40.4% or R\$139.9 million, from R\$346.2 million in the year ended December 31, 2022 to R\$206.3 million in 2023.

## ***Operating Expenses***

For the year ended December 31, 2023, Azul recorded operating expenses of R\$16.9 billion, compared to R\$14.5 billion in 2022, representing an increase of 16.4%, mainly due to the capacity and revenue increase of 11.2% and 18.0%, respectively in addition to investments made in the fourth quarter to support 2024 growth and maximize fleet availability to benefit from the continued strong demand environment, offset by a 16.1% reduction in jet fuel price per liter and 3.3% average depreciation of the real against the dollar.

**Aircraft fuel.** Aircraft fuel decreased R\$670.8 million, or 10.2%, from R\$6,561.3 million in 2022 to R\$5,890.5 million in the year ended December 31, 2023, even with a 11.2% increase in total capacity, mostly due to a 16.1% reduction in fuel price per liter (excluding hedges) and a reduction in fuel burn per ASK as a result of our more efficient next-generation fleet.

**Salaries and benefits.** Salaries and benefits increased 23.2% or R\$453.8 million, from R\$1,954.6 million in 2022 to R\$2,408.4 million in the year ended December 31, 2023, mainly driven by our capacity increase of 11.2% in 2023, a 5.5% union increase in salaries paid two months in advance as a result of collective bargaining agreements applicable to all airline employees in Brazil, insourcing of certain activities to reduce total costs, and hirings made in the fourth quarter 2023 to support 2024 growth.

**Airport taxes and fees.** Airport taxes and fees increased 16.2% or R\$148.0 million, from R\$911.2 million in the year ended December 31, 2022 to R\$1,059.3 million in the year ended December 31, 2023, mostly driven by the 11.2% increase in total capacity, in particular our 61.3% growth in international capacity, which drives higher fees.

**Auxiliary services for air transport.** Auxiliary services for air transport increased 25.8% or R\$165.7 million, from R\$641.9 million in the year ended December 31, 2022 to R\$807.6 million in the year ended December 31, 2023, mostly due to the 6.5% increase in passengers, 4.1% increase in departures.

**Advertising and publicity.** Advertising and publicity expenses increased 11.5%, or R\$80.3 million, from R\$699.0 million in the year ended December 31, 2022 to R\$779.3 million in the year ended December 31, 2023, mostly driven by a 18.0% increase in passenger revenue, offset by savings from the insourcing of marketing activities.

**Maintenance.** Maintenance increased 45.8%, or R\$282.1 million, from R\$616.2 million in the year ended December 31, 2022 to R\$898.3 million in the year ended December 31, 2023, mostly driven by a higher number of maintenance events to maximize aircraft availability and support 2024 growth, partially offset by a higher share of maintenance events insourced, 3.3% average appreciation of the real against the dollar and cost savings from the renegotiation of our engine maintenance agreements.

**Depreciation and Amortization.** Depreciation and amortization increased 14.8% or R\$309.8 million, from R\$2,094.4 million in the year ended December 31, 2022 to R\$2,404.2 million in the year ended December 31, 2023, driven by the increase in the size of our fleet compared to 2022.

**Impairment and onerous contracts.** Impairment and onerous contracts decreased 77.7% or R\$857.2 million, from R\$1,102.8 million in 2022 to R\$245.6 million in 2023, mainly due to the impairment reversal of 14 Embraer E-195 E1s.

**Insurance.** Insurance decreased 13.3%, or R\$13.7 million, from R\$103.2 million in the year ended December 31, 2022 to R\$89.5 million in the year ended December 31, 2023, mostly driven by the 2.6% decrease in total contractual fleet.

**Other.** Other increased 37.4% or R\$762.6 million, from R\$2,039.4 million in the year ended December 31, 2022 to R\$2,802.0 million in the year ended December 31, 2023, mainly driven by the increase in judicial claims, 11.2% increase in passenger capacity and higher training expenses as we are preparing ourselves for 2024 growth, in addition to an increase of revenue-driven IT expenses, crewmembers accommodations, cargo last-mile operations, and flight contingencies.

## ***Operating Profit***

Operating profit increased 16.2%, or R\$231.5 million for the year ended December 31, 2022, from R\$1,429.6 million for the year ended December 31, 2022 to R\$1,661.1 million in 2023. This increase is mainly due to the gradual rebuilding of the network, ending the year with an increase in passenger demand during 2023 of 12.2% compared to 2022.

## ***Financial Result***

**Financial Income.** Financial income decreased 20.6%, or R\$57.1 million, from R\$277.3 million for the year ended December 31, 2022 to R\$220.1 million in 2023, mainly due to the decrease in financial investments, deducting the amount of interest on investments.

**Financial Expenses.** Financial expenses increased 17.0%, or R\$815.0 million, from R\$4,793.8 million for the year ended December 31, 2022 to R\$5,608.8 million in 2023, mainly due to the increase in the Brazilian risk-free rate to an average of 11.75% in 2023 impacting our loans and financing. In addition, R\$552.1 million refers to debt restructuring costs and debentures.

**Derivative Financial Instruments, net.** Derivative financial instruments, net, loss was an expense of R\$238.5 million for the year ended December 31, 2023, compared to a net gain of R\$958.0 million in 2022, mainly due to unrealized losses related to fuel hedge contracts resulting from the sharp decrease in fuel prices. A drop in fuel price positively affects the Company through a reduction in costs. However, also negatively affects contracted positions as these are acquired to protect the Company against the risk of a rise in price.

This line reflects (i) U.S. dollar derivative instruments used to hedge our foreign exchange exposure resulting from U.S. dollar denominated financial expenses and (ii) heating oil derivative instruments used to hedge our fuel exposure. As of December 31, 2023, Azul has hedged 15.1% of its expected fuel consumption for the next twelve months by using mostly heating oil derivatives, which dropped 21% from an average of R\$354.9 million in 2022 to an average of R\$281.3 million in 2023.

**Foreign Currency Exchange, net.** The net currency exchange effect on our monetary assets and liabilities when remeasured into reais, amounted to a non-cash gain on net monetary and foreign exchange variations of R\$1,625.1 million for the year ended December 31, 2023, an increase of 15.5%, or R\$218.5 million compared to a gain of R\$1,406.6 million in 2022, mainly due to the appreciation of the real against the dollar of 3.3% in 2023, in addition to the increase in our debt denominated in dollars related to the issuance of US\$800 million aggregate principal amount of 11.930% Senior Secured First Out Notes due 2028 in the second half of 2023, resulting in a decrease in our lease liabilities and foreign currency indebtedness.

## ***Deferred income tax and social contribution***

In the year ended December 31, 2023, expenses related to deferred income tax and social contributions totaled R\$39.5 million, mostly due to temporary differences recognized in 2023 related to foreign exchange variations which are taxed on a cash basis.

## Loss for the Year

Loss for the year increased R\$1,658.1 million or 229.5%, from R\$722.4 million for the year ended December 31, 2022 to R\$2,380.5 million in 2023, due to the reasons explained above.

### Comparison of the year ended December 31, 2022 to the year ended December 31, 2021

	Years ended December 31,		Percent Change
	2022	2021	
	(in thousands of reais)		
Passenger revenue	14,594,945	8,811,044	65.6 %
Other revenues	1,353,122	1,164,685	16.2 %
<b>Total revenue</b>	<b>15,948,067</b>	<b>9,975,729</b>	<b>59.9 %</b>
Aircraft fuel	(6,561,288)	(3,257,223)	101.4 %
Salaries and benefits	(1,954,568)	(1,748,441)	11.8 %
Airport taxes and fees	(911,246)	(677,653)	34.5 %
Auxiliary services for air transport	(641,900)	(395,533)	62.3 %
Maintenance	(616,209)	(546,647)	12.7 %
Advertising and publicity	(699,003)	(403,987)	73.0 %
Depreciation and amortization	(2,094,448)	(1,544,333)	35.6 %
Impairment and onerous contracts	1,102,791	1,075,682	2.5 %
Insurance	(103,216)	(80,256)	28.6 %
Other	(2,039,425)	(2,342,543)	(12.9)%
	<b>(14,721,910)</b>	<b>(9,920,934)</b>	<b>48.4 %</b>
<b>Operating profit (loss)</b>	<b>1,226,157</b>	<b>54,795</b>	<b>n.a.</b>
Financial income	277,289	154,280	79.7 %
Financial expenses	(4,793,782)	(3,838,243)	24.9 %
Derivative financial instruments, net	958,005	864,184	10.9 %
Foreign currency exchange, net	1,406,566	(1,443,046)	(197.5)%
<b>Financial result</b>	<b>(2,151,922)</b>	<b>(4,262,825)</b>	<b>(49.5)%</b>
Result from related party transactions	—	(5,178)	— %
<b>Loss before income tax and social contribution</b>	<b>(925,765)</b>	<b>(4,213,208)</b>	<b>(78.0)%</b>
<b>Loss for the year</b>	<b>(925,765)</b>	<b>(4,213,208)</b>	<b>(78.0)%</b>

The table below sets forth the breakdown of our operating revenues and expenses on a per-ASK basis for the periods indicated:

	For the Year Ended December 31,		Percent Change
	2022	2021	
	(per ASK in R\$ cents)		
Operating revenue:			
Passenger revenue	36.88	28.07	31.4 %
Cargo and other revenue	3.42	3.71	(7.8) %
<b>Total operating revenues</b>	<b>40.30</b>	<b>31.78</b>	<b>26.8 %</b>
Operating expenses:			
Aircraft fuel	16.58	10.38	59.7 %
Salaries and benefits	4.94	5.57	(11.3) %
Depreciation and amortization	5.29	4.92	7.5 %
Airport fees	2.30	2.16	6.5 %
Passenger expenses	1.62	1.24	30.6 %
Advertising and publicity	1.77	1.29	37.2 %
Maintenance and repairs	1.56	1.74	(10.3) %
Other operating expenses	2.63	4.31	(39.0) %
<b>Total operating expenses, net</b>	<b>36.68</b>	<b>31.61</b>	<b>16.0 %</b>

The table below presents our passenger revenue and selected operating data for the periods indicated.

	For the Year Ended December 31,		Percent Change
	2022	2021	
Passenger revenue (in millions of reais)	14,594,945	8,811,044	65.6 %
Available seat kilometers (ASKs) (millions)	39,579	31,386	53.9 %
Load factor (%)	80 %	79 %	(0.8)p.p.
Passenger revenue per ASK (cents) (PRASK)	36.88	28.07	12.5 %
Operating revenue per ASK (cents) (RASK)	40.29	31.78	11.9 %
Yield per passenger kilometer (cents)	46.25	35.46	13.6 %
Number of departures	304,429	245,102	55.1 %
Block hours	518,813	409,424	53.4 %

### **Total Revenue**

Total revenue increased 59.9%, or R\$5,972.3 million, from R\$9,975.7 million for the year ended in December 31, 2021 to R\$15,948.1 million in 2022, due to a 65.6% increase in passenger revenue with the expansion of the network, and by the 16.2% increase in other revenue.

#### **Passenger Revenues**

Passenger revenue increased 65.6%, or R\$5,783.9 million, from R\$8,811.0 million for the year ended in December 31, 2021 to R\$14,594.9 million in 2022, due primarily to (i) a 27.0% growth in RPKs as a result of the recovery in passenger demand after the COVID-19 vaccine immunization, (ii) our focus on increasing fares, (iii) a faster domestic leisure demand recovery.



## ***Other Revenues***

Other revenues increased 16.2%, or R\$188.4 million, from R\$1,164.7 million for the year ended in December 31, 2021 to R\$1,353.1 million in 2022, due mainly to the increase in revenues from cargo transportation. The good performance of our cargo business reflected the increase in demand from individual and corporate customers for package deliveries, online purchases, being a behavior that increased as a result of the COVID-19 pandemic and also reflects Azul Cargo's connectivity strategy. Most of the observed increase was driven by the wide expansion in all segments and geographic areas of our cargo market, especially our e-commerce business.

## ***Operating Expenses***

Operating expenses increased 46.3% or R\$4,597.6 million, from R\$9,920.9 million for the year ended December 31, 2021 to R\$14,518.5 million in 2022, mainly due to (i) the increase in demand, which led to a 53.9% increase in capacity, resulting in higher variable expenses, (ii) an increase in fuel costs of 63.5% and (iii) the average devaluation of 4.3% of the real against the dollar during fiscal year 2022 compared to the same period in 2021, which increased dollar-denominated expenses.

**Aircraft Fuel.** Aircraft fuel increased 101.4% or R\$3,304.1 million, from R\$3,257.2 million for the year ended December 31, 2021 to R\$6,561.3 million in 2022, mostly due to (i) a 26.1% increase in capacity, and (ii) a 63.5% increase in fuel price per liter. On an ASK basis, aviation fuel increased by 59.7%.

**Salaries and Benefits.** Salaries and benefits increased 11.8% or R\$206.1 million, from R\$1,748.4 million for the year ended December 31, 2021 to R\$1,954.6 million in 2022, driven by collective bargaining agreements and a 8.5% increase in FTEs compared to 2021 to support our capacity increase of 26.1%.

**Airport Taxes and Fees.** Airport taxes and fees increased 34.5% or R\$233.6 million, from R\$677.7 million for the year ended December 31, 2021 to R\$911.2 million in 2022, mostly due to a 26.7% increase in block hours, and a 24.2% increase in departures, in addition to the 5.8% inflation over the last 12 months.

**Auxiliary services for air transport.** Auxiliary services for air transport increased 62.3% or R\$246.4 million, from R\$395.5 million for the year ended December 31, 2021 to R\$641.9 million in 2022, mostly due to (i) a 17.9% increase in passengers, (ii) a 24.2% increase in departures and (iii) a 26.1% increase in ASKs as a result of the recovery of our network. In terms of ASK, auxiliary services for air transport increased 30.6%.

**Advertising and publicity.** Advertising and publicity expenses increased 73.0%, or R\$295.0 million, from R\$404.0 million for the year ended December 31, 2021 to R\$699.0 million in 2022, mostly driven by (i) an increase in expenses for credit card fees and commissions due to an increase of 65.9% in passenger revenue; (ii) an increase in commission fees as a result of an increase in cargo revenues and (iii) higher distribution costs resulting from an acceleration in demand for international flights.

**Maintenance.** Maintenance increased 12.7% or R\$69.6 million, from R\$546.6 million for the year ended December 31, 2021 to R\$616.2 million for the year ended December 31, 2022, mostly due to (i) an average devaluation of 4.3% of the Brazilian real against the U.S. dollar during 2022 compared to 2021, and (ii) a 24.2% increase in departures as a result of the increase in demand. In terms of ASK, costs with maintenance reduced 10.3% when compared to 2021.

**Depreciation and Amortization.** Depreciation and amortization increased 35.6% or R\$550.1 million, from R\$1,544.3 million in 2021 to R\$2,094.4 million in 2022, mainly to the size of our fleet compared to 2021 and the change in our redelivery cost provisioning policy. In terms of ASK, depreciation and amortization increased 7.5% when compared to the same period of the previous year.

**Impairment and onerous contracts.** Impairment and onerous contracts. increased 2.5% or R\$27.1 million, from R\$1,075.7 million for the year ended December 31, 2021 to R\$1,102.8 million in 2022, mainly due to a partial reversal of the E1 impairment due to the extended use of those aircraft.

**Insurance.** Insurance increased 28.6% or R\$23.0 million, from R\$80.3 million for the year ended December 31, 2021 to R\$103.2 million in 2022, mainly due to the 24.2% increase in departures.

**Other.** Other decreased 12.9% or R\$303.1 million, from an expense of R\$2,342.5 million for the year ended December 31, 2021 to R\$2,039.4 million in 2022, mainly due to (i) expenses related to the growth of our logistics business, engine rental, and (ii) the average depreciation of 4.3% of the Brazilian real against the U.S. dollar during 2022 compared to the same period in 2021.

## ***Operating Profit***

For the year ended December 31, 2022, the Company reported an operating income of R\$1,429.6 million, compared to R\$54.8 million for the year ended December 31, 2021. This result is mainly due to (i) the gradual increase in demand, ending the year with an increase in passenger demand in 2022 of 26.1% compared to 2021, (ii) improvement in operational efficiency, with a CASK ex-fuel 1.9% lower compared to the previous year.

## ***Financial Result***

**Financial Income.** Financial income increased 79.7%, or R\$123.0 million, from R\$154.3 million for the year ended December 31, 2021 to R\$277.3 million in 2022, mainly due to the increase in the average CDI for the year, from 2.8% in 2021 to 4.4% in 2022.

**Financial Expenses.** Financial expenses increased 24.9%, or R\$955.5 million from R\$3,838.2 million for the year ended December 31, 2021 to R\$4,793.8 million in 2022, mainly due to (i) the increase in the Brazilian risk-free rate to an average of 13.8% in 2022 impacting our loans and financing, (ii) an increase in the interest expense on lease liabilities on aircraft leases of R\$99.5 million, due to the growth of our fleet.

Derivative Financial Instruments, net. Gain in derivative financial instruments used for the hedging of our exposure to fuel price variation and foreign currency debt payments of R\$958.0 million for the year ended December 31, 2022 compared to R\$864.2 million in 2021 mainly due to unrealized gains related to fuel hedge contracts resulting from the sharp rise in fuel prices as a result of the recovery in demand for crude oil.

Foreign Currency Exchange, net.. The net currency exchange effect on our monetary assets and liabilities when remeasured into reais, amounted to a non-cash loss on net monetary and foreign exchange variations of R\$1,443.0 million for the year ended December 31, 2021 compared to a gain of R\$1,406.6 million in the same period of the prior year, due to the depreciation of the real against the dollar of 4.3% between December 31, 2021 and December 31, 2022, resulting in an increase in our capitalized leases and foreign currency indebtedness.

## ***Loss for the Year***

Loss for the year was R\$722.4 million for the year ended December 31, 2022 compared to a loss for the year of R\$4,213.2 million for the year ended December 31, 2021, due to the reasons explained above.

## **B. Liquidity and Capital Resources**

### ***General***

Our short-term liquidity requirements relate to the payment of operating costs, including aircraft fuel and salaries, payment obligations under our lease liabilities and loans and financing (including aircraft debt-financing and debentures) and the funding of working capital requirements. Our medium- and long-term liquidity requirements include payments with the option of settlement in equity for aircraft and debt-financing, the working capital required to start up new routes and new destinations, and payment obligations under our borrowings and financings.

For our short-term liquidity needs, we rely primarily on cash provided by operations and cash reserves. For our medium- and long-term liquidity needs, we rely primarily on cash provided by operations, cash reserves, working capital loans and bank credit lines including, but not limited to, bank loans, debentures and promissory notes.

In order to manage our liquidity, we review our cash and cash equivalents, short-term investments, and trade and other receivables on an ongoing basis. Trade and other receivables include credit card sales and accounts receivables from travel agencies and cargo transportation. Our accounts receivables are affected by the timing of our receipt of credit card revenues and travel agency invoicing. One general characteristic of the retail sector in Brazil and the aviation sector in particular is the payment for goods or services in installments via a credit card. Our customers may pay for their purchases in up to ten installments without interest or up to 12 installments with 3% interest per month. This is similar to the payment options offered by other airlines in Brazil. Once the transaction is approved by the credit card processor, we are no longer exposed to cardholder credit risk, and the payment is guaranteed by the credit card issuing bank in case of default by the cardholder. Since the risk of non-payment is low, banks are willing to advance these receivables, which are paid the same day they are requested. As a result, we believe our ability to advance receivables at any time significantly increases our liquidity position.

In 2023, we completed a series of restructuring and capital raising transactions to strengthen our capital structure and improve our cash generation, which included (i) reductions in, and the reprofiling of, our obligations with certain aircraft lessors and OEMs, including the issuance of the Lessor/OEM Notes, (ii) exchange offers and consent solicitations, including the issuance of 2029 Notes and 2030 Notes, (iii) amendments to our convertible debentures, (iv) the issuance of Initial 2028 Notes, and (v) the issuance of the ALAB non-convertible debentures due 2024. For more information, see “Item 4. Information on the Company—Business Overview—Restructuring.”

As of December 31, 2023, our total cash position consisting of cash and cash equivalents and short-term and long-term investments, was R\$2,677.6 million as of December 2023 compared to R\$1,401.4 million as of December 2022.

During the third quarter of 2023 Azul had a private offering of US\$800 million aggregate principal amount of 11.930% Senior Secured First Out Notes due 2028 (“Notes”). The offering was the last part of the comprehensive and permanent restructuring plan to optimize the Company’s capital structure and increase its liquidity position.

We believe that we will continue to be able to access equity and debt capital markets if and when necessary. The table below presents our cash flows from operating, investing and financing activities for the periods indicated:

	<b>For the Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	(in thousands of reais)		
<b>Cash Flow</b>			
Net cash provided (used) by operating activities	3,439,691	2,437,315	(310,616)
Net cash used in investing activities	(874,482)	(639,852)	(684,890)
Net cash provided (used) by financing activities	(1,392,942)	(4,203,587)	812,635
Exchange rate changes on cash and cash equivalents	56,721	673	191,855
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>1,228,988</b>	<b>(2,405,451)</b>	<b>8,984</b>

### ***Net Cash Provided (Used) By Operating Activities***

Net cash provided (used) by operating activities in 2023 was R\$3,439.7 million compared to R\$2,437.3 million in 2022. The increase of the operating cash flows was mainly due to (i) and increase in passenger demand in 2023 after the decreasing effects of the COVID-19 pandemic, (ii) the removal of governments restrictions on travel, (iii) better favorable macroeconomic conditions and (iii) the positive trend in fuel costs.

### ***Net Cash Used In Investing Activities***

Net cash used in investing activities was R\$874.5 million in 2023, compared to R\$639.9 million in 2022. The increase in cash used in investing activities is mostly related to the cash received on sale of property and equipment in 2022 of R\$518.7 million. In 2023 we did not receive cash on sale of property and equipments.

### ***Net Cash Provided (Used) By Financing Activities***

Net cash provided (used) by financing activities was R\$1,392.9 million in 2023 compared to R\$4,203.6 million in 2022. The decrease in net cash used in financing activities was mainly due to (i) a decrease in loans and financing proceeds and (ii) and increase in reverse factoring.

## Contractual Obligations

Our non-cancellable contractual obligations (in thousands of R\$) as of December 31, 2023 included the following:

	2024	2025-2026	2027-2029	>2029	
	Less than 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	(in thousands of R\$)				
Commitments for future aircraft acquisition	916,053	6,282,218	8,458,202	791,479	16,447,952
Lease liabilities	3,271,945	7,119,607	9,007,993	9,859,641	29,259,186
Non-aircraft loans	356,138	233,259	5,033,521	2,750,921	8,373,839
Debentures	468,441	223,270	1,396,213	—	2,087,924
Aircraft loans	181,215	121,602	15,878	—	318,695
Interest payable on bonds	120,063	2,116,042	2,478,530	216,843	4,931,479
Interest on lease liabilities	298,203	(1,652,631)	(2,994,161)	(4,053,090)	(8,401,680)
<b>Total</b>	<b>5,612,057</b>	<b>14,443,367</b>	<b>23,396,177</b>	<b>9,565,794</b>	<b>53,017,395</b>

## Loans and Financings

As of December 31, 2023, we had total loans and financing of R\$ 24,387.2 million (including R\$ 1,201.6 million of convertible debentures and R\$12,455.8 million of lease liabilities), compared to R\$ 23,219.3 million as of December 31, 2022 (including R\$1,403.7 million of convertible debentures and R\$ 14,582.8 million of lease liabilities).

In 2023, we completed a series of restructuring and capital raising transactions to strengthen our capital structure and improve our cash generation, which included: (i) reductions in and the reprofiling of our obligations with certain aircraft lessors and OEMs, including the issuance of the Lessor/OEM Notes, (ii) Exchange Offers and Consent Solicitations, including the issuance of the 2029 Notes and the 2030 Notes, (iii) amendments to our convertible debentures, (iv) the issuance of the 2028 Notes, and (v) the issuance of the ALAB non-convertible debentures due 2024. For more information, see “Item 4.B. Business Overview—Restructuring”.

The following tables set forth our short-term and long-term loans and financing as of December 31, 2023 and 2022:

	As of December 31,	
	2023	2022
	(in thousands of reais)	
<b>Short-Term Debt</b>		
Local currency	530,421	669,308
Foreign currency (U.S. Dollars)	181,525	427,169
Lease liabilities	3,349,056	4,025,948
Senior Notes	413,912	31,255
Lease Notes	121,948	—
<b>Total short-term debt</b>	<b>4,596,862</b>	<b>5,153,680</b>
<b>Long-Term Debt</b>		
Local Currency	454,666	639,101
Foreign currency (U.S. Dollars)	1,383,447	1,651,887
Lease liabilities	9,106,771	10,556,885
Senior Notes	7,936,551	5,217,700
Lease Notes	908,897	
<b>Total long-term debt</b>	<b>19,790,332</b>	<b>18,065,573</b>
<b>Total loans and financing</b>	<b>24,387,194</b>	<b>23,219,253</b>

The following table sets forth the financial charges and balances of our aircraft and non-aircraft debt and excludes lease liabilities as of the periods indicated:

			As of December 31,	
			2023	2022
<b>Financial Charges</b>				
<b>Aircraft financing<sup>(1)</sup></b>				
In local currency (R\$)	6.3%, Selic + 5.5%	Monthly repayment	36,367	61,566
In foreign currency (U.S.\$) <sup>(1)</sup>	6% , SOFRIM + 4.6%	Monthly and quarterly payment	363,365	730,673
<b>Non-aircraft financing:</b>				
In foreign currency (U.S.\$)	5.9% to 11.9%	Semi-annual and quarterly payment	8,350,460	5,193,618
In local currency (R\$)	CDI + 3.1%	Monthly payment	29,648	499,672
Debentures (R\$)	CDI + 5.4%	Monthly and quarterly payment	919,072	747,170
Convertible debenture (R\$)	12%	Semi-annual payment	1,201,610	1,403,719
			<b>10,900,522</b>	<b>8,636,418</b>

(1) Aircraft financing includes lease liabilities and financing agreements with respect to our aircraft, flight simulators and related equipment.

As of December 31, 2023, we had 236 aircraft and engines under leases with an aggregate balance of R\$11,567.9 million, 21 aircraft and engines held under finance leases with an outstanding total of R\$650.7 million, with the underlying aircraft as collateral, and 32 owned aircraft and engines, which are accounted for under Property, Plant and Equipment in the net amount of depreciation of R\$1,598.2 million. Of our contractual fleet of 209 aircraft, 3 Embraer E1 aircraft are subleased to Breeze. Our non-aircraft secured loans, aircraft leases and aircraft debt financing contain customary covenants and restrictions, such as default in case of change of control and termination, or non-renewal of the agreement.



Our debt securities, loans, aircraft leases and aircraft debt financing contain certain customary covenants and restrictions, which vary depending on the terms of each financing and which are subject to certain limitations and exceptions. Such covenants include, among other provisions (i) restrictions on the incurrence of debt, the granting of liens, the making of restricted payments and investments, entering into certain business activities, entering into mergers, consolidations or certain other transactions, the disposal of assets (including the disposal of collateral securing the relevant financings, as applicable), and the operation of the TudoAzul program, the Azul Viagens business and the Azul Cargo business (including obligations in respect of customer databases), and (ii) obligations to deliver financial statements and certain certificates, including relating to compliance with financial covenants and restrictions, to redeem or offer to repurchase the relevant debt in certain circumstances and to grant and perfect additional collateral in certain circumstances.

The indentures (including, as applicable, supplemental indentures thereto) governing the 2024 Notes, the 2026 Notes, the 2028 Notes, the 2029 Notes, the 2030 Notes and the Lessor/OEM Notes are filed as exhibits to this annual report on Form 20-F and include the full text of the relevant covenants and restrictions.

As of December 31, 2023, we were in compliance with the covenants provided for by the terms of our long-term indebtedness.

### ***Capital Expenditures***

Our gross capital expenditures (acquisitions of property, equipment, capitalized maintenance and intangibles) for the years ended December 31, 2023, 2022, 2021, totaled R\$972.3 million, R\$1,451.1 million and R\$776.8 million, respectively. Most of these expenditures are related to the acquisition of new aircraft, engines, engine overhaul and aircraft equipment such as spare parts. Other capital expenditures include IT systems and facilities.

We typically hold our aircraft under leases agreements or aircraft loans. Although we believe financing should be available for all of our future aircraft deliveries, we cannot assure you that we will be able to secure them on terms attractive to us, if at all. To the extent we cannot secure these and other financing, we may be required to modify our aircraft acquisition plans or incur higher than anticipated financing costs. We expect to meet our operating obligations as they become due through available cash, internally generated funds and credit lines. We believe that our cash provided by operations and our ability to obtain financing (including through leases and aircraft debt-financing), by already approved lines of credit with financial institutions, as well as our ability to obtain leases and issue debentures in the Brazilian capital market, will enable us to honor our current contractual and financial commitments.

For additional information relating to our commitments for future acquisition of aircraft, see “Note 37. Commitments” to our audited consolidated financial statements.

### ***Off-Balance Sheet Arrangements***

As a result of full retroactive adoption of IFRS 16 – Leases as of January 1, 2019, we do not have off-balance sheet arrangements, as our operating lease obligations are now reflected in our financial statements.

## **C. Research and Development, Patents and Licenses**

We have registered the trademarks “AZUL” and “AZUL LINHAS AÉREAS BRASILEIRAS,” among others, with the INPI. We have also registered several domain names with the Brazilian body for domain registration, or NIC.br, and other domain registrars, including “voeazul.com.br,” “flyazul.com,” “azulviagens.com.br,” “azulcargo.com.br” and “tudoazul.com.” We also operate software products under licenses from our suppliers, such as Oracle, Trax, Sabre and Navitaire.

For the past three years, we have not had any research and development policies in effect.

## **D. Trend Information**

While the most critical moments relating to the COVID-19 pandemic have passed, in 2023 we faced several challenges, such as (i) growth in inflation rates in the most developed markets, such as the United States and Europe, (ii) shortage of credit, causing a significant increase in interest rates for raising funds, (iii) crisis in the supply chain of maintenance materials that puts adverse pressure on costs for us, and (iv) abrupt increases in oil prices that directly impact jet fuel costs, largely as a result of the Russia-Ukraine conflict.

Given this scenario, we have taken certain proactive measures to secure our liquidity position including renegotiating the terms of agreements with our aircraft lessors, our Brazilian and international creditors, our employees and their unions and with international airport and regulatory authorities. In 2023, we completed a series of restructuring and capital raising transactions to strengthen our capital structure and improve our cash generation, as described under Item 4.B. Business Overview—Restructuring.”As we have indicated in our public statements, our focus now is to take advantage of our competitive position and optimize it for the post COVID-19 pandemic world so that we can become even more efficient, flexible and in a better position to explore future opportunities.

Developments in Brazil’s political landscape also impacted us and may continue to impact us in the future. Uncertainty regarding political developments and over whether the current government of President Luis Inácio Lula da Silva or future Brazilian governments will implement changes in policy or regulation affecting these or other factors in the future, including as a result of exchange rates and currency fluctuations, internal or external factors sustaining persistent inflation, among other factors, may affect economic performance and contribute to economic uncertainty in Brazil, which may have an adverse effect on us and our preferred shares, including in the form of ADSs. We cannot predict what policies the current Brazilian government will adopt or whether such policies will have adverse consequences for the Brazilian economy or adversely affect us.

Additionally, developments and the perceptions of risks in other countries, including other emerging markets, the United States and Europe, and developments relating to the Russia-Ukraine conflict and relating to the conflict among Israel and militant groups in the Middle East (including Hamas), may adversely affect the Brazilian economy and the price of Brazilian securities, including the price of our preferred shares, including in the form of ADSs. In addition, there is no assurance that Brent oil prices will further increase in the future.

However, we believe that our business model, strong cash position and balance will enable us to continue [growing]. Also, in the long-term, we believe that demand for passenger aircraft travel in the markets we serve will continue to grow as travel remains underpenetrated in Brazil compared to other developed economies. Under normal economic conditions, we believe there is a strong growth opportunity in airline service on routes not served by us or underserved routes among larger, medium-sized, and regional cities in Brazil. We expect the increase in demand for air travel will come from both domestic and international markets. In addition, we believe there is an opportunity to leverage our network connectivity by serving additional selected international destinations.

## **E. Critical Accounting Estimates**

For this discussion, see our audited consolidated financial statements included elsewhere in this annual report.

# **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

## **A. Directors and Senior Management**

### ***Board of Directors***

Our board of directors is responsible for, among other tasks, establishing our overall strategy and general business policies, supervising management, electing and removing our executive officers, and appointing our independent auditors. Our bylaws determine that our board of directors shall be composed of five to fourteen members.

The members of our board of directors are elected at a shareholders’ meeting in accordance with the terms and conditions of our bylaws, Brazilian corporate law, Shareholders’ Agreement, and the regulations of the Level 2 segment of the B3. The members of our board of directors are elected for terms of two consecutive years and can be re-elected and removed at any time by our shareholders at a general shareholders’ meeting. In addition, pursuant to our bylaws, the chairman of the board of directors will be appointed by our shareholders at a general shareholders’ meeting.

Pursuant to Brazilian corporate law, holders of preferred shares (with no voting rights or restricted voting rights) representing at least 10% of the total capital stock have the right to elect one member to the board of directors in a separate voting process, except if the bylaws of the company already provide the right of holders of preferred shares to elect one member of the board of directors. In addition, minority shareholders whose interest in our common shares represent a minimum of 15% of our total voting capital stock have the right to elect one director in a separate voting process.

Pursuant to the Shareholders' Agreement:

- As long as TRIP's former shareholders hold: (i) more than 20% of our common shares, they will have the right to appoint three directors among them as a single shareholding block; (ii) between 10% and 20% of our common shares, they will have the right to appoint two directors; and (iii) between 5% and 10% of our common shares, they will have the right to appoint one director;
- As long as Calfinco holds at least 50% of the preferred shares that were held by Calfinco as of August 3, 2016, Calfinco will have the right to appoint one director;
- The remaining directors must be appointed by David Neeleman, provided that at least two directors are independent, according to the regulations of the Level 2 segment of B3, and the majority of the directors are Brazilian citizens, to the extent required by applicable Brazilian law or governmental authorities.

Currently, our board of directors is composed of 12 members, elected in accordance with the Shareholders' Agreement, three of whom were appointed by TRIP's former shareholders, one of whom was appointed by Calfinco and the remainder were appointed by David Neeleman. On April 29, 2021, nine current members were reelected and two new members were appointed to our board of directors. One director was appointed by Calfinco (Mr. Patrick Wayne Quayle), replacing Calfinco's previous appointee, and one director was appointed by David Neeleman (Mr. Peter Allan Otto Seligmann, an ESG specialist). At the extraordinary general meeting held on December 29, 2022, the shareholders of the Company accepted the resignation submitted by the board member, Mr. Gelson Pizzirani, and elected Mrs. Renata Faber Rocha Ribeiro as a board member, further advancing the Company's commitment to make efforts to promote gender equality, as per the favorable opinion of the Company's ESG Committee, at a meeting held on November 7, 2022. Ten members of our board of directors are independent members, according to the regulations of the Level 2 segment of the B3. Also, in connection with the Company's commitment to make efforts to expand diversity and promote gender equality at all levels of its organizational structure, to elect, at Extraordinary General Shareholders' Meeting, held on October 04, 2023, unanimously by shareholders holding one hundred percent (100%) of the common shares of the Company, Mrs. Daniella Marques Consentino, as an Independent Member of the Company's Board of Directors.

Under our bylaws and in conformity with regulations of the Level 2 segment of the B3, at least two or 20%, whichever is greater, of the members of our board of directors must be independent, and must be expressly identified as so at the time of election. Pursuant to Brazilian corporate law, members of our board of directors who are also shareholders of the company may not vote in any shareholders' meetings or vote in any decision regarding any transaction in which there is a conflict of interest with such member.

The Level 2 segment of B3 rules also require that all members of our board of directors execute a management compliance statement as a prerequisite for service on the board. Consistent with this statement, our directors are personally liable for our compliance with the terms of the Level 2 segment of B3 Participation Agreement, including the Market Arbitration Chamber Rules (*Câmara de Arbitragem do Mercado*) and the Level 2 rules.

Pursuant to Brazilian corporate law, the members of our board of directors are prohibited from taking any actions, including the deliberation of such actions during a meeting of the board of directors, in which he or she has a conflict of interest with us. In accordance with this law, our bylaws prohibit the election to our board of directors of someone who has or may have a conflict of interest, except when such conflict of interest is disregarded through a shareholders' meeting. In addition, if a conflict of interest arises after the election of a member of our board of directors, such member may not exercise his or her right to vote and may not access information or participate in board of directors meetings related to such conflict of interest.

All decisions made by our board of directors are made by majority vote of those members present at the relevant meeting. Pursuant to our bylaws, our board of directors is required to meet at least once each quarter, and whenever corporate interests require such meeting.

In 2023, we paid our board of directors a fixed aggregate compensation amount totaling approximately R\$4.4 million for services rendered. The members of our board of directors are also granted stock-based compensation as a long-term incentive, see "Item 6.B. Management Compensation—Stock-Based Incentive Plans." In addition, as a benefit, our directors receive passenger tickets on our flights.

As of December 31, 2023, we have entered into contractual arrangements, insurance policies and other instruments structuring compensation or indemnification mechanisms for our directors, as applicable.

The table below sets forth the name, title, election date, expiration date of the term of office, and the date of birth of each of the current members of our board of directors:

Name	Title	Election Date <sup>(1)</sup>	Mandate Term	Date of Birth
David Gary Neeleman	Chairman	April 28, 2023	April 28, 2025	October 16, 1959
Sérgio Eraldo de Salles Pinto	Vice-Chairman <sup>(2)</sup>	April 28, 2023	April 28, 2025	September 24, 1964
Carolyn Luther Trabuco	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	April 15, 1969
Michael Paul Lazarus	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	May 20, 1955
José Mario Caprioli dos Santos	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	July 11, 1971
Decio Luiz Chieppe <sup>(3)</sup>	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	May 14, 1960
Renan Chieppe <sup>(3)</sup>	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	April 06, 1962
Gilberto de Almeida Peralta	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	May 03, 1957
Patrick Wayne Quayle	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	November 22, 1978
Peter Allan Otto Seligmann	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	September 30, 1950
Renata Faber Rocha Ribeiro	Independent Member <sup>(2)</sup>	April 28, 2023	April 28, 2025	June 01, 1980
Daniella Marques Consentino	Independent Member <sup>(2)</sup>	October 04, 2023	April 28, 2025	October 06, 1979

(1) Refers to date of most recent election.

(2) Independent according to the regulations of the Level 2 segment of the B3.

(3) Renan Chieppe and Decio Luiz Chieppe are relatives.

The business address of each member of our board of the directors is Avenida Marcos Penteado de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboré, Zip Code 06460-040, in the city of Barueri, State of São Paulo – Brazil.

The following discussion contains summary biographical information relating to each of the members of our board of directors:

**David Gary Neeleman**, a dual Brazilian and U.S. citizen, is our Chairman of our board of directors and served as Chief Executive Officer until July 2017, since he founded Azul in January 2008. Prior to Azul, Mr. Neeleman founded JetBlue, where he was the Chief Executive Officer from 1998 to 2007 and Chairman from 2002 to 2008. Mr. Neeleman's career in the airline industry began in 1984 when he co-founded Morris Air. As president at Morris Air, he implemented the industry's first electronic ticketing system and pioneered a home reservationist system that is now the foundation of JetBlue's call center. Mr. Neeleman sold Morris Air in 1993 and took the electronic ticketing to Open Skies. He sold Open Skies to Hewlett Packard in 1999. Mr. Neeleman was also co-founder of WestJet Airlines and served as a member of its board of directors from 1996 to 1999. Mr. Neeleman currently also serves as CEO and Chairman on Breeze Airways, as well as a member of the board of directors of Azorra Aviation LLC. as announced on July 2, 2022, and as a member of the board of directors of Liliium N.V., since September 2021. He also has been a member of our Compensation Committee since August 08, 2011.

**Sérgio Eraldo de Salles Pinto** is our Vice-Chairman of our board of directors, having been elected as an independent member since March 10, 2008. Mr. Sergio is CEO of Grupo Bozano and currently also serves as an external member of the Audit, Risk and Ethics Committee of Embraer, member of Investment Committees of Crescera Capital, CEO of Legend Capital and representative member of the Shareholders Committee of Conglomerado Alfa. In addition to the positions currently held, he served as a member of the board of directors of large companies, such as Netpoints, Embraer, Votorantim S.A. and Votorantim Finanças S.A., having also served as officer of Banco Bozano, Simonsen S.A., and as Chairman of Bozano Simonsen Securities in London. Mr. Sergio holds a degree in Economics and Electrical Engineering from the *Universidade de Brasília* and a master degree in Economics from *Fundação Getúlio Vargas – Rio de Janeiro*, and a master degree in Business Administration from the *Pontifícia Universidade Católica – Rio de Janeiro*. He also has been a member of our Audit Committee and our Compensation Committee since October 30, 2018, and August 08, 2011, respectively.

**Carolyn Luther Trabuco** has been an independent member of our board of directors since March 10, 2008. Mrs. Trabuco is the founder of Thistledown Advisory Group LLC, an advisory firm that works with companies focusing on high growth disruptive industry opportunities created by ESG and sustainability driven investment demand. Prior to founding Thistledown, she was a portfolio manager and senior advisor at Phibro Energy Trading LLC, with responsibility for investing in global resources, oil and energy equities. Prior to that, Mrs. Trabuco was a portfolio manager and senior equity research analyst at Pequot Capital Management where she established the firm's investment presence in global metals, mining and steel and investments in Brazil. Mrs. Trabuco began her investment career in Equity Research at Fidelity Investments and later at the Wall Street firms Lehman Brothers, Montgomery Securities and First Union Capital Markets. Mrs. Trabuco also serves as an independent member of the board of directors of Critical Metals Corp., to be the operator of Europe's first fully licensed lithium mine, as well as a member of the board of directors and Audit Committee for Sizzle Acquisition Corp., listed on the NASDAQ. In January 2023, Ms. Trabuco has joined as a new member of the Board Diversity Initiative of the NYSE. She graduated from Georgetown University (A.B.) and Sacred Heart University (MPA). She also has been a member of our Compensation Committee and our ESG Committee since December 11, 2009 and August 09, 2021, respectively.

**Michael Paul Lazarus** has been an independent member of our board of directors since February 20, 2013. Currently Mr. Lazarus manages LAZCAP, a family office investing in seed and early-stage growth companies. Mr. Lazarus co-founded Weston Presidio Capital, a private equity firm focused on growth companies, in 1991 and currently serves as one of its Managing Partners. Mr. Lazarus was also a founding partner of Main Post Partners, a San Francisco, California, based growth equity fund. Prior to the formation of Weston Presidio Capital, he served as Managing Director and Director of the Private Placement Department of Montgomery Securities. He was previously the founding Chairman of JetBlue Airways and served on the board of directors for the airline as well as on the boards of directors of Restoration Hardware, Morris Air, Guitar Center, Fender Musical Instrument Corp., Integro, Jimmy John's LLC, and numerous privately held companies. Mr. Lazarus graduated with a bachelor's degree in Accounting from Grove City College. Mr. Lazarus is a guest lecturer at various business schools throughout the United States. He also has been a member of our ESG Committee since August 09, 2021.

**José Mario Caprioli dos Santos** is a member of our board of directors, having been our Vice President of Institutional Relations from February 18, 2014 to March 9, 2020, and Chief Operating Officer from August 15, 2012 to February 18, 2014. Mr. Caprioli was the founder of TRIP, where he served as the Chief Executive Officer from 1998 to 2013. Mr. Caprioli holds a bachelor's degree in business administration from *Pontifícia Universidade Católica – Campinas*. He also attended a specialization course on public transportation at *Universidade de Campinas* and a capital markets program at Columbia University. He currently also serves as an independent member of the board of directors of four more companies.

**Decio Luiz Chieppe** has been an independent member of our board of directors since August 15, 2012. He is also Vice President at Grupo Águia Branca for Innovation and Finance and a member of the board of directors of Vix Logística S.A.. During his career, Mr. Chieppe has held leadership positions at all Grupo Águia Branca companies, including his current position, from 1993, and as the Chief Executive Officer of certain Grupo Águia Branca's companies from 1978 to 1993. Mr. Chieppe holds a degree in Business Administration from the *Universidade Federal do Espírito Santo* and an executive master's degree in finance from *IBMEC*. He also completed an executive skills, tools and competencies program (STC), at the J.L. Kellogg Graduate School of Management and the PGA (*Programa de Gestão Avançada – Advanced Management Program*) at *INSEAD – The Business School For the World*.

**Renan Chieppe** has been an independent member of our board of directors since August 15, 2012. He serves as Vice-President of Grupo Águia Branca – Passenger Division, having held the position of Chief Executive Officer of *Grupo Águia Branca* until December 2022, for a term of 4 years. Mr. Chieppe is a member of the board of directors of VIX Logística S.A., and in addition to serving as President of the Federation of Transport Companies of the state of *Espírito Santo (Federação das Empresas de Transportes do Espírito Santo) – Fetransportes*, he also was the President of ABRATI (Brazilian Association of Land Passenger Transport Companies). Mr. Chieppe holds a degree in Business Administration from *Faculdades Integradas Espírito-Santenses*, with a specialization in Advanced Management from *Fundação Dom Cabral*. He also has been a member of our ESG Committee since August 09, 2021.

**Gilberto de Almeida Peralta** has been an independent member of our board of directors since August 24, 2018. With more than 40 years of experience in the aviation sector, Mr. Peralta has held led positions at General Electric-GE global conglomerate, including the positions of Chief Executive Officer of GE Brasil, General Manager of GE Capital Aviation Services in Latin America and Caribbean, having also held the position of Vice President at GE Aviation in France, where he led the Airbus aircraft area. Mr. Peralta holds a bachelor's degree in Civil and Mechanical Engineering from the *Universidade Católica de Petrópolis*, and currently also serves as Chairman of Helibras – Helicópteros do Brasil S.A., an Airbus Group subsidiary, as well as an independent director of Ascensus Group. He also has been a member of our Audit Committee since October 30, 2018.



**Patrick Wayne Quayle** has been an independent member of our board of directors since April 29, 2021. Mr. Quayle has more than 15 years of experience across positions at United, American, and Continental Airlines. Mr. Quayle is currently Senior Vice President, Global Network Planning and Alliances at United Airlines, where he is responsible for the company's nearly \$50 billion route portfolio, global alliance partnerships, and enterprise fleet strategy. He has led the launch of more than 80 new international routes and has been instrumental in the order of more than 600 new aircraft at United Airlines. Mr. Quayle received his Bachelor of Arts from Rice University, his MBA from the University of Bath, and was named to Crain's Chicago Business 40 Under 40.

**Peter Allan Otto Seligmann** has been an independent member of our board of directors since April 29, 2021. He is the CEO and co-founder of Nia Tero, an entity which works alongside Indigenous peoples and local communities in securing their rights, cultures, and well-being through agreements that secure the vitality of their oceans and lands. Mr. Seligmann is also the Chairman and former CEO, of Conservation International (CI), a global nonprofit organization he co-founded in 1987. Under Mr. Seligmann's leadership, CI emerged as one of the most impactful conservation organizations in the world. CI, working in over 40 nations, has become a cutting-edge leader in valuing and sustainably caring for nature for the well-being of people. For nearly 40 years, Mr. Seligmann has been an influential and inspiring voice in conservation. He works in partnership with governments, communities, and businesses to find innovative and pragmatic solutions to ensure the sustainability of our natural resources. Mr. Seligmann is a Director at First Eagle Holdings, Inc. He is a member of the Council on Foreign Relations, serves on the advisory board of BDT & Company, and also serves on the boards of the Mulago Foundation, Lafayette Square, Only One and Glassybaby. He was also named to the Enterprise for the America's Board by President Clinton in 2000. He holds a Master of Science in Forestry and Environmental Science from Yale University and a Bachelor of Science in Wildlife Ecology from Rutgers University. Mr. Seligmann has Honorary Doctorates in Science from Michigan State University and Rutgers University. He also has been a member of our ESG Committee since August 09, 2021.

**Renata Faber Rocha Ribeiro** has been an independent member of our board of directors since December 29, 2022. She holds a degree in Business Administration from Fundação Getúlio Vargas – FGV, and worked at BTG Pactual Group since August 2020, where she holds the position of ESG Director for Exame magazine. Prior to that, Mrs. Ribeiro accumulated over 15 years of experience in Equity Research at Itaú BBA, in the transportation, logistics and capital goods sectors, being recognized by Institutional Investor magazine's ranking as one of the best analysts in Latin America in these sectors, between 2005 and 2017. Mrs. Ribeiro also studied Leadership in Sustainability and Corporate Responsibility at London Business School, and has been active in several partnerships and projects aimed at advancing the sustainability agenda. She also has been an independent member of our Audit Committee since December 8, 2022.

**Daniella Marques Consentino** has been an independent member of the Company's Board of Directors since October 2023. Mrs. Marques has more than 17 years of experience in the financial market and in asset management area, is a Partner at Gaya Advisors, and also serves as an independent member of the Strategy and Sustainability Committee of Cosan S.A., in addition to offering support in the development and implementation of projects to accelerate the green agenda and its interfaces in the tax and carbon areas. Mrs. Marques is also a member of the Strategic Board of Legend Capital and Astra Payments, and chairs the Board of the Instituto Tikva, a United Nations affiliate for sheltering vulnerable women, as well as acting as a mentor and speaker on topics focused on inclusion and financial promotion of women. Mrs. Marques held the position of President of Caixa Econômica Federal, the largest bank in terms of assets in Brazil – exceeding 1 trillion Reais, with around 90 thousand employees. She worked directly in structuring and conducting female entrepreneurship and financial guidance programs for women through the “Caixa pra Elas” and “Brasil pra Elas” programs, reaching more than 30 million women. Mrs. Marques was also a founding partner and COO of Crescera Capital, and headed the Special Advisory for Strategic Affairs of the Brazilian Ministry of Economy, working on highly relevant projects, such as the Brazilian Pension Reform, the Sanitation framework and coping measures of COVID-19. She was the Special Secretary for Productivity and Competitiveness, leading the resumption of the Crédito Brasil Empreendedor program, the reduction of the Brazilian tax “IPI” and the Investment Monitor. She was President of the Board of Directors of Elo Serviços S.A. – Elo Cartões and the Brazilian Agency for Industrial Development – ABDI, as well as a member of the Board of Directors of CNP Seguros Holding Brasil S.A., among other leadership positions. Mrs. Marques has a degree in Business Administration from the Pontifical Catholic University of Rio de Janeiro – PUC/RJ, and an MBA in Finance from IBMEC.

### **Board of Executive Officers**

The members of our board of executive officers are our legal representatives. They are primarily responsible for the day-to-day management of our business and for implementing the general policies and directives established by our board of directors. Our board of directors is responsible for establishing the roles of each executive officer.

Pursuant to Brazilian corporate law, each member of our board of executive officers must reside and have domicile in Brazil. In addition, up to, at most, one third of the members of our board of directors may hold a position on our board of executive officers.

According to our bylaws, our board of executive officers is composed of two to seven members, who serve for two-year terms and may be reelected. Our bylaws set forth that our board of executive officers must be composed of: (i) one chief executive officer; (ii) one chief financial officer; (iii) one institutional relations officer; and (iv) up to four additional officers with or without specific designation. In addition, our bylaws establish that one officer must be designated the investment relations officer. Officers may serve in more than one capacity at the same time.

Our executive officers can be removed by our board of directors at any time. Pursuant to the regulations of the Level 2 segment of the B3, each executive officer must, prior to taking office, sign an instrument of consent (*Termo de Anuência dos Administradores*).

Our investor relations department is located at the Company's headquarters. Alexandre Wagner Malfitani, who is also our Chief Financial Officer, was elected our Investors Relations Officer at the board of directors meeting held on July 24, 2017. The telephone number of our investor relations department is +55 (11) 4831-2880, the fax number is +55 (11) 4134-9890 and its e-mail is invest@voeazul.com.br.

The table below indicates the name, title, date of birth and date of election of each of the current members of our board of executive officers:

Name	Title	Election Date	Mandate Term	Date of Birth
John Peter Rodgerson	Chief Executive Officer	January 12, 2023	January 12, 2025	June 11, 1976
Alexandre Wagner Malfitani	Chief Financial Officer and Investor Relations Officer	January 12, 2023	January 12, 2025	August 21, 1972
Abhi Manoj Shah	Chief Revenue Officer	January 12, 2023	January 12, 2025	September 27, 1978
Antônio Flávio Torres Martins Costa	Chief Technical Officer	January 12, 2023	January 12, 2025	August 28, 1951

The following discussion contains summary biographical information relating to each of the members of our board of executive officers:

**John Peter Rodgerson** has been our Chief Executive Officer since July 24, 2017. Prior to this position, Mr. Rodgerson was our Chief Financial and Investor Relations Officer, responsible for the Financial Planning and Analysis, Treasury and Accounting areas of the Company. Mr. Rodgerson worked with David Neeleman on the original business plan for the incorporation of the Company, being one of its founding members. He also was the Chief Executive Officer of the Company's operating subsidiary, ALAB, between August 2019 and October 2022. Mr. Rodgerson also served as Planning and Financial Analysis Officer at JetBlue Airways from 2003 to 2008. He previously worked for IBM Global Services from 2001 to 2003. He holds bachelor's degree in Finance from Brigham Young University has been our Chief Executive Officer since July 24, 2017.

**Alexandre Wagner Malfitani** is our Chief Financial Officer and Investor Relations Officer since July of 2017. Previously, Mr. Malfitani was the head of our TudoAzul loyalty program and our Finance and Treasurer Officer. Mr. Malfitani joined the Company in 2008 as one of the airline's founding members. Before joining the Company, Mr. Malfitani worked at United Airlines in Chicago, United States of America, in several leadership positions, including general treasury officer. Before that, he worked for five years in the finance industry, including as fund manager at Deutsche Bank, as well as a trader at Credit Agricole Indosuez Wealth Management. Mr. Malfitani has an MBA with honors from the Kellogg School of Management and a bachelor's degree in engineering from Universidade de São Paulo. He is also a Chartered Financial Analyst – CFA®.

**Abhi Manoj Shah** has been our Chief Revenue Officer since September 5, 2014, and one of the founding members of the Company. Before joining our team, he worked at JetBlue Airlines from 2004 to 2008, as well as at Boeing from 2000 to 2004. Mr. Shah was elected on October 5, 2022 as President of our operating subsidiary, ALAB, in addition to serving as President of the subsidiary Azul Viagens since July 2017. Mr. Shah holds a bachelor's degree in aerospace engineering from the University of Texas and a master's degree in Aerospace Engineering from the University of Washington.

**Antonio Flávio Torres Martins Costa** is the Chief Technical Officer of the Company since March 2020. Mr. Costa joined the Company in 2008 as part of the founding team, being responsible for the flight initial certification process of our operating subsidiary ALAB at ANAC. After that, he held the position of Logistics Officer at the Company, responsible for structuring and consolidating the areas of airport infrastructure and non-aeronautical procurement, in addition to developing Azul Cargo's business. Since May 2012, he has served as Chief Technical Officer of our operating subsidiary ALAB and since May 2020 he has been Chief Executive Officer of Azul Conecta Ltda., a subsidiary dedicated to sub-regional aviation. With nearly half a century of experience in the airline industry, Mr. Costa served as Chief Operating Officer at Pluna S.A., Varig and Ocean Air. He holds a Telecommunication Engineering degree from Nuno Lisbon University, with MBA in Business Logistics and in Business and Information Technology from Fundação Getúlio Vargas – FGV. Currently, Mr. Costa is also a master's student in Supply and Logistics from Pontifícia Universidade Católica do Rio de Janeiro (PUC-RJ).

### **Fiscal Council**

Pursuant to Brazilian corporate law, a fiscal council is a corporate body independent from a company's management and independent auditors. A fiscal council may be either permanent or non-permanent. The Company have not elected any fiscal council members as of December 31, 2022, but a non-permanent fiscal council may be installed at any time at the request of shareholders, as described below. If installed, the primary responsibilities of our fiscal council would include monitoring management activities, reviewing our financial statements each quarter, and reporting its findings to our shareholders. If installed, fiscal council members would be entitled to annual compensation in the form of a fixed salary.

The fiscal council, if installed, will be composed of three members who are residents of Brazil and their respective alternates. Under Brazilian corporate law, a non-permanent fiscal council may be installed at the request of shareholders representing at least (i) 10% of the outstanding common shares; or (ii) 5% of the preferred shares and, once installed, the fiscal council will serve until the first annual shareholders' meeting following its establishment. Pursuant to CVM Resolution n. 70, listed corporations with outstanding capital stock valued at more than R\$150 million, such as us, may reduce these percentages to: (i) 2% of the outstanding common shares; or (ii) 1% of the preferred shares. In addition, each group of preferred shareholders (irrespective the percentage of shares held) and minority shareholders representing a minimum of 10% of or outstanding common shares is entitled to elect one fiscal council member and the corresponding alternate by a separate vote. In this case, our controlling shareholders may elect the same number of council members as the minority shareholders (common and preferred), plus one. The fiscal council may not include members of our board of directors or our board of executive officers, employees of controlled companies or any company from within our economic group, or relatives of our managers. Brazilian corporate law requires each fiscal council member to receive as compensation an amount equal to at least 10% of the average individual annual salary of executive officers, excluding benefits and other allowances, or profit-sharing arrangements. Fiscal council members are further required to comply with the rules of the Level 2 segment of the B3.

Regarding the fiscal council matter, in the Annual and Extraordinary General Shareholders' Meetings, held on April 28, 2023, the Chair recorded the request for the installation of our fiscal council which was made by shareholders holding shares representing more than 1% (one percent) of our preferred shares, pursuant to CVM Resolution No. 70, of March 22, 2022. Thus, our fiscal council was installed. Following the installation above mentioned, the members of our fiscal council were elected.

The table below indicates the name, title, date of birth, date of election and mandate term of each of the members of our fiscal council as of the date of this annual report:

<b>Name</b>	<b>Title</b>	<b>Election Date</b>	<b>Mandate Term</b>	<b>Date of Birth</b>
Mariana Cambiaghi Lourenço	Effective Member of the Fiscal Council	April 28, 2023	April 28, 2025	August 08, 1980
Rene Santiago dos Santos	Effective Member of the Fiscal Council	April 28, 2023	April 28, 2025	July 24, 1970

The following discussion contains summary biographical information relating to each of the members of our fiscal council:

Mariana Cambiaghi Lourenço has been an effective member of the Fiscal Council of the Company since April 2023. Mrs. Lourenço served as the Company's Controllershship Officer between 2016 and 2020, as well as held, between July 2021 and May 2022, the position of effective member specializing in accounting of the Non-Statutory Audit Committee of Armac Locação, Logística e Serviços S.A.. Mrs. Lourenço was Controller at JHSF, between August 2015 and March 2016, and held the position of Chief Financial Officer (CFO) at Zenvia Mobile Serviços Digitais S.A. between August 2021 and September 2022. Mrs. Lourenço graduated in Business Administration from Fundação Armando Alvares Penteado – FAAP and in Accounting from Universidade Paulista. In addition, she has a specialization in Business Management from Fundação Dom Cabral.

Rene Santiago dos Santos has been an effective member of the Fiscal Council of the Company since April 2023. Mr. Santos has almost 30 years of experience in large companies, with leadership positions in the areas of finance and controllership, especially in the air transportation, retail and audit. He served as the Company's Chief Financial and Controlling Officer for more than 11 years, as well as holding the positions of Chief Financial and Administrative Officer and Investor Relations Officer at Marisa Lojas S.A., between August 2022 and February 2023. Mr. Santos also served as an Executive Financial Director at AMIL – United Health Group Brasil, and at Arcos Dourados Brasil, in addition to having held other positions in the financial area at TAM Linhas Aéreas, Grupo Pão de Açúcar and C&A Modas. He began his career in the audit industry, having worked at PwC Auditores Independentes Ltda. Mr. Santos has a degree in Accounting Sciences, and also has a specialization in Controllership from Fundação Getúlio Vargas – FGV.

### ***Recent Developments***

#### *Resignation of Effective Member of our Fiscal Council*

On May 3, 2024, Gabriela Soares Pedercini provided notice of her intent to resign as member of our fiscal council effective May 3, 2024. As of the date of this annual report, no new member of our fiscal council was elected to replace Gabriela Soares Pedercini.

## **B. Management Compensation**

Our executive officers are entitled to compensation consisting of a fixed and variable component. The monthly fixed compensation paid to our management is based on market practices and surveys prepared by an independent consulting firm and consist of 13,33 payments per year. Such amounts are subject to annual adjustment. The variable component consists of bonus, stock and restricted share options, as further described below.

Short-term variable compensation is based on targets that, if reached, entitle the officer to an annual bonus based on his or her individual performance. The targets are established at the beginning of the year based on our strategic plan. The main performance indicators considered for purposes of variable compensation are operating margin, customer satisfaction, crewmember satisfaction, ESG and on-time performance. For managers, half of the short-term variable compensation is based on our performance, and the other half is based on the individual's performance. On the other hand, our long-term variable compensation involves the grant of stock and restricted share options. In addition, our officers receive benefits in line with market practices, which include medical, dental and life insurance, meal vouchers and passenger tickets on our flights.

Only the independent members of our board of directors, according to the regulations of the Level 2 segment of B3, receive compensation for their service through either a monthly fixed amount or a fixed amount per meeting attended.

Certain of our executives receive additional benefits, such as an allowance package for school fees and housing for our expatriate executive officers. Under this package, ALAB has given a guarantee of rent and other payments under two lease agreements for family housing in Brazil. In addition, our directors, officers and non-statutory officers are entitled to free airline tickets for their immediate family.

The aggregate compensation expense incurred to our directors, executive officers and officers in the years ended December 31, 2023, 2022 and 2021 was R\$ 83 million, R\$ 41 million and R\$ 43 million, respectively, including stock options.

Despite the increase in the value of our shares, in the year ended December 31, 2023, from R\$11.01 to R\$16.01 per share and the partial cancellation of grants, there was a decrease in the estimated remuneration of Phantom Shares and, consequently, a reversal of the expense accounted for in previous periods in the approximate amount of R\$ 904 million.

### ***Stock-Based Incentive Plans***

We have stock option and restricted share plans for key personnel, including our officers, certain managers and other key crewmembers. Beneficiaries of the plans receive options to purchase preferred shares and/or restricted units, allowing them to participate in the long-term achievements of our company through share ownership, with the aim of stimulating alignment with and commitment to achieving our corporate strategies and goals. The beneficiaries of our stock option, restricted share and virtual stock option plans are selected by our compensation committee.

On December 11, 2009, we established our first stock option plan, which consists of three programs:

- The first program was established on December 11, 2009 and terminated on December 31, 2010. The options granted to each beneficiary under this first program vested in 48 equal monthly installments. The vested, options under this program became exercisable upon the pricing of our initial public offering. The strike price under this program, after accounting for the stock splits that we carried out subsequent to the date of grant, is R\$3.42 per preferred share. On December 11, 2009, our compensation committee authorized the issuance of 5,718,400 preferred options (after giving effect to the two-for-one stock split on February 23, 2017) for our officers, executives and key employees, however, only 5,032,800 preferred options (after giving effect to the two-for-one stock split on February 23, 2017) were granted under this first program
- The second program, which extends to our statutory and non-statutory officers, was established on March 24, 2011. The options granted to each beneficiary under this second program vested in 48 equal monthly installments and authorized the issuance of 1,648,000 preferred options (after giving effect to the two-for-one stock split on February 23, 2017). The vested options under this program became exercisable upon the pricing of our initial public offering. The strike price under this program, after accounting for the stock splits that we carried out subsequent to the date of grant, is R\$6.44 per preferred share, which was calculated based on a valuation of our shareholders' equity at the time. Due to the granting of additional options under this program, the Special Shareholder's Meeting held on April 27, 2011 approved an amendment to our charter authorizing a capital increase and a limit of 7,366,400 preferred shares (after giving effect to the two-for-one stock split on February 23, 2017); however, only 1,572,000 preferred options (after giving effect to the two-for-one stock split on February 23, 2017) were granted under this second program.
- The third program was established on April 5, 2011, authorizing the issuance of 685,600 preferred options (after giving effect to the two-for-one stock split on February 23, 2017), which were remaining from the first program. The options granted to each beneficiary under this third program vested in 48 equal monthly installments. The vested options under this program became exercisable upon the pricing of our initial public offering. The strike price under this program (after giving effect to the two-for-one stock split on February 23, 2017) is R\$6.44 per preferred share, which was calculated based on a valuation of our shareholders' equity at the time. Only 656,000 preferred options (after giving effect to the two-for-one stock split on February 23, 2017) were granted under this third program

As of December 31, 2023, we have 271,070 outstanding shares under this first stock option plan.

On June 30, 2014, we established our second stock option plan. The options granted to each beneficiary under the second stock option plan vest in four equal annual installments. The vested options under this plan became exercisable upon the pricing of our initial public offering. The strike price under this second stock option plan shall reflect the lowest stock price of our preferred shares traded in the stock market during the 30 trading sessions prior to the options grant approved by the board of directors.

There were six programs approved under the second stock option plan:

- On June 30, 2014, our compensation committee approved the first share-based program, authorizing 2,169,122 options (after giving effect to the two-for-one stock split on February 23, 2017). The strike price under this program is R\$19.15 per preferred share.
- On July 1, 2015, our compensation committee approved the second share-based program, authorizing 627,810 options (after giving effect to the two-for-one stock split on February 23, 2017). The strike price under this program is R\$14.51 per preferred share.
- On July 1, 2016, our compensation committee approved the third share-based program, authorizing 820,250 options (after giving effect to the two-for-one stock split on February 23, 2017). The strike price under this program is R\$14.50 per preferred share.
- On July 6, 2017, our compensation committee approved the fourth share-based program, authorizing 680,467 options. The strike price under this program is R\$22.57.
- On August 8, 2022, our compensation committee approved the fifth share-based program, authorizing 1,774,418 options. The strike price under this program is R\$11.07.
- On August 8, 2022, our compensation committee approved the sixth share-based program, authorizing 1,514,999 options. The strike price under this program is R\$11.07.

As of December 31, 2023, we have 4,739,894 outstanding shares under this second stock option plan.



On October 3, 2017, our shareholders, upon our compensation committee's and board of directors' recommendation, approved the following amendments to the second stock option plan: (i) revise the definition of "Compensation Committee" to reflect activities related to the organization, management and construction of the Company's share incentive plans; (ii) omit references and definitions related to our initial public offering as they are no longer applicable; (iii) reflect the power of our board of directors to approve and amend the Company's share incentive plans, as well as to awards thereunder; (iv) omit the compensation committee's obligations with respect to the delivery and execution of restricted share agreements; (v) for purposes of reflecting the stock split that occurred on February 23, 2017, increase the total number of stock options that may be granted under the second stock option plan from 3,738,364 to 7,476,728 shares; (vi) change the exercise price of each share corresponding to the options granted under the second stock option plan so that it equals the lowest stock price traded in the stock market during the 30 trading sessions prior to the options grant approved by our board of directors; and (vii) change the maximum option exercise period to 10 years from the beginning of the applicable vesting period.

On March 10, 2017, we established our third stock option plan, authorizing the issuance of options resulting in up to 11,679,389 preferred shares. The beneficiaries of our third stock option plan are certain of our statutory officers, including our Chairman and controlling shareholder David Neeleman. Our board of directors may approve various programs under our third stock option plan and determine the strike price under each program. Our board of directors may also determine if the settlement of the exercise of options should be covered by an increase in our capital stock to issue new shares to be subscribed for by our eligible statutory officers or by treasury.

- On March 14, 2017, our board of directors approved the first share-based program authorizing options which when exercised will represent 9,343,510 preferred shares. The strike price for the first program is R\$11.85 per preferred share.

Under each program, our board of directors will determine the granting of options under our third stock option plan for each of our eligible statutory officers based on the achievement of certain milestones to be established by our board of directors with the guidance of our Compensation Committee. In the case of David Neeleman, the granting of options is conditioned on him maintaining a position as an officer or on our board of directors. The options granted to each beneficiary under the third stock option plan vest in five equal annual installments. Once vested, options under this program may be exercised during the 15 day period following the relevant annual vesting date.

As of December 31, 2022 one program was approved under the third stock option plan. Such program was approved on March 14, 2017, by board of directors, which approved the first share based program authorizing options which when exercised will represent 9,343,510 preferred shares. The strike price for the first program is R\$11.85 per preferred share. Under this program, our board of directors will determine the granting of options under our third stock option plan for each of our eligible statutory officers based on the achievement of certain milestones to be established by our board of directors with the guidance of our Compensation Committee. In the case of David Neeleman, the granting of options is conditioned on him maintaining a position as an officer or on our board of directors. The options granted to each beneficiary under the third stock option plan vest in five equal annual installments. Once vested, options under this program may be exercised during the 15 day period following the relevant annual vesting date.

On August 19, 2022, we established our fourth stock option plan. The beneficiaries of our fourth stock option plan are certain of our statutory officers, including our Chairman and controlling shareholder David Neeleman. Our board of directors may approve various programs under our fourth stock option plan and determine the strike price under each program. Our board of directors may also determine if the settlement of the exercise of options should be covered by an increase in our capital stock to issue new shares to be subscribed for by our eligible statutory officers or by treasury shares.

There were two programs approved under the fourth stock option plan:

- On August 19, 2022, our board of directors approved, subject to the effective approval of the fourth stock option plan, the first program, authorizing the granting of options representing up to 8,900,000 preferred shares. The strike price under this first program is R\$11.07 per preferred share.
- On August 19, 2022, our board of directors approved, subject to the effective approval of the fourth stock option plan, the second program, authorizing the granting of options representing up to 4,900,000 preferred shares. The strike price under this second program is R\$11.07 per preferred share.

As of December 31, 2023, we have 13,724,333 outstanding shares under this fourth stock option plan.

On July 07, 2023, we established our fifth stock option plan. The options granted to each beneficiary under the fifth stock option plan vest in four equal annual installments. The vested options under this plan became exercisable upon the pricing of our initial public offering. The strike price under this fifth stock option plan shall reflect the lowest stock price of our preferred shares traded in the stock market during the 30 trading sessions prior to the options grant approved by the Board of Directors.

- On July 07, 2023, our compensation committee approved the first share-based program, authorizing 1,800,000 options. The strike price under this program is R\$15.60 per preferred share.

As of December 31, 2023, we have 1,783,387 outstanding shares under this fifth stock option plan.

The table below shows, as of December 31, 2023, the total number of stock options granted to all beneficiaries, and the number of options that have already vested, in each case after accounting for the stock splits carried out subsequent to the date of grant:

Stock Option Plan	Total Number/ Amount of Stock Options Granted	Number of Stock Options Outstanding
<b>First Stock Option Plan</b>		
First Program	5,032,800	180,870
Second Program	1,572,000	84,000
Third Program	656,000	6,200
<b>Second Stock Option Plan</b>		
First Program	2,169,122	708,993
Second Program	627,810	177,592
Third Program	820,250	280,124
Fourth Program	680,467	442,796
Fifth Program	1,774,418	1,731,390
Sixth Program	1,509,499	1,398,999
<b>Third Stock Option Plan</b>		
First Program	9,343,510	—
<b>Fourth Stock Option Plan</b>		
First Program	8,900,000	8,900,000
Second Program	4,900,000	4,824,333

### **Restricted Share Units (RSU)**

On June 30, 2014, we also established our restricted share units, or RSUs, plan. Under the restricted share units plan, the participants were granted a fixed monetary amount which would be converted into a quantity of restricted preferred shares equal to the monetary value in the event of an IPO. The restricted share granted to each beneficiary under the plan vests in four equal annual installments. As of the pricing of our initial public offering, the beneficiaries became vested in the restricted shares. Prior to our initial public offering, at the end of each year of the vesting period, we paid the beneficiaries in cash the portion corresponding to the value of the restricted shares already vested, at fair value and without any additions. In 2021, 2022 and 2023 495,093; 479,098 and 609,313 restricted shares were transferred to the beneficiaries of the plan, respectively.

On October 3, 2017, our shareholders, following our compensation committee's and board of directors' recommendation, approved the following amendments to the RSUs plan: (i) revise the definition of "Compensation Committee" to reflect its activities related to the organization, management and construction of any the Company's share incentive plans; (ii) omit references and definitions related to our initial public offering as they are no longer applicable; (iii) reflect the power of our board of directors to approve and amend our restricted share units plans, as well as to grant awards thereunder; (iv) omit the compensation committee's obligations related to delivery and execution of restrict stock agreements; and (v) for purposes of reflecting the stock split that occurred on February 23, 2017, increase the total number of restricted shares that may be granted under the RSUs plan from 934,591 to 1,869,182. In addition, our board of directors proposed to amend the RSUs plan to include the Company's option to, at the end of each vesting period of a restricted share award, at its sole discretion: (a) settle the obligations related to the restricted share award in cash, or (b) deliver to the award beneficiary the restricted shares held in treasury, through a private transaction.

On April 26, 2019, our shareholders, following our compensation committee's and board of directors' recommendation, approved an amendment to the RSUs plan with the purpose to set the maximum amount of RSU that may be subject to annual concession under the RSU Plan as 0.10% of the total preferred shares issued by the Company.

Our second restricted share units plan was approved at the Extraordinary General Meeting held on June 19, 2020. According to its provisions, the Beneficiaries are qualified to receive the restricted share units that are the object of the plan. In addition, this plan should contemplate the annual granting of up to 0.50% of the preferred shares issued by the Company in 2020, and 0.20% in the following years.

The first program of the second restricted share units plan establishes that 1,382,582 shares will be allocated to the first program.

The second program of the second restricted share units plan establishes that 300,000 shares will be allocated to the second program.

The third program of the second restricted share units plan establishes that 671,186 shares will be allocated to the third program.

The Fourth program of the second restricted share units plan establishes that 500,000 shares will be allocated to the Fourth Program.

The table below shows, as of December 31, 2023, the total number of RSUs and the number of RSUs that have been granted and outstanding:

<b>RSU Plan</b>	<b>Total RSUs Granted</b>	<b>Total RSUs Outstanding</b>	<b>Fair Value as of Grant Date (in reais)</b>
<b>First RSU Plan</b>			
First Program	487,670	—	R\$21.00
Second Program	294,286	—	R\$21.00
Third Program	367,184	—	R\$21.00
Fourth Program	285,064	—	R\$24.17
Fifth Program	291,609	—	R\$24.43
Sixth Program	170,000	—	R\$51.65
Seventh Program	335,593	230,693	R\$11.72
<b>Second RSU Plan</b>			
First Program	1,382,582	255,126	R\$21.80
Second Program	300,000	118,661	R\$42.67
Third Program	671	444,761	R\$11.72
Fourth Program	500,000	495	R\$1,932

### ***Virtual Stock Option Plan***

On August 7, 2018 and on April 30, 2020, our board of directors approved the Virtual Stock Option Plan, or the Phantom Shares and the Second Virtual Stock Option Plan, or the Second Phantom Shares Plan, respectively. These plans consist of a remuneration in cash, as there is no effective trading of the shares. There will be no issuance and/or delivery of shares for settlement of the plan. A liability to us is recorded monthly, based on the fair value of the Phantom Shares granted and the vesting period of such Phantom Shares, with an offsetting entry in the statement of income (loss). The fair value of this liability is reviewed and updated for each reporting period, in accordance with the change in the fair value of the benefit granted.

The options issued under each program of the Phantom Shares require a vesting period between 3 and 4 years. The options have an 8-year life and the exercise price shall be equal to the lowest stock price traded in the stock market during the 30 trading sessions prior to the options grant approval by our Compensation Committee. Expected volatility has been calculated based on historical volatility of airline shares listed on stock exchanges in Brazil and Latin America.

Regarding the share-based compensation plan, Phantom Shares, on December 31, 2021, a reversal of expense was recognized in the income statement in the amount of R\$ 4,630, due to the devaluation of the value of the share during the year (expense of R\$28,842 for the year ended December 31, 2020).

The Board of Director’s Meetings held on August 8 and 19 , approved the cancellation of up to 5,022,850 virtual stock options under the Company’s Second Virtual Stock Option Plans.

Virtual Stock Option Plan	Total Options Granted	Total Options Outstanding
First Virtual Stock Option Plan		
First Program	707,400	53,520
Second Program	405,000	0
Second Virtual Stock Option Plan		
First Program	3,250,000	153,160
Second Program	1,600,000	38,820
Third Program	580,000	1,430

### ***Directors’ and Officers’ Insurance***

Our directors and officers have been covered by liability insurance since our inception. Our current directors’ and officers’ insurance policies, which we signed on March 17, 2024, are provided by Zurich Minas Brasil Seguros S.A. and Akad Seguros S.A., are renewable each year and are due for renewal on March 17, 2025. The insurance premium is US\$ 1,088,303.92 and US\$ 398,976.98, respectively. This policies covers damages or costs in the event our directors or officers suffer losses as a result of a lawsuit for alleged wrongful misconduct while acting in their capacity as directors or officers. See “Item 7.B. Related Party Transactions—Arrangements with Directors and Officers.”

### **C. Board Practices**

Our bylaws determine that our board of directors shall be composed of 5 to 14 members. The members of our board of directors are elected at a shareholders’ meeting in accordance with the terms and conditions of our bylaws, Brazilian corporate law, Shareholders’ Agreement, and the regulations of the Level 2 segment of the B3. The members of our board of directors are elected for terms of two consecutive years and can be re-elected and removed at any time by our shareholders at a shareholders’ meeting. In addition, pursuant to our bylaws, the chairman of the board of directors will be appointed by our shareholders at a general shareholders’ meeting. For more information on board practices, see “Item 6.A. Directors, Senior Management and Employees—Directors and Senior Management—Board of Directors.”

### ***Audit Committee***

Our audit committee is composed of three members who are elected by our board of directors and the majority of which must be independent members. According to our bylaws, at least two members of our audit committee shall be independent members of our board of directors. The members shall be appointed for a two-year term of office, being permitted reelection, with a limit of ten consecutive years in office. Upon reaching the ten consecutive year limit, members will become eligible to serve on this committee again after three years from the end of his or her last term of office. The audit committee is responsible for: (i) advising our board of directors regarding the selection of independent auditors; (ii) reviewing the scope of the audit and other services provided by our independent auditors; (iii) evaluating and monitoring related party transactions; and (iv) evaluating our internal controls, among other things. The members of our audit committee are Renata Faber Rocha Ribeiro, Gilberto Peralta and Sérgio Eraldo de Salles Pinto (coordinator), all of whom are independent members of the audit committee under applicable SEC and NYSE rules. As of December 31, 2023 all members of our audit committee have either satisfied the independence requirements of the SEC and NYSE applicable to audit committees of foreign private issuers or qualified for an exemption under the applicable rules. At least one member of the audit committee is an audit committee “financial expert” within the meaning of the rules adopted by the SEC relating to the disclosure of financial experts on audit committees in periodic filings pursuant to the Exchange Act.

## ***Compensation Committee***

Our compensation committee is composed of three members who are elected by our board of directors, two of which shall be independent members of the board of directors, according to the regulations of the Level 2 segment of the B3. Our compensation committee's principal responsibilities include: (i) reviewing corporate goals; (ii) evaluating certain executive compensation arrangements as well as the performance of key executives; and (iii) recommending compensation, incentive-compensation and stock option, restricted share and virtual stock option plans to the board of executive officers. The current members of our compensation committee are David Gary Neeleman, Sérgio Eraldo de Salles Pinto and Carolyn Luther Trabuco, all of whom are directors of our Company. Their mandates are for an unlimited duration, until the board of directors replaces them. As a foreign private issuer, we are not required to comply with the SEC rules applicable to compensation committees.

## ***Environmental, Social & Governance Committee***

Our environmental, social and governance committee (or "ESG Committee") was created on December 23, 2013 and is currently composed of four members who are elected by our board of directors. At least two members of the ESG Committee shall be independent members of the board of directors, according to the regulations of the Level 2 segment of the B3. The currently members of our ESG Committee are: Michael Paul Lazarus (coordinator), Renan Chieppe, Carolyn Luther Trabuco, and Peter Allan Otto Seligmann, elected at the meeting of our board of directors held on August 9, 2021, to be ratified by the next General Shareholder's Meeting. On August 9, 2021, our board of directors approved the conversion of the corporate governance committee into ESG Committee, also updating and approving its Internal Regulations. Our ESG Committee's principal responsibilities include: (i) develop and carry out the continuous evaluation of the ESG plan and strategy instituted by the Company, verifying the consolidation of the orchestrated action plans, as well as other proposals and initiatives involving the topic in question, preparing the organizational model in reference in line with internal procedures to be taken and the organizational structures required to implement the ESG Plan; (ii) review and support the Board of Executive Officers in the preparation of updates, amendments and innovations to the Code of Ethic and Conduct of the Company; (iii) recommend the adoption, adherence, entry, maintenance or continuity of the Company in "Protocols", "Principles", "Agreements", "Pacts", "Initiatives" and "Treaties" national or international, directly or indirectly related to ESG; (iv) participate in the preparation and updating of reports that demonstrate the Company's ESG performance to interested parties (stakeholders); (v) provide support in maintaining the Related-Party Transactions Policy of the Company, in order to express its opinion about potential conflicts of interest among members of the board of directors and the Company; and (vi) express an opinion about: (a) the sale or transfer of the Company's fixed assets in amounts greater than three percent (3%) of the net earnings recorded in the Company's consolidated financial statements of the last fiscal year, whenever such transactions are outside the ordinary course of business of a company operating in the same industry wherein the Company operates; (b) any transaction with related parties, in accordance with the provisions of the Related Parties Transactions Policy of the Company; and (c) contracting any financial obligation not provided for in the annual plan or budget of the Company or its subsidiaries, which amount, in *Reais*, is greater than US\$200 million, converted by the PTAX rate published by the Central Bank on its webpage on the day of the transaction.

## **D. Employees**

### ***Overview***

We believe that the quality of our employees, whom we refer to as crewmembers, promotes our success and growth potential. We believe we have created a strong service-oriented company culture, which is built around our values of safety, consideration, integrity, passion, innovation and excellence. We are dedicated to carefully selecting, training and maintaining a highly productive workforce of considerate, passionate and friendly people who serve our customers and provide them with what we believe is the best flying experience possible. We reinforce our culture by providing an extensive orientation program for new crewmembers and instill in them the importance of customer service and the need to remain productive and cost efficient. Our crewmembers are empowered to not only meet our customers' needs and say "yes" to a customer, but to also listen to our customers and solve problems.

We communicate regularly with all of our crewmembers, keeping them informed about events at our offices through town hall meetings and question and answer sessions and soliciting feedback for ways to improve cooperation and their work environment. We conduct an annual crewmember survey and provide training for our leadership that focuses on crewmember engagement and empowerment. In addition, each of our executives adopts a city and is responsible for meeting with crewmembers on a periodic basis to be an additional source of corporate communication and assistance. Our executives also interact directly with our customers when traveling to obtain feedback and suggestions about the Azul experience.



We aspire to be the best customer service company in Brazil, and as a result, we believe our crewmembers are more likely to recommend us as a place to work to a friend or relative. We have good relations with our crewmembers and we have never experienced labor strikes or work stoppages.

We are focused on increasing the efficiency and productivity of our crewmembers.

We provide extensive training for our crewmembers that emphasizes the importance of safety. In compliance with Brazilian and international IATA safety standards, we provide training to our pilots, flight attendants, maintenance technicians, managers and administrators and customer service (airport and call center) crewmembers. We have implemented employee accountability initiatives both at the time of hiring and on an ongoing basis in order to maintain the quality of our crew and customer service. We currently operate four flight simulators and have an extensive training program at UniAzul, our training facility adjacent to Viracopos airport (see “Item 4.B. Business Overview—Airports and Other Facilities and Properties—Other Facilities and Properties” and “Item 4.B. Business Overview—Safety and Quality”).

A national union represents all airline employees in Brazil. However, we do not have a direct collective bargaining agreement with any labor unions. Binding negotiations in respect of cost of living and salary increases are conducted annually between the national union and an association representing all of Brazil’s airlines. Work conditions and maximum work hours are regulated by federal legislation and are not the subject of labor negotiations. In addition, we have no seniority pay escalation. Since our FTEs per aircraft is lower than that of our main competitor, any wage increases have a lower impact on us, thus making labor costs less significant to our operations. As a result, we believe our results of operations are less affected by labor costs than those of our main competitor.

Our compensation strategy is competitive and meant to retain talented and motivated crewmembers and align the interests of our crewmembers with our own. Salaries and benefits paid to our crewmembers, include, among others, health care, dental care, child care reimbursement, life insurance, funeral assistance, psychosocial assistance under our *Anjo Azul* program, school aid (granted to expatriate executive officers only), housing allowance (granted to expatriate executive officers only), salary-deduction loans, bonuses, pension plans, transportation tickets, food allowances and meal vouchers. We believe that we have a cost advantage compared to industry peers in salaries and benefit expenses due to high employee productivity measured by the average number of employees per aircraft. We also benefit from generally lower labor costs in Brazil, when compared to other countries, which is somewhat offset by lower productivity due to government requirements over employee labor conditions and taxes on payroll.

To motivate our crewmembers and align their interests with our results of operations, we provide a leadership incentive plan based on the achievement of pre-defined Company performance targets (*Programa de Recompensa*). We also have established a stock option plan for our leadership that vests over a four or five-year period. See “Item 6.B. Directors, Senior Management and Employees—Management Compensation— Stock-Based Incentive Plans.”

As of December 31, 2023, we had 16,017 total employees, an increase of 12.4% compared to December 31, 2022.

## **E. Share Ownership**

As of December 31, 2023, David Gary Neeleman, the chairman of our board of directors and our controlling shareholder, holds directly and indirectly 622,406,638 of our common shares, representing 67% of the common shares of our capital stock, José Mario Caprioli dos Santos, our director, indirectly holds 167,455,107 of our common shares, representing 18% of our capital stock. Decio Luiz Chieppe and Renan Chieppe, our directors, indirectly hold 139,103,314 of our common shares, representing 15% of our capital stock.

For a description of our stock option plans granted to our directors and executive officers, see “Item 6.B. Directors, Senior Management and Employees—Management Compensation—Stock-Based Incentive Plans.”

---

## **F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation**

In October 2022, the SEC adopted new rules, which added Section 10D of the Securities Exchange Act of 1934, as amended, requiring national securities exchanges and associations, such as the NYSE, to request listed companies to adopt a written compensation recovery (clawback) policy providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current and former executive officers in connection with a financial restatement, regardless of fault or misconduct, on or after October 2, 2023. The amendment to NYSE’s listing rules became effective on October 2, 2023, and issuers listed on the NYSE were required to adopt SEC-compliant clawback policies by December 1, 2023.

We are currently listed on the NYSE and, therefore, are subject to this requirement. On November 30, 2023, our board of directors approved and adopted our compensation recovery policy, a copy of which is attached as Exhibit 97 to this annual report. We have not been required to prepare an accounting restatement at any time during or after our last completed fiscal year and no recovery of awarded compensation is required pursuant to our compensation recovery policy.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

The tables below show the numbers of shares and percentage ownership held by (i) each person that is a beneficial owner of 5% or more of each class of our shares, (ii) all of our executive officers and directors as a group, (iii) certain other significant shareholders and (iv) all of our other minority shareholders. For a discussion of the differences in voting and other rights between our common and preferred shares, see “Item 10.B. Additional Information—Memorandum and Articles of Association—Rights of Our Common and Preferred Shares.”

As of the December 31, 2023, 67.00% of our outstanding common stock was held by one record holder in the United States and approximately 68.96% of our outstanding preferred shares were traded in Brazil and 31.04% of our outstanding preferred shares were held as ADRs.

The following table shows the beneficial ownership of our capital stock following as of December 31, 2023.

Name	Common Shares	Percentage of Outstanding Common Shares	Total Preferred Shares	Percentage of Outstanding Preferred Shares	Percentage of Total Capital Stock	Economic Interest
David Neeleman <sup>(1)</sup>	622,406,638	67.00 %	7,329,683	2.18 %	49.79 %	4.49 %
Chieppe family <sup>(2)</sup>	139,103,314	14.97 %	5,919,236	1.76 %	11.47 %	2.23 %
Caprioli family <sup>(3)</sup>	167,455,107	18.03 %	7,561,805	2.25 %	13.84 %	2.81 %
Bozano Group <sup>(4)</sup>	—	— %	20,135,071	6.00 %	1.59 %	5.78 %
Calfinco <sup>(5)</sup>	—	— %	26,995,316	8.04 %	2.13 %	7.75 %
BlackRock Inc	—	— %	16,839,771	5.02 %	1.33 %	4.84 %
Others	—	— %	233,234,234	69.47 %	18.44 %	66.99 %
Executive officers and directors <sup>(6)</sup>	—	— %	1,358,699	0.40 %	0.11 %	0.39 %
Treasury	—	— %	500,000	0.15 %	0.04 %	0.14 %
<b>Total</b>	<b>928,965,058</b>	<b>100.00 %</b>	<b>335,750,796</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>

(1) Consists of shares beneficially owned by David Neeleman, founder and controlling shareholder of Azul. The record holders of these shares are David Neeleman and Saleb II Founder 1 LLC. David Neeleman is a U.S. resident and has a domicile in Brazil at Avenida Marcos Penteado de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboré, Zip Code 06460-040, in the city of Barueri, State of São Paulo - Brazil. David Neeleman is our Chairman. The address for Saleb II Founder 1 LLC is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware, Zip Code 19801. David Neeleman’s economic interest is 49.77%. David Neeleman, entered into a personal loan in 2019, in the total amount of US\$30 million, using part of his Azul preferred shares as collateral. The impact of the COVID-19 pandemic in the markets triggered a margin call on his loan, and given the speed of the developments and the fact that Mr. Neeleman had no liquidity and no other investments in the sector, including TAP and Breeze Airways, there was no time to access other sources of capital. Accordingly, Mr. Neeleman had to sell a portion of his preferred shares to satisfy the margin call on his loan. As a result, on April 14, 2020, the Company announced that David Neeleman’s non-voting position was reduced from 11,432,352 preferred shares, representing 3.47% of this class of shares, to 2,116,004 preferred shares during the month of March 2020 and in December 2020, David Neeleman increased his preferred shares position to 3,853,897 preferred shares and 622,406,638 common shares. Additionally, Mr. Neeleman reaffirmed that he did not actively sell any of his Azul shares.

(2) Consists of shares beneficially owned by Renan Chieppe and Decio Luiz Chieppe. The record holders of these shares are Trip Participações S.A., Trip Investimentos Ltda. and Rio Novo Locações Ltda. The address for Trip Participações S.A. is Avenida Mário Gurgel, n. 5030, Setor Centro Administrativo Águia Branca, Sala 108, Vila Capixaba, Zip Code 29145-901, Cariacica, Espírito Santo, Brazil. The address for Trip Investimentos Ltda. is Rodovia BR 262, km 5, s/n, Vila Capixaba, Zip Code 29145-901, Cariacica, Espírito Santo, Brazil. The address for Rio Novo Locações Ltda. is Avenida Mário Gurgel, n. 5030, Setor Centro Administrativo Águia Branca, Sala 208, Vila Capixaba, Zip Code 29145-901, Cariacica, Espírito Santo, Brazil. Renan Chieppe and Decio Luiz Chieppe are residents of Brazil and their business address is at Avenida Marcos Penteado de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboré, Zip Code 06460-040, in the city of Barueri, State of São Paulo - Brazil. Renan Chieppe and Decio Luiz Chieppe are independent members of our board of directors.

(3) Consists of shares beneficially owned by José Mario Caprioli dos Santos. The record holder of these shares is Trip Participações S.A. and Trip Investimentos Ltda. The address for Trip Participações S.A. is Avenida Mário Gurgel, n. 5030, Setor Centro Administrativo Águia Branca, Sala 108, Vila Capixaba, Zip Code 29145-901, Cariacica, Espírito Santo, Brazil. The address for Trip Investimentos Ltda. is Rodovia BR 262, km 5, s/n, Vila Capixaba, Zip Code 29145-901, Cariacica, Espírito Santo, Brazil. José Mario Caprioli dos Santos is a resident of Brazil and his business address is at Avenida Marcos Penteado de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboré, Zip Code 06460-040, in the city of Barueri, State of São Paulo - Brazil. He is an independent member of our board of directors.

(4) Consists of shares beneficially owned by Julio Rafael de Aragão Bozano. The record holders of these shares are Kadon Empreendimentos S.A. and Bozano Investments LLC. The address for Bozano Investments LLC. and Kadon Empreendimentos S.A. is Rua Visconde de Ouro Preto, 5, 11<sup>th</sup> floor (part), Botafogo, Zip Code 22250-180, Rio de Janeiro/RJ, Brazil. Julio Rafael de Aragão Bozano is a resident of Brazil and his address is Rua Visconde de Ouro Preto, 5, 11<sup>th</sup> floor (part), Botafogo, Zip Code 22250-180, Rio de Janeiro/RJ, Brazil.

(5) Consists of shares owned beneficially and of record by Calfinco Caymans Ltd.

(6) Consists of shares held by Carolyn Luther Trabuco, Michael Paul Lazarus, Sérgio Eraldo de Salles Pinto, Peter Eraldo de Salles Pinto and indirectly by John Peter Rodgerson, the sole member of Saleb II Founder 11 LLC., and, as such, holder of voting and dispositive power with respect to the shares held by Saleb II Founder 11 LLC. However, shares held by David Neeleman, Renan Chieppe, Decio Luiz Chieppe and José Mario Caprioli dos Santos are not being reported as being held by executive officers and directors, as they are being reported as held by David Neeleman, the Chieppe family and the Caprioli family, respectively.

## ***United Investment Agreement***

On June 26, 2015, we entered into an investment agreement with United pursuant to which it, acting through a subsidiary, acquired 5,421,896 Class C preferred shares representing a 5%, non-voting economic interest in us. Such Class C preferred shares were converted on a one-to-one basis into Class A preferred shares on February 3, 2017, which were then simultaneously renamed “preferred shares” and subsequently subject to a two-for-one stock split on February 23, 2017, resulting in United holding 10,843,792 preferred shares through a subsidiary. Pursuant to this agreement, United has the right to elect one member of our board of directors, so long as it retains at least 50% of the shares it received on the date of its investment or as a result of conversion. United has designated a representative on our board effective as of January 28, 2016. See “Item 6.A. Directors and Senior Management—Board of Directors.” United is a party to our Shareholders’ Agreement, which provides for United’s right to elect one director, so long as they hold at least 50% of the preferred shares resulting from the conversion of Class C preferred shares that were held as of August 3, 2016. For more information, see “Item 6.A. Directors and Senior Management—Board of Directors.” On April 27, 2018, United closed a private preferred share transaction with Hainan to acquire 16,151,524 preferred shares of our company. This transaction increased United’s shareholding in us to 26,995,316 preferred shares, which represents 7.85% of our economic interest.

## ***Registration Rights Agreement***

On August 3, 2016, we entered into a fifth amended and restated registration rights agreement, or the Registration Rights Agreement, with our main shareholders that gave them certain rights to register additional preferred shares held by them with the SEC for future sale.

Under the Registration Rights Agreement, at any time commencing six months following the initial public offering of our shares, shareholders owning a majority of our preferred shares that are not registered under the Securities Act at that time and that are entitled to registration rights thereunder may require us to file a registration statement covering the sale or distribution of the preferred shares owned by them. We must also include in that registration statement any preferred shares owned by any other main shareholder of our Company.

Additionally, shareholders who own 35% of our preferred shares that are not registered under the Securities Act may require us to file a registration statement on Form F-3 at any time. We must also include in that registration statement any preferred shares owned by any other main shareholder of our Company.

## ***Dividends***

According to the bylaws of the Company, unless the right is waived by all shareholders, the shareholders are guaranteed a minimum mandatory dividend equal to 0.1% of net income of the Company after the deduction of legal reserve, contingency reserves, and the adjustment prescribed by Law 6404/1976 (Brazilian Corporate Law).

Interest on shareholders’ equity, which is deductible for income tax purposes, may be deducted from the minimum mandatory dividends to the extent that it has been paid or credited. Interest on shareholders’ equity is treated as dividend payments for accounting purposes.

Dividends are subject to approval by the Annual Shareholders’ Meeting.

The Company has not distributed dividends for the years ended December 31, 2023, 2022 and 2021.

## **B. Related Party Transactions**

We currently engage in various transactions with related parties. These transactions are based on terms that reflect the terms that would apply to transactions with third parties.

## ***Shareholders' Agreement***

### ***General***

On May 25, 2012, and as amended from time to time, our principal shareholder entered into an Investment Agreement with TRIP's former shareholders, referred to herein as the Investment Agreement, which provides TRIP's former shareholders with certain rights related to the control of our company. On June 26, 2015, the Investment Agreement was amended by the Fourth Amendment to the Investment Agreement to include Calfinco as a party, and on August 3, 2016, the Investment Agreement was amended by the Fifth Amendment to the Investment Agreement to include Hainan as a party. This agreement, as amended, provided that upon the effectiveness of an initial public offering, we and our current shareholders will be obligated in connection therewith to execute an agreed form of Shareholders' Agreement that is attached to the Investment Agreement, referred to herein as the Shareholders' Agreement. The Shareholders' Agreement was executed on September 1, 2017 and will remain in effect until the earlier of: (i) twenty years as of the date of its execution; or (ii) with respect to TRIP's former shareholders' rights under the Shareholders' Agreement, such time as TRIP's former shareholders together hold less than 5% of our common shares. For purposes of the discussion below, we refer to: (i) Mr. Neeleman and TRIP's former shareholders together as the Principal Common Shareholders; and (ii) Calfinco and Hainan together as the Principal Preferred Shareholders. All common shares held by the Principal Common Shareholders at the date of the Shareholders' Agreement, or which they may acquire in the future, and all preferred shares held by the Principal Preferred Shareholders at the date of the Shareholders' Agreement, or which they may acquire in the future, are subject to the Shareholders' Agreement.

Under the Shareholders' Agreement, for as long as TRIP's former shareholders collectively hold at least 5% of our common shares, a majority of TRIP's former shareholders is required in order to approve any changes that, by amending the following provisions of our bylaws, may materially affect the rights of TRIP's former shareholders:

- the quorum required for decisions of our board of directors;
- the powers of our board of directors; and
- the rules for calling, installing or reducing powers and other provisions regarding the meetings of our board of directors.

Furthermore, under the Shareholders' Agreement, for as long as TRIP's former shareholders collectively hold at least 5% of our common shares, changes to our bylaws that change the total number of directors of our board of directors, which must remain composed of 14 members, must necessarily be approved by a majority of TRIP's former shareholders. However, a majority of TRIP's former shareholders is not necessary to approve an amendment that increases the size of our board of directors if TRIP's former shareholders are guaranteed representation proportional to that which they had before such amendment.

In June 2018, we announced a secondary public offering pursuant to which Hainan sold 19,379,335 ADSs representing all of Hainan's preferred shares held in our Company. The offering price was US\$16.15 per ADS and no other shareholder of Azul sold its ADSs or preferred shares in the offering. As a result, Hainan is no longer bound to our Shareholders' Agreement nor has the right to appoint any members of our board of directors. Consequently, the three members of our board of directors appointed by Hainan and elected in 2016 resigned to their positions in June 2018, following the closing of the offering.

In March 2021, we announced an amendment to the shareholders' agreement where Hainan is no longer a shareholder of the Company, and therefore Hainan has no further rights and obligations under this Agreement and Calfinco US transferred all the rights to Calfinco Cayman.

### ***Election of Board Members***

As a general rule, pursuant to the Shareholders' Agreement, a person who has a relationship (including as an investor, manager, executive, employee, consultant or representative) with any of our competitors or their subsidiaries may not serve as a member of our board, unless the competitor or its subsidiary is one of our shareholders or an affiliate of a shareholder.



### ***Election of Board Members by David Neeleman***

For so long as TRIP's former shareholders have the right to elect one or more directors pursuant to the mechanisms described above and subject to Calfinco's right to appoint members of the board of directors, Mr. Neeleman may appoint the remaining members of the board of directors of the Company along with their alternates, and may dismiss or replace any of those members. In the event that the other holders of common shares or preferred shares exercise their right for multiple vote procedure in the election of members of the board of directors, in accordance with Brazilian corporate law, the number of directors elected by such shareholders shall be deducted from the number of directors that Mr. Neeleman has the right to appoint. Directors nominated by Mr. Neeleman shall qualify as Independent Directors, except if the minimum number of Independent Directors have already been reached pursuant to the nominations by the other shareholders.

### ***Election of Board Members by TRIP's Former Shareholders***

The Shareholders' Agreement provides that all the Principal Common Shareholders and the Principal Preferred Shareholders must vote in favor of electing directors as follows:

- So long as TRIP's former shareholders collectively hold at least 20% of our common shares, they may appoint three directors, along with their alternates, and may dismiss or replace any of those three directors;
- If TRIP's former shareholders collectively hold at least 10%, but less than 20% of our common shares, they may appoint two directors, along with their alternates, and may dismiss or replace both of those directors; and
- If TRIP's former shareholders collectively hold at least 5%, but less than 10% of our common shares, they may appoint one director, plus an alternate, and may dismiss or replace such director.

### ***Election of Board Members by Calfinco***

The Shareholders' Agreement provides that all the Principal Common Shareholders and the Principal Preferred Shareholders must vote in favor of electing directors as follows:

- So long as Calfinco holds at least 50% of the preferred shares resulting from the conversion of Class C preferred shares that were held as of August 3, 2016, Calfinco may appoint one director, along with his or her alternate, and may dismiss or replace this director.

### ***Transfers of Shares***

The tag-along right and right of first offer described below do not apply to transfers of common shares to the Principal Preferred Shareholders or to affiliates of the Principal Common Shareholders.

### ***Tag-Along Rights***

If Mr. Neeleman intends to sell any of his common shares to a third party, he must give TRIP's former shareholders an opportunity (i) to participate in the sale on the same terms and (ii) to sell an equivalent amount of common shares so that the proportion of common shares between Mr. Neeleman and TRIP's former shareholders remains the same. TRIP's former shareholders must give Mr. Neeleman the same opportunity if they intend to sell any of their common shares.

### ***Rights of First Offer***

If Mr. Neeleman intends to sell any common shares in such a manner that, after such sale, the common shares held by Mr. Neeleman come to represent less than 50% plus one of our common shares, in each subsequent sale of common shares, he must first offer those shares to TRIP's former shareholders before offering them to any third party. His offer to TRIP's former shareholders must specify the number of common shares he intends to sell, the intended price per share, the payment conditions and any other relevant conditions. TRIP's former shareholders may then purchase those shares at or above the specified terms, as described in the Shareholders' Agreement.

If TRIP's former shareholders wish to sell any of their common shares, they must first offer those shares to Mr. Neeleman before offering them to any third party. Their offer to Mr. Neeleman must specify the number of common shares they intend to sell, the intended price per share, the payment conditions and any other relevant conditions. Mr. Neeleman may then purchase those shares at or above the specified terms.

If either Mr. Neeleman or TRIP's former shareholders, as the case may be, decline the right of first offer, the seller may pursue the intended sale to the third party at or above the price originally contemplated.

### ***Termination***

The Shareholders' Agreement will remain in effect until the earlier of twenty years as of the date of its execution or, with respect to TRIP's former shareholders' rights under the Shareholders' Agreement, such time as TRIP's former shareholders together hold less than 5% of our common shares.

### ***Arrangements with Directors and Officers***

We have entered into indemnity agreements with three of our directors pursuant to which we agree to indemnify and hold each of them harmless for certain losses arising out of their respective positions as directors excluding any willful misconduct, fraud or gross negligence, see "Item 6.B. Management Compensation—Directors' and Officers' Insurance."

### ***Service Agreements with Águia Branca Participações S.A.***

On January 1, 2013, the Company entered into an agreement with Águia Branca Participações S.A., one of its main shareholders, for the sharing of information technology resources during an indefinite period, which was subsequently amended four times. These transactions were ratified and approved at the meeting of our board of directors, held on February 22, 2022, with the abstentions of two of the Directors, Decio Luiz Chieppe and Renan Chieppe. The amounts payable under these agreements are based on the services actually rendered. We paid R\$52 thousand, R\$52 thousand, and R\$52 thousand in connection with these agreements in 2023, 2022, and 2021, respectively.

### ***Air Tickets Sales Agreement with Caprioli Turismo Ltda.***

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

### ***Sublease of Aircraft to Breeze Airways***

On March 2, 2020 our shareholders approved the execution of up to 28 sublease agreements with Breeze Airways, a U.S. start-up airline founded by our controlling shareholder. All E-Jets were expected to be phased out by the end of 2022 and will be subleased at least until the end of the original lease term. In December 2020, the first aircraft was delivered according to the sublease agreement signed with Breeze Airways and two more aircraft were delivered in the first quarter of 2021. As of December 31, 2023, the Company had subleased three aircraft to Breeze Airways and recorded a receivable balance of R\$ 30.8 million.

### ***Strategic Partnership with United***

For a description of our strategic partnership with United, see "Item 4.B. Business Overview—Strategic Partnerships, Alliances and Commercial Agreements—United." *Commercial Cooperation Agreement with United*

In connection with United's investment, we also entered into a commercial cooperation agreement with United on June 26, 2015 which governs the expanded cooperation between both of our companies with respect to certain matters, including: (i) code-sharing, (ii) loyalty programs; (iii) special terms relating to passengers and cargo; (iv) marketing programs; (v) corporate accounts and sales contracts; (vi) employee interline pass travel; (vii) service levels at specific airports; and (viii) the negotiation of a commercial joint venture between us and United whereby we would share resources with United and split revenue related to specified matters relating to our and their route networks in order to optimize profitability for both us and United. To date, this joint venture has not yet been established, and we and United continue discussing objectives, the type of joint venture, revenue sharing and other matters.

### ***Code-Share Agreement with United***

On June 26, 2015, ALAB entered into a Code-Share Agreement with United, the sole shareholder of Calfinco. The Code-share Agreement governs the terms and conditions of code-sharing and interlining arrangements between ALAB and United.

### ***Strategic Partnership with Liliium***

In August 2021, the Company announced strategic partnership plans with Liliium, a wholly owned subsidiary of Liliium N.V. See “Item 4.A. History and Development of the Company.” Liliium became a related party after the election of the Company's controlling shareholder, Mr. David Neeleman, as a non-executive director on Liliium's board of directors in September 2021.

As of December 31, 2023, the Company had entered into the following instruments with Liliium: (i) a Warrant Agreement, as well as the related Warrant Certificate, both dated as of October 22, 2021; and (ii) a Registration Rights Agreement, dated as of March 8, 2022.

### ***Leasing Agreements with Azorra***

During the year ended December 31, 2023, the Company entered into an Aircraft Sale Agreement dated as of August 26, 2022, as well as five Aircraft Operating Lease Agreements (three dated as of August 26, 2022 and two dated as of September 30, 2022) with entities of the Azorra Aviation Holdings LLC group (“Azorra”), which became a related party after the election of the Company's controlling shareholder, Mr. David Neeleman, as an independent member of the board of directors of Azorra.

As of December 31, 2023, the Company had no a maintenance reserve and lease. As of December 2022 in the amount. of R\$107.3 and R\$113.8, respectively. During the year ended December 31, 2022, aircraft sales were made.

### ***TAP***

During the year ended December 31, 2020, as informed at the Extraordinary General Meeting, due to the crisis caused by the COVID-19 pandemic, the Portugal Government's negotiated an aid of €1.2 billion for the airline TAP with the European Commission, conditional upon, among other factors, eliminating the right to convert senior bonds, since they would not be diluted by the Portugal Government's financial contribution. As a consequence, the elimination of the conversion right meant that TAP was no longer a related party and resulted in a loss recognized in the statement of operations of R\$ 637.6, recorded under “Results from transactions with related parties, net”.

## **C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

See “Item 5.A. Operating Results” and “Item 18. Financial Statements.”

### ***Legal Proceedings***

We are subject to a number of proceedings in the Brazilian judicial and administrative court systems, almost all of which relate to civil and labor claims. We believe these proceedings are normal and incidental to the operation of a business in Brazil. We recognize provisions when (i) we have a present obligation as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. The assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, recent court rulings and their relevance in the legal system and assessment of internal and external legal counsel.

When the Company is party in other judicial and administrative proceedings, a provision is set up for all legal claims related to lawsuits for which it is probable that an outflow of funds will be required to settle the legal claims obligation and a reasonable estimate can be made. The assessment of probability of loss includes assessing the available evidence, the hierarchy of laws, the most recent court decision and their relevance in the legal system, as well as the assessment of legal counsel.

For civil claims connected to litigation proceedings before small claims court classified as probable loss, our provisioning policy is based on fixed and pre-established criteria, estimated based on historical information on similar claims. For pending litigation proceedings before civil courts, the ascertainment of amounts under dispute is based on the amount the plaintiff has attributed to such dispute (subject to a R\$30,000 limit for material damages and a R\$5,000 limit for pain and suffering). As a result of these circumstances and subject to the possibility of further in-house counsel review of such provisions during the course of proceedings, the provisioned amounts may not correspond to the effective amounts under dispute.

As of December 31, 2023, we are party to civil claims of various types (deemed “active” under our criteria, which does not consider claims in which agreements were entered into) and we have provisioned a total of R\$131,5 million in respect of these civil claims. In addition, we are party to legal proceedings relating to labor law issues of various types we have provisioned a total of R\$141,7 million in respect of these labor proceedings.

We are subject to several lawsuits filed by the Public Prosecutor’s Office which have the potential to affect our business models because the majority of these lawsuits challenges day-to-day aspects of our business, including, but not limited to, plane ticket fares, no-show fees, rescheduling fees, contractual fines and the treatment of individuals with special needs.

We are subject to certain claims related to taxes allegedly payable on imports of aircraft, flight simulators and aircraft parts. According to the counsel’s advice, the chance of loss with respect to these proceedings is probable, due to decisions from higher courts considering the legality of the collection of the additional charge on the imports.

As of December 31, 2023, we are defendants judicial and administrative tax proceedings, in which we have recorded a provision of R\$284.6 million for tax proceedings.

On August 8, 2016, we filed an annulment action together with LATAM requesting the annulment of a decision issued by CADE imposing a fine of R\$ 9.7 million to both LATAM and us because of the late merger filing by the parties notifying the existence of codeshare agreements between LATAM and TRIP in effect from 2004 until 2013. The action also sought to annul filing fees that CADE deemed to be owed by LATAM and us in its decision. In 2019, judgement partially granted the claims, annulling the penalty regarding the untimeliness but maintaining the filing fees for each contract agreement. Therefore, CADE, LATAM and the Company submitted appeals and, in 2022, CADE reversed the judgment and excluded the filling fees, but applied the penalty for untimeliness. The Company posted a judicial bond in the amount of R\$ 9.2 million to guarantee our payment of this fine in the event of a decision that is adverse to us.

In May 2018, we and Aeroportos Brasil agreed to settle a collection action initiated by Aeroportos Brasil in July 2017. This proceeding was related to the noncompliance of contractual obligations by Aeroportos Brasil in connection with the construction of the new terminal at Viracopos airport and, as a result, our retention of 40% of the airport landing tariffs since February 2017. Pursuant to the settlement agreement, we agreed to carry out certain parts of the construction of the new terminal at Viracopos Airport using the airport landing tariffs retained from Aeroportos Brasil. The settlement was accepted by the Trial Court Judge which rendered a decision declaring case closed due the settlement. The res judicata was certified and the files were archived in July 2018.

Additionally, in May 2018, we and Aeroportos Brasil agreed to settle a lawsuit for damages initiated by Aeroportos Brasil in October 2017. This proceeding was related to the noncompliance of contractual obligations in connection with a land concession at Viracopos airport, through which (i) Aeroportos Brasil undertook to level ground and build an ancillary runway, and (ii) Azul undertook to build a hangar and an apron area, as well as to remunerate Aeroportos Brasil for the land concession. According to the settlement, we and Aeroportos Brasil agreed to comply with our respective obligations set forth in the land concession agreement, and Aeroportos Brasil granted a twelve-month grace period for the payments due by us under the land concession agreement. The settlement was accepted by the Trial Court Judge which rendered a decision declaring case closed due the settlement. The res judicata was certified and the files were archived in July 2018. In October 2019, we and Aeroportos Brasil agreed to amend this agreement to establish that Azul will also be responsible for some activities to concluding the construction of the ancillary runway and other works directly related to them. As a result, Aeroportos Brasil extended the grace period for the beginning of the rental payment of the hangar area for more 17 months, totaling 37 months. We believe that the outcome of the proceedings to which currently we are a party will not, individually or in the aggregate, have a material adverse effect on our financial position, results of operations or cash flows.

## ***Dividend Policy***

### ***Amounts Available for Distribution***

According to Brazilian corporate law and our bylaws, our board of directors makes a recommendation to the annual shareholders' meeting regarding the allocation of our net income for the preceding fiscal year, and the shareholders' meeting decides upon the allocation. Under Brazilian corporate law, our board of directors may also approve intermediary dividend distributions.

Brazilian corporate law defines "net income" as the results for the fiscal year after deducting accrued losses, the provisions for income and social contribution taxes for that year and any amounts allocated to profit sharing payments to employees and management. Management is only entitled to any profit-sharing payment, however, after the shareholders are paid the mandatory dividend referred to below.

### ***Reserve Accounts***

Companies incorporated under Brazilian law generally have two main reserve accounts: a profit reserve account and a capital reserve account.

#### ***Profit Reserves***

Profit reserves consist of a legal reserve, statutory reserve, contingency reserve, retained profit reserve and unrealized profit reserve, as described below.

The combined balance of our profit reserve accounts (other than the contingency reserve and the unrealized profits reserve) may not exceed our capital stock. If the balance does exceed capital stock, the shareholders' meeting must decide whether to use the excess to pay in subscribed but unpaid capital, to increase our share capital, or to pay dividends.

#### ***Legal Reserve***

Brazilian corporate law requires us to maintain a legal reserve to which we must allocate 5.0% of our net income for each fiscal year until the aggregate amount of the reserve equals 20.0% of our capital stock. However, we are not required to make any allocations to our legal reserve in a year in which the legal reserve, when added to our other established capital reserves, exceeds 30.0% of our capital stock. The amounts allocated to the legal reserve must be approved by our shareholders in a shareholders' meeting, and may only be used to increase our capital stock or to offset losses. Therefore, they are not available for the payment of dividends.

#### ***Statutory Reserve***

Brazilian corporate law allows us to allocate a portion of our net profits to discretionary reserve accounts established in accordance with our bylaws. As of December 31, 2023, we did not have a statutory reserve. If we establish these accounts, the bylaws must indicate the purpose, allotment criteria and maximum amount of the reserve. However, we may not allocate profits to these discretionary reserve accounts if this would affect the payment of the minimum mandatory dividend.

#### ***Contingency Reserve***

Brazilian corporate law allows us to allocate a percentage of our net income to a contingency reserve for anticipated losses that are deemed probable in future years, if the amount of the losses can be estimated. Any amount so allocated must be reversed in the fiscal year in which any expected loss fails to occur as projected, or charged against in the event that the expected loss occurs. The amounts to be allocated to this reserve must be approved by our shareholders. As of December 31, 2023, we did not have a contingency reserve.

#### ***Retained Profit Reserve***

Brazilian corporate law allows us to retain a portion of our net income, by a decision of our shareholders, provided that the retention is included in a capital expenditure budget that has been previously approved. The allocation of funds to this reserve cannot jeopardize the payment of the minimum mandatory dividends. As of December 31, 2023, we did not have a retained profit reserve.



### ***Unrealized Profit Reserve***

Under Brazilian corporate law, the amount by which the mandatory dividend exceeds the “realized” net income in a given year may be allocated to an unrealized profit reserve account, and the mandatory dividends may be limited to the “realized” portion of the net income. Brazilian corporate law defines “realized” net income as the amount by which net income exceeds the sum of (i) our net positive results, if any, from the equity method of accounting and (ii) the profits, gains or income that will be received by us after the end of the next fiscal year. The unrealized profit reserve can only be used to pay mandatory dividends. Profits recorded in the unrealized profit reserve, if realized and not absorbed by losses in subsequent years, must be added to the next mandatory dividend distributed after the realization. As of December 31, 2023, we did not have an unrealized profit reserve.

### ***Capital Reserves***

Our capital reserve consists of the premium reserve, tax incentives, and investment subsidies. Under Brazilian corporate law, capital reserves may only be used (i) to absorb losses that exceed retained earnings and profit reserves, (ii) to fund redemptions, refunds or repurchases of shares, (iii) to redeem founder shares, and (iv) to increase our share capital. As of December 31, 2023, we had R\$2,029.6 billion allocated to the capital reserve account.

### ***Payment of Dividends and Interest on Shareholders’ Equity***

Brazilian corporate law requires the bylaws of a Brazilian company to specify a minimum percentage of available profits to be allocated to the annual distribution of dividends, known as mandatory dividends. The mandatory dividend must be paid to shareholders either as dividends or as interest on shareholders’ equity. The basis of the mandatory dividend is a percentage of income, adjusted according to Article 202 of Brazilian corporate law. Under our bylaws, we must distribute every year at least 0.1% of our adjusted net income from the previous fiscal year as a dividend.

Brazilian corporate law allows a company to suspend distribution of mandatory dividends if the board of directors advises the annual shareholders’ meeting that the distribution would not be advisable given the company’s financial condition. The fiscal council, if one is in place, must review any suspension of the mandatory dividend, and management must submit a report to the CVM setting forth the reasons for the suspension of dividends. Net income that is not distributed due to a suspension is allocated to a separate reserve account and, if not absorbed by subsequent losses, must be distributed as dividends as soon as the financial condition of the company permits.

### ***Dividends***

Brazilian corporate law and our bylaws require us to hold an annual shareholders’ meeting by the fourth month following the closing of each fiscal year, in which, among other matters, shareholders must decide upon the distribution of annual dividends. The calculation of annual dividends is based on our audited consolidated financial statements for the immediately preceding fiscal year.

Each holder of shares at the time a dividend is declared is entitled to receive dividends. In our case, holders of preferred shares have the right to receive dividends that are 75 times greater than the dividends attributed to each common share. Under Brazilian corporate law, dividends are generally required to be paid within 60 days from the date on which the dividend is declared, unless the shareholders’ resolution establishes another payment date. The dividend must be paid at the latest before the end of the year in which it is declared.

Shareholders have three years from the date of payment to claim their dividends or interest on shareholders’ equity, after which the unclaimed dividends or interest revert to us.

### ***Distributions of Interest on Shareholders’ Equity***

Brazilian corporations are permitted to pay interest on equity capital to shareholders and to treat those payments as a deductible expense for purposes of calculating Brazilian corporate income tax and social contribution tax. The interest is calculated based on the TJLP, as set by the Central Bank from time to time, and cannot exceed the greater of 50% of net income (after deduction of the social contribution tax on net income, and without taking account of the distribution being made and any income tax deduction) for the period in relation to which the payment is made, or 50% of retained profits and profit reserves as of the date of the beginning of the period in respect of which the payment is made. The payment of interest on shareholders’ equity represents an alternative form of dividend payment to shareholders. The amount distributed to shareholders as interest on shareholders’ equity, net of any income tax, may be included as part of the mandatory dividend distribution. Brazilian corporate law requires us to pay shareholders an amount sufficient to ensure that the net amount they receive in respect of interest on shareholders’ equity, after payment of the applicable withholding tax, plus the amount of declared dividends, is at least equivalent to the mandatory dividend amount.

## **B. Significant Changes**

Except as otherwise disclosed in our audited consolidated financial statements and in this annual report, there have been no significant changes in our business, financial condition or results of operations since December 31, 2023.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offering and Listing Details**

In the United States, our preferred shares trade in the form of ADSs. Our ADSs trades on the NYSE under the symbol “AZUL” and the preferred shares trades on the B3 under the symbol “AZUL4.” As of December 31, 2023 the ADSs represented approximately 30% of our preferred shares and 35% of our current global public float. Our ADSs began trading on the NYSE on April 11, 2017.

On May 15, 2024, the last reported sale price of our preferred shares on the São Paulo Stock Exchange was R\$10.84 per share.

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

#### ***Regulation of Brazilian Capital Markets***

Pursuant to Brazilian Securities Law and Brazilian corporate law, the Brazilian capital market is regulated and supervised by the CMN, which has general authority over the stock exchanges and capital markets. The CMN regulates and supervises the activities of the CVM and has, among other powers, licensing authority over brokerage firms and also regulates foreign investment and foreign exchange transactions, according to the provisions of the Brazilian Securities Law and Law 4595, dated December 31, 1964, as amended. These laws and other rules and regulations together set the requirements for disclosure of information applying to issuers of securities listed on stock exchanges, the criminal penalties for insider trading and price manipulation, the protection of minority shareholders, licensing procedures, supervision of brokerage firms, and governance of the Brazilian stock exchanges.

Pursuant to Brazilian corporate law, a company may be publicly held and listed or privately held and unlisted. All publicly held companies are registered with the CVM and are subject to periodic reporting requirements and disclosure of material events. A company registered with the CVM is authorized to trade its securities on the B3 or on the Brazilian over-the-counter market. Shares listed on the B3 may not be simultaneously traded on Brazilian over-the-counter markets. Trading on the over-the-counter market implies direct off-stock exchange trades between investors through a financial institution registered with the CVM. No special application, other than registration with the CVM (and for organized over-the-counter markets, with the relevant over-the-counter market), is necessary for securities of a publicly held company to be traded on the over-the-counter market. Listing on the B3 requires a company to apply for registration with the B3 and the CVM.

The Brazilian over-the-counter market consists of direct trades between individuals in which a financial institution registered with the CVM serves as intermediary.

The trading of securities on the B3 may be suspended under certain circumstances, including as a result of the disclosure of material information. Trading may also be suspended at the request of the B3 or the CVM if there is any evidence that a company has provided inadequate information regarding a material fact or has provided inadequate responses to inquiries by the CVM or the stock exchange, among other reasons.

#### ***Trading on the B3***

B3 trading sessions are conducted from 10:00 a.m. to 5:00 p.m. in an automated system known as PUMA Trading System. The B3 also permits trading from 5:45 p.m. to 7:00 p.m. in an online system known as “after market,” which is connected to traditional and online brokers. “After market” trading is subject to regulatory limits on price volatility and on the volume of preferred shares transacted by online brokers.

Sales of shares on the B3 are settled within three business days after the trading date. Generally, the seller is expected to deliver the shares to the B3 on the third business day after the trading date. Delivery and payment of the shares are made through the facilities of the Central Depository B3 (*Central Depositária B3*).

For a more efficient control of volatility of the BOVESPA Index, the B3 has adopted a circuit breaker system that suspends trading for 30 minutes to one hour if the BOVESPA Index falls below 10% and 15%, respectively, compared with the level at the close of trading on the preceding trading session. If the BOVESPA Index falls below 20%, the B3 may suspend trading for a period of time to be defined by it at the time of such event.

### ***Corporate Governance Practices and the Level 2 Segment of B3***

In 2000, the B3 introduced three special listing segments, known as Level 1, Level 2 and the *Novo Mercado*, aiming at fostering a secondary market for securities issued by Brazilian companies with securities listed on the B3 by prompting such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily undertaking to abide by corporate governance practices and disclosure requirements in addition to those already imposed by applicable Brazilian law. Our securities are listed on the Level 2 segment of the B3. The main elements of this segment are described below:

To become a Level 2 segment of B3 company, in addition to the obligations imposed by applicable law, an issuer must comply with the following rules: (1) ensure that shares of the issuer representing at least 25% of its total capital are effectively available for trading; (2) adopt offering procedures that favor widespread ownership of shares whenever making a public offering, including (a) guaranteed access to all prospective investors, or (b) the allocation of at least 10% of the total offer to individuals or non-institutional investors; (3) comply with additional quarterly disclosure standards, such as disclosing related party transactions to the same level as required by the accounting standards used in the preparation of annual financial statements; (4) follow stricter disclosure policies with respect to transactions made by controlling shareholders, members of its board of directors, its executive officers and, if applicable, members of its fiscal council (*conselho fiscal*) and other technical or consulting committees involving securities issued by the issuer; (5) submit any existing shareholders' agreement and stock option plans to the B3; (6) make a schedule of corporate events available to shareholders; (7) grant tag-along rights for all shareholders in connection with a transfer of control of the company offering the same price paid per share of controlling block for each common share and preferred share; (8) grant voting rights to holders of preferred shares, at least in connection with the following matters: (a) transformation, merger, consolidation or spin-off of the Company; (b) execution of any agreement between the Company and its controlling shareholder, acting directly or through any third party, in the event such agreement must be approved by a general shareholders' meeting, as provided by law or in the bylaws of the Company; (c) valuation of assets to be contributed to the capital stock of the Company in a capital increase; (d) appointment of the valuation company or institution that will determine the economic value of the Company; and (e) amendments or exclusions of bylaw provisions which eliminate or modify any of the matters above; (9) have a board of directors consisting of at least five members out of which a minimum of 20% of the directors must be independent and limit the term of all members to two years, reelection permitted; (10) not name the same individual for being both chairman of the board and the president, chief executive officer or other principal executive, observing the exceptions provided on corporate governance Level 2 segment of B3 listing regulation; (11) translate into English its annual and quarterly consolidated and unconsolidated financial statements; (12) if it elects to delist from the Level 2 segment of B3, conduct a tender offer by the company's controlling shareholder (the minimum price of the shares to be offered will be the economic interest determined by an independent specialized firm with requisite experience); (13) adhere exclusively to the Market Arbitration Chamber for resolution of disputes between the company and its investors relating to or derived from the enforceability, validity, applicability, interpretation, breach and its effects, of the provisions of the Brazilian corporate law, the Company's bylaws, the rules published by the CMN, the Central Bank, the CVM, and other rules applicable to the Brazilian capital markets in general, including the Level 2 rules, the Level 2 listing agreement, the Level 2 sanctions regulation and the rules of the Market Arbitration Chamber of the B3; and (14) adopt and publish a code of conduct that establishes the principles and values that guide the company.

In addition, as a result of CMN Resolution 3792, dated as of September 24, 2009, as amended, shares issued by companies that adopt differentiated corporate practices, such as those whose securities are admitted for trading in the special segment of the *Novo Mercado* or whose listing classification is Level 1 or Level 2 in accordance with the regulations of the B3, may have a larger participation in the investment portfolio of private pension funds. As a result, companies that adopt differentiated corporate practices are an important and attractive investment for private pension funds, which are large investors in the Brazilian capital markets.

### ***Investment in Our Preferred Shares By Non-residents Outside Brazil***

#### ***Resolution 4373***

Investors residing outside Brazil are authorized to purchase, inter alia, equity instruments, including our preferred shares, on the B3, provided that they comply with the registration requirements set forth in CMN Resolution 4373, and CVM Resolution 13.

With certain limited exceptions, and subject to the registration requirements set forth in CMN Resolution 4373 and CVM Resolution 13, non-resident investors are permitted to carry out any type of transaction in the Brazilian financial capital markets involving a security traded on a Brazilian stock, future or organized over-the-counter, or OTC, market. Investments and remittances outside Brazil of gains, dividends, profits or other payments related to our shares are made through the foreign exchange market.

In order to become a CMN Resolution 4373 investor, an investor residing outside Brazil must:

- appoint one or more representatives in Brazil, which must be a financial institution duly authorized by the Brazilian Central Bank, with powers to receive service of process related to any action regarding financial and capital market legislation, among others;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint one or more authorized custodians in Brazil for the investments, which custodian must be duly authorized by the CVM; and
- through its representative, register itself as a foreign investor with the CVM and register its investment with the Brazilian Central Bank.

Securities and other financial assets held by foreign investors pursuant to CMN Resolution 4373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM, as the case may be. In addition, securities trading by foreign investors is generally restricted to transactions involving securities listed on the Brazilian stock exchanges or traded in organized OTC markets licensed by the CVM.

In addition, an investor operating under the provisions of CMN Resolution 4373 must be registered with the Brazilian tax authorities pursuant to its Regulatory Instruction 2,119, dated as of December 6, 2022. This registration process is undertaken by the investor's legal representative in Brazil.

#### **Law 4131**

Alternatively, foreign investors may also invest directly in Brazilian companies under Law 4131, as amended, and may sell their shares in both public and private transactions. However, these investors are currently subject to a less favorable tax treatment on gains than foreign investors that invest in Brazil under CMN Resolution 4373.

A direct foreign investor under Law 4131 must:

- register as a foreign direct investor with the Brazilian Central Bank;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint a tax representative in Brazil; and
- appoint a representative in Brazil for service of process with respect to suits based on Brazilian corporate law.

The Brazilian government decreased the rate of the Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos ou Valores Mobiliários*), or IOF/Exchange Tax, the tax related to certain foreign investments in Brazilian financial and capital markets, including investments made pursuant to CMN Resolution 4373, from 6% to 0%. Currently, currency exchange transactions carried out by CMN Resolution 4373 investors are subject to IOF/Exchange Tax at a rate of (i) 0%, in the case of variable income transactions carried out on the Brazilian stock, futures and commodities exchanges (provided that such transactions necessarily take place in a stock trade on the stock market or organized over-the-counter market), and acquisitions of shares of Brazilian publicly-held companies through public offerings or subscription of shares related to capital contributions, provided that the issuing company has registered its shares for trading on the stock exchange, and (ii) 0%, in the case of the outflow of funds from Brazil related to these types of investments, including payments of dividends and interest on shareholders' equity and the repatriation of funds invested in the Brazilian market.

The IOF/Exchange Tax applies upon the conversion of foreign currency into Brazilian reais for purposes related to equity or debt investments by foreign investors in the Brazilian stock exchanges or the OTC market, private investment funds, Brazilian treasury notes and other fixed income securities. The Brazilian government is permitted to increase the rate of the IOF/Exchange Tax at any time, up to 25% of the amount of the foreign exchange transaction. However, any rate increase will only apply to transactions carried out after the rate increase and will not apply retroactively. For more information, see “—Taxation—Brazilian Tax Considerations—Income Tax—Tax on Foreign Exchange and Financial Transactions.”

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and heightened volatility in the Brazilian capital markets and securities issued abroad by Brazilian companies. This uncertainty and other future events affecting the Brazilian economy and the actions of the Brazilian government may adversely affect us and the price of our preferred shares, including in the form of ADSs.

#### **D. Selling Shareholders**

Not applicable.

#### **E. Dilution**

Not applicable.

#### **F. Expenses of the Issue**

Not applicable.

### **ITEM 10. ADDITIONAL INFORMATION**

#### **A. Share Capital**

Not applicable.

#### **B. Memorandum and Articles of Association**

The following is a brief summary of certain significant provisions of our bylaws, Brazilian corporate law, and the rules and regulations of the CVM and of the Level 2 segment of the B3. This discussion does not purport to be complete and is qualified by reference to our bylaws, and of those laws, rules and regulations. For a summary of certain of your rights as a shareholder of a company listed on the Level 2 segment of the B3, see “Item 10.B. Memorandum and Articles of Association—Rights of Our Common and Preferred Shares—Voting Rights” below.

##### ***Organization and Register***

We are incorporated as a Brazilian *sociedade por ações* under the corporate name “Azul S.A.”. Our headquarters are at Avenida Marcos Penteadó de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboré, Zip Code 06460-040, in the city of Barueri, State of São Paulo – Brazil. We are registered with the Board of Trade of the State of São Paulo – JUCESP under corporate registration number (NIRE) 35.300.361.130. We have also been registered with the CVM as a publicly-held corporation since April 7, 2017 under n. 24112.

Our preferred shares are listed on the Level 2 segment of the B3 since April 11, 2017. This listing requires us to comply with the corporate governance and disclosure rules of the Level 2 segment of the B3 as summarized in the “Item 9.C.—Markets.”

##### ***Corporate Purpose***

The corporate purpose of our company, as stated in our bylaws, is as follows:

- to hold direct or indirect equity interest in other companies of any type whose activities include:
- explore scheduled and non-scheduled air transportation services of passengers, cargo and mailbags, in Brazil and abroad, according to the concessions granted by the relevant authorities;
- explore additional air charter transportation activities for passengers, cargo and mailbags;
- render services of maintenance and repair of own and third-party aircraft, motors, items and parts;
- render services of aircraft hangar;
- render services of runway, flight attendance and aircraft cleaning;
- purchase and lease aircraft and other related assets;
- develop and manage its own customer loyalty program or customer loyalty programs of third parties;



- sell redemption rights regarding awards under the customer loyalty program;
- explore Travel Agency and Tourism businesses;
- develop other activities that are connected, incidental, additional or related to the above-mentioned activities; and
- hold interest in other companies.

### ***Shareholders' Agreement***

For a description of our Shareholders' Agreement, see "Item 7.B. Related Party Transactions—Shareholders' Agreement"

#### ***General***

On May 25, 2012, our principal shareholder entered into an Investment Agreement with TRIP's Shareholders (as defined below), which provided TRIP's Shareholders with certain rights related to the control of our Company. On June 26, 2015, the Investment Agreement was amended to include Calfinco, that subscribed new Class C preferred shares issued by us. On February 5, 2016, the Investment Agreement was amended again to include Hainan that subscribed new Class D preferred shares issued by us (the "Investment Agreement"). On September 1<sup>st</sup>, 2017, upon completion of our Initial Public Offering of Shares ("IPO"), we, Mr. David Gary Neeleman ("Mr. Neeleman", TRIP's former shareholders – "TRIP's Shareholders"), Calfinco, and Hainan entered into a Shareholders' Agreement as per the provisions of the Investment Agreement (as defined below) with the purpose of assigning each Party certain and specific rights.

On June 2018, we announced a secondary public offering pursuant to which Hainan sold 19,379,335 ADSs representing all of Hainan's preferred shares held in our Company. The offering price was US\$16.15 per ADS and no other shareholder of Azul sold its ADSs or preferred shares in the offering. As a result, Hainan is no longer bound to our Shareholders' Agreement nor has the right to appoint any members of our board of directors.

For purposes of the discussion below, we refer to: (i) Mr. Neeleman and TRIP's Shareholders together as the Principal Common Shareholders; and (ii) Calfinco (previously together with Hainan) as the Principal Preferred Shareholders. All common shares held by the Principal Common Shareholders at the date of the Shareholders' Agreement, or which they may acquire in the future, and all preferred shares held by the Principal Preferred Shareholders at the date of the Shareholders' Agreement, or which they may acquire in the future, are subject to the Shareholders' Agreement.

Under the Shareholders' Agreement, for as long as TRIP's former shareholders collectively hold at least 5% of our common shares, a majority of TRIP's former shareholders is required in order to approve any changes that, by amending the following provisions of our bylaws, may materially affect the rights of TRIP's former shareholders:

- the quorum required for decisions of our board of directors;
- the total number of directors of our board of directors (except if representation proportional to that which they had before such amendment is guaranteed)
- the powers of our board of directors; and
- the rules for calling, installing or reducing powers and other provisions regarding the meetings of our board of directors.

#### ***Election of Board Members***

As a general rule, pursuant to the Shareholders' Agreement, a person who has a relationship (including as an investor, manager, executive, employee, consultant or representative) with any of our competitors or their subsidiaries may not serve as a member of our board, unless the competitor or its subsidiary is one of our shareholders or an affiliate of a shareholder.

### ***Election of Board Members by David Neeleman***

For so long as TRIP's former shareholders have the right to elect one or more directors pursuant to the mechanisms described below and subject to Calfinco's right to appoint members of the board of directors, Mr. Neeleman may appoint the remaining members of the board of directors of the Company along with their alternates, and may dismiss or replace any of those members. In the event that the other holders of common shares or preferred shares exercise their right for multiple vote procedure in the election of members of the board of directors, in accordance with Brazilian corporate law, the number of directors elected by such shareholders shall be deducted from the number of directors that Mr. Neeleman has the right to appoint. Directors nominated by Neeleman shall qualify as Independent Directors, except if the minimum number of Independent Directors have already been reached pursuant to the nominations by the other shareholders.

### ***Election of Board Members by TRIP's Shareholders***

The Shareholders' Agreement provides that all the Principal Common Shareholders and the Principal Preferred Shareholders must vote in favor of electing directors as follows:

- So long as TRIP's Shareholders collectively hold at least 20% of our common shares, they may appoint three directors, along with their alternates, and may dismiss or replace any of those three directors;
- If TRIP's Shareholders collectively hold at least 10%, but less than 20% of our common shares, they may appoint two directors, along with their alternates, and may dismiss or replace both of those directors; and
- If TRIP's Shareholders collectively hold at least 5%, but less than 10% of our common shares, they may appoint one director, plus an alternate, and may dismiss or replace such director.

### ***Election of Board Members by Calfinco***

The Shareholders' Agreement provides that all the Principal Common Shareholders and the Principal Preferred Shareholders must vote in favor of electing directors as follows:

- so long as Calfinco holds at least 50% of the preferred shares resulting from the conversion of Class C preferred shares that were held as of August 3, 2016, Calfinco may appoint one director, along with his or her alternate, and may dismiss or replace this director.

### ***Transfers of Shares***

The tag-along right and right of first offer described below do not apply to transfers of common shares to the Principal Preferred Shareholders or to affiliates of the Principal Common Shareholders.

### ***Tag-Along Rights***

If Mr. Neeleman intends to sell any of his common shares to a third party, he must give TRIP's Shareholders an opportunity: (i) to participate in the sale on the same terms; and (ii) to sell an equivalent amount of common shares so that the proportion of common shares between Mr. Neeleman and TRIP's Shareholders remains the same. TRIP's Shareholders must give Mr. Neeleman the same opportunity if they intend to sell any of their common shares.

### ***Rights of First Offer***

If Mr. Neeleman intends to sell any common shares in such a manner that, after such sale, the common shares held by Mr. Neeleman come to represent less than 50% plus one of our common shares, in each subsequent sale of common shares, he must first offer those shares to TRIP's Shareholders before offering them to any third party. His offer to TRIP's Shareholders must specify the number of common shares he intends to sell, the intended price per share, the payment conditions and any other relevant conditions. TRIP's Shareholders may then purchase those shares at or above the specified terms, as described in the Shareholders' Agreement.

If TRIP's Shareholders wish to sell any of their common shares, they must first offer those shares to Mr. Neeleman before offering them to any third party. Their offer to Mr. Neeleman must specify the number of common shares they intend to sell, the intended price per share, the payment conditions and any other relevant conditions. Mr. Neeleman may then purchase those shares at or above the specified terms.

If either Mr. Neeleman or TRIP's Shareholders, as the case may be, decline the right of first offer, the seller may pursue for the next sixty (60) days the intended sale to the third party at or above the price originally contemplated. After such period, if Mr. Neeleman or TRIP's Shareholders still intend to transfer Common Shares, they shall again observe the procedure mentioned above.

### ***Termination***

The Shareholders' Agreement will remain in effect until the earlier of: (a) twenty years as of the date of its execution; or (b) (i) with respect to TRIP Shareholders rights, until the date when they hold less than 5% of our common shares; and (ii) with respect to the Calfinco rights, until the date when it holds less than fifty percent (50%) of the equivalent number of Preferred Shares into which the Class C Preferred Shares subscribed on June 26, 2015 have been converted into.

### ***Rights of our Common and Preferred Shares***

Each of our common shares entitles the holder to cast one vote at our shareholders' meetings. Holders of our common shares that are fully paid-in may convert them into preferred shares, at the ratio of 75.0 common shares for 1.0 preferred share pursuant to our bylaws. However, the total number of preferred shares outstanding may never exceed 50% of our total shares.

Our preferred shares are non-voting, except with regard to certain limited matters for as long as we are listed on the Level 2 segment of the B3, as described below under "Item 10.B. Memorandum and Articles of Association—Rights of Our Common and Preferred Shares—Voting Rights."

Our preferred shares have the following additional rights as compared to our common shares:

- The right to be included in a takeover bid resulting from the Disposal of the Company's Control under the same conditions and for a price per share equal to seventy-five (75) times the price per common share paid to the Disposing Controlling Shareholder;
- In case the Company is wound up, capital refund priority over the common shares, in the amount corresponding to the multiplication of the Company's share capital by the Dividends Distribution to which the preferred shares issued by the Company are entitled to. After the priority refund over the capital for preferred shares and the refund of the capital over the common shares, the preferred shares will have right to refund of amounts equivalent to the multiplication of the remaining assets to which the shareholder is subject to due to the Dividends Distribution that the preferred shares would be entitled to. For the sake of clarification, the amounts paid to preferred shares as priority shall be considered for purposes of the calculation of the total amount to be paid to the preferred shares in case of the Company's wind up; and
- The right to receive dividends 75 times greater than the dividends payable on each common share, as described in the section entitled "Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividend Policy."

### ***Reimbursement and Right of Withdrawal***

Under Brazilian corporate law, "dissenting shareholders" including shareholders who have no voting rights have the right to withdraw from a company and receive full reimbursement for the value of all their shares in certain circumstances. For purposes of this right of withdrawal, "dissenting shareholders" include shareholders who vote against a specific resolution, as well as those who abstain from voting or fail to appear at the shareholders' meeting.

This right of withdrawal and reimbursement arises if any of the following matters are decided upon at a shareholders' meeting:

1. Creation of a new class of preferred shares or a disproportionate increase in an existing class of preferred shares relative to other classes of shares, unless such action is provided for in or authorized by our bylaws, which, by this date, is not the case;
2. Modification to the preference, privilege or conditions for redemption or amortization granted to one or more classes of preferred shares, or the creation of a new class of preferred shares with greater privileges than the existing classes of preferred shares;
3. Reduction of the mandatory dividend;
4. Consolidation or merger into another company;
5. Participation in a group of companies (grupo de sociedades), as defined by Brazilian corporate law;
6. The transfer of all shares to another company or receipt of shares by another company, in such a way as to make the company whose shares were transferred a wholly-owned subsidiary of the other;

7. Changes to our corporate purpose; or
8. A spin-off that results in: (i) a change to our corporate purpose (unless the spun-off company's assets and liabilities are transferred to a company that has substantially the same corporate purpose); (ii) a reduction in any mandatory dividend (although in our case, our preferred shares do not carry mandatory dividends); or (iii) any participation in a group of companies.

In the case of items 1. and 2. above, only holders of the class or type of shares adversely affected may exercise a right of withdrawal.

The right of withdrawal also arises if a spin-off or merger occurs but the new company fails to register as a public stock corporation (and, if applicable, fails to list its shares on the stock exchange) within 120 days of the date of the shareholders' meeting that approved the spin-off or merger.

In the event that our shareholders approve any resolution for us to:

- consolidate or merge with another company;
- transfer all our shares to another company or acquire all the shares of another company; or
- become part of a group of companies,

then any dissenting shareholder may exercise a right of withdrawal, but only if that shareholder's class of shares fails to satisfy certain liquidity tests at the time of the shareholders' meeting approving the merger, acquisition, sale or consolidation.

The right of withdrawal expires 30 days after publication of the minutes of the shareholders' meeting that approved the relevant event. In addition, any resolution regarding items 1. or 2. above requires ratification by the majority of shareholders holding preferred shares at a special shareholders' meeting to be held within one year. In such cases, the 30-day deadline begins on the date of publication of the minutes of the special shareholders' meeting. If we were to believe that the exercise of withdrawal rights would be prejudicial to our financial stability, we would have ten days after the expiration of that 30-day deadline to reconsider the resolution that triggered the withdrawal rights.

Brazilian corporate law provides that in order for any withdrawal rights to be exercised, any shares to be withdrawn and redeemed must have a value greater than the book value per share, calculated by reference to the latest balance sheet approved at a shareholders' meeting. If more than 60 days have passed since the date of that balance sheet, the shareholders wishing to exercise the withdrawal right may request a new valuation.

The sale of our controlling stake in ALAB to a third party would be considered a change in our corporate purpose, which would give our shareholders withdrawal rights.

### ***Capital Increases and Preemptive Rights***

Each of our shareholders has preemptive rights to subscribe for any new shares that increase our capital stock (and any warrants or other securities convertible into new shares) in direct proportion to the equity interest held by them. Preemptive rights may be exercised during the period of up to 30 days following the publication of notice of the capital increase. If the capital increase applies in equal proportion to all existing types and classes of shares, each shareholder's preemptive rights would apply only to the type and class of shares currently held by such shareholder. If, however, an exercise of preemptive rights would result in a change to the proportional composition of our capital stock, the preemptive rights may be exercised over the types and classes identical to those already held by the shareholders only. The preemptive rights may only extend to any other shares if necessary to ensure the shareholders receive the same proportion of our capital stock as they had prior to the increase in capital. If the shares being issued are of types and classes that are different from the existing shares, each shareholder may exercise preemptive rights (in proportion to the shares currently held) over all the types and classes of shares being issued.

Our bylaws provide that the preemptive rights may be excluded, or the deadline for exercise may be shortened, if we issue shares (or warrants or other securities convertible into new shares) through a public offering or a sale on a stock exchange, or by means of an exchange for shares in a public tender offer or acquisition of control.

In addition, the grant of options to purchase shares under stock option plans does not give rise to preemptive rights.

## ***Dividend Rights***

Dividends are allocated and distributed in accordance with Brazilian corporate law and our bylaws. For more information on dividend rights, see “Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividend Policy.”

## ***Voting Rights***

Each of our common shares entitles the holder to cast one vote at our shareholders’ meetings. Our preferred shares have no voting rights, except with regard to the following matters for as long as we are listed on the Level 2 segment of the B3:

- (i) any direct conversion, consolidation, spin-off or merger of Azul;
- (ii) approval of any agreement between our company and our controlling shareholder(s) or parties related to the controlling shareholder, to the extent that Brazilian corporate law or our bylaws require that the agreement be submitted to the approval of a general shareholders’ meeting;
- (iii) the valuation of any assets to be contributed to our company in payment for shares issued in a capital increase;
- (iv) the appointment of an expert to ascertain the value our shares in connection with (A) a mandatory tender offer; (B) a delisting and deregistration transaction; or (C) any decision to cease to adhere to the requirements of the Level 2 segment of the B3;
- (v) any change in, or the revocation of, provisions of our bylaws that results in the violation of certain requirements of the Level 2 segment of the B3, as summarized in “Item 9.C—Markets;”
- (vi) any change in, or the revocation of, provisions of our bylaws that amends or modifies any of the requirements provided for in (A) Paragraphs Nine, Ten, Eleven and Twelve of Article 5 (restricted voting rights attached to preferred shares); (B) Article 12 (extraordinary measures requiring shareholder approval); and (C) Article 14 (governance of special shareholders’ meetings) of our bylaws;
- (vii) any change in, or the revocation of, provisions of our bylaws that amends or modifies any of the requirements provided for in (A) Paragraph Two of Article 15 (compensation of officers); (B) Article 29 (composition of our compensation committee), (C) Article 30 (functions of our compensation committee); (D) Article 31 (composition of our ESG committee); and (E) Article 32 (functions of our ESG committee) of our bylaws; and
- (viii) the compensation of our officers in accordance with Paragraph Two of Article 15 of our bylaws.

Items (i) through (vii) listed above are considered “special matters.” Items (i) through (vi) require previous approval of a special preferred shareholders’ meeting if our controlling shareholder holds shares representing a dividend percentage equal to or less than 50%, and item (vii) always requires previous approval of a special preferred shareholders’ meeting.

In addition to the foregoing, the rights conferred on the preferred shareholders by the following articles of Brazilian corporate law may be exercised by our shareholders holding shares representing a percentage of dividend shares equal to the percentage of outstanding capital stock: (i) Article 4<sup>th</sup>-A, *caput* (new valuation in the event of a public offer for the acquisition of shares for the closing of capital), (ii) Article 105 (filing lawsuits for access to corporate books), (iii) Sole Paragraph, items (c) and (d) of Article 123 (convening an ordinary shareholders’ meeting), (iv) 3<sup>rd</sup> Paragraph of Article 126 (requesting a shareholders’ directory), (v) 1<sup>st</sup> Paragraph of Article 157 (requesting information from management at the annual shareholders’ meeting), (vi) 4<sup>th</sup> Paragraph of Article 159 (filing a lawsuit against directors), (vii) 2<sup>nd</sup> Paragraph of Article 161 (establishing a fiscal council), (viii) 6<sup>th</sup> Paragraph of Article 163 (requesting the provision of information by the fiscal council), (ix) Item II of Article 206 (proposing a dissolution action), and (x) 1<sup>st</sup> Paragraph, item (a) of Article 246 (filing an action for liability and redress against a parent company).

Under Brazilian corporate law, shares with no voting rights or restricted voting rights (which would include our preferred shares) carry unrestricted voting rights in the event the company fails, for three consecutive years, to pay the privileged minimum or fixed dividends to which the shares are entitled, if any. Our preferred shares are not entitled to privileged minimum or fixed dividends and accordingly do not carry unrestricted voting rights if our Company fails to distribute the mandatory dividend (which is applicable to both common and preferred shares).

Brazilian corporate law also provides that any change in the rights of preferred shareholders, or any creation of a class of preferred shares with greater privileges than the existing preferred shares, must be approved by the holders of common shares at a shareholders’ meeting. Any such approval only becomes legally effective once it has been ratified by the majority of shareholders holding preferred shares at a special shareholders’ meeting.



Under Brazilian corporate law, minority holders of our preferred shares (with no voting rights or restricted voting rights) jointly representing at least 10% of our total capital stock have the right to elect one member of our board of directors in a separate voting process. Preferred shareholders have the right to elect two members of our board of directors in a separate voting process, pursuant to our bylaws. In addition, minority shareholders whose holding of our common shares represents at least 15% of our total voting capital stock have the right to elect one director in a separate voting process. Holders of preferred shares and common shares that represent 10% of the total share capital may combine their holdings in order to benefit from these rights.

In addition, Brazilian corporate law provides that the following rights of shareholders may not be altered either in the bylaws or by shareholders' resolutions:

- the right of holders of common shares to vote at general shareholders' meetings;
- the right to participate in the distribution of dividends (including interest paid on our capital), and to share in our remaining assets in case of liquidation;
- the right to subscribe for shares (or securities convertible into shares) in the circumstances summarized above; and
- the withdrawal rights summarized above.

Rights other than these unalterable rights may be granted or excluded in the bylaws or by shareholders' resolutions.

### ***Shareholders' Meetings***

Our board of directors has the power to call shareholders' meetings. Notice of shareholders' meetings must be published at least three times in a newspaper of general circulation (currently *Folha de São Paulo*), pursuant to Law 13,818, dated as of April 24, 2019, in force since January 1<sup>st</sup>, 2022, which waives publication in the official newspaper. Our shareholders' meetings are held at our headquarters, in the city of Barueri, State of São Paulo. Shareholders attending a shareholders' meeting must produce proof of their status as shareholders and proof that they hold the shares entitling them to vote.

Certain extraordinary matters must be approved by shareholders holding preferred shares through an extraordinary shareholders' meeting. In the first instance, our preferred shareholders representing at least 25% of our preferred shares may call an extraordinary shareholders' meeting. In the second instance, our preferred shareholders representing any number of our preferred shares may call an extraordinary shareholders' meeting, subject to the regulations of the Level 2 segment of the B3. If a specific quorum is not required by Brazilian corporate law or the regulations of the Level 2 segment of the B3, resolutions may pass by a majority vote of the preferred shareholders present.

For a summary of how a holder of ADSs may receive information regarding and attend shareholders' meetings, see the section entitled "Item 12.D.—American Depositary Shares."

### ***Directors' Power to Vote Compensation***

In accordance with our bylaws, shareholder vote at the general shareholders' meeting establishes the overall annual compensation of the management and the board of directors sets forth the individual compensation of each member of the board of directors and Board of Executive Officers.

### ***Anti-Takeover Provisions***

Differently from companies incorporated under the laws of the State of Delaware, the majority of Brazilian publicly-held companies do not employ "poison pill" provisions to prevent hostile takeovers. As most Brazilian companies have clearly identified controlling shareholders, hostile takeovers are rare and thus no developed body of case law addresses the limits on the ability of management to prevent or deter potential hostile bidders. Brazilian corporate law, Level 2 B3 rules and our bylaws require any party that acquires our control to extend a tender offer for common and preferred shares held by non-controlling shareholders at the same purchase price paid to the controlling shareholder. In addition, any shareholder whose equity interest reaches 30% of our outstanding common shares, or the Relevant Shareholding Level must effect a tender offer for all of our outstanding common shares, preferred shares and instruments convertible to our common shares or preferred shares, under the terms of Article 43 of our bylaws. The price to be offered for our common shares in the tender offer will be the highest price paid for our common shares by the offer or during the twelve months prior to the day when the holder reached the Relevant Shareholding Level, adjusted for certain relevant corporate events such as dividends payments and stock splits. The price to be offered for each of our preferred shares and instruments convertible to our common shares in the tender offer will be a price 75 times higher than the price offered for each of our common shares.

## ***Principal Differences between Brazilian and U.S. Corporate Governance Practices***

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different to the standards applicable to U.S. listed companies. Under the NYSE rules, we are required only

- to have an audit committee or audit board that meets certain requirements, pursuant to an exemption available to foreign private issuers, as discussed below;
- to provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules; and
- to provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies.

A summary of the significant differences between our corporate governance practices and those required of U.S. listed companies is included below and under “Item 16.G. Corporate Governance.”

### ***Majority of Independent Directors***

The NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the affirmative determination of the board of directors of the absence of a material relationship between a director and the listed company. Under the listing standards of Level 2 segment of the B3, our board of directors must have at least five members, at least 20% of which must be independent. Also, Brazilian corporate law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company’s executive officers and directors. While our directors meet the qualification requirements of Brazilian corporate law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE rules. Brazilian corporate law requires that our directors be elected by our shareholders at a shareholders’ meeting.

### ***Executive Sessions***

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Brazilian corporate law does not have a similar provision. According to Brazilian corporate law, up to one-third of the members of the board of directors can be elected to officer positions. Our Chairman, David Neeleman, is a member of our board of directors. As a result, the non-management directors on our board do not typically meet in executive session.

### ***Nominating Committee, Corporate Governance Committee and Compensation Committee***

NYSE rules require that listed companies have a nominating/corporate governance committee and a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee’s required purpose and detailing its required responsibilities—although as a company the majority of whose voting shares are held by another group, we would not be required to comply with this rule. The responsibilities of the nominating/corporate governance committee include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. The responsibilities of the compensation committee, in turn, include, among other things, reviewing corporate goals relevant to the chief executive officer’s compensation, evaluating the chief executive officer’s performance, approving the chief executive officer’s compensation levels and recommending to the board compensation of other executive officers, incentive compensation and equity-based plans.

We are not required under applicable Brazilian corporate law to have a nominating committee, corporate governance committee and compensation committee. Aggregate compensation for our directors and executive officers is established by our common and preferred shareholders at annual shareholders’ meetings, and our directors at board of directors’ meeting are required to determine the allocation of the aggregate compensation among their members and the officers.

### ***Audit Committee and Audit Committee Additional Requirements***

NYSE rules require that listed companies have an audit committee that:

- is composed of a minimum of three independent directors who are all financially literate;
- meets the SEC rules regarding audit committees for listed companies;
- has at least one member who has accounting or financial management expertise, and
- is governed by a written charter addressing the committee’s required purpose and detailing its required responsibilities.

The audit committee is elected by the board of directors.

### ***Shareholder Approval of Equity Compensation Plans***

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions to those plans (which may be approved for an undefined period), with limited exceptions. Under Brazilian corporate law, all stock option plans must be submitted for approval by the holders of our common shares. In addition, any issuance of new shares that exceeds our authorized share capital is subject to approval by holders of our common shares at a shareholders' meeting.

### ***Corporate Governance Guidelines***

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We comply with the corporate governance guidelines under applicable Brazilian law and the Level 2 segment of the B3. We believe the corporate governance guidelines applicable to us under Brazilian law are consistent with the NYSE guidelines. We have adopted and observe the Policy of Material Fact Disclosure, which deals with the public disclosure of all relevant information as per CVM's Resolution n. 44 guidelines (which replaces CVM Instruction n. 358), and the Policy on Trading of Securities, which requires management to disclose all transactions relating to our securities, and which is required under Level 2 segment of the B3.

### ***Code of Business Conduct and Ethics***

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Level 2 segment of the B3 has a similar requirement.

We adopted a code of business conduct and ethics in May 2009, which regulates the conduct of our managers in connection with the disclosure and control of financial and accounting information and their access to privileged and non-public information. Our code of business conduct and ethics complies with the requirements of the Sarbanes-Oxley Act of 2002, the NYSE rules and Level 2 segment of the B3 rules.

### ***Internal Audit Function***

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control.

Our internal auditing department works independently to conduct methodologically structured examinations, analysis, surveys and fact finding to evaluate the integrity, adequacy, effectiveness, efficiency and economy of the information systems processes and internal controls related to our risk management. The internal auditing department reports continually to our board of directors and audit committee and its activities are directly supervised by our audit committee, which acts under our board of directors, and is monitored by our audit and operational risk management superior committee. In carrying out its duties, the internal auditing department has access to all documents, records, systems, locations and people involved with the activities under review.

### ***Brazilian Takeover Panel (CAF)***

On January 21, 2014, we entered into an agreement to adhere to the Panel Code issued by CAF, a non-statutory non-for-profit entity organized under private law for the purpose of organizing, maintaining and administering the CAF.

The entity was created in 2013 to developing a code of best self-regulation practices, organize corporate reorganizations involving Brazilian listed companies, as well as to ensure stability in the capital market, increasing security in relation to shareholder rights.

On May 31, 2021, by deliberation of the members of the association of CAF supporters (ACAF), the entity announced the end of its activities. Therefore, as the only company adhering to CAF, Azul proposed as a topic for deliberation by its shareholders at the Ordinary and Extraordinary General Meeting held on April 28, 2022, to adjust certain provisions of its bylaws to eliminate all references to the CAF, due to its dissolution announced.

Regardless of the termination of CAF's activities, Azul, especially as a publicly-held company, will remain committed to always adopting the best market practices in eventual future reorganization, so that all the rights conferred by law or special regulation, as well any rights in favor of our shareholders provided for in our Bylaws will remain fully respected.

## C. Material Contracts

Pursuant to the restructuring of our obligations with certain aircraft lessors and OEMs, as described under “Item 4.B. Business Overview—Restructuring—Aircraft Lessor and OEM Restructuring”, on September 28, 2023, certain lessors and OEMs entered into master equity investment agreements (the “Master Equity Investment Agreements”) pursuant to which such lessors and OEMs agreed to convert, in up to 12 equal quarterly consecutive installments, an aggregate of up to US\$570.0 million of payment and other obligations owed to such lessors and OEMs into our preferred shares, if we elect to pay such credit in preferred shares. We are entitled to satisfy our obligation to issue preferred shares in respect of any installment by making a cash payment equal to the amount of the relevant payment and other obligations that would have been converted into preferred shares in such installment plus the relevant maximum upside amount as set forth in the relevant Master Equity Investment Agreement.

If we elect to pay the credits under the Master Equity Investment Agreements in preferred shares, we are required to commence making quarterly issuances of preferred shares in July 2024 (in respect of one lessor) or January 2025 (in respect of all other lessors and OEMs), with the issuance of all preferred shares issuable under the Master Equity Investment Agreements scheduled to be completed by October 2027.

The terms of the Master Equity Investment Agreements provide that the relevant payment and other obligations shall be satisfied through the issuance of preferred shares at a notional subscription price of R\$36.00 per preferred share. The terms of the Master Equity Investment Agreements provide for upside and downside limitations, whereby if the trading price of our preferred shares is lower than R\$36.00 on the date that is two business days prior to the relevant meeting of our board of directors to be held to ratify the capital increase required for the relevant quarterly issuance of preferred shares (each, a “measurement date”), we are required to compensate the relevant lessors and OEMs for the difference through the issuance of additional preferred shares. If the trading price of our preferred shares is higher than R\$39.60 on any such measurement date, the number of preferred shares issuable pursuant to the Master Equity Investment Agreements is capped at a subscription price of R\$39.60 per preferred share.

Such preferred shares issued in connection with the restructuring of our obligations with certain aircraft lessors and OEMs will have the same political and economic rights as to those of the preferred shares currently issued by us and, as such, will be subordinated to any of our senior debt.

Other than the agreements described above, we do not have material contracts that are not related to our operating activities. Our material contracts that are directly related to our operating activities include contracts relating to aircraft leases, fuel supply and other commercial agreements as well as contracts relating to our concession to operate as a commercial airline.

## D. Exchange Controls

The right to convert dividend or interest payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investments have been registered with the Central Bank and the CVM. Such restrictions on the remittance of foreign capital abroad may hinder or prevent the custodian for our preferred shares represented by our ADSs or the holders of our preferred shares from converting dividends, distributions or the proceeds from any sale of these preferred shares into U.S. dollars and remitting the U.S. dollars abroad. Holders of our ADSs could be adversely affected by delays in, or refusal to grant any, required government approval to convert Brazilian currency payments on the preferred shares underlying our ADS and to remit the proceeds abroad.

Resolution 1927 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADR holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs are entitled to favorable tax treatment under certain circumstances. See “Item 10.E. Taxation—Brazilian Tax Considerations.”

## E. Taxation

The following summary contains a description of certain Brazilian and U.S. federal income tax consequences of the acquisition, ownership and disposition of preferred shares, including in the form of ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase preferred shares, including in the form of ADSs. The summary is based upon the tax laws of Brazil and regulations thereunder and on the tax laws of the United States and regulations thereunder as of December 31, 2023, which are subject to change.

There is at present no income tax treaty between Brazil and the United States. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. Holders (as defined below) of preferred shares, including in the form of ADSs. Prospective holders of preferred shares, including in the form of ADSs, should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of preferred shares, including in the form of ADSs, in their particular circumstances.

### ***Brazilian Tax Considerations***

The following discussion summarizes the main Brazilian tax consequences of the acquisition, ownership and disposition of preferred shares or ADSs by a holder that is not domiciled in Brazil for purposes of Brazilian taxation, or a “Non-Resident Holder.” This discussion is based on Brazilian law as currently in effect, which is subject to change, possibly with retroactive effect, and to differing interpretations. Any change in such law may change the consequences described below.

The tax consequences described below do not take into account the effects of any tax treaties or reciprocity of tax treatment entered into by Brazil and other countries. The discussion also does not address any tax consequences under the tax laws of any state or locality of Brazil.

The description below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, exchange, ownership and disposition of our preferred shares or ADSs. Prospective purchasers are advised to consult their own tax advisors with respect to an investment in our preferred shares or ADSs in light of their particular investment circumstances.

### ***Income Tax***

#### ***Dividends***

Dividends paid by a Brazilian company, such as ourselves, including dividends paid to a Non-Resident Holder, are currently not subject to withholding income tax, or WHT, in Brazil, to the extent that such amounts are related to profits generated as of January 1, 1996 (Law 9249, dated December 26, 1995). Dividends paid from profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, according to the tax legislation applicable to each corresponding year.

However, there is an ongoing public political discussion in Brazil in relation to a reform in its tax system regarding income tax that may have implications to the levy of WHT on the payment of dividends.

The Brazilian National Congress is currently discussing Bill of Law No. 2,337/2021, which intends to introduce changes to the individual and corporate income tax rules. On September 2, 2021, the Brazilian Chamber of Deputies approved (base text plus highlights) the Bill of Law, which will now be sent to the Brazilian Senate.

Among the changes proposed is the return of the taxation of dividends paid by Brazilian entities inside and outside of Brazil. According to the Bill of Law, dividends would be subject to a WHT at a flat 15% rate.

The wording of the Bill of Law has undergone several changes since its presentation by the Federal Government on June 25, 2021. It is not possible to anticipate whether the Senate will also propose changes to the Bill of Law, which would imply the proposal being returned to the Brazilian Chamber of Deputies for approval before being forwarded to presidential sanction.

At any case, any potential taxation being imposed upon dividends would become effective only in the year following the enactment of the relevant law.

#### ***Interest on Shareholders' Equity***

Law 9249, dated December 26, 1995, as amended, allows a Brazilian corporation, such as ourselves, to make distributions to shareholders of interest on shareholder's equity and treat those payments as a deductible expense for purposes of calculating Brazilian corporate income tax and social contribution on net profits, both of which are taxes levied on our profits, as far as the limits described below are observed. These distributions may be paid in cash. For tax purposes, this interest on net equity is limited to the daily pro rata variation of the TJLP (long-term interest rate), as determined by the Central Bank from time to time, and the amount of the deduction may not exceed the greater of:

- 50.0% of the net profits (after the social contribution on net profits and before taking into account the provision for corporate income tax and the amounts attributable to shareholders as interest on shareholders' equity) related to the period in respect of which the payment is made; and



- 50.0% of the sum of retained profits and profit reserves as of the date of the beginning of the period in respect of which the payment is made.

Payment of interest on shareholders' equity to a Non-Resident Holder is subject to withholding income tax at the rate of 15.0%, or 25.0% in case of a resident of a Low or Nil Tax Jurisdiction (as defined below) or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Resident Holder (Normative Ruling 1455/14). These payments may be included, at their net value, as part of any mandatory dividend. The distribution of interest on shareholders' equity may be determined by our board of directors. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable Brazilian withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

Distributions of interest on shareholders' equity to Non-Resident Holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank.

Assurance cannot be given that our board of directors will not recommend that future distributions of income should be made by means of interest on shareholders' equity instead of dividends.

As mentioned in the previous section, the Brazilian National Congress is currently discussing Bill of Law No. 2,337/2021, which intends to introduce changes to the individual and corporate income tax rules. On September 2, 2021, the Brazilian Chamber of Deputies approved (base text plus highlights) the Bill of Law, which will now be sent to the Brazilian Senate.

Among other changes, the Bill of Law proposes the extinguishment of the possibility of deduction of expenses in the payment of interest on shareholders' equity.

The wording of the Bill of Law has undergone several changes since its presentation by the Federal Government on June 25, 2021. It is not possible to anticipate whether the Brazilian Senate will also propose changes to the Bill of Law, which would imply the proposal being returned to the Brazilian Chamber of Deputies for approval before being forwarded to presidential sanction.

At any case, any potential taxation being imposed would become effective only in the year following the enactment of the relevant law.

### ***Low or Nil Tax Jurisdictions***

According to Law 9430, dated December 27, 1996, as amended, Tax Favorable Jurisdiction is a country or location that (i) does not impose taxation on income, (ii) imposes income tax at a rate lower than 20%, or (3) imposes restrictions on the disclosure of shareholding composition or investment ownership.

Additionally, on June 24, 2008, Law 11727 introduced the concept of "privileged tax regime," which is defined as a tax regime that (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax benefits to non-resident entities or individuals (a) without the requirement to carry out substantial economic activity in the country or dependency or (b) contingent to the non-exercise of substantial economic activity in the country or dependency; (iii) does not tax or that taxes income generated abroad at a maximum rate of lower than 20%; or (iv) does not provide access to information related to shareholding composition, ownership of assets and rights or economic transactions carried out.

On November 28, 2014, the Brazilian tax authorities issued Ordinance 488, which decreased these minimum thresholds from 20% to 17% for specific cases. Under Ordinance 488, the 17% threshold applies only to countries and regimes aligned with international standards of fiscal transparency, in accordance with rules to be established by the Brazilian tax authorities.

We consider that the best interpretation of Law 11727/2008 that the new concept of "privileged tax regime" would be applicable solely for purposes of transfer pricing and thin capitalization rules. However, we are unable to ascertain whether or not the privileged tax regime concept will be extended to the concept of Low or Nil Tax Jurisdiction, though the Brazilian tax authorities appear to agree with our position, in view of the provisions of introduced by Normative Ruling 1037, dated as of June 4, 2010, as amended, which presents two different lists (Low or Nil Tax Jurisdictions—taking into account the non-transparency rules—and privileged tax regimes).

Notwithstanding the above, we recommend that you consult your own tax advisors regarding the consequences of the implementation of Law 11727, Normative Ruling 1037 and of any related Brazilian tax law or regulation concerning Low or Nil Tax Jurisdictions or "privileged tax regimes."

## *Taxation of Gains*

According to Brazilian tax legislation, the capital gains tax applicable to Brazilian resident individuals should also apply to non-resident investors. In this sense, gains related to the sale or disposition of assets located in Brazil, such as our common shares, by a Non-Resident Holder, are subject to withholding income tax in Brazil, regardless of whether the sale or disposition is made by a Non-Resident Holder to another non-resident of Brazil or to a Brazilian resident.

As a general rule, capital gains realized as a result of a sale or disposition of common shares are equal to the positive difference between the amount realized on the sale or disposition and the respective acquisition costs of the common shares.

There is a controversy regarding the currency that should be considered for purposes of determining the capital gain realized by a Non-Resident Holder on a sale or disposition of shares in Brazil, more specifically, if such capital gain is to be determined in foreign or in local currency. However, article 23 of Normative Ruling 1455 provides that the capital gains shall be calculated in reais.

Under Brazilian law, income tax on such gains can vary depending on the domicile of the Non-Resident Holder, the type of registration of the investment by the Non-Resident Holder with the Central Bank and how the disposition is carried out, as described below.

Currently, capital gains realized by Non-Resident Holders on a sale or disposition of shares carried out on the Brazilian stock exchange (including the organized over-the-counter market) are:

- exempt from income tax when realized by a Non-Resident Holder that (1) has registered its investment in Brazil with the Central Bank under the rules of Resolution 4373/14 of the Brazilian Monetary Council, or a 4373 Holder, and (2) is not resident or domiciled in a Low or Nil Tax Jurisdiction; or
- arguably subject to income tax at a rate of 15% in the case of gains realized by (A) a Non-Resident Holder that (1) is not a 4,373 Holder and (2) is not resident or domiciled in a Nil or Low Tax Jurisdiction; or by (B) a Non-Resident Holder that (1) is a 4,373 Holder and (2) is resident or domiciled in a Nil or Low Tax Jurisdiction; or
- subject to income tax at a rate of up to 25% in the case of gains realized by a Non-Resident Holder that is not a 4,373 Holder, and is resident or domiciled in a Nil or Low Tax Jurisdiction.

A withholding income tax of 0.005% will apply and shall be withheld by the intermediary institution (i.e., a broker) that receives the order directly from the Non-Resident Holder, which can be offset against the eventual income tax due on the capital gain. Such withholding does not apply to a 4373 Holder that is not resident or domiciled in a Low or Nil Tax Jurisdiction.

Any capital gains realized on the disposition of shares that are not carried out on the Brazilian stock exchange are:

- subject to the income tax at a rate of 15% when realized by a 4373 Holder that is not resident or domiciled in a Low or Nil Tax Jurisdiction;
- subject to income tax at progressive rates that vary from 15% to 22.5%, as further detailed below, when realized by a Non-Resident Holder that is not a 4373 Holder and is not resident or domiciled in a Low or Nil Tax Jurisdiction; and
- subject to income tax at a rate of up to 25% when realized by a Non-Resident Holder that is resident or domiciled in a Low or Nil Tax Jurisdiction.

In the cases above, if the capital gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with the intermediation of a financial institution the withholding income tax of 0.005% will apply and can be later offset against any income tax due on the capital gains.

In the case of redemption of shares or capital reduction by a Brazilian corporation, such as ourselves, the positive difference between the amount effectively received by the Non-Resident Holder and the corresponding acquisition cost is treated, for tax purposes, as capital gains derived from sale or exchange of shares that is not carried out on a Brazilian stock exchange market, and is therefore subject to income tax at the rates of 15% up to 22.5%, or up to 25%, in case of beneficiaries resident or domiciled in a Low or Nil Tax Jurisdiction.

On September 22, 2015, the Brazilian federal government enacted Provisional Measure MP 692/2015, converted into Law 13259, of March 16, 2016, or Law 13259/2016, which introduced a regime based on the application of progressive tax rates for income taxation on capital gains recognized by Brazilian individuals on the disposition of assets in general. Under Law 13259/2016, effective as from January 1, 2017, the income tax rates on capital gains recognized by Brazilian individuals, which also applies to a Non-Resident Holder, would be: (i) 15% for the part of the gain that does not exceed R\$5 million, (ii) 17.5% for the part of the gain that exceeds R\$5 million but does not exceed R\$10 million, (iii) 20% for the part of the gain that exceeds R\$10 million but does not exceed R\$30 million and (iv) 22.5% for the part of the gain that exceeds R\$30 million.

As a general rule, the increased capital gains taxation regime should apply to transactions conducted outside of the Brazilian stock exchange or the organized OTC market. Also, as a general rule, a foreign investor who is a resident of or has a domicile in a Low or Nil Tax Jurisdiction would be subject to income tax at a rate of up to 25%, as mentioned above. However, although debatable, if the Non-Resident Holder is a 4373 Holder, it is possible to sustain that the income tax should not apply at progressive rates. Furthermore, as a general rule, gains recognized by a Non-Resident Holder in transactions executed on the Brazilian stock exchange or the organized OTC market should not be subject to the increased capital gains taxation under Law 13259.

In the case of a redemption of shares or a capital reduction by a Brazilian corporation, such as ourselves, the positive difference between the amount received by a Non-Resident Holder and the acquisition cost of the shares redeemed is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the progressive rates, or the 25% flat rate mentioned above, as the case may be.

Any exercise of preemptive rights relating to shares or ADSs will not be subject to Brazilian withholding income tax. Gains realized by a Non-Resident Holder on the disposition of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposition of shares or ADSs.

There can be no assurance that the current favorable treatment of 4,373 Holders will continue in the future.

#### Sales of ADSs

Arguably, the gains realized by a Non-Resident Holder on the disposition of ADSs to another non-Brazilian resident are not subject to Brazilian tax, based on the argument that the ADSs would not constitute assets located in Brazil for purposes of Law 10833/2003. However, we cannot assure you how Brazilian courts would interpret the definition of assets located in Brazil in connection with the taxation of gains realized by a Non-Resident Holder on the disposition of ADSs to another non-Brazilian resident. As a result, gains on a disposition of ADSs by a Non-Resident Holder to Brazilian resident, or even to a Non-Resident Holder in the event that courts determine that the ADSs would constitute assets located in Brazil, may be subject to income tax in Brazil according to the rules described above.

#### Gains on the exchange of ADSs for shares

Non-Resident Holders may exchange ADSs for the underlying shares, sell the shares on a Brazilian stock exchange and remit abroad the proceeds of the sale. As a general rule, the exchange of ADSs for shares is not subject to income taxation in Brazil.

Upon receipt of the underlying shares in exchange for ADSs, Non-Resident Holders may also elect to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under 4373/2014, which will entitle them to the tax treatment referred above on the future sale of the shares.

Alternatively, the Non-Resident Holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law 4131/1962, in which case the respective sale would be subject to the tax treatment applicable to transactions carried out of by a Non-Resident Holder that is not a 4373 Holder.

#### Gains on the exchange of shares for ADSs

The deposit of shares in exchange for the ADSs by a Non-Resident Holder may be subject to Brazilian withholding income tax on capital gains if the acquisition cost is lower than the shares price verified on the exchange date. The capital gains ascertained by the Non-Resident Holder, in this case, should be subject to taxation at rates that vary from 15% to 22.5%, depending on the amount of the gain, as referred to above; or at 25% if realized by a Non-Resident Holder that is resident or domiciled in a Low or Nil Tax Jurisdiction. In certain circumstances, there may be arguments to sustain the position that such taxation is not applicable to 4,373 Holders that are not resident or domiciled in a Low or Nil Tax Jurisdiction.

## ***Tax on Foreign Exchange and Financial Transactions***

### **Foreign Exchange Transactions**

Pursuant to Decree No. 6,306, dated December 14, 2007, as amended, or Decree No. 6,306/07, the conversion of Brazilian currency into foreign currency (e.g., for purposes of paying dividends and interest) and the conversion of foreign currency into Brazilian currency may be subject to the Tax on Foreign Exchange Transactions or IOF/Exchange. For most exchange transactions, the rate of IOF/Exchange is 0.38%. However, foreign currency exchange transactions related to the inflow of funds and outflow of funds into and out of Brazil in connection with investments carried out by a foreign investor (including a Non-Resident Holder, as applicable) for investment in the Brazilian financial and capital markets, including payments of dividends and interest on shareholders' equity and the repatriation of funds invested in the Brazilian market are subject to IOF/Exchange tax at a zero percent rate. The Brazilian Government is permitted to increase the rate of the IOF/Exchange tax at any time up to 25% of the amount of the foreign exchange transaction. However, any increase in rates may only apply to transactions carried out after this increase in rate and not retroactively.

Furthermore, the IOF/Exchange is currently levied at a 0% rate on the withdrawal of ADSs into shares. Nonetheless, the Brazilian government is permitted to increase the rate at any time to a maximum of 25%, but only in relation to future transactions. However, any increase in rates may only apply to future foreign exchange transactions.

### **Tax on Transactions Involving Bonds and Securities**

Brazilian law imposes a Tax on Transactions Involving Bonds and Securities, or "IOF/Bonds," on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange. The rate of IOF/Bond Tax applicable to transactions involving the transfer of shares traded on the Brazilian stock exchange with the purpose of the issuance of depositary receipts to be traded outside Brazil is currently zero, although the Brazilian government may increase such rate at any time up to 1.5% of the transaction amount per day, but only in respect of future transactions.

On December 24, 2013, the Brazilian government reduced the IOF/Bonds Tax to zero for transactions involving the deposit of shares which are issued by a Brazilian company admitted to trade on the Brazilian stock exchange with the specific purpose of enabling the issuance of depositary receipts traded outside Brazil. Any increase in this rate may only apply to future transactions.

### ***Other Brazilian Taxes***

There are no Brazilian federal inheritance, gift or succession taxes applicable on the ownership, transfer or disposition of shares by individuals or entities not domiciled in Brazil. Gift and inheritance taxes, however, may be levied by some states in Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or in the relevant state to individuals or entities that are resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration, or similar taxes payable by holders of shares, or shares comprised of shares.

## ***Material U.S. Federal Income Tax Consequences***

The following discussion is a general discussion of the material U.S. federal income tax consequences relating to the acquisition, ownership and disposition of preferred shares, including in the form of ADSs. This discussion deals only with U.S. Holders (as defined below) that purchase the preferred shares, including in the form of ADSs, for cash and that hold preferred shares, including in the form of ADSs, as capital assets (generally, property held for investment). This discussion does not purport to address all of the tax considerations that may be relevant to U.S. Holders based upon their particular circumstances and may not apply to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks or other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes or investors in such entities or arrangements, investors liable for alternative minimum taxes, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that hold preferred shares, including in the form of ADSs, as part of a straddle or hedging, constructive sale, integrated or conversion transactions for U.S. federal income tax purposes, a person that actually or constructively owns 10% or more of the total combined voting power or value in our stock, traders in securities that have elected the mark-to-market method of accounting for their securities, or persons whose functional currency is not the U.S. dollar).

The discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed U.S. Treasury regulations thereunder, published rulings and court decisions, and all subject to change at any time, perhaps with retroactive effect.

No assurance can be given that the Internal Revenue Service, or the IRS, will agree with the views expressed in this discussion, or that a court will not sustain any challenge by the IRS in the event of litigation. This discussion does not include any description of the tax laws of any state, local, municipal or non-U.S. government that may be applicable to a particular investor and does not consider the Medicare tax on net investment income or any aspects of U.S. federal tax law other than income taxation.

As used herein, the term “U.S. Holder” means a beneficial owner of a preferred share, including in the form of an ADS, that is, for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States; (b) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust (i) if a court within the United States can exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of the substantial decisions of that trust or (ii) the trust had a valid election in effect under current U.S. Treasury regulations to be treated as a U.S. person. If a partnership or an entity or an arrangement that is treated as a partnership for U.S. federal income tax purposes holds preferred shares, including in the form of ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in partnerships that hold preferred shares, including in the form of ADSs, are encouraged to consult their tax advisors.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes. See the discussion under “—Passive Foreign Investment Company Considerations” below.

The discussion below assumes that the representations contained in the ADS deposit agreement are true and that the obligations in the ADS deposit agreement and any related agreements will be complied with in accordance with their terms. In general, for U.S. federal income tax purposes, U.S. Holders who own ADSs will be treated as the beneficial owners of the preferred shares represented by those ADSs. Accordingly, the surrender of ADSs in exchange for preferred shares (or vice versa) will not result in the realization of gain or loss for U.S. federal income tax purposes. The rest of this discussion assumes that a holder of an ADS will be treated for U.S. federal income tax purposes as directly holding the underlying preferred shares. The U.S. Treasury Department has expressed concern that depositories for ADRs, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. Holders of such receipts or shares. These actions would also be inconsistent with claiming the reduced rate for “qualified dividend income” described below. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Brazilian withholding taxes and availability of the reduced rate for qualified dividend income could be affected by future actions that may be taken by the depository and the U.S. Treasury Department.

Each person considering the acquisition of preferred shares, including in the form of ADSs, is encouraged to consult its own independent tax advisor regarding the specific U.S. federal, state, local and foreign income and other tax considerations of the acquisition, ownership and disposition of the preferred shares, including in the form of ADSs.

### ***Taxation of Dividends and Other Distributions***

Subject to the PFIC rules discussed below, distributions of cash or property with respect to preferred shares, including in the form of ADSs, (including any distributions paid in the form of interest on shareholders’ equity for Brazilian tax purposes and the amount of any Brazilian taxes withheld on any such distribution, if any) will constitute ordinary dividend income to the extent of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes). Dividends generally will be includible in a U.S. Holder’s gross income on the day on which the dividends are received by the depository in the case of a holder of ADSs, or by the U.S. Holder in the case of a holder of preferred shares, not in the form of ADSs. Any distributions in excess of such earnings and profits will constitute a nontaxable return of capital and reduce a U.S. Holder’s tax basis in such preferred shares or ADSs. To the extent such distributions exceed a U.S. Holder’s tax basis in its preferred shares or ADSs, such excess will constitute capital gain and generally will be treated as described below under “Item 10.E. Taxation—Material U.S. Federal Income Tax Consequences—Sale or Other Taxable Disposition of Preferred Shares, Including in the Form of ADSs.” Because we do not intend to maintain calculations of our earnings and profits on the basis of U.S. federal income tax principles, U.S. Holders should expect that any distribution paid generally will be reported to them as a dividend. Dividends on preferred shares, including in the form of ADSs, will not be eligible for the dividends received deduction allowed to U.S. corporations.



A U.S. Holder may be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim a U.S. foreign tax credit in respect of any Brazilian income taxes withheld on dividends received in respect of the preferred shares, including those in the form of ADSs. A U.S. Holder who does not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such income taxes provided the U.S. Holder elects to deduct (rather than credit) all foreign income taxes for that year. Dividends received in respect of preferred shares, including in the form of ADSs, generally will be treated as foreign-source income, subject to various classifications and other limitations and generally will be treated as passive category income for most U.S. Holders for purposes of the foreign tax credit limitation. Treasury regulations that apply to taxes paid or accrued in taxable years beginning on or after December 28, 2021, or the Foreign Tax Credit Regulations, impose additional requirements for foreign taxes to be eligible for a U.S. foreign tax credit, and there can be no assurance that those requirements will be satisfied. A recent notice from the IRS provides temporary relief from the Foreign Tax Credit Regulations by allowing taxpayers to apply a modified version of the regulations for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance), provided that the taxpayer consistently applies such modified version of the U.S. Treasury regulations and complies with other specific requirements set forth in the notice. However, for any period in which we are treated as a “United States-owned foreign corporation,” a portion of any dividends paid by us during such period may be treated as U.S. source solely for purposes of the foreign tax credit. We would be treated as a United States-owned foreign corporation if 50% or more of the total value or total voting power of our shares is owned, directly, indirectly or by attribution, by United States persons. To the extent any portion of our dividends is treated as U.S.-source income pursuant to this rule, the ability of a U.S. Holder to claim a foreign tax credit for any Brazilian withholding taxes payable in respect of our dividends may be limited. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are encouraged to consult their own tax advisors regarding the availability of foreign tax credits under their particular circumstances.

Dividends paid in reais (including the amount of any Brazilian taxes withheld therefrom, if any) will be includible in a U.S. Holder’s gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the reais are received by the depositary, in the case of a holder of ADSs, or by the U.S. Holder in the case of a holder of preferred shares not in the form of ADSs, regardless of whether the dividends are converted into U.S. dollars. If the reais are converted to U.S. dollars on the date of such receipt, a U.S. Holder generally will not recognize a foreign currency gain or loss. However, if the U.S. Holder converts the reais into U.S. dollars on a later date, the U.S. Holder must include in gross income any gain or loss resulting from any exchange rate fluctuations. The gain or loss will be equal to the difference between (i) the U.S. dollar value of the amount included in income when the dividend was received and (ii) the amount received on the conversion of the reais into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in a U.S. Holder’s gross income to the date such payment is converted into U.S. dollars will be foreign currency gain or loss and will be treated as ordinary income or loss. Such gain or loss generally will be treated as income from sources within the United States. U.S. Holders are encouraged to consult their own independent tax advisors regarding the treatment of foreign currency gain or loss, if any, on any reais received that are converted into U.S. dollars on a date subsequent to receipt by the depositary or the U.S. Holder, as the case may be.

Distributions treated as dividends that are received by a non-corporate U.S. Holder (including an individual) from “qualified foreign corporations” generally qualify for a reduced maximum tax rate so long as certain holding period and other requirements are met. Dividends paid on preferred shares, including in the form of ADSs, should qualify for the reduced rate if we are treated as a “qualified foreign corporation.” For this purpose, a qualified foreign corporation means any foreign corporation provided that: (i) the corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC (as discussed below), (ii) certain holding period requirements are met and (iii) either (A) the corporation is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules or (B) the stock with respect to which such dividend was paid is readily tradable on an established securities market in the United States. The ADSs are listed on the NYSE and should be considered to be readily tradable on an established securities market in the United States. Based on existing guidance, it is not entirely clear whether dividends received with respect to the preferred shares not represented by ADSs will be treated as qualified dividend income because the preferred shares are not themselves listed on a U.S. exchange. U.S. Holders are encouraged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the preferred shares, including in the form of ADSs.

### ***Sale or Other Taxable Disposition of Preferred Shares, Including in the Form of ADSs***

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of preferred shares, including in the form of ADSs, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other taxable disposition and such U.S. Holder's tax basis in such preferred shares or ADSs. The amount realized on a sale or other taxable disposition of preferred shares, including in the form of ADSs, generally will be equal to the amount of cash or the fair market value of any other property received. The initial tax basis of a U.S. Holder's preferred shares, including in the form of ADSs, will be the U.S. dollar value of the reais denominated purchase price determined on the date of purchase. Gain or loss recognized by a U.S. Holder on such sale or other taxable disposition generally will be long-term capital gain or loss if, at the time of the sale or other taxable disposition, the preferred shares, including those in the form of ADSs, have been held for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deduction of a capital loss is subject to limitations for U.S. federal income tax purposes.

If Brazilian income tax is withheld on the sale or other taxable disposition of preferred shares, including in the form of ADSs, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale or other taxable disposition before deduction of the Brazilian income tax. Capital gain or loss, if any, recognized by a U.S. Holder on the sale or other taxable disposition of preferred shares, including in the form of ADSs, generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a preferred share, including in the form of an ADS, that is subject to Brazilian income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian income tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources or if the U.S. Holder consistently elects to apply a modified version of the Foreign Tax Credit Regulations that is permitted under recently issued temporary guidance and complies with the specific requirements set forth in such guidance. Alternatively, the U.S. Holder may take a deduction for any otherwise creditable tax in computing taxable income for U.S. federal income tax purposes, provided that the U.S. Holder elects to deduct all foreign taxes paid or accrued for the taxable year. The rules governing foreign tax credits are complex and a U.S. Holder is encouraged to consult its own tax advisor regarding the availability of foreign tax credits under its particular circumstances.

### ***Passive Foreign Investment Company Considerations***

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either:

- at least 75% of its gross income is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, dividends, interest, rental, royalties, gains from the disposition of passive assets (other than gains from the disposition of property that is inventory) and gains from commodities and securities transactions. In addition, if the non-U.S. corporation owns, directly or indirectly, at least 25%, by value, of the shares of another corporation, it will be treated as if it holds directly its proportionate share of the assets and receives directly its proportionate share of the income of such other corporation.

The determination as to whether a non-U.S. corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, the composition of the income and assets of the non-U.S. corporation from time to time and the nature of the activities performed by such non-U.S. corporation. Based on current estimates of our gross income and gross assets, the nature of our business and our current business plans (all of which are subject to change), we do not expect to be classified as a PFIC for our 2023 taxable year and our current taxable year (although the determination cannot be made until the end of such taxable year), and we intend to continue our operations in such a manner that we do not expect to be classified as a PFIC in the foreseeable future. There can be no assurance in this regard, because the PFIC determination is made annually and is based on the portion of our assets and income that is characterized as passive under the PFIC rules.

If we are or become a PFIC for any taxable year during which a U.S. Holder holds preferred shares, including in the form of ADSs, the U.S. Holder will be subject to special tax rules with respect to any “excess distributions” that the U.S. Holder receives and any gain realized from a sale or other disposition of the preferred shares, including those in the form of ADSs, unless the U.S. Holder makes a “mark-to-market” election or a “qualified electing fund,” or QEF, election, as discussed below. Distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder during the shorter of the three preceding taxable years or the U.S. Holder’s holding period for the preferred shares, including those in the form of ADSs, will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the preferred shares, including those in the form of ADSs;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the preferred shares, including those in the form of ADSs, cannot be treated as capital, even if a U.S. Holder holds the preferred shares or ADSs as capital assets. If we were a PFIC, certain subsidiaries and other entities in which we have a direct or indirect interest may also be PFICs, or Lower-tier PFICs. Under attribution rules, U.S. Holders would be deemed to own their proportionate shares of Lower-tier PFICs and would be subject to U.S. federal income tax according to the rules described above on (i) certain distributions by a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the U.S. Holder held such shares directly, even though such U.S. Holder had not received the proceeds of those distributions or dispositions.

If we are a PFIC, a U.S. Holder may avoid taxation under the rules described above by making a QEF election to include such U.S. Holder’s share of our income on a current basis, provided that we furnish such U.S. Holder annually with certain tax information. If we conclude that we should be treated as a PFIC for any taxable year, we intend to notify each U.S. Holder of such conclusion. However, there can be no guarantee that we will be willing or able to provide the information needed by any U.S. Holder to make a QEF election with respect to the preferred shares, including in the form of ADSs.

If a U.S. Holder makes a QEF election, such U.S. Holder will generally be taxable currently on its pro rata share of our ordinary earnings and net capital gains (at ordinary income and capital gain rates, respectively) for each taxable year during which we are treated as a PFIC, regardless of whether or not such U.S. Holder receives distributions, so that the U.S. Holder may recognize taxable income without the corresponding receipt of cash from us with which to pay the resulting tax obligation. The basis in the preferred shares, including those in the form of ADSs, held by such U.S. Holder will be increased to reflect taxed but undistributed income. Distributions of income that were previously taxed will result in a corresponding reduction of tax basis in the preferred shares, including those in the form of ADSs, and will not be taxed again as distributions to the U.S. Holder.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election with respect to such stock (but not for the shares of any Lower-tier PFIC) to elect out of the tax treatment discussed above. A U.S. Holder electing the mark-to-market regime generally would compute gain or loss at the end of each taxable year as if the preferred shares, including those in the form of ADSs, had been sold at fair market value. Any gain recognized by the U.S. Holder under mark-to-market treatment, or on an actual sale, would be treated as ordinary income, and the U.S. Holder would be allowed an ordinary deduction for any decrease in the value of its preferred shares, including those in the form of ADSs, as of the end of any taxable year, and for any loss recognized on an actual sale, but only to the extent, in each case, of previously included mark-to-market income not offset by previously deducted decreases in value. Any loss on an actual sale of preferred shares, including those in the form of ADSs, would be a capital loss to the extent in excess of previously included mark-to-market income not offset by previously deducted decreases in value. A U.S. Holder’s tax basis in preferred shares, including those in the form of ADSs, will be adjusted to reflect any such income or loss amounts included in gross income. If a U.S. Holder makes such an election, the tax rules that apply to distributions by corporations that are not PFICs would apply to distributions by us, except that the reduced rate discussed above under “Item 10.E. Taxation—Material U.S. Federal Income Tax Consequences—Taxation of Dividends and Other Distributions” would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading listing, financial disclosure and other requirements set forth in the U.S. Treasury regulations. The NYSE is a qualified exchange. The ADSs are listed on the NYSE and, consequently, if the ADSs are regularly traded, the mark-to-market election would be available to a U.S. Holder of ADSs if we were treated as a PFIC. Our preferred shares are listed on the B3. It is unclear, however, whether the B3 would meet the requirements for a “qualified exchange.” As mentioned above, however, the mark-to-market election will not be available for Lower-tier PFICs, so U.S. Holders would remain subject to the interest charge and other rules described above with respect to Lower-tier PFICs.

A U.S. Holder who owns preferred shares, including in the form of ADSs, during any taxable year that we are treated as a PFIC generally would be required to file IRS Form 8621. U.S. Holders are encouraged to consult their own tax advisors regarding the application of the PFIC rules to the preferred shares, including those in the form of ADSs, the availability and advisability of making a mark-to-market election to avoid the adverse tax consequences of the PFIC rules should we be considered a PFIC for any taxable year and the application of the reporting requirements on IRS Form 8621 to their particular situation.

### ***U.S. Information Reporting and Backup Withholding***

Dividend payments with respect to preferred shares, including in the form of ADSs, and proceeds from the sale, exchange or redemption of preferred shares, including in the form of ADSs, may be subject to information reporting to the IRS and possible U.S. backup withholding at a current rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding and establishes such exempt status. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund in a timely manner with the IRS and furnishing any required information. U.S. Holders are encouraged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

In addition, U.S. Holders should be aware that additional reporting requirements apply (including a requirement to file IRS Form 8938, Statement of Specified Foreign Assets) with respect to the holding of certain foreign financial assets, including stock of foreign issuers which is not held in an account maintained by certain financial institutions, if the aggregate value of all of such assets exceeds US\$50,000 at the end of the taxable year or US\$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. U.S. Holders are encouraged to consult their own tax advisors regarding the application of the information reporting rules to preferred shares, including in the form of ADSs, and the application of these additional reporting requirements for foreign financial assets to their particular situations.

## **F. Dividends and Payment Agents**

Not applicable.

## **G. Statements by Experts**

Not applicable.

## **H. Documents on Display**

We are subject to the informational requirements of the Exchange Act, applicable to foreign private issuers and, in accordance therewith, file reports and other information with the SEC. Accordingly, we will be required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy the reports and other information to be filed with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington D.C. 20549. Copies of the materials may be obtained from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the SEC’s Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at <http://www.sec.gov>, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. Registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we will be required to file annual reports on Form 20-F within the time period required by the SEC, which is currently four months from December 31, the end of our fiscal year. As a foreign private issuer, we are exempt from Exchange Act rules regarding proxy statements and short-swing profits.

We will provide the depositary with annual reports in English, which will include a review of operations and annual audited consolidated financial statements prepared in accordance with IFRS.

You may request a copy of our SEC filings, at no cost, by contacting us at our headquarters at Avenida Marcos Pentead de Ulhôa Rodrigues, n. 939, 8<sup>th</sup> floor, Edifício Jatobá, Condomínio Castelo Branco Office Park, Tamboré, Zip Code 06460-040, in the city of Barueri, state of São Paulo – Brazil, or by phone at the number +55 (11) 4831-2880, Attention: Investor Relations Department.

## **I. Subsidiary Information**

For information on subsidiaries, see “Item 4.C. Organizational Structure” and “Note 1. Operations” to our audited consolidated financial statements as of December 31, 2023 and 2022 and for the year ended December 31, 2023 included in “Item 18. Financial Statements” and Exhibit 8.1 to this annual report.

## **J. Annual Report to Security Holders**

Not applicable.

# **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***General***

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market prices. Any such changes may adversely affect the value of our financial assets and liabilities or our future cash flows and results of operations. We have entered into derivative contracts and other financial instruments for the purpose of hedging against variations in these factors.

We have also implemented policies and procedures to evaluate such risks and approve and monitor our derivative transactions. Our risk management policy was implemented on April 14, 2011 and was revised on March 9, 2020. It is our policy not to participate in any trading of derivatives for speculative purposes. We measure our financial derivative instruments at fair value which is determined using quoted market prices, standard option valuation models or values provided by the counterparty.

Outstanding financial derivative instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. The counterparties to our derivative transactions are major financial institutions with strong credit ratings and we do not expect the counterparties to fail to meet their obligations. We do not have significant exposure to any single counterparty in relation to derivative transactions, and we believe the credit exposure related to our counterparties is negligible.

Market risk includes three types of risk: interest rate, foreign currency and commodity price risk. The sensitivity analyses provided below do not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes.

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market interest rates. Our exposure to the risk of changes in market interest rates refers primarily to long-term obligations (including lease liabilities and other financing) subject to variable interest rates. To manage this risk, we engage in interest rate swaps, whereby we agree to exchange, at specified intervals, the difference between the values of fixed and variable interest rates calculated based on the notional principal amount agreed between the parties.

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



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

### **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in foreign exchange rates. Most of our revenues are linked to the *real* and our exposure to the risk of changes in exchange rates refers primarily to loans and lease liabilities indexed to the U.S. dollar (net of investments in U.S. dollars), maintenance reserves and to our TAP Bonds denominated in Euros. Also, slightly over half of our operating expenses are either payable in or affected by the U.S. dollar, such as aviation fuel, aircraft lease payments and certain flight hour maintenance contract payments. Therefore, we enter into currency forward contracts for periods with a currency exposure of up to 12 months.

Additionally, as part of our international operations, we maintain offshore bank accounts in U.S. dollars that serve as natural hedges. As of December 31, 2023, we held a U.S. dollar balance of cash and cash equivalents and short-term investments of US\$ 9.3 million.

We constantly monitor the net exposure in foreign currency and evaluate the contracting of hedge transactions to protect the non-operating cash flow, projecting for a maximum period of up to 12 months, and a longer term if deemed appropriate, to minimize its exposure.

### **Commodity Price Risk**

The volatility of aviation fuel prices is one of the most significant market risks for airlines. For the years ended December 31, 2023, 2022 and 2021, aviation fuel accounted for 34.9%, 45.2% and 32.8%, respectively, of our operating expenses, which are linked or denominated in U.S. dollars, are volatile and cannot be predicted with any degree of certainty as they are subject to many global and geopolitical factors. For example, oil prices experienced substantial variances beginning in 2009 and through June 2018. In addition, largely as a result of the war between Russia and Ukraine, Brent oil prices sharply increased from about US\$75 per barrel at the end of 2021 to US\$128 per barrel on March 8, 2022. As of December 31, 2023, the Brent oil price was US\$77 per barrel. Airlines often use WTI crude or heating oil future contracts to protect their exposure to jet fuel prices. We attempt to mitigate fuel price volatility primarily through derivative financial instruments or a fixed price agreement with Vibra Energia.

### **Sensitivity Analysis**

Our sensitivity analysis measures the impact of interest rate risk, foreign currency risk, and commodity price risk on the results of operations considering two different scenarios: (i) the adverse scenario, which assumes that the relevant interest rate, foreign currency or fuel price will worsen by 25% and (ii) the remote scenario, which assumes that relevant interest rate, exchange rate or fuel price will worsen by 50%. For information on risk management, see "Note 35. Risk Management" to our audited consolidated financial statements as of the year ended December 31, 2023.

Risk Factor	Financial Instrument	Risk	As of December 31, 2023	
			Adverse Scenario	Remote Scenario
			(in thousands of R\$)	
Financing	Interest rate	CDI	19,602	39,205
Financing	Interest rate	LIBOR	(1,309)	(2,618)
Financing	Interest rate	SOFR	(5,648)	(11,297)
Assets	Exchange rate	Euro rate decrease	(196,820)	(393,640)
Liabilities and aircraft leases	Exchange rate	U.S. dollar rate increase	(6,606,669)	(13,213,337)
Aircraft fuel	Cost per liter	Fuel price	(1,472,621)	(2,945,243)

## PART II

### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

#### A. Debt Securities

Not applicable.

#### B. Warrants and Rights

Not applicable

#### C. Other Securities

Not applicable.

#### D. American Depositary Shares

##### *American Depositary Shares*

Citibank, N.A., as depositary, will register and deliver the ADSs. Each ADS represents the right to receive three preferred shares (which ratio may be changed, as described below) in registered form, deposited with the office of Itaú Corretora de Valores S.A. as custodian for the depositary. Each ADS will also represent the right to receive any other securities, cash or other property which may be received on behalf of the owner of the ADSs but not distributed by the depositary to the owners of ADSs because of legal restrictions or practical considerations. The principal executive office of the depositary is located at 388 Greenwich Street, New York, New York 10013.

The preferred shares are listed for trading on the Level 2 listing segment of the B3, and the ADSs are listed for trading on the NYSE.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have shareholder rights. Brazilian law governs shareholder rights. The depositary, the custodian and their respective nominees will be the holders of the preferred shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder and beneficial owner rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see “Exhibit 2.1.”

##### *Holding the ADSs*

###### *How will you hold your ADSs?*

You may hold ADSs (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name or through your broker or other financial institution, or (b) by holding ADSs in DRS. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly, by means of an ADR registered in your name. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

## ***Dividends and Other Distributions***

### ***How will you receive dividends and other distributions on the shares?***

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on preferred shares or other deposited securities, after deducting its fees and expenses and any taxes and government charges. You will receive these distributions in proportion to the number of preferred shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our preferred shares) set by the depositary with respect to the ADSs.

- ***Cash.*** The depositary will convert or cause to be converted any cash dividend or other cash distribution we pay on the preferred shares or any net proceeds from the sale of any preferred shares, rights, securities or other entitlements under the terms of the deposit agreement into U.S. dollars, if it can do so on a practicable basis and can transfer such U.S. dollars to the United States and will distribute the amount thus received. If such conversions or transfers are not practical or lawful or if any government approval or license is needed and cannot be obtained, the deposit agreement allows the depositary to either distribute the foreign currency only to those ADS holders to whom it is possible to do so, or hold or cause the custodian to hold the foreign currency for the account of the ADS holders who have not been paid and such funds will be held for the respective accounts of the ADS holders. The depositary will not invest the foreign currency and will not be liable for any interest for the respective accounts of the ADS holders.

Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, will be deducted. See “Item 10.E—Taxation.” If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

- ***Shares.*** For any preferred shares we distribute as a dividend or free distribution, either (1) the depositary will distribute additional ADSs representing the right to receive such preferred shares or (2) existing ADSs as of the applicable record date will represent rights and interests in the additional preferred shares distributed, to the extent reasonably practicable and permissible under law, in either case, net of applicable fees, charges and expenses incurred by the depositary and taxes and/or other governmental charges. The depositary will only distribute whole ADSs. It will try to sell preferred shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. The depositary may sell a portion of the distributed preferred shares sufficient to pay its fees and expenses in connection with that distribution. There can be no assurance that you will be given the opportunity to receive distributions under the same terms and conditions as the holders of preferred shares.
- ***Elective Distributions in Cash or Shares.*** If we offer holders of our preferred shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice from us as described in the deposit agreement of such elective distribution by us, and if we have indicated that we wish to make such elective distribution available to you, has discretion to determine to what extent such elective distribution is lawful and reasonably practicable, and thus, whether it can be made available to you as a holder of the ADSs. The depositary will not make such elective distribution to you until we first timely instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is lawful to do so. The depositary could decide it is not lawful or reasonably practicable to make such elective distribution available to you. In such case, the depositary shall, on the basis of the same determination as is made in respect of the preferred shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing the right to receive preferred shares in the same way as it does in a share distribution. The depositary will not be obligated to make available to you a method to receive the elective dividend in preferred shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of preferred shares.
- ***Rights to Purchase Additional Shares.*** If we offer holders of our preferred shares any rights to subscribe for additional shares, the depositary shall, having received timely notice as described in the deposit agreement of such distribution by us, consult with us, and determine whether it is lawful and reasonably practicable to make these rights available to you. The depositary will not make rights available to you unless we first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is lawful and reasonably practicable to do so, and such other documentation as is provided in the deposit agreement. If it is not lawful and reasonably practicable to make the rights available but it is lawful and reasonably practicable to sell the rights, the depositary will attempt to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to you, it will establish procedures to distribute such rights and enable you to exercise the rights upon your payment of applicable fees, charges and expenses incurred by the depositary and taxes and/or other governmental charges. The depositary shall not be obliged to make available to you a method to exercise such rights to subscribe for preferred shares (rather than ADSs).

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

There can be no assurance that you will be given rights on the same terms and conditions as the holders of preferred shares or be able to exercise such rights.

- **Other Distributions.** Subject to receipt of timely notice and satisfactory documents by the depositary, as described in the deposit agreement, from us with our request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and in accordance with the terms of the deposit agreement, the depositary will distribute to you anything else we distribute on deposited securities by any means it may deem practicable, upon your payment of applicable fees, charges and expenses incurred by the depositary and taxes and/or other governmental charges. The depositary may attempt to sell all or a portion of the distributed property sufficient to pay its fees and expenses in connection with that distribution. If any of the conditions above are not met, the depositary will attempt to sell, or cause to be sold, what we distributed and distribute the net proceeds in the same way as it does with cash; or, if it is unable to sell such property, the depositary may dispose of such property in any way it deems reasonably practicable under the circumstances for nominal or no consideration, such that you may have no rights to or arising from such property.

The depositary is not responsible if it is unlawful or impracticable to make a distribution available to any ADS holders. We have no obligation to register ADSs, preferred shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, preferred shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our preferred shares or any value for them if we or the depositary determine that it is not lawful or not practicable for us or the depositary to make them available to you. The depositary will hold any cash amounts or property it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until a distribution can be effected or such amounts and property that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

## ***Deposit, Withdrawal and Cancellation***

### ***Which shares shall be accepted for deposit?***

No preferred shares shall be accepted for deposit unless accompanied by confirmation or such additional evidence, if any is required by the depositary, that is reasonably satisfactory to the depositary and the custodian that all conditions to such deposit have been satisfied by the person depositing such preferred shares under the laws and regulations of Brazil and any necessary approval has been granted by the CVM, the Central Bank or any governmental body in Brazil, if any, which is then performing the function of the regulator of currency exchange.

The depositary shall not be required to accept for deposit or maintain on deposit with the custodian (a) any fractional preferred shares or fractional deposited securities, or (b) any number of preferred shares or deposited securities which, upon application of the ratio of ADSs to deposited securities, would give rise to fractional ADSs.

### ***How are ADSs issued?***

The depositary will deliver ADSs if you or your broker deposits preferred shares or evidence of rights to receive preferred shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, and upon presentation of the applicable deposit certification, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto. Your ability to deposit shares and receive ADSs may be limited by U.S. and Brazilian legal considerations applicable at the time of deposit.

### ***How do ADS holders cancel an ADS?***

You may present (or provide appropriate instructions to your broker to present) your ADSs to the depository for cancellation and then receive the corresponding number of underlying preferred shares at the custodian's offices. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will deliver the preferred shares and any other deposited securities underlying the ADSs to you or a person you designate. The depository may ask you to provide documents as the depository may deem appropriate before it will cancel your ADSs and deliver the underlying preferred shares and any other property.

### ***How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?***

You may surrender your ADR to the depository for the purpose of exchanging your ADR for uncertificated ADSs. The depository will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depository of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs and provided the continued availability of certified ADSs in the U.S., the depository will execute and deliver to you an ADR evidencing those ADSs.

## ***Voting Rights***

### ***How do you vote?***

If certain conditions in the deposit agreement are satisfied as further described below, you may instruct the depository to vote the preferred shares or other deposited securities underlying your ADSs at any meeting at which holders of preferred shares or other deposited securities are entitled to vote pursuant to any applicable law, the provisions of our bylaws and other constitutive documents, and the provisions of or governing the deposited securities. Otherwise, you could exercise your right to vote directly if you withdraw the preferred shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the preferred shares. Our preferred shares have limited voting rights. See "Item 10.B. Memorandum and Articles of Association—Rights of Our Common and Preferred Shares—Voting Rights."

Upon timely notice from us by regular, ordinary mail delivery, or by electronic transmission, as described in the deposit agreement, the depository will notify you of the upcoming meeting at which you are entitled to vote pursuant to any applicable law, the provisions of our bylaws and other constitutive documents, and the provisions of or governing the deposited securities, and arrange to deliver our voting materials to you. The materials will include or reproduce (a) such notice of meeting or solicitation of consents or proxies; (b) a statement that the ADS holders at the close of business on the ADS record date will be entitled, subject to any applicable law, the provisions of our bylaws and other constitutive documents, and the provisions of or governing the deposited securities (which provisions, if any, shall be summarized in pertinent part by us), to instruct the depository as to the exercise of the voting rights, if any, pertaining to the preferred shares or other deposited securities represented by such holder's ADSs; and (c) a brief statement as to the manner in which such instructions may be given. Voting instructions may be given only in respect of a number of ADSs representing an integral number of preferred shares or other deposited securities. For instructions to be valid, the depository must receive them in writing on or before the date specified by the depository in its notice to ADS holders. The depository will endeavor, insofar as practicable and permitted under applicable law, the provisions of the deposit agreement, our bylaws and the provisions of or governing the deposited securities, to vote or cause the custodian to vote the preferred shares or other deposited securities (in person or by proxy) as you instruct. The depository will only vote or attempt to vote as you instruct provided that if the depository timely receives voting instructions from you that fail to specify the manner in which deposited securities are to be voted, you will be deemed to have instructed the depository to vote in favor of the items in the voting instructions. Preferred shares or other deposited securities represented by ADSs for which no specific voting instructions are received by the depository from the ADS holder shall not be voted except as provided below. Without limiting any of the foregoing, to the extent the depository does not receive voting instructions from ADS holders, the depository will take such actions as are necessary, upon our written request and subject to applicable law and the terms of the deposited securities, to cause the amount of shares represented by ADSs of those ADS holders to be counted for the purpose of satisfying applicable quorum requirements.



If (i) we make a timely request to the depositary as contemplated above and (ii) no timely voting instructions are received by the depositary from you with respect to the deposited securities represented by your ADSs on or before the date established by the depositary for such purpose, the depositary shall deem you to have instructed the depositary to give a discretionary proxy to a person designated by our board of directors with respect to such deposited securities and the depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the deposit agreement, our bylaws and the provisions of the deposited securities, to give or cause the custodian to give a discretionary proxy to a person designated by our board of directors to vote such deposited securities; provided, however, that no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which our board of directors informs the depositary that (x) we do not wish such proxy given, (y) substantial opposition exists or (z) such matter materially and adversely affects the rights of holders of preferred shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the preferred shares underlying your ADSs. In addition, there can be no assurance that you will be given the opportunity to vote or cause the custodian to vote on the same terms and conditions as the holders of our preferred shares.

The depositary and its agents are not liable for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and you may have no recourse if the preferred shares underlying your ADSs are not voted as you request.

## ***Compliance with Regulations***

### ***Information Requests***

Each ADS holder and beneficial owner shall (a) provide such information as we or the depositary may request pursuant to law, including, without limitation, relevant Brazilian law, any applicable law of the United States of America, the rules and requirements of the B3, our bylaws and other constitutive documents, any resolutions of our board of directors adopted pursuant to such bylaws, the requirements of any markets or exchanges upon which the preferred shares, ADSs or ADRs are listed or traded, or to any requirements of any electronic book-entry system by which the ADSs or ADRs may be transferred, regarding the capacity in which they own or owned ADSs, the identity of any other persons then or previously interested in such ADSs and the nature of such interest, and any other applicable matters, and (b) be bound by and subject to applicable provisions of the laws of Brazil, our bylaws and other constitutive documents, and the requirements of any markets or exchanges upon which the ADSs or preferred shares are listed or traded, or pursuant to any requirements of any electronic book-entry system by which the ADSs or preferred shares may be transferred, to the same extent as if such ADS holder or beneficial owner held preferred shares directly, in each case irrespective of whether or not they are ADS holders or beneficial owners at the time such request is made.

### ***Disclosure of Interests***

Each ADS holder and beneficial owner shall comply with our requests pursuant to Brazilian law, the rules and requirements of the CVM and the B3, and any other stock exchange on which the preferred shares are, or will be, registered, traded or listed or our bylaws and other constitutive documents, which requests are made to provide information, *inter alia*, as to the capacity in which such ADS holder or beneficial owner owns ADS and regarding the identity of any other person interested in such ADS and the nature of such interest and various other matters, whether or not they are ADS holders or beneficial owners at the time of such requests.

### ***Delivery of Information to the CVM, the Central Bank and the B3***

We will comply with Brazil's Monetary Council Resolution 4373, dated as of September 29, 2013, and will furnish to the CVM, the Central Bank and the B3, whenever required, information or documents related to the approved ADR program, the deposited securities and distributions thereon. The depositary and the custodian may release such information or documents and any other information as required by local regulation, law or regulatory body request.

### ***Ownership Restrictions***

We may restrict transfers of the preferred shares where such transfer might result in ownership of preferred shares exceeding limits imposed by applicable laws or our bylaws. We may also restrict, in such manner as we deem appropriate, transfers of the ADSs where such transfer may result in the total number of preferred shares represented by the ADSs owned by a single ADS holder or beneficial owner of ADSs to exceed any such limits. We may, in our sole discretion but subject to applicable law, instruct the depository to take action with respect to the ownership interest of any ADS holder or beneficial owner of ADSs in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of an ADS holder or beneficial owner of ADSs of the preferred shares represented by the ADSs of such holder or beneficial owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and our bylaws. Notwithstanding the foregoing, neither we nor the depository shall be obligated to ensure compliance with the foregoing ownership restrictions.

### ***Reporting Obligations and Regulatory Approvals***

Applicable laws and regulations, including those of the Central Bank, the CVM, the B3 and the Level 2 listing segment may require ADS holders and beneficial owners of preferred shares, including the ADS holders and beneficial owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. ADS holders and beneficial owners of ADSs are solely responsible for complying with such reporting requirements and obtaining such approvals, and pursuant to the deposit agreement, such holders and beneficial owners agree to make such determinations, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time and neither the depository, the custodian nor we, nor any of their or our respective agents or affiliates shall be required to take any actions on behalf of such holders or beneficial owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

### ***Fees and Expenses***

As an ADS holder, you will be required to pay the following service fees to the depository and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

<b>Service</b>	<b>Fees</b>
Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US\$0.05 per ADS issued
Cancellation of ADSs, including in the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
Distribution of cash dividends or other cash distributions	Up to US\$0.05 per ADS held
Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights	Up to US\$0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase ADSs	Up to US\$0.05 per ADS held
Depository operation and maintenance services	Up to US\$0.05 per ADS held

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depository and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- fees for the transfer and registration of preferred shares charged by the registrar and transfer agent for the preferred shares in Brazil (i.e., upon deposit and withdrawal of preferred shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex, electronic and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when preferred shares are deposited or withdrawn from deposit);
- fees and expenses incurred in connection with the delivery or servicing of preferred shares on deposit;
- fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to preferred shares, deposited securities, ADSs and ADRs; and
- any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary.

Until the applicable depositary fees and expenses are paid, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. The depositary may sell preferred shares or other depositary property held with respect to your ADSs and use the proceeds to satisfy your obligations to pay its fees and expenses.

**Certain of the depositary fees and charges (such as the depositary services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.**

The depositary reimburses us for certain expenses we incur in connection with the ADR program. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. In this context, for the year ended December 31, 2023, Citibank N.A. reimbursed us or paid on our behalf approximately US\$275,488.84.

### ***Payment of Taxes***

You will be responsible for any taxes or other governmental charges payable, or which become payable, on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register or transfer your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you. Your obligations under this paragraph shall survive any transfer of ADSs, any surrender of ADSs and withdrawal of deposited securities or the termination of the deposit agreement.

The depositary may refuse to issue ADSs, to deliver, transfer, split and combine ADSs or to release securities on deposit until all taxes and charges are paid by you. The depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may be required to fulfill legal obligations.

Each ADS holder will be responsible for the payment and/or reimbursement of any and all taxes effectively paid or incurred by us, the Depositary or the Custodian (including as a result of the execution of any symbolic foreign exchange transaction (*operação simbólica de câmbio*)) related to or as a result of a deposit of preferred shares and/or withdrawal or sale of deposited property by such ADS holder. Each ADS holder will be responsible for the reporting of any false or misleading information, or the failure to report required information relating to foreign exchange transactions to the custodian or the Central Bank, as the case may be, in connection with deposits or withdrawals of deposited securities.

If we change the nominal or par value of, split-up, cancel, consolidate or otherwise reclassify any of the deposited securities, or if we recapitalize, reorganize, merge, consolidate or sell our assets, any property which shall be received by the depositary or the custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, the deposited securities shall, to the extent permitted by law, be treated as new deposited property under the deposit agreement, and the ADSs shall, subject to the provisions of the deposit agreement, any ADR(s) evidencing such ADSs and applicable law, represent the right to receive such additional or replacement deposited property. In connection with the foregoing, we may (i) issue and deliver additional ADSs as in the case of a stock dividend on the preferred shares, (ii) amend the deposit agreement and the applicable ADR(s), (iii) amend the applicable registration statement(s) in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs.

## ***Amendment and Termination***

### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. The depositary will not consider to be materially prejudicial to your substantial rights any modification or supplement that are reasonably necessary for the ADSs to be registered under U.S. laws, in each case without imposing or increasing the fees and charges you are required to pay. In addition, the depositary may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

### ***How may the deposit agreement be terminated?***

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In such cases, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver preferred shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. At any time after the date of termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. After such sale, the depositary's only obligations will be to account for the money and other cash. After termination, we shall be discharged from all obligations under the deposit agreement except for our obligations to the depositary and the custodian thereunder. The obligations of ADS holders and beneficial owners of ADSs outstanding as of the effective date of any termination shall survive such effective date of termination and shall be discharged only when the applicable ADSs are presented to the depositary for cancellation under the terms of the deposit agreement and the ADS holders have satisfied any and all of their obligations thereunder (including, but not limited to, any payment and/or reimbursement obligations which relate to prior to the effective date of termination but which payment and/or reimbursement is claimed after such effective date of termination).

## ***Books of Depositary***

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office at all reasonable times but solely for the purpose of communicating with other holders in the interest of business matters relating to the Company, the ADRs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed at any time or from time to time, when such action is deemed necessary or advisable by the depositary in connection with the performance of its duties under the deposit agreement or at our reasonable request to the extent not prohibited by law.

### ***Limitations on Obligations and Liability***

#### ***Limits on our Obligations and the Obligations of the Depositary and the Custodian; Limits on Liability to Holders of ADSs***

The deposit agreement expressly limits our obligations and the obligations of the depositary and the custodian. It also limits our liability and the liability of the depositary and the custodian. We, the depositary and the custodian:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if any of us or our respective controlling persons or agents are prevented or forbidden from, or subjected to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement and any ADR, by reason of any provision of any present or future law or regulation of the United States or any state thereof, Brazil or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or by reason of any provision, present or future, of our bylaws or other constituent documents or any provision of or governing any deposited securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, revolutions, rebellions, explosions and computer failure);
- are not obligated to perform any act that is inconsistent with the terms of the deposit agreement;
- are not liable by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our bylaws or other constituent documents or provisions of or governing deposited securities;
- disclaim any liability for any action or inaction of any of us or our respective controlling persons or agents in reliance upon the advice of or information from legal counsel, accountants, any person presenting preferred shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by any of us in good faith to be competent to give such advice or information;
- are not liable for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- are not obligated to appear in, prosecute or defend any action with respect to deposited property or the ADSs, except under the circumstances set forth in the deposit agreement; and
- are not liable for any action or failure to act by any ADS holder relating to the ADS holder's obligations under any applicable Brazilian law or regulation relating to foreign investment in Brazil in respect of a withdrawal or sale of deposited securities, including, without limitation, any failure to comply with a requirement to register such investment pursuant to the terms of any applicable Brazilian law or regulation prior to such withdrawal or any failure to report foreign exchange transactions to the Central Bank, as the case may be.

The depositary and any of its agents also disclaim any liability (i) with respect to Brazil's system of share registration and custody, including any liability in respect of the unavailability of deposited securities (or any distribution in respect thereof), (ii) for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, (iii) the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, (iv) any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, (v) for any tax consequences that may result from ownership of ADSs, preferred shares or deposited securities, or (vi) for any acts or omissions made by a successor depositary.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.



## ***Requirements for Depositary Actions***

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of preferred shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any preferred shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with (A) any laws or governmental regulations relating to the execution and delivery of ADRs or ADSs or to the withdrawal or delivery of deposited securities and (B) regulations it may establish, from time to time, consistent with the deposit agreement and applicable laws, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we determine that it is necessary or advisable to do so.

## ***Your Right to Receive the Shares Underlying Your ADSs***

You have the right to cancel your ADSs and withdraw the underlying preferred shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of preferred shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our preferred shares;
- when you owe money to pay fees, taxes and similar charges;
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of preferred shares or other deposited securities; or
- other circumstances specifically contemplated by Section I.A.(1) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

This right of withdrawal may not be limited by any other provision of the deposit agreement.

The depositary shall not knowingly accept for deposit under the deposit agreement any preferred shares or other deposited securities required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such preferred shares.

## ***Pre-release of ADSs***

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying preferred shares. This is called a pre-release of the ADSs. The depositary may also deliver preferred shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying preferred shares are delivered to the depositary. The depositary may receive ADSs instead of preferred shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person or entity to whom the pre-release is being made (a) represents to the depositary in writing that at the time of the pre-release transaction it or its customer owns the preferred shares or ADSs that are to be delivered by it under such pre-release transaction, (b) agrees to indicate the depositary as owner of such preferred shares or ADSs in its records and to hold such preferred shares or ADSs in trust for the depositary until such preferred shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver such preferred shares or ADSs to the depositary or the custodian, as the case may be, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate; (2) at all times the pre-release is fully collateralized with cash, United States government securities or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will normally limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so.

### ***Direct Registration System***

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depository to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the ADS holder to register such transfer.

## **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

## **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

## **ITEM 15. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We carried out an evaluation under the supervision of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded in our internal control over financial reporting, our disclosure controls and procedures were not effective as of December 31, 2023. Through additional procedures prior to the filing, our consolidated financial statements included in this report fairly present, in all material respects, our financial position, results of operations, capital position, and cash flows for the periods presented, in conformity with the International Financial and Reporting Standards – IFRS, as issued by the International Accounting Standards Board – IASB.

### ***Management's Report on Internal Control over Financial Reporting***

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023 in accordance with the criteria established in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Based on such assessment and criteria, our management has identified material weaknesses as described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual financial statements will not be prevented or detected on a timely basis.

Management's risk assessment process failed to identify certain risks of material misstatement and therefore impacted its ability to properly design, implement and execute significant classes of transactions and financial reporting controls to fully address the requirements of the COSO criteria and management also failed in the execution of certain relevant controls, including the validation of the completeness and accuracy of information derived from IT systems and end-user computing spreadsheets (information produced by the entity – IPE) used in the performance of those controls.

Despite the fact that the material weaknesses referred to above did not result in a material misstatement in our consolidated financial statements for the year ended December 31, 2023.

## ***Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting Controls and related information produced by entity that support underlying data.***

Throughout 2023, management was dedicated to establishing and executing proper controls within the information technology environment, successfully eliminating the existing related material weakness. However, we encountered failures or lack of controls in significant classes of transactions and financial reporting processes, primarily related to the accounting of the impacts of the capital restructuring effort which the company pursued in 2023. Additionally, we did not maintain adequate evidence concerning information produced by the entity (IPE) used in the performance of the significant classes of transactions related controls.

To address these material weaknesses, we will continue to train our team and review our internal controls matrix with the aim of enhancing its quality and effectiveness, thus ensuring compliance with the Sarbanes-Oxley Act (and the associated regulations issued by the SEC) and the Internal Control—Integrated Framework (2013) issued by COSO. To this end, we plan to implement suitable corrective measures and reassess our internal controls framework to reduce the risk of potential inaccuracies in our consolidated financial statements, which may involve engaging external parties.

### ***Changes in Internal Control over Financial Reporting***

Other than changes described under Remediation Plan above, there were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 16. [RESERVED]**

### **A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Sérgio Eraldo de Salles Pinto, a member of our audit and compensation committee, meets the requirements of an “audit committee financial expert,” as defined by the SEC, and is an independent member of the audit committee under applicable SEC and NYSE rules.

See Item 6: “Directors, Senior Management and Employees—Directors and Senior Management—Board of Directors—Corporate Governance Committee.”

### **B. CODE OF ETHICS**

We currently have a code of ethics which has been accepted by all of our directors and executive officers and other personnel. Our Code of Ethics and Conduct is available on our Investor Relations website at [ri.voeazul.com.br](http://ri.voeazul.com.br), under the “Corporate Governance—Code of ethics” tab. The information on our website is not incorporated into this annual report.

### **C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The Audit Committee of our board of directors has adopted a policy of pre-approval of services of our independent registered public accounting firm. The policy provides that the Audit Committee shall pre-approve all audit and non-audit services to be provided to Azul and its subsidiaries and affiliates by its independent auditors. The process by which this is carried out is as follows:

For recurring services, the Audit Committee reviews and pre-approves the independent registered public accounting firm’s annual audit services, comprised by the description of the services along with related fees. The Audit Committee also reviews and pre-approves other classes of recurring services along with the fee thresholds for pre-approved services. In the event that the additional services are required prior to the next scheduled Audit Committee meeting, pre-approvals of additional services must be submitted to the Audit Committee and cannot commence until such approval has been granted.

All of the services in 2023 and 2022 under the Audit Fees, Audit Related Fee and Tax Fees categories below have been approved by the Audit Committee (in thousands of reais):

	Year Ended December,	
	2023	2022
Audit Fees <sup>(1)</sup>	4,670	4,634
Audit-Related Fees <sup>(2)</sup>	4,195	338
Tax Fees <sup>(3)</sup>	—	—
<b>Total</b>	<b>8,865</b>	<b>4,972</b>

- (1) “Audit fees” are the fees billed in connection with the audit of our annual consolidated financial statements, the review of our quarterly financial information, and the statutory audits of subsidiaries.
- (2) “Audit-related fees” refer to services related to the issuance of comfort letters and agreed upon procedures in 2022 and 2023.
- (3) “Tax Fees” refer to fees billed in connection with tax compliance services.

Our audit committee pre-approves all audit and non-audit services provided by our independent auditor pursuant to the Sarbanes-Oxley Act of 2002.

#### D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

#### E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

#### F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

#### G. CORPORATE GOVERNANCE

As a foreign private issuer, we may follow our home country’s corporate governance practices in lieu of most of the NYSE’s corporate governance listing standards. Pursuant to Section 303A.11 of the Listed Company Manual of the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. The table below discloses the significant differences between our corporate governance practices and the NYSE.

##### NYSE Standards

**Director Independence.** Majority of board of directors must be independent. “Controlled companies,” which would include our company if we were a U.S. issuer, are exempt from this requirement. A controlled company is one in which more than 50% of the voting power is held by an individual, group or another company, rather than the public. §303A.01

**Executive Sessions.** Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03

##### Our Corporate Governance Practices

**Director Independence.** A majority of our board of directors qualify as independent directors under the listing rules of the Brazilian stock exchanges.

**Executive Sessions.** Our corporate governance practices do not require non-management directors to meet regularly in executive sessions without management and independent directors are not required to meet alone in an executive session at least once a year.

## NYSE Standards

**Nominating/Corporate Governance Committee.** Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. “Controlled companies” are exempt from these requirements. §303A.04 As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

**Compensation Committee.** Compensation committee of independent directors is required, which must evaluate and approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. “Controlled companies” are exempt from this requirement. §303A.05

As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

**Audit Committee.** Audit committee satisfying the independence and other requirements of Exchange Act Rule 10A-3 and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07

## Our Corporate Governance Practices

**Governance Committee.** We have a Governance Committee to be converted into an Environmental, Social and Governance Committee, or simply “ESG Committee”, which covers specific competencies to improve the implementation and maintenance of best market practices, like (i) develop and oversee the ESG plan, ensuring action plans are integrated and align with internal procedures for implementation; (ii) assist the executive team in updating the Company's Code of Ethics and Conduct; (iii) advise on joining or continuing participation in national or international ESG-related agreements; and (iv) help prepare and update reports showing the Company's ESG efforts to stakeholders.

The ESG Committee consisting of four members, two of whom must qualify as independent directors under the listing rules of the Brazilian stock exchanges, that are elected by and report directly to our board of directors. The purpose, roles, duties and procedures of the ESG Committee are specified by the ESG Committee's Internal Regulations.

**Compensation Committee.** We have a Compensation Committee consisting of three members, two of whom must qualify as independent directors under the listing rules of the Brazilian stock exchanges, that are elected by and report directly to our board of directors. The purpose, roles, duties and procedures of the Compensation Committee are (i) reviewing corporate goals; (ii) evaluating certain executive compensation arrangements as well as the performance of key executives, and

(iii) recommending compensation, incentive-compensation and stock option and restricted stock plans to the board of executive officers.

More about the purpose of this committee are specified by the Compensation Committee's Internal Regulations.

**Audit Committee.** We have an Audit Committee composed of three members who are elected by our board of directors and, according to our bylaws, a majority of which must be independent members. The members are appointed for a two-year term of office, being permitted reelection, with a limit of ten consecutive years in office. Upon reaching the ten consecutive year limit, members will become eligible to serve on this committee again after three years from the end of his or her last term of office. The audit committee is responsible for: (i) advising our board of directors regarding the selection of independent auditors; (ii) reviewing the scope of the audit and other services provided by our independent auditors; (iii) evaluating and monitoring related party transactions; and (iv) evaluating our internal controls, among other things. All of our Audit Committee members qualify as directors under the listing rules of the Brazilian stock exchanges and at least one member of the audit committee is an audit committee “financial expert” within the meaning of the SEC rules and regulations.



## NYSE Standards

**Equity Compensation Plans.** Equity compensation plans require shareholder approval, subject to limited exemptions. §§303A.08 & 312.03

**Shareholder Approval for Issuance of Securities.** Issuances of securities (1) that will result in a change of control of the issuer, (2) that are to a related party or someone closely related to a related party, (3) that have voting power equal to at least 20% of the outstanding common stock voting power before such issuance or (4) that will increase the number of shares by at least 20% of the number of outstanding shares before such issuance require shareholder approval. §§312.03(b)-(d)

**Code of Business Conduct and Ethics.** Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. The code must contain compliance standards and procedures that will facilitate the effective operation of the code. §303A.10

**Conflicts of Interest.** Determination of how to review and oversee related party transactions is left to the listed company. The audit committee or comparable body, however, could be considered the forum for such review and oversight. §307.00. Certain issuances of common stock to a related party require shareholder approval. §312.03(b)

**Solicitation of Proxies.** Solicitation of proxies and provision of proxy materials is required for all meetings of shareholders. Copies of such proxy solicitations are to be provided to NYSE. §§402.00 & 402.04

## H. MINE SAFETY DISCLOSURE

Not applicable.

## I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

## Our Corporate Governance Practices

**Equity Compensation Plans.** Our equity based compensation plans require shareholder approval. The grants under the plans require approvals from the Compensation Committee and our board of directors.

**Shareholder Approval for Issuance of Securities.** Issuances of securities require shareholder approval by absolute majority vote, with certain limited exceptions provided for in our bylaws.

**Code of Business Conduct and Ethics.** Our Code of Ethics and Conduct, or the Code, last updated and approved by the board of directors on August 10th, 2023, sets forth the ethical principles and standards of conduct that guide the businesses and decisions of the Company. The Code contains policies, standards, reporting procedures and other compliance procedures and established the Ethics and Conduct Committee and Canal Confidencial (the whistleblower channel) to provide full transparency to and intensify the dissemination of the Code. The Ethics and Conduct Committee is responsible for the management of the Code, ensuring its compliance and adequacy to the reality of the business environment of Azul. The Canal Confidencial consists of a direct communications platform that can be used by crewmembers to solve any doubts, obtain clarifications or file reports.

**Conflicts of Interest.** Conflicts of interest and related party transactions are governed by the Related-Party Transactions Policy of Azul, which was approved by our board of directors in November 2017, and amended in November 2019. The policy sets forth the reporting requirements of key management, the review and oversight procedures of the legal department, the standards of evaluation and approval of related party transactions by the legal department or board of directors, including the Audit Committee and ESG Committee, as applicable, the required disclosure of certain related party transactions, and penalties for noncompliance with the policy. The policy also prohibits certain related party transactions and exempts certain other transactions from the requirements of the policy.

**Solicitation of Proxies.** The solicitation of proxies and provision of proxy materials for the general shareholders' meeting are governed by Brazilian Corporate Law, our bylaws and the listing agreement signed with the NYSE.

## J. INSIDER TRADING POLICIES

Not applicable.

## K. CYBERSECURITY

### *Cybersecurity Risk Management and Strategy*

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. These risks include, among other things: operational risks, intellectual property theft, fraud, extortion, harm to employees or customers and violation of data privacy or security laws.

Identifying and assessing cybersecurity risk is integrated into our overall risk management systems and processes and are based on best practices provided by international standards such as the National Institute of Standards and Technology ("NIST"), European Union Agency for Cybersecurity ("ENISA"), Cloud Security Alliance ("CSA"), ISO/IEC 27001, ISO/IEC 27701 and comply with applicable local data privacy legislation and the Sarbanes-Oxley Act. Cybersecurity risks related to our business, technical operations, privacy and compliance issues are identified and addressed through a multi-faceted approach including third party assessments, internal IT audit, IT security, governance, risk and compliance reviews. To defend, detect and respond to cybersecurity incidents, we, among other things: (i) conduct proactive privacy and cybersecurity reviews of systems and applications, (ii) audit applicable data policies, (iii) perform penetration testing using external third-party tools and techniques to test security controls, continuously and automated testing and validating cybersecurity defenses against threats in real time, helping to reduce exposure and prioritize remediation efforts. We also rely on the support of PwC (a multinational auditing and business consulting firm) for internal auditing for SOC, 24x7 monitoring and IT assets, (iv) conduct employee training, (v) monitor emerging laws and regulations related to data protection and information security (including our consumer products) and (vi) implement appropriate changes.

We have implemented incident response and breach management processes which have the following stages: (i) preparation, (ii) identification and reporting, (iii) initial analysis, registration and appointment of the incident response team, (iv) prioritization of the incident, (v) containment, remediation and recovery and (vi) post-incident activities. Such incident responses are overseen by the Incident Management Team. Security events and data incidents are evaluated, ranked by severity and prioritized for response and remediation. Incidents are evaluated to determine materiality as well as operational and business impact, and reviewed for privacy impact. Incidents that may have severe impacts on the company will be addressed in accordance with the Cyber Crisis Response Plan.

We also conduct exercises to simulate responses to cybersecurity incidents. Our team of cybersecurity professionals then collaborate with technical and business stakeholders across our business units to further analyze the risk to the company, and form detection, mitigation and remediation strategies. As part of the above processes, we regularly engage external auditors and consultants to assess our internal cybersecurity programs and compliance with applicable practices and standards.

Our risk management program also assesses third party risks, and we perform third-party risk management to identify and mitigate risks from third parties such as suppliers, and other business partners associated with our use of third-party service providers. Cybersecurity risks are evaluated when determining the selection and oversight of applicable third-party service providers and potential fourth-party risks when handling and/or processing our employee, business or customer data. We conduct cyber maturity assessments, with the support of AON (British multinational risk management company), based on the NIST framework and ISO/IEC 27001, based on an analysis of the security domains and critical controls of the organizations assessed.

We describe whether and how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition, under the heading "We depend significantly on automated systems and any cyberattacks, breakdown, hacking or changes in these systems may adversely affect us" included as part of our risk factor disclosures at Item 3D of this annual report.

## **Cybersecurity Governance**

Cybersecurity is an important part of our risk management processes and an area of focus for our board and management.

### **Board Oversight**

The Information Security Management System (ISMS) established to safeguard the critical information assets of our company. The ISMS operates under the oversight of the IT Board, represented by Mr. Felipe Starling Medeiros as the CIO, and reports directly to the General Manager, Mr. Robson Braga da Costa.

The ISMS is designed with a comprehensive approach to information security, encompassing four key teams:

- **Governance, Risk Management, and Compliance (GRC):** This team establishes the overarching security framework, including policies, procedures, and standards. They conduct risk assessments, ensuring compliance with relevant regulations and industry best practices.
- **Identity and Access Management (IAM):** This team focuses on managing user identities and access privileges to sensitive data and systems. They implement access controls, user provisioning and de-provisioning.
- **Cybersecurity (CIS):** This team takes a proactive approach to defending our systems and data from cyber threats. They deploy firewalls, intrusion detection/prevention systems, and vulnerability management programs. Additionally, they conduct security awareness training for employees.
- **Data Protection & Privacy (DPP):** This team ensures the airline meets all data protection and privacy regulations. They manage data classification, implement data loss prevention (DLP) solutions, and oversee incident response procedures in case of data breaches.

### **Reporting and Oversight**

The Information Security team reports directly to the CIO, providing regular updates on security posture, identified risks, and implemented controls. The IT Board receives periodic reports on ISMS effectiveness, ensuring alignment with the organization's overall IT strategy and risk management framework.

### **The structured approach to Information Security scope**

**Comprehensive Security:** Addresses information security from all angles, including governance, risk, compliance, identity, access control, cyber threats, and data protection.

**Centralized Management:** Provides a single point of accountability for information security within the IT department.

**Risk-Based Approach:** Focuses resources on the most critical risks to the airline's information assets.

**Alignment with Regulations:** Ensures compliance with relevant data protection and privacy regulations.

**Improved Security Culture:** Fosters a culture of security awareness across the organization.

Therefore, it is concluded that implemented ISMS structure provides a robust framework for protecting our airline's sensitive information. The dedicated teams and clear reporting structure ensure a proactive approach to information security, minimizing risks and safeguarding valuable data assets.

This report offers a high-level overview of the ISMS. For further details on specific policies, procedures, or team responsibilities, please refer to the dedicated ISMS documentation.

Azul reinforces that has not experienced any material cybersecurity incident recently and continues to monitor and improves its security measures constantly.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

### ITEM 18. FINANCIAL STATEMENTS

See our audited consolidated financial statements beginning on page F-1.

### ITEM 19. EXHIBITS

Exhibit Number	Description
1.1*	Bylaws of the Registrant (English Translation)
2.d**	Description of the Securities
2.1*	Form of Deposit Agreement among the Registrant, Citibank, N.A., as depositary, and the Owners and Holders from time to time of American Depositary Shares issued thereunder (previously filed as Exhibit 99(d) of Form F-6 (File No. 333-263414) as filed with the SEC on March 10, 2022, and incorporated by reference herein).
2.2*	Indenture, dated as of October 26, 2017, among Azul Investments LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A. and U.S. Bank National Association, in connection with the 5.875% Senior Notes Due 2024 (previously filed as Exhibit 2.2 of Form 20-F (File No. 001-38049) as filed with the SEC on April 27, 2018, as incorporated by reference herein.)
2.3†*	Indenture, dated as of June 15, 2021, among Azul Investments LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A. and UMB Bank, National Association, in connection with the 7.250% Senior Notes Due 2026 (previously filed as Exhibit 2.3 of Form 20-F (File No. 001-38049) as filed with the SEC on April 20, 2023, as incorporated by reference herein..
2.4**	Supplemental Indenture, dated as of July 14, 2023, among Azul Investments LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A. and U.S. Bank National Association, in connection with the 5.875% Senior Notes Due 2024
2.5**	Supplemental Indenture, dated as of July 14, 2023, among Azul Investments LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A. and UMB Bank, National Association, in connection with the 7.250% Senior Notes Due 2026
2.6**	Base Indenture, dated as of July 14, 2023, among Azul Secured Finance LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A., Intelazul S.A., ATS Viagens e Turismo Ltda., Azul IP Cayman Holdco LTD., Azul IP Cayman LTD., UMB Bank, National Association, and TMF Brasil Administração e Gestão de Ativos Ltda.
2.7**	First Supplemental Indenture, dated as of July 14, 2023, among Azul Secured Finance LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A., Intelazul S.A., ATS Viagens e Turismo Ltda., Azul IP Cayman Holdco LTD., Azul IP Cayman LTD., UMB Bank, National Association, and TMF Brasil Administração e Gestão de Ativos Ltda., in connection with the 11.500% Senior Secured Second Out
2.8**	Second Supplemental Indenture, dated as of July 14, 2023, among Azul Secured Finance LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A., Intelazul S.A., ATS Viagens e Turismo Ltda., Azul IP Cayman Holdco LTD., Azul IP Cayman LTD., UMB Bank, National Association, and TMF Brasil Administração e Gestão de Ativos Ltda., in connection with the 10.875% Senior Secured Second Out Notes due 2030
2.9**	Indenture, dated as of July 20, 2023, among Azul Secured Finance LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A., Intelazul S.A., ATS Viagens e Turismo Ltda., Azul IP Cayman Holdco LTD., Azul IP Cayman LTD., UMB Bank, National Association, and TMF Brasil Administração e Gestão de Ativos Ltda., in connection with the 11.930% Senior Secured First Out Notes Due 2028
2.10**	Indenture, dated as of September 28, 2023, among Azul Investments LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A. and U.S. Bank National Association, in connection with the 7.500% Senior Notes Due 2030
2.11**	Supplemental Indenture, dated as of October 31, 2023, among Azul Secured Finance LLP, Azul S.A., Azul Linhas Aéreas Brasileiras S.A., Intelazul S.A., ATS Viagens e Turismo Ltda., Azul IP Cayman Holdco LTD., Azul IP Cayman LTD., UMB Bank, National Association, and TMF Brasil Administração e Gestão de Ativos Ltda., in connection with the 11.930% Senior Secured First Out Notes Due 2028

Exhibit Number	Description
4.1†*	Purchase Agreement COM0041-08, dated as of March 11, 2008, between Embraer – Empresa Brasileira de Aeronáutica S.A. and Canela Investments LLC, including Amendment No. 1, dated as of April 30, 2008; Amendment No. 2, dated as of July 31, 2008; Amendment No. 3, dated as of October 21, 2008; Amendment No. 4, dated as of August 31, 2008; Amendment No. 5, dated as of November 25, 2008; Amendment No. 6, dated as of December 12, 2008; Amendment No. 7, dated as of December 23, 2008, Amendment No. 8; dated as of March 12, 2009; Amendment No. 9, dated as of October 30, 2009; Amendment No. 10, dated as of December 21, 2009; Amendment No. 11, dated as of October 26, 2010; Amendment No. 12, dated as of September 30, 2011, Amendment No. 13; dated as of November 9, 2011; Amendment No. 14, dated as of December 1, 2011; Amendment No. 15, dated as of January 20, 2012; Amendment No. 16, dated as of May 2, 2012; Amendment No. 17, dated as of July 11, 2012; Amendment No. 18, dated as of December 28, 2012; Amendment No. 19, dated as of April 9, 2013, Amendment No. 20; dated as of May 29, 2013; Amendment No. 21, dated as of June 26, 2013; Amendment No. 22, dated as of March 13, 2014; Amendment No. 23, dated as of April 1, 2014, Amendment No. 24; dated as of April 29, 2014; Amendment No. 25, dated as of May 23, 2014; Amendment No. 26, dated as of July 30, 2014; and Amendment No. 27, dated as of September 24, 2015. (previously filed as Exhibit 10.1 of Pre-Effective Amendment No. 1 to our registration statement on Form F-1 (File No. 333-215908) as filed with the SEC on March 3, 2017 and incorporated by reference herein).
4.2*	Sale and Purchase Contract, dated as of December 14, 2010, between Avions de Transport Régional and Canela Investments LLC, including the Amendment No. 1, dated as of December 22, 2011; and Amendment No. 2, dated as of December 4, 2012. (previously filed as Exhibit 10.2 of Pre-Effective Amendment No. 1 to our registration statement on Form F-1 (File No. 333-215908) as filed with the SEC on March 3, 2017 and incorporated by reference herein).
4.3*	First Amendment to the Investment Agreement, dated as of August 15, 2012, between Azul S.A., Trip Participações S.A., Trip Investimentos Ltda. and Rio Novo Locações Ltda. (including the restated version of the Investment Agreement as Exhibit I); the Second Amendment to the Investment Agreement, dated as of December 27, 2013; the Third Amendment to the Investment Agreement, dated as of October 22, 2014; the Fourth Amendment to the Investment Agreement, dated as of June 26, 2015, between Azul S.A., Trip Participações S.A., Trip Investimentos Ltda., Rio Novo Locações Ltda. and Calfinco, Inc.; and the Fifth Amendment to the Investment Agreement, dated as of August 3, 2016, between Azul S.A., Trip Participações S.A., Trip Investimentos Ltda., Rio Novo Locações Ltda., Calfinco, Inc. and Hainan Airlines Holding Co. Ltd. (previously filed as Exhibit 10.7 of Pre-Effective Amendment No. 1 to our registration statement on Form F-1 (File No. 333-215908) as filed with the SEC on March 3, 2017 and incorporated by reference herein).
4.4*	A320 NEO Purchase Agreement, dated as of October 24, 2014, between Airbus S.A.S. and Azul Finance LLC., including Amendment No. 1 to the A320 NEO Purchase Agreement, dated as of December 21, 2015. (previously filed as Exhibit 10.9 of Pre-Effective Amendment No. 1 to our registration statement on Form F-1 (File No. 333-215908) as filed with the SEC on March 3, 2017 and incorporated by reference herein).
4.4.1*	Amendment N° 2 to the A320 NEO Purchase Agreement dated as of July 20, 2018; Amendment N° 3 to the A320 NEO Purchase Agreement, dated as of July 20, 2018 (previously filed as Exhibit 4.6.1 to Form 20-F/A (File No. 001-38049) as filed with the SEC on July 18, 2019 and incorporated by reference herein).
4.4.2†*	Amendment N° 4 to the A320 NEO Purchase Agreement, dated as of December 26, 2019, Amendment N° 5 to the A320 NEO Purchase Agreement, dated as of December 26, 2019, Amendment N° 6 to the A320 NEO Purchase Agreement, dated as of August 28, 2020 (previously filed as Exhibit 4.4.2 to Form 20-F (File No.001-38049) as filed with the SEC on April 30, 2021 and incorporated by reference herein).
4.5†*	Purchase Agreement COM0384-14, dated as of December 30, 2014, between Embraer S.A. and Azul Finance 2 LLC., including Amendment No. 1, dated as of September 4, 2015; Amendment No. 2, dated as of March 2, 2016; and Amendment No. 3, dated as of March 31, 2016. (previously filed as Exhibit 10.10 of Pre-Effective Amendment No. 1 to our registration statement on Form F-1 (File No. 333-215908) as filed with the SEC on March 3, 2017 and incorporated by reference herein).
4.5.1†*	Amendment No. 4, dated as of December 22, 2016, to the Purchase Agreement COM0384-14, dated as of December 30, 2014, between Embraer S.A. and Azul Finance 2 LLC (previously filed as Exhibit 10.13 of Form F-1 (File No. 333-220433) as filed with the SEC on September 12, 2017, and incorporated by reference herein).
4.5.2†*	Amendment N° 5 to Purchase Agreement COM0384-14, dated as of December 14, 2018, Amendment N° 6 to Purchase Agreement COM0384-14, dated as of November 20, 2019 (previously filed as Exhibit 4.5.2 to Form 20-F (File No.001-38049) as filed with the SEC on April 30, 2021 and incorporated by reference herein).
4.6†*	Contract for Sale and Other Covenants, dated as of November 28, 2019, between Petrobras Distribuidora S.A. and Azul Linhas Aéreas Brasileiras S.A. (previously filed as Exhibit 4.6 to our annual report on Form 20-F for the year ended December 31, 2019, as filed with the SEC on April 30, 2020 and incorporated by reference herein).
4.7**	Intercreditor, Collateral Sharing and Accounts Agreement, dated as of July 14, 2023, among Azul Secured Finance LLP, Azul S.A., other obligors, TMF Brasil Administração e Gestão de Ativos Ltda., UMB Bank, National Association, Aercap Administrative Services Limited and. Vórtx Distribuidora de Títulos e Valores Mobiliários Ltda.



Exhibit Number	Description
4.8**	Supplement No. 1 to the Intercreditor, Collateral Sharing and Accounts Agreement, dated as of July 20, 2023, among Azul Secured Finance LLP, Azul S.A., other obligors, TMF Brasil Administração e Gestão de Ativos Ltda., UMB Bank, National Association, Aercap Administrative Services Limited and. Vórtx Distribuidora de Títulos e Valores Mobiliários Ltda.
4.9**	Supplement No. 2 to the Intercreditor, Collateral Sharing and Accounts Agreement, dated as of October 31, 2023, among Azul Secured Finance LLP, Azul S.A., other obligors, TMF Brasil Administração e Gestão de Ativos Ltda., UMB Bank, National Association, Aercap Administrative Services Limited and. Vórtx Distribuidora de Títulos e Valores Mobiliários Ltda.
8.1**	List of subsidiaries of the Company
12.1**	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2**	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
23.1 **	Consent of Ernst & Young Auditores Independentes S/S Ltda.
97**	Dodd-Frank Clawback Policy adopted by Azul S.A.
101.INS**	Inline XBRL Instance Document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(\*) Previously filed.

(\*\*) Filed herewith.

† Certain identified confidential information has been redacted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

---

## Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

### Azul S.A.

By: /s/ John Peter Rodgerson

Name: John Peter Rodgerson

Title: Chief Executive Officer

By: /s/ Alexandre Wagner Malfitani

Name: Alexandre Wagner Malfitani

Title: Chief Financial Officer and Investor Relations Officer

Barueri/SP, Brazil  
May 15, 2024

# **Azul S.A.**

## **Consolidated Financial Statements**

December 31, 2023, 2022 and 2021

with Reports of Independent Registered Public Accounting Firm

---

# Index to Financial Statements

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm by Ernst & Young Auditores Independientes S/S Ltda. (PCAOB ID: 1448) .....	F-3
Consolidated Statements of Financial Position .....	F-9
Consolidated Statements of Operations .....	F-11
Consolidated Statements of Comprehensive Loss .....	F-12
Consolidated Statements of Changes in Equity .....	F-13
Consolidated Statements of Cash Flows .....	F-14
Notes to the Consolidated Financial Statements .....	F-15

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of  
**Azul S.A.**

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Azul S.A. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated May 15, 2024, expressed an adverse opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



### **Passenger revenue (including breakage)**

#### *Description of the Matter*

The Company's passenger revenue was R\$17,227,728 thousand for the year ended December 31, 2023. Passenger revenue is recognized when air transportation is actually provided. Tickets sold and loyalty program ("TudoAzul") points issued, but not yet used are deferred and recorded as a liability under "Air traffic liability and loyalty program", net of the estimated revenue from air tickets and TudoAzul points that will expire unused (breakage). As disclosed in Note 25.2 to the consolidated financial statements, the Company's estimate of breakage was R\$576,245 thousand at December 31, 2023.

Breakage is estimated using statistical models primarily based on historical data, ticket terms and customers' travel behavior. Breakage on outstanding loyalty program points is estimated using statistical models based on historical data, including redemption patterns.

Auditing passenger revenue (including breakage) was especially challenging since passenger revenue recognition is highly dependent on information technology systems and due to the complexity of the estimates used by management, such as expectations of the expiration of unused tickets and loyalty program points future redemption patterns.

#### *How We Addressed the Matter in Our Audit*

To test passenger revenue, including the estimate of breakage, our audit procedures included, among others, obtaining external confirmations for a sample of the accounts receivable balance; tracing a sample of passenger revenues to third-party evidence and flight logs; using automated audit techniques to assist us in validating the air traffic liability; and, comparing breakage rates with historical data and analyzing breakage rate trends over the years. We also assessed the Company's disclosures in respect of passenger revenue and breakage in Notes 33 and 25, respectively, to the consolidated financial statements.

## **Maintenance reserve**

*Description of the Matter* As disclosed in Note 11.2 to the consolidated financial statements, at December 31, 2023, the Company's maintenance reserve deposits, net of the provision for loss, were R\$1,874,958 thousand. Under the terms of certain agreements with aircraft and engine lessors, as aircraft and engines are used, the Company is required to pay deposits to lessors to be held as collateral for the performance of major maintenance activities, which are then reimbursable upon completion of the maintenance event.

The Company assesses whether its maintenance reserve deposits are expected to be recovered based on the expected usage of the aircraft and timing of future maintenance events. A provision for loss is recorded for deposits that will probably not be recovered.

Auditing the recoverability of the maintenance reserve deposits was especially challenging due to the degree of judgment required in estimating the expected usage of the aircraft and timing of future maintenance events.

*How We Addressed the Matter in Our Audit* To test the maintenance reserve deposits balance, net of the provision for loss, our audit procedures included, among others, confirming maintenance reserve deposit balances for individual contracts with the respective lessors; tracing elements of actual maintenance expenses incurred to supporting documentation; evaluating the Company's analysis of the recoverability of the maintenance reserve deposits that includes the assessment of the timing of future maintenance event and expected usage of the aircraft; and, comparing relevant inputs in the Company's estimate to contractual agreements with the lessors. We also assessed the Company's disclosures in respect of its maintenance reserve deposits in Note 11 to the consolidated financial statements.

## **Net working capital and capital structure**

*Description of the Matter* As more fully described in Note 2.2 to the consolidated financial statements, at December 31, 2023, the Company's negative equity was R\$21,327,848 thousand, negative net working capital was R\$9,704,733 thousand and loss for the year then ended was R\$2,380,456 thousand. Management assessed its business plan approved by the Board of Directors to determine whether the Company is capable of continuing its operations and fulfilling its obligations.

Auditing management's assessment was complex and required significant auditor judgement, as the judgements and assumptions applied by management in making their assessment include estimating future demand and revenue as well as evaluating the impacts from negotiations with lessors and financial institutions, the Company's access to additional capital and other future market conditions that are subject to significant estimation uncertainty. Those assumptions and judgements are forward-looking and could be affected by future economic events and market conditions.

*How We Addressed the Matter in Our Audit* To test management's assessment our audit procedures included, among others, involving our valuation specialists to assist in evaluating management's financial forecasting model and key assumptions; testing the mathematical accuracy of that model; comparing key inputs against historical financial information and records and performing a sensitivity analysis. We also assessed the Company's disclosures in respect of its capital structure and net working capital in Note 2.2 to the consolidated financial statements.

### **Modifications to aircraft right-of-use assets and lease liabilities**

*Description of the Matter* At December 31, 2023, the Company's aircraft right-of-use assets, net of accumulated depreciation, was R\$6,862,385 thousand, as disclosed in Note 16.2 to the consolidated financial statements. Also, the Company's aircraft lease liabilities at December 31, 2023 were R\$14,909,157 thousand, as disclosed in Notes 19.3, 19.4 and 19.5 to the consolidated financial statements. Also, as more fully disclosed in Note 2.1.4.5, the Company's modifications to its aircraft lease agreements with its lessors were complex and affected a large number of its aircraft lease agreements.

Auditing the modifications to aircraft lease agreements was especially challenging due to the significance of the amounts involved and the complexity of the modifications to aircraft lease agreements, as well as the uncertainties involved and the degree of judgment exercised by management in determining significant assumptions, which include, among others, the discount rate used to measure the lease liability.

*How We Addressed the Matter in Our Audit* To test the Company's aircraft lease modifications, our audit procedures included, among others, reading the modified lease contracts to understand their terms and conditions, including assessing whether they are in the scope of IFRS 16 Leases; assessing the criteria adopted by the management for a sample of agreements by recalculating the amounts involved for these transactions; testing the timing of recognition of the lease modifications with the respective lease agreements; and, involving our specialists to assist us with the evaluation of management's assumptions and judgments used to determine the discount rate used to measure the lease liability. We also assessed the Company's disclosures in respect to lease modifications, the aircraft right-of-use assets and lease liabilities in Notes 2.1.4.5, 16 and 19 to the consolidated financial statements, respectively.

#### **/s/ Ernst & Young Auditores Independentes S/S Ltda.**

We have served as the Company's auditor since 2009.

São Paulo, Brazil

May 15, 2024

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of  
**Azul S.A.**

### Opinion on Internal Control Over Financial Reporting

We have audited Azul S.A.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, Azul S.A. (the Company) has not maintained effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management's risk assessment process failed to identify certain risks of material misstatement and therefore impacted its ability to properly design, implement and execute significant classes of transactions and financial reporting controls to fully address the requirements of the COSO criteria. Management also failed in the execution of certain relevant controls, including the validation of the completeness and accuracy of information derived from IT systems and end-user computing spreadsheets (information produced by the entity – IPE) used in the performance of those controls.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2023 consolidated financial statements, and this report does not affect our report dated May 15, 2024, which expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**/s/ Ernst & Young Auditores Independentes S/S Ltda.**

São Paulo, Brazil

May 15, 2024



## Consolidated Statements of Financial Position

As of December 31, 2023 and 2022

(In thousands of Brazilian reais – R\$)

Assets	Note	December 31,	
		2023	2022
<b>Current assets</b>			
Cash and cash equivalents	6	1,897,336	668,348
Accounts receivable	8	1,109,408	1,803,998
Aircraft sublease	9	14,592	70,193
Inventories	10	799,208	721,738
Deposits	11	515,692	1,025,168
Taxes recoverable	12	219,433	234,891
Derivative financial instruments	23	21,909	36,054
Advances to suppliers	13	221,051	121,697
Other assets		245,518	189,849
Total current assets		5,044,147	4,871,936
<b>Non-current assets</b>			
Long-term investments	7	780,312	733,043
Aircraft sublease	9	16,210	105,860
Deposits	11	1,777,803	1,514,393
Derivative financial instruments	23	—	235,896
Other assets		143,781	328,005
Property and equipment	15	2,295,851	1,953,089
Right-of-use assets	16	9,011,558	7,552,548
Intangible assets	17	1,463,247	1,426,523
Total non-current assets		15,488,762	13,849,357
<b>Total assets</b>		<b>20,532,909</b>	<b>18,721,293</b>

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

## Consolidated Statements of Financial Position

As of December 31, 2023 and 2022

(In thousands of Brazilian reais – R\$)

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

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

## Consolidated Statements of Operations

Years ended December 31, 2023, 2022 and 2021

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

	Note	Years ended December 31,		
		2023	2022	2021
Passenger revenue		17,227,728	14,594,945	8,811,044
Other revenues		1,326,697	1,353,122	1,164,685
<b>Total Revenue</b>	33	18,554,425	15,948,067	9,975,729
Aircraft fuel		(5,890,485)	(6,561,288)	(3,257,223)
Salaries and benefits		(2,408,364)	(1,954,568)	(1,748,441)
Airport taxes and fees		(1,059,258)	(911,246)	(677,653)
Auxiliary services for air transport		(807,563)	(641,900)	(395,533)
Maintenance		(898,282)	(616,209)	(546,647)
Advertising and publicity		(779,264)	(699,003)	(403,987)
Depreciation and amortization		(2,404,223)	(2,094,448)	(1,544,333)
Impairment and onerous contracts		245,636	1,102,791	1,075,682
Insurance		(89,492)	(103,216)	(80,256)
Other		(2,802,036)	(2,039,425)	(2,342,543)
		(16,893,331)	(14,518,512)	(9,920,934)
<b>Operating profit</b>		1,661,094	1,429,555	54,795
Financial income		220,141	277,289	154,280
Financial expenses		(5,608,771)	(4,793,782)	(3,838,243)
Derivative financial instruments, net		(238,458)	958,005	864,184
Foreign currency exchange, net		1,625,064	1,406,566	(1,443,046)
Financial result	34	(4,002,024)	(2,151,922)	(4,262,825)
Result from related party transactions	29	—	—	(5,178)
<b>Loss before income tax and social contribution</b>		(2,340,930)	(722,367)	(4,213,208)
<b>Deferred income tax and social contribution</b>	14	(39,526)	—	—
<b>Loss for the year</b>		(2,380,456)	(722,367)	(4,213,208)
Basic loss per common share – R\$	31	(0.09)	(0.03)	(0.16)
Diluted loss per common share – R\$	31	(0.09)	(0.03)	(0.16)
Basic loss per preferred share – R\$	31	(6.85)	(2.08)	(12.19)
Diluted loss per preferred share – R\$	31	(6.85)	(2.08)	(12.19)

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

**Consolidated Statements of Comprehensive loss**

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian reais – R\$)

	Note	Years ended December 31,		
		2023	2022	2021
Loss for the year		(2,380,456)	(722,367)	(4,213,208)
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>				
Post-employment benefit	28	(2,175)	(518)	5,144
Total comprehensive loss		(2,382,631)	(722,885)	(4,208,064)

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

## Consolidated Statements of Changes in Equity

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian reais – R\$)

Description	Note	Issued capital	Advance for future capital increase	Treasury shares	Capital reserve	Other comprehensive income	Accumulated losses	Total
<b>At December 31, 2020</b>		<b>2,246,367</b>	<b>20,625</b>	<b>(13,182)</b>	<b>1,947,887</b>	<b>655</b>	<b>(18,351,102)</b>	<b>(14,148,750)</b>
Loss for the year		—	—	—	—	—	(4,213,208)	(4,213,208)
Post-employment benefit	28	—	—	—	—	5,144	—	5,144
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,144</b>	<b>(4,213,208)</b>	<b>(4,208,064)</b>
Share buyback	30	—	—	(16,198)	—	—	—	(16,198)
Share-based payment (*)	30/32	44,509	(20,505)	17,421	(1,416)	—	—	40,009
<b>At December 31, 2021</b>		<b>2,290,876</b>	<b>120</b>	<b>(11,959)</b>	<b>1,946,471</b>	<b>5,799</b>	<b>(22,564,310)</b>	<b>(18,333,003)</b>
Loss for the year		—	—	—	—	—	(722,367)	(722,367)
Post-employment benefit	28	—	—	—	—	(518)	—	(518)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(518)</b>	<b>(722,367)</b>	<b>(722,885)</b>
Share buyback	30	—	—	(3,923)	—	—	—	(3,923)
Share-based payment (*)	30/32	23,065	(59)	5,678	23,627	—	—	52,311
<b>At December 31, 2022</b>		<b>2,313,941</b>	<b>61</b>	<b>(10,204)</b>	<b>1,970,098</b>	<b>5,281</b>	<b>(23,286,677)</b>	<b>(19,007,500)</b>
Loss for the year		—	—	—	—	—	(2,380,456)	(2,380,456)
Post-employment benefit	28	—	—	—	—	(2,175)	—	(2,175)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2,175)</b>	<b>(2,380,456)</b>	<b>(2,382,631)</b>
Share buyback	30	—	—	(6,826)	—	—	—	(6,826)
Share-based payment (*)	30/32	880	728	7,989	59,512	—	—	69,109
<b>At December 31, 2023</b>		<b>2,314,821</b>	<b>789</b>	<b>(9,041)</b>	<b>2,029,610</b>	<b>3,106</b>	<b>(25,667,133)</b>	<b>(21,327,848)</b>

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

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



## Consolidated Statements of Cash Flows

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian reais – R\$)

	Years ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities</b>			
Loss for the year	(2,380,456)	(722,367)	(4,213,208)
<b>Adjustments to reconcile net (loss) for the year to net cash flow</b>			
Depreciation and amortization	2,404,223	2,094,448	1,544,333
Gain (loss) from impairment of assets and onerous contracts	(245,636)	(1,102,791)	(1,075,682)
Derivative financial results, net	238,458	(958,005)	(864,184)
Share-based payment	71,643	(18,250)	17,180
Foreign currency exchange, net	(1,616,363)	(1,464,235)	1,431,508
Financial income and expenses, net	5,313,867	3,968,455	3,418,852
Provisions	(160,957)	438,375	646,606
Asset write-offs	269,486	208,923	—
Result from modification of lease contracts and provision	(204,017)	(93,113)	(24,323)
Result on disposal or sale, of fixed assets, right of use, intangible assets and inventories	297,349	147,311	832
Deferred income tax and social contribution	39,526	—	—
Sale and leaseback	6,356	(33,155)	(22,736)
<b>Adjusted net (loss) profit</b>	<b>4,033,479</b>	<b>2,465,596</b>	<b>859,178</b>
<b>Changes in operating assets and liabilities</b>			
Accounts receivable	876,955	(1,107,114)	(270,334)
Aircraft sublease	19,485	68,393	65,032
Inventories	(153,502)	(159,486)	(159,118)
Deposits	(453,090)	(606,219)	(421,612)
Taxes recoverable	16,312	(122,338)	26,009
Derivative financial results, net	(137,998)	477,581	(24,520)
Advances to suppliers	(2,888,463)	(629,450)	(86,936)
Other assets	(128,116)	(186,128)	(318,236)
Accounts payable	2,795,585	2,274,014	1,119,312
Reverse factoring	—	—	(1,356,689)
Airport taxes and fees	227,996	356,067	50,369
Air traffic liability and loyalty program	1,134,387	963,680	574,944
Salaries and benefits	13,151	113,828	185,692
Taxes payable	(26,793)	7,131	59,320
Provisions	(237,456)	(179,391)	(395,361)
Other liabilities	72,589	(129,019)	406,869
<b>Total changes in operating assets and liabilities</b>	<b>1,131,042</b>	<b>1,141,549</b>	<b>(545,259)</b>
Interest paid	(1,724,830)	(1,169,830)	(624,535)
<b>Net cash provided (used) by operating activities</b>	<b>3,439,691</b>	<b>2,437,315</b>	<b>(310,616)</b>
<b>Cash flows from investing activities</b>			
Short-term investments			
Acquisition of short-term investments	—	(10,422)	(98,788)
Redemption of short-term investments	—	11,939	189,470
Restricted cash	6,145	—	—
Payment for acquisition of subsidiary	—	(30,317)	(20,000)
Cash received on sale of property and equipment	—	518,739	—
Cash received in the sale and leaseback operation	91,688	321,266	21,256
Acquisition of intangible assets	(168,971)	(198,525)	(152,542)
Acquisition of property and equipment	(464,354)	(624,239)	(624,286)
Acquisition of capitalized maintenance	(338,990)	(628,293)	—
<b>Net cash used in investing activities</b>	<b>(874,482)</b>	<b>(639,852)</b>	<b>(684,890)</b>
<b>Cash flows from financing activities</b>			
Loans and financing			
Proceeds	4,733,292	200,000	3,071,274
Repayment	(1,907,123)	(819,182)	(390,985)
Reverse factoring	(831,477)	(818,274)	—
Lease payment	(2,353,262)	(2,772,581)	(1,799,815)
Payment of convertible debt instruments	(542,496)	—	—
Payment of costs with proceeds	(486,658)	(12,633)	(75,645)
Advance for future capital increase	789	61	24,004
Capital increase	819	22,945	—
Treasury shares	(6,826)	(3,923)	(16,198)
<b>Net cash provided (used) by financing activities</b>	<b>(1,392,942)</b>	<b>(4,203,587)</b>	<b>812,635</b>
Exchange rate changes on cash and cash equivalents	56,721	673	191,855
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,228,988</b>	<b>(2,405,451)</b>	<b>8,984</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>668,348</b>	<b>3,073,799</b>	<b>3,064,815</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,897,336</b>	<b>668,348</b>	<b>3,073,799</b>

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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

**1. OPERATIONS**

Azul S.A. (“The Company” or “Azul”) 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”). Azul was incorporated on January 3, 2008, and its core business comprises the operation of regular and non-regular airline passenger services, cargo or mail, passenger charter, provision of maintenance and hangarage services for aircraft, engines, parts and pieces, aircraft acquisition and lease, development of frequent-flyer programs, development of related activities and equity holding in other companies since the beginning of its operations on December 15, 2008.

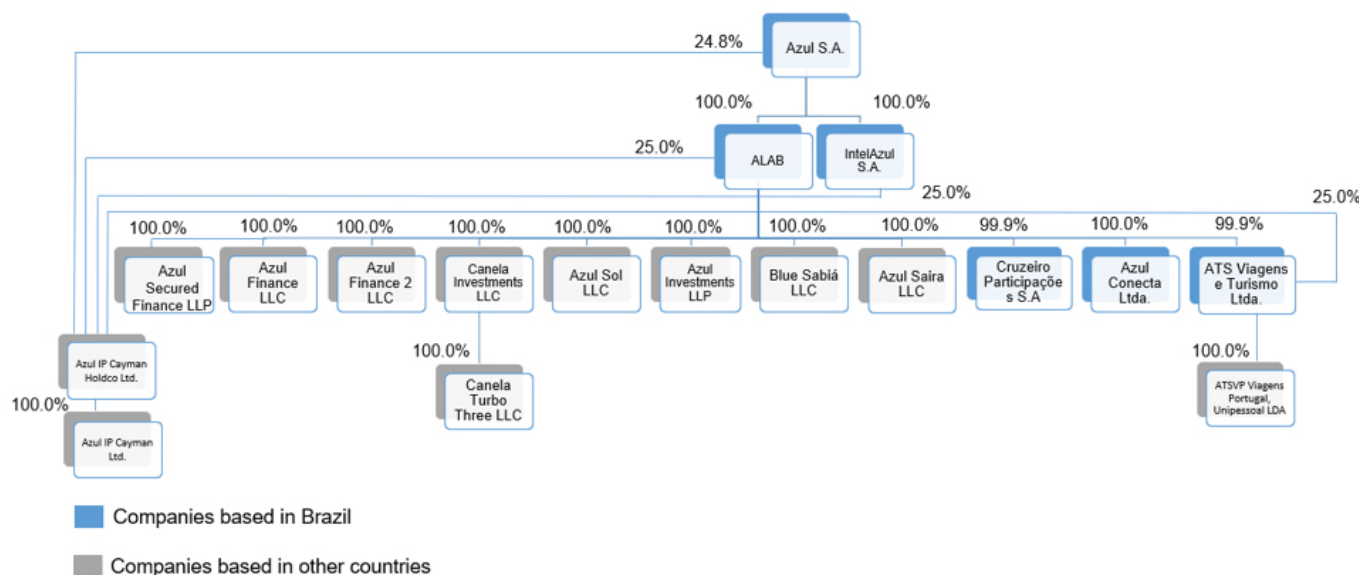
Azul carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. (“ALAB”) and Azul Conecta Ltda. (“Conecta”), which hold authorization from government authorities to operate as airlines and ATS Viagens e Turismo Ltda (“Azul Viagens”).

Azul’s shares are traded on B3 and on the New York Stock Exchange (“NYSE”) under tickers AZUL4 and AZUL, respectively.

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

**1.1 Organizational structure**

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



## Notes to the Consolidated Financial Statements

December 31, 2023

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

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

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

Azul Viagens Portugal was incorporated in March 2023, Azul Secured May 2023 and Azul IP Cayman Holdco and Azul IP Cayman in June 2023.

### 1.2 Seasonality

The Company's operating revenues depend substantially on the general volume of passenger and cargo traffic, which is subject to seasonal changes. Our passenger revenues are generally higher during the summer and winter holidays, in January and July respectively, and in the last two weeks of December, which corresponds to the holiday season. Considering the distribution of fixed costs, this seasonality tends to cause variations in operating results between the quarters of the fiscal year. It should be noted that the COVID-19 pandemic impacted the behavior related to the frequency of travels of the Company's customers, in the first quarter of 2022 and 2021, thus impacting the accumulated result for the year presented for comparative purposes.

## Notes to the Consolidated Financial Statements

December 31, 2023

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

## 2. NET WORKING CAPITAL AND CAPITAL STRUCTURE

### 2.1 Contextualization

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

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

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

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

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

#### 2.1.1 Resizing of the airline network

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

#### 2.1.2 Cost reductions

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

#### 2.1.3 Strengthening of cash

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

- access to the capital market through the issuance of debentures;
- postponement of payment of profit sharing of 2019;
- negotiation of new payment conditions with suppliers for cash preservation;
- suspension of business travels and discretionary expenses;
- negotiation to reduce airports fee;
- agreement for postponement of delivery of aircraft model E2;
- agreement with lessors with a reduction of approximately 77% of the cash outflow for the period between April and December 2020;

## Notes to the Consolidated Financial Statements

December 31, 2023

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

- renegotiation of the conditions and maturities of debentures and obligations of FINAME; and
- Issuance of debentures convertible into shares in the amount of R\$ 1,745,900 (equivalent to US\$323,195) with maturity in 5 years and interest of 7.5% p.a. in the first year and 6.0% p.a. from the second year onwards, with semi-annual settlements.

### 2.1.4 Scenario after the COVID-19 pandemic

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

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

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

#### 2.1.4.1 Issuance of simple debentures

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

#### 2.1.4.2 Issuance of debt securities 2028 – Senior notes 2028

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

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

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

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

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

#### 2.1.4.3 Debt securities exchange offers (“exchange offer”)

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

- an offer exchange debt securities with interest of 5.9% p.a. due 2024 (Senior Notes 2024) for debt securities with interest of 11.5% p.a. due 2029, and
- an offer to exchange debt securities with interest of 7.3% p.a. due 2026 (Senior Notes 2026) for debt securities with interest of 10.9% p.a. due 2030.

## Notes to the Consolidated Financial Statements

December 31, 2023

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

In July and October 2023, the Company concluded its exchange offers and issued:

- R\$1,410,967 (equivalent US\$294,215) in principal amount of 11.5% p.a. debt securities due 2029 (which were issued in exchange for R\$1,410,967 (equivalent to US\$294,215) of the aggregate principal amount of the Senior Notes 2024);
- R\$2,725,010 (equivalent to US\$568,219) in the principal amount of 10.9% p.a. debt securities due 2030 (which were issued in exchange for R\$2,725,166 (equivalent to US\$568,252) of the aggregate principal amount of the Senior Notes 2026); and
- R\$186,005 (equivalent to US\$36,778) in principal amount of 11.5% p.a. debt securities due 2028 (which were issued in exchange for R\$190,819 (equivalent to US\$37,730) of the aggregate principal amount of the Senior Notes 2024).

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

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

### 2.1.4.4 Renegotiation of convertible debentures

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

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

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

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

### 2.1.4.5 Renegotiation of lease obligations

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

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

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

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



## Notes to the Consolidated Financial Statements

December 31, 2023

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

The costs incurred in these renegotiations correspond to R\$84,421 and were recorded in profit or loss, as required by IFRS 9 – Financial Instruments.

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

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

- Notes: R\$408,541 (equivalent of US\$84,386), with interest to be paid quarterly from December 2023, with interest of 7.5% p.a. and principal maturity in June 2030; and
- Convertible to equity: R\$159,775 (equivalent to US\$33,002), with consecutive quarterly payments, starting in January 2025.

## 2.2 Net working capital and capital structure

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

Description	December 31,		Variation	December 31,	
	2023	2022		2021	Variation
Net working capital	(9,704,733)	(10,184,169)	479,436	(5,863,917)	(4,320,252)
Equity	(21,327,848)	(19,007,500)	(2,320,348)	(18,333,003)	(674,497)

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

The increase in the negative position of equity is mainly due to the Company's negative financial result, which exceeded operating profit by R\$2,380,456 for the year ended December 31, 2023.

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

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

## 2.3 Acceleration of fleet transformation

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

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**2.3.1 Breakdown of balances of provision of impairment and onerous contracts**

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

**2.3.2 Movement of the provision for impairment and onerous contracts**

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

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

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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

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

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

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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

As a result of improvements made to the presentation of some items in the statement of financial position, statements of operations and of cash flow for the current year, the following changes in presentation were retrospectively adjusted for to ensure comparability of amounts in the previous periods:

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

Statement of Operations	December 31, 2022		
	As reported	Reclassifications	Reclassified
Rental	(203,398)	203,398	—
Insurance	(81,665)	(21,551)	(103,216)
Other	(1,857,578)	(181,847)	(2,039,425)
	(2,142,641)	—	(2,142,641)

Statement of Operations	December 31, 2021		
	As reported	Reclassifications	Reclassified
<b>Changes in operating assets and liabilities</b>			
Insurance	—	(80,256)	(80,256)
Other	(2,422,799)	80,256	(2,342,543)
	(2,422,799)	—	(2,422,799)

## Notes to the Consolidated Financial Statements

December 31, 2023

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

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

Statement of Cash Flows	December 31, 2021		
	As reported	Reclassifications	Reclassified
<b>Changes in operating assets and liabilities</b>			
Prepaid expenses	(364,107)	364,107	—
Advances to suppliers	(120,266)	33,330	(86,936)
Other assets	79,201	(397,437)	(318,236)
Insurance payable	40,669	(40,669)	—
Accounts payable	1,078,643	40,669	1,119,312
Reimbursement to customers	(63,507)	63,507	—
Airports fees	80,788	(30,419)	50,369
Other liabilities	439,957	(33,088)	406,869
Government installment payment program	(7,399)	7,399	—
Taxes payable	66,719	(7,399)	59,320
<b>Cash flows from investing activities</b>			
<b>Cash received in the sale and leaseback operation</b>	<b>—</b>	<b>21,256</b>	<b>21,256</b>
<b>Cash flows from financing activities</b>			
Proceeds from sale and leaseback	21,256	(21,256)	—
<b>Total</b>	<b>1,251,954</b>	<b>—</b>	<b>1,251,954</b>

## Notes to the Consolidated Financial Statements

December 31, 2023

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

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

Fair value:

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

### 3.1. Approval and authorization for issue of the consolidated financial statements

The approval and authorization for the issuance of these consolidated financial statements occurred at the Board of Directors' meeting held on May,15 2024.

## 4. MATERIAL ACCOUNTING POLICIES

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

### 4.1 Consolidation

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

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

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

### 4.2 Impairment

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

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

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

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

## Notes to the Consolidated Financial Statements

December 31, 2023

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

### 4.3 Main accounting estimates

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

Description	Note
Provision for impairment of aircraft and engines and onerous contracts	2.3
Provision for losses with maintenance reserves	11
Analysis of the recoverable value of goodwill and slots	17
Revenue from ticket breakage and loyalty programs	25
Provision for return of aircraft and engines	28.1.1
Provision for tax, civil, labor and other risks	28.1.2

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

### 4.4 New or amended accounting standards and principles effective in 2023

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

Standard	Amendment	Impact
IAS 8	Definition of accounting estimates	Yes, but no changes
IAS 1 and IFRS Practice statement 2	Disclosure of accounting policies	Yes, but no changes
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Yes
IAS 12	Pillar Two Model Rules	No
IFRS 17	Insurance contracts	No

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

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

Standard	Amendment
IAS 1	Classification of liabilities as current and non-current and non-current liabilities with covenants
IFRS 16	Lease liability in a sale and leaseback
IAS 7 and IFRS 7	Disclosures: Supplier finance arrangements
IAS 21	The effects of changes in exchange rates

### 4.6 Foreign currency transactions

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



## Notes to the Consolidated Financial Statements

December 31, 2023

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

The exchange rates in Brazilian reais are as follows:

Description	Exchange rates									
	Final rate					Average rate				
	Year ended December 31,					Year ended December 31,				
	2023	2022	Variation	2021	Variation	2023	2022	Variation	2021	Variation
U.S. dollar	4.8413	5.2177	(7.2)%	5.5805	(6.5)%	4.9553	5.1655	(4.1)%	5.3956	(4.3)%
Euro	5.3516	5.5694	(3.9)%	6.3210	(11.9)%	5.3325	5.4420	(2.0)%	6.3784	(14.7)%

## 5. SEGMENT INFORMATION

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

The Company segregates revenues as shown below:

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

## 6. CASH AND CASH EQUIVALENTS

### 6.1 Accounting policies

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

### 6.2 Breakdown of cash and cash equivalents

Description	Weighted average rate p.a.	December, 31	
		2023	2022
<b>Cash and bank deposits</b>		271,857	101,737
<b>Cash equivalents:</b>			
Bank Deposit Certificate – CDB	100.9 % of CDI	1,354,020	352,971
Repurchase agreements	94.7 % of CDI	268,432	210,443
Time Deposit <sup>(a)</sup>	3.4 %	2,985	2,616
Others	— %	42	581
		1,897,336	668,348

(a) Investment in U.S. dollar.

## Notes to the Consolidated Financial Statements

December 31, 2023

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

## 7. LONG-TERM INVESTMENTS

### 7.1 Accounting policies

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

#### 7.1.1 Amortized cost

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

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

#### 7.1.2 Fair value

- Through comprehensive income: short-term investments are measured at fair value through comprehensive income when both of the following conditions are met:
  - (i) the Company plans to hold the financial asset to collect cash flows set forth in contract and sell the asset; and
  - (ii) contractual cash flows represent SPPI.
- Through profit or loss: it is considered to be a residual category, in other words, the Company does not plan to hold the financial asset to collect cash flows set forth in contract and/or sell the asset, and is measured at fair value through profit or loss.

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

### 7.2 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 has a maturity of 10 years from its issuance, with annual interest of 3.75% until September 20, 2016 and 7.5% in subsequent years. The accrued interest will be paid on the maturity date or early redemption of the securities, whichever occurs first.

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

### 7.3 Breakdown of short-term investments

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**8. ACCOUNTS RECEIVABLE**

**8.1 Accounting policies**

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

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

**8.2 Breakdown of accounts receivable**

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

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

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

Until May 10, 2024, of the total amount due within 90 days, 64,871 was received.

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

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

## 9. AIRCRAFT SUBLEASE

### 9.1 Accounting policies

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

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

- Derecognition of the right-of-use asset related to the head lease and recognition of the receivables arising from the sublease contracts at present value;
- Recognition in profit or loss for the year of any difference between the right of use written off and the receivables arising from the sublease contract at present value;

## Notes to the Consolidated Financial Statements

December 31, 2023

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

- The lease liability with respect to the head lease continued to be recognized in the statement of financial position;
- Recognition of financial income over the term of the sublease; and
- Recognition of financial expenses relating to obligations of the head lease contract.

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

### 9.2 Breakdown of aircraft sublease

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

## 10. INVENTORIES

### 10.1. Accounting policies

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

### 10.2. Breakdown of inventories

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

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

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

## Notes to the Consolidated Financial Statements

December 31, 2023

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

### 11. DEPOSITS

#### 11.1 Accounting policies

##### 11.1.1 Security deposits

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

##### 11.1.2 Maintenance reserves

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

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

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

As of the reporting date, we assess whether the maintenance reserve deposits required by the master lease agreements are expected to be recovered based on the expected future usage of the aircraft and timing of future maintenance events. A provision for loss is recognized for deposits that are not likely to be recovered.

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

#### 11.2 Breakdown of deposits

Description	December, 31	
	2023	2022
Security deposits	418,537	374,960
Maintenance reserves	2,153,310	2,610,943
<b>Total</b>	<b>2,571,847</b>	<b>2,985,903</b>
<b>Provision for loss</b>	<b>(278,352)</b>	<b>(446,342)</b>
<b>Total, net</b>	<b>2,293,495</b>	<b>2,539,561</b>
<b>Current</b>	<b>515,692</b>	<b>1,025,168</b>
<b>Non-current</b>	<b>1,777,803</b>	<b>1,514,393</b>



**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

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

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

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

## 12. TAXES RECOVERABLE

### 12.1 Accounting policies

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

## Notes to the Consolidated Financial Statements

December 31, 2023

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

### 12.2 Breakdown of taxes recoverable

Description	December 31,	
	2023	2022
Social Integration Program ("PIS") and Contribution to Social Security Financing ("COFINS")	73,029	135,176
Withholding income tax	121,216	39,528
Income taxes	8,315	29,359
Tax on the Circulation of Goods and Services ("ICMS")	19,940	21,661
Others	(3,067)	9,167
	<b>219,433</b>	<b>234,891</b>

## 13. ADVANCES TO SUPPLIERS

### 13.1 Accounting policies

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

### 13.2 Breakdown of advances to suppliers

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

## 14. INCOME TAX AND CONTRIBUTION

### 14.1 Accounting policies

#### 14.1.1 Current taxes

In Brazil, current taxes comprise corporate income tax ("IRPJ") and social contribution on profit ("CSLL"), which are calculated monthly based on the taxable profit, after offsetting tax losses carryforwards, limited to 30% of taxable profit. A combined rate of 34% applies to this base.

Income from foreign subsidiaries is subject to taxation in accordance with the rates and legislation in force. In Brazil such income is taxed in accordance with Law No. 12,973/14, which states that a parent company of a foreign subsidiary adds such income to its taxable income for the period.

#### 14.1.2 Deferred taxes

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

## Notes to the Consolidated Financial Statements

December 31, 2023

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

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

### 14.1.3 Uncertainty over income tax treatments

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

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

### 14.1.4 International Tax Reform – Pillar Two Model Rules

Amendments to IAS 12 – Income Taxes, became effective in response to the Organization for Economic Co-operation and Development (“OECD”) Pillar Two rules on Base Erosion and Profit Shifting (“BEPS”):

These changes had no impact on the Company's consolidated financial statements.

## 14.2 Breakdown of deferred taxes

Description	December 31, 2022	Profit or loss	December 31, 2023
<b>Deferred tax liability on taxable temporary differences</b>			
Breakage	(176,884)	(19,039)	(195,923)
Foreign currency exchange	—	(191,219)	(191,219)
Leases	(2,620,461)	(414,124)	(3,034,585)
Others	(516)	(541)	(1,057)
	<b>(2,797,861)</b>	<b>(624,923)</b>	<b>(3,422,784)</b>
Deferred tax asset on deductible temporary differences	2,797,861	585,397	3,383,258
<b>Total income tax and deferred social contribution</b>	<b>—</b>	<b>(39,526)</b>	<b>(39,526)</b>
<b>Provision for deferred taxes</b>	<b>—</b>	<b>(39,526)</b>	<b>(39,526)</b>

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**14.3 Reconciliation of the effective income tax rate**

Description	December 31,		
	2023	2022	2021
Loss before income tax and social contribution	(2,340,930)	(722,367)	(4,213,208)
Combined nominal tax rate	34 %	34 %	34 %
Taxes calculated at nominal rates	795,916	245,605	1,432,491
<b>Adjustments to determine the effective rate</b>			
Result from investments not taxed abroad	298,972	100,586	—
Unrecorded benefit on tax losses and temporary differences	(1,189,039)	(700,826)	(1,593,326)
Mark to market of convertible debt instruments	(8,584)	176,737	281,932
Permanent differences	43,764	154,669	(116,876)
Rate differential	24,377	29,189	—
Others	(4,932)	(5,960)	(4,221)
	(39,526)	—	—
Deferred income tax and social contribution	(39,526)	—	—
	—	—	—
<b>Effective rate</b>	(1.7)%	— %	— %

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

Description	December 31,		
	2023	2022	2021
Tax loss and negative bases	18,325,916	12,863,038	8,843,805
Tax loss (25%)	4,581,479	3,215,760	2,210,951
Negative social contribution base (9%)	1,649,332	1,157,673	795,942

## **15. PROPERTY AND EQUIPMENT**

### **15.1 Accounting policies**

Property and equipment, are stated at acquisition cost.

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

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

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

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

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

#### **15.1.1 Sale and leaseback transactions**

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

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

During the year ended December 31, 2023, the Company carried out a “sale and leaseback” transaction for an engine, where the proceeds, net of sales costs, amounted to a loss of R\$6,356 (gain of R\$33,155 as of December 31, 2022) and was recognized in the statement of operations under the line item “Other”.

#### **15.1.2 Advance payments for acquisition of aircraft**

Advance payments for the acquisition of aircraft are recognized in property and equipment.

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**15.2 Breakdown of property and equipment**

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

(a) Includes aircraft, engines, simulators and flight equipment.

(b) The transfer balances are between “Property and equipment”, “Right - of - use assets” and “Intangible assets”.



**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

(a) Includes aircraft, engines, simulators and flight equipment.

(b) The balances of transfers are between “Aircraft sublease”, “Property and equipment”, “Right-of-use assets” and “Other assets”.

## 16. RIGHT-OF-USE ASSETS

### 16.1 Accounting policies

IFRS 16 – Leases, requires lessees at the commencement date of a contract to recognize a lease liability to make payments and an asset representing the right to use the underlying asset over the lease term (a right-of-use asset - “ROU”). Lessees must separately recognize interest expense on the lease liability and the depreciation expense of the right-of-use asset in profit or loss.

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

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

### **16.1.1 Componentization of aircraft**

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

### **16.1.2 Capitalization of heavy maintenance events**

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

Subsequently, they are depreciated during the respective period of use considering the shorter period between the next scheduled maintenance event or until the end of the lease. Repairs and other routine maintenance are recognized in profit or loss in the period in which they are incurred.

### **16.1.3 Recognition of contractual obligations relating to return of aircraft**

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**16.2 Breakdown of right-of-use assets**

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

(a) Includes aircraft, engines, and simulators.

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

(a) Includes aircraft, engines, and simulators.

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

## 17. INTANGIBLE ASSETS

### 17.1 Accounting policies

#### 17.1.1 Definite useful life

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

#### 17.1.2 Indefinite useful life

##### 17.1.2.1 Goodwill

Goodwill was recognized from the business combinations of IntelAzul and Conecta. Goodwill is tested annually for impairment by comparing the carrying amount of the CGU to which goodwill has been allocated with its value in use. Management makes judgments and establishes assumptions to assess the impact of macroeconomic and operational changes, in order to estimate future cash flows and measure the recoverable amount of its CGU.

##### 17.1.2.2 Rights of operations in airports (slots)

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

### 17.2 Breakdown of intangible assets

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

**17.3 Impairment of intangible assets without a finite useful life**

As of December 31, 2023, the Company performed its annual impairment test of the carrying amount of its cash generating unit to which goodwill and slots are allocated, through determining its value in use by reference to future discounted cash flows.

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

The following assumptions were considered:

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

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

The result of the goodwill and slots impairment test demonstrated that the estimated recoverable amount of the CGU is significantly greater than its carrying amount and, therefore, no impairment loss was identified. To estimate the value in use of the CGU, a pre-tax discount rate of 11.4% (11.5% as of December 31, 2022) and a growth rate in perpetuity of 3.0% (3.0% as of December 31, 2022) were used.

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



## Notes to the Consolidated Financial Statements

December 31, 2023

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



## 18. LOANS AND FINANCING

### 18.1 Accounting policies

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

### 18.2 Movement of loans and financing

Description	Average nominal rate p.a.	Effective rate	Maturity	December 31, 2022	Funding (–) costs	Transfers <sup>(a)</sup>	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Effects of restriction <sup>(b)</sup>	Amortized cost	December 31, 2023	Principal payable	Interest Payable	Amortized cost	December 31, 2023
<b>In foreign currency – US\$</b>																	
Senior notes – 2024	5.9 %	6.3 %	Oct-24	2,097,402	—	(1,596,972)	—	(92,985)	76,569	(157,024)	1,212	3,897	332,099	329,472	3,441	(814)	332,099
Senior notes – 2026	7.3 %	7.8 %	Jun-26	3,095,665	—	(2,725,010)	—	(126,950)	121,218	(253,595)	34,278	6,966	152,572	153,701	464	(1,593)	152,572
Senior notes – 2028	11.9 %	13.5 %	Aug-28	—	3,643,382	186,005	—	(173,450)	218,885	31,138	—	16,771	3,922,731	4,051,093	42,960	(171,322)	3,922,731
Senior notes – 2029	11.5 %	11.5 %	May-29	—	—	1,410,967	(277,961)	(52,893)	65,165	20,267	—	—	1,165,545	1,153,751	11,794	—	1,165,545
Senior notes – 2030	10.9 %	10.9 %	May-30	—	—	2,725,010	—	(112,453)	140,308	24,648	—	—	2,777,513	2,750,921	26,592	—	2,777,513
Aircraft, engines and others	6.5 %	9.3 %	Mar-29	731,224	—	(1,067)	(402,994)	(42,727)	47,720	(53,401)	—	5,524	284,279	283,965	1,808	(1,494)	284,279
	Sofr 1M + 4.6%	10.0 %	May-26	—	79,222	—	—	—	196	(332)	—	—	79,086	78,890	196	—	79,086
				5,924,291	3,722,604	(1,067)	(680,955)	(601,458)	670,061	(388,299)	35,490	33,158	8,713,825	8,801,793	87,255	(175,223)	8,713,825
<b>In local currency – R\$</b>																	
Working capital	CDI + 3.1 %	CDI +3,1 %	Feb-24	496,997	301,098	—	(770,795)	(59,807)	58,454	—	—	1,544	27,491	27,190	301	—	27,491
			Sep-25	2,675	—	—	(546)	(155)	183	—	—	—	2,157	2,157	—	—	2,157
																	—
Debentures	CDI + 5.4 %	16.3 %	Dec-28	747,170	585,661	—	(431,530)	(123,907)	131,629	—	—	10,049	919,072	913,521	28,409	(22,858)	919,072
																	—
Aircraft, engines and others	Selic +5.5 %	17.4 %	May-25	19,284	—	—	(4,697)	(4,714)	2,868	—	—	30	12,771	12,851	—	(80)	12,771
	6.3 %	6.3 %	Mar-27	42,282	—	—	(18,600)	(2,111)	1,912	—	—	113	23,596	23,596	—	—	23,596
																	—
				1,308,408	886,759	—	(1,226,168)	(190,694)	195,046	—	—	11,736	985,087	979,315	28,710	(22,938)	985,087
Total in R\$				7,232,699	4,609,363	(1,067)	(1,907,123)	(792,152)	865,107	(388,299)	35,490	44,894	9,698,912	9,781,108	115,965	(198,161)	9,698,912
<b>Current</b>				<b>1,112,940</b>									<b>1,100,051</b>				<b>1,100,051</b>
<b>Non-current</b>				<b>6,119,759</b>									<b>8,598,861</b>				<b>8,598,861</b>

(a) The balance of transfers are between “Loans and financing” and “Leases”.

(b) Refers mainly to the acceleration of the amortization of funding costs considered extinguished in accordance with the requirements of paragraph 3.3.2 of IFRS 9 – Financial instruments, which determines that a substantial modification of the terms of a debt instrument, or a portion thereof, will be accounted for with an extinguishment of such instrument.

## Notes to the Consolidated Financial Statements

December 31, 2023

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

Description	Average nominal rate p.a.	Effective rate	Maturity	December 31, 2021	Funding (-) costs	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	December 31, 2022	Principal payable	Interest accrued	Amortized cost	December 31, 2022
<b>In foreign currency – US\$</b>															
Senior notes – 2024	5.9 %	6.3 %	Oct-24	2,236,910	—	—	(120,924)	120,487	(146,308)	7,237	2,097,402	2,087,079	21,798	(11,475)	2,097,402
Senior notes – 2026	7.3 %	7.8 %	Jun-26	3,298,018	—	—	(227,525)	222,675	(208,927)	11,424	3,095,665	3,130,620	9,457	(44,412)	3,095,665
Aircraft and engines	6.0 %	9.3 %	Mar-29	1,096,955	—	(306,668)	(43,061)	52,940	(74,467)	5,525	731,224	733,697	4,669	(7,142)	731,224
	Libor 3M + 2.6 %	Libor 3M + 2.6 %	Mar-22	1,561	—	(1,428)	—	6	(139)	—	—	—	—	—	—
				6,633,444	—	(308,096)	(391,510)	396,108	(429,841)	24,186	5,924,291	5,951,396	35,924	(63,029)	5,924,291
<b>In local currency – R\$</b>															
Working capital	CDI +3.9 %	18.6 %	Feb-24	643,699	227,467	(369,623)	(108,887)	104,030	—	311	496,997	495,631	1,798	(432)	496,997
	2.9 %	2.9 %	Sep-25	23,202	—	(20,728)	(1,031)	1,232	—	—	2,675	2,648	27	—	2,675
Debentures <sup>(a)</sup>	CDI + 5.0 %	16.3 %	Dec-27	733,017	(12,308)	(74,056)	(50,908)	147,029	—	4,396	747,170	694,921	70,820	(18,571)	747,170
Aircraft and engines	Selic + 5.5 %	17.4 %	May-25	28,038	—	(8,350)	(4,374)	3,910	—	60	19,284	19,386	18	(120)	19,284
	6.2 %	CDI + 6.2 %	Mar-27	84,330	—	(42,324)	(3,863)	4,017	—	122	42,282	42,397	7	(122)	42,282
				1,512,286	215,159	(515,081)	(169,063)	260,218	—	4,889	1,308,408	1,254,983	72,670	(19,245)	1,308,408
<b>Total in R\$</b>				<b>8,145,730</b>	<b>215,159</b>	<b>(823,177)</b>	<b>(560,573)</b>	<b>656,326</b>	<b>(429,841)</b>	<b>29,075</b>	<b>7,232,699</b>	<b>7,206,379</b>	<b>108,594</b>	<b>(82,274)</b>	<b>7,232,699</b>
<b>Current</b>				<b>984,266</b>							<b>1,112,940</b>				<b>1,112,940</b>
<b>Non-current</b>				<b>7,161,464</b>							<b>6,119,759</b>				<b>6,119,759</b>

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

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

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

## **18.4 Main loan and financing operations**

### **18.4.1 Funding occurred in 2023**

#### **18.4.1.1 Working capital**

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

#### **18.4.1.2 Debentures**

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

#### **18.4.1.3 Senior notes 2028**

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

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

#### **18.4.1.4 Aircraft and engines**

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

### **18.4.2 Renegotiations occurred in 2023**

#### **18.4.2.1 Debentures**

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**18.4.2.2 Aircraft and engines**

During the first quarter, the Company renegotiated the deferral of the payment from March 31, 2023 to December 31, 2023 of an installment in the amount of R\$194,330, changing the weighted average rate from 6.5% p.a. to 7.4% p.a. Linked to this renegotiation, in the second quarter, the weighted average rate of the entire contract was renegotiated, changing from 7.4% p.a. to 8.6% p.a. In December 2023 the balance was paid in advance.

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

**18.4.2.3 Senior notes**

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

- an offer exchange debt securities with interest of 5.9% p.a due 2024 (Senior Notes 2024) for debt securities with interest of 11.5% p.a. due 2029; and
- an offer to exchange debt securities with interest of 7.3% p.a due 2026 (Senior Notes 2026) for debt securities with interest of 10.9% p.a. due 2030.

In July and October 2023, the Company concluded its exchange offers and as a consequence issued:

- R\$1,410,967 (equivalent to US\$294,215) in principal amount with interest of 11.5% p.a. due 2029 (which were issued in exchange for R\$1,410,967 (equivalent to US\$294,215) in aggregate principal amount of the Senior Notes 2024);
- R\$2,725,010 (equivalent to US\$568,219) in the principal amount with interest of 10.9% p.a. maturing in 2030 (which were issued in exchange for R\$2,725,166 (equivalent to US\$568,252) in the principal amount of the Senior Notes 2026); and
- R\$186,005 (equivalent to US\$36,778) in principal amount with interest of 11.5% p.a. due 2028 (which were issued in exchange for R\$190,819 (equivalent to US\$37,730) in aggregate principal amount of Senior Notes 2024);

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

Description	Total principal amount offered for exchange US\$	% exchanged
5.9% Senior notes 2024	331,945	83.0 %
7.3% Senior notes 2026	568,252	94.7 %
Total	900,197	90.0 %

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**18.5 Covenants**

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

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

The Company requested waivers from its counterparties, and obtained them for the year ended December 31, 2023. Therefore, the related debt is classified in these financial statements in accordance with the contractual flow originally established.

**18.6 Guarantees**

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

**19. LEASES**

**19.1 Accounting policies**

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

**19.2 Renegotiations**

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

- Notes: R\$1,385,115 (equivalent to US\$286,104), with interest to be paid quarterly from December 2023, with interest of 7.5% p.a., and principal maturity in June 2030; and
- Convertible to equity: R\$2,178,740 (equivalent to US\$450,032), with interest-free and consecutive quarterly payments, starting in July 2024.

The costs incurred in these transactions correspond to R\$84,421 and were recognized in the statement of operations as required by IFRS 9 – Financial Instruments.

Description	December 31,	
	2023	2022
Leases	12,455,827	14,582,833
Leases – Notes	1,030,845	—
Leases – Convertible to equity	1,659,739	—
	<u>15,146,411</u>	<u>14,582,833</u>
Current liabilities	3,687,392	4,025,948
Non-current assets	11,459,019	10,556,885

**19.3 Movement of Leases**

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

(a) Includes aircraft, engines, and simulators.

(b) The transfer balances are between “Loans and financing”, “Leases”; “Leases: Notes and Convertible to equity”; “Accounts payable” and “Other liabilities”.



**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

(a) Includes aircraft, engines, and simulators.

**19.4 Leases – Notes**

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

(a) The transfer balances are between “Leases” and “Leases: Notes and Convertible to equity”.

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**19.5 Leases – Convertible to equity**

Description	Average remaining term	Weighted average rate	December,31 2022	Additions	Interest incurred	Transfers <sup>(a)</sup>	Foreign currency exchange	December,31 2023
Financing with lessors – Convertible to equity	3.6	14.6 %	—	17,270	55,597	1,640,771	(53,899)	1,659,739
Total			—	17,270	55,597	1,640,771	(53,899)	1,659,739
Current			—					216,388
Non-current			—					1,443,351

(a) The transfer balances are between “Leases” and “Leases: Notes and Convertible to equity”.

**19.6 Schedule of amortization of leases**

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

## Notes to the Consolidated Financial Statements

December 31, 2023

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



### 19.7 Schedule of amortization of leases – Notes

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**19.8 Schedule of amortization of Leases – Convertible to equity**

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

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

**19.9 Covenants**

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

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

The Company requested waivers from its counterparties, and obtained them for the year ended December 31, 2023. Therefore, the related debt is classified in these financial statements in accordance with the contractual flow originally established.

**20. CONVERTIBLE DEBT INSTRUMENTS**

**20.1 Accounting policies**

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**20.2 Renegotiations**

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

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

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

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

**20.3 Movement of convertible debt instruments**

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

(a) Does not consider the conversion right.

Description	Average nominal rate p.a.	Effective rate <sup>(a)</sup>	Maturity	December 31, 2021	Variation of conversion right	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	December 31, 2022
In foreign currency – US\$										
Debentures	6.0 % a 7.5 %	6.6 %	Oct-25	1,873,001	(519,815)	(105,891)	231,103	(79,212)	4,533	1,403,719
Total in R\$				1,873,001	(519,815)	(105,891)	231,103	(79,212)	4,533	1,403,719
Current				39,124						14,789
Non-current				1,833,877						1,388,930

(a) Does not consider the conversion right.

## Notes to the Consolidated Financial Statements

December 31, 2023

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



### 20.4 Schedule of amortization

Description	December 31, 2023	December 31, 2022
2023	—	14,789
2024	25,807	—
2025	—	1,388,930
After 2026	1,175,803	—
	<u>1,201,610</u>	<u>1,403,719</u>
Current	25,807	14,789
Non-current	1,175,803	1,388,930



## 21. ACCOUNTS PAYABLE

### 21.1 Accounting policies

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

### 21.2 Breakdown of accounts payable

As described in note 2.1.4.6, negotiations with suppliers of aircraft services and parts mostly followed the same model as the renegotiation of lease obligations, i.e. the Company issued Notes in the equivalent amount of R\$408,541 (equivalent of US\$84,386), with interest of 7.5% p.a. to be paid quarterly from December 2023, and principal due in June 2030), as well as Convertible to equity, in the total amount of R\$159,775 (equivalent US\$33,002), with consecutive quarterly payments, starting in January 2025.

Description	December 31,	
	2023	2022
Accounts payable	3,077,225	3,034,799
Accounts payable – Notes	401,702	—
Accounts payable – Convertible to equity	119,841	—
	<b>3,598,768</b>	<b>3,034,799</b>
<b>Current</b>	2,277,841	2,517,828
<b>Non-current</b>	1,320,927	516,971

### 21.3 Movement of accounts payable

#### 21.3.1 Accounts payable – Notes

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

#### 21.3.2 Accounts payable – Convertible to equity

Description	December 31, 2022	Addition	Interest incurred	Foreign currency exchange	December 31, 2023
Financing with accounts payable – Convertible to equity	—	118,809	3,347	(2,315)	119,841
Total	—	<b>118,809</b>	<b>3,347</b>	(2,315)	<b>119,841</b>
Non-current	—				119,841

## 22. REVERSE FACTORING

### 22.1 Accounting policies

The Company negotiates with suppliers with the aim of extending its payment terms. Agreements were entered into with financial institutions that allow the Company's suppliers, mainly of fuel, to receive advances on amounts due from the Company with interest rates ranging between 1.19% to 1.27% p.m.

When an amount is advanced by a supplier with the financial institution, is transferred from the item "Accounts payable" to "Reverse factoring".

### 22.2 Movement of reverse factoring

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

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

### 23.1 Accounting policies

Changes in interest rates, exchange rates and aviation fuel prices expose the Company to risks that may affect its financial performance. In order to mitigate such risks, the Company contracts derivative financial instruments. Changes in their fair value are recognized directly in profit or loss.

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**23.2 Breakdown of derivative financial instruments**

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

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

Changes in fair value	Options – foreign currency	Interest rate swap	Forward – fuel	Forward – foreign currency	Conversion right (debentures)	Total
<b>Rights (obligations) with derivatives at December 31, 2020</b>	<b>8,947</b>	<b>(269,491)</b>	<b>(81,274)</b>	<b>349,093</b>	<b>(1,465,999)</b>	<b>(1,458,724)</b>
Gains (losses) recognized in result	(10,222)	48,571	75,075	(78,453)	829,213	864,184
Payment in cash	1,275	7,663	15,582	—	—	24,520
<b>Rights (obligations) with derivatives at December 31, 2021</b>	<b>—</b>	<b>(213,257)</b>	<b>9,383</b>	<b>270,640</b>	<b>(636,786)</b>	<b>(570,020)</b>
<b>Rights with current derivative financial instruments</b>	<b>—</b>	<b>73,794</b>	<b>9,383</b>	<b>—</b>	<b>—</b>	<b>83,177</b>
<b>Rights with non-current derivative financial instruments</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>270,640</b>	<b>—</b>	<b>270,640</b>
<b>Obligations with current derivative financial instruments</b>	<b>—</b>	<b>(77,509)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(77,509)</b>
<b>Obligations with non-current derivative financial instruments</b>	<b>—</b>	<b>(209,542)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(209,542)</b>
<b>Long-term loans and financing</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(636,786)</b>	<b>(636,786)</b>
	<b>—</b>	<b>(213,257)</b>	<b>9,383</b>	<b>270,640</b>	<b>(636,786)</b>	<b>(570,020)</b>

**24. AIRPORT TAXES AND FEES**

**24.1 Accounting policies**

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

## 24.2 Breakdown of airport taxes and fees

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

## 25. AIR TRAFFIC LIABILITY AND LOYALTY PROGRAM

### 25.1 Accounting policies

This represents the Company's obligations for the early receipt of air transport services and other auxiliary services related to the main obligation with its customers. They are accounted for at the amount of the transaction and as they are non-monetary items they are not subject to exchange differences or monetary adjustment of any nature. The liability is derecognized when the related transport services are provided.

### 25.2 Breakdown of air traffic liability and loyalty program

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

(a) Does not consider the loyalty program.

## 26. SALARIES AND BENEFITS

### 26.1 Accounting policies

Salaries and benefits obligations are initially recognized at fair value, on an accrual basis.

### 26.2 Breakdown salaries and benefits

Description	December,31	
	2023	2022
Short-term benefits	473,060	478,568
Share-based payment	1,737	844
	<b>474,797</b>	<b>479,412</b>

## 27. TAXES PAYABLE

### 27.1 Accounting policies

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

### 27.2 Breakdown of taxes payable

Description	December 31,	
	2023	2022
Government installment payment program federal	157,970	96,547
Social Integration Program (" PIS ") and Contribution to Social Security Financing (" COFINS ")	4,231	55,385
Taxes withheld	76,520	49,906
Import taxes	13,483	15,189
Others	2,251	48,156
	<b>254,455</b>	<b>265,183</b>
<b>Current</b>	142,168	193,588
<b>Non-current</b>	112,287	71,595

In the first quarter of 2023, the Company opted to pay federal taxes in installments over 60 months in the amount of R\$103,650. As of December 31, the Company not did have overdue amounts.

## 28. PROVISIONS

### 28.1 Accounting policies

#### 28.1.1 Provision for return of aircraft and engines

Aircraft and engines held under lease agreements without purchase options have contractual obligations establishing conditions for their return.

The Company provides for return costs, since these are present obligations arising from past events and which will generate future disbursements, which are reliably measured.

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

#### 28.1.2 Tax, civil, labor and other risks

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

**28.1.3 Post-employment benefits**

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

**28.2 Breakdown of provisions**

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

(a) Nominal discount rate 10.7% p.a. (11.2% p.a as of December 31, 2022.)



## 28.2.1 Tax, civil, labor and other risks

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

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

### 28.2.1.1 Tax

#### 28.2.1.1.1 Probable loss

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

#### 28.2.1.1.2 Possible loss

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

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

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

### 28.2.1.2 Civil

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

### 28.2.1.3 Labor

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

### 28.2.1.4 Others

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

## 28.2.2 Post-employment benefit

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

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

## 29. RELATED-PARTY TRANSACTIONS

### 29.1 Accounting policies

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

### 29.2 Related-party transactions

#### 29.2.1 Compensation of key management personnel

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

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

Description	December 31,		
	2023	2022	2021
Short-term benefits	19,429	58,788	30,080
Post-employment benefit	595	—	—
Share-based payment	63,529	(17,441)	13,042
	<b>83,553</b>	<b>41,347</b>	<b>43,122</b>

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

### 29.3 Technology service sharing contract

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**29.4 Ticket sales contract**

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

**29.5 Aircraft sublease**

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

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

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

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

**29.6 Lilium**

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

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

**29.7 Azorra**

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

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

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



## 30. EQUITY

### 30.1 Issued capital

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

(a) Advance for future capital increase.

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

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

Company shareholding structure is presented below:

Shareholder	December 31, 2023			December 31, 2022		
	Common shares	Preferred shares	% economic participation	Common shares	Preferred shares	% economic participation
David Neeleman	67.0 %	2.2 %	4.5 %	67.0 %	2.2 %	4.5 %
Shareholders Trip <sup>(a)</sup>	33.0 %	4.0 %	5.0 %	33.0 %	4.4 %	5.4 %
United Airlines Inc	— %	8.0 %	7.8 %	— %	8.0 %	7.8 %
Blackrock	— %	5.0 %	4.8 %	— %	5.0 %	4.8 %
Others	— %	80.7 %	77.8 %	— %	80.3 %	77.4 %
Treasury shares	— %	0.1 %	0.1 %	— %	0.1 %	0.1 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

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

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

## 30.2 Treasury shares

### 30.2.1 Accounting policies

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

### 30.2.2 Movement of treasury shares

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

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

## 31. EARNINGS (LOSS) PER SHARE

### 31.1 Accounting policies

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

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**31.2 Earnings (loss) per share calculation**

Description	Years ended December 31,		
	2023	2022	2021
<b>Numerator</b>			
Loss for the year	(2,380,456)	(722,367)	(4,213,208)
<b>Denominator</b>			
Weighted average number of common shares	928,965,058	928,965,058	928,965,058
Weighted average number of preferred shares	335,145,967	335,291,821	333,286,277
Economic value of preferred shares	75	75	75
Weighted average number of equivalent preferred shares <sup>(a)</sup>	347,532,168	347,678,022	345,672,478
Weighted average number of equivalent common shares <sup>(b)</sup>	26,064,912,583	26,075,851,633	25,925,435,858
Weighted average number of presumed conversions	220,081,929	77,059,124	63,296,103
Weighted average number of preferred shares that would have been issued the average share price at the market price	4,041,744	3,290,760	2,711,861
Average share price at market price (in reais)	14.35	18.17	36.87
Basic loss per common share – R\$	(0.09)	(0.03)	(0.16)
Diluted loss per common share – R\$	(0.09)	(0.03)	(0.16)
Basic loss per preferred share – R\$	(6.85)	(2.08)	(12.19)
Diluted loss per preferred share – R\$	(6.85)	(2.08)	(12.19)

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

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

**32. SHARE-BASED PAYMENT**

**32.1 Accounting policies**

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

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

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

**32.2 Compensation plans**

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



**Notes to the Consolidated Financial Statements**

December 31, 2023

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



The movement of the plans is as follows:

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

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

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

Description	Years ended December, 31		
	2023	2022	2021
Option plan	61,646	29,368	5,933
RSU	9,093	1,366	15,877
Phantom shares	904	(48,984)	(4,630)
	71,643	(18,250)	17,180

The reversal of expenses in 2022 and 2021 was due to the reduction in the fair value of shares in these periods.

## Notes to the Consolidated Financial Statements

December 31, 2023

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



### 32.3 Assumptions

#### 32.3.1 Option plan

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

Date of grant	Option exercise price (in R\$)	Fair value of the option on the grant (in R\$)	Historical volatility	Expected dividend	Average risk-free rate of return	Exercise rate per tranche	Deadline remainder of vesting period (in years)	Purchasing period up to (years)	Total options granted	Total outstanding options	Total options available for exercise
December 11, 2009	3.42	1.93	47.7 %	1.1 %	8.8 %	25.0 %	0.0	4.0	5,032,800	182,870	182,870
March 24, 2011	6.44	4.16	54.8 %	1.1 %	12.0 %	25.0 %	0.0	4.0	1,572,000	84,000	84,000
April 5, 2011	6.44	4.16	54.8 %	1.1 %	12.0 %	25.0 %	0.0	4.0	656,000	6,200	6,200
June 30, 2014	19.15	11.01	40.6 %	1.1 %	12.5 %	25.0 %	0.0	4.0	2,169,122	708,993	708,993
July 1, 2015	14.51	10.82	40.6 %	1.1 %	15.7 %	25.0 %	0.0	4.0	627,810	177,592	177,592
July 1, 2016	14.50	10.14	43.1 %	1.1 %	12.2 %	25.0 %	0.0	4.0	820,250	280,124	280,124
July 6, 2017	22.57	12.82	43.4 %	1.1 %	10.3 %	25.0 %	0.0	4.0	680,467	442,796	442,796
March 14, 2017	11.85	4.82	50.6 %	1.1 %	11.3 %	20.0 %	0.0	5.0	9,343,510	—	—
August 8, 2022	11.07	8.10	70.0 %	— %	13.0 %	25.0 %	2.6	4.0	1,774,418	1,731,390	439,962
August 8, 2022	11.07	6.40	68.8 %	— %	13.2 %	25.0 %	1.6	4.0	1,514,999	1,399,999	669,500
August 19, 2022	11.07	7.39	67.2 %	— %	13.6 %	100.0 %	0.0	1.0	4,900,000	4,824,333	4,824,333
August 19, 2022	11.07	11.54	74.6 %	— %	12.7 %	33.0 %	3.6	5.0	8,900,000	8,900,000	—
July 7, 2023	15.60	10.80	75.4 %	— %	11.6 %	25.0 %	3.5	4.0	1,800,000	1,783,387	—
									<b>39,791,376</b>	<b>20,521,684</b>	<b>7,816,370</b>

#### 32.3.2 RSU

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

Date of grant	Exercise rate per tranche	Fair value of share (in reais)	Remaining term of the vesting period (in years)	Purchasing period up to (years)	Total granted	Total not exercised
July 7, 2019	25.0 %	51.65	0.0	4.0	170,000	—
June 19, 2020	25.0 %	21.80	0.4	4.0	1,382,582	255,126
July 7, 2021	25.0 %	42.67	1.5	4.0	300,000	118,661
July 7, 2022	25.0 %	11.72	2.5	4.0	335,593	230,693
July 7, 2022	25.0 %	11.72	2.5	4.0	671,186	444,761
July 7, 2023	25.0 %	19.32	3.5	4.0	500,000	494,824
					<b>3,359,361</b>	<b>1,544,065</b>

#### 32.3.3 Phantom shares

Date of grant	Option exercise price (in reais)	Average fair value of option	Historical volatility	Expected dividend	Average risk-free rate of return	Exercise rate per tranche	Remaining term of the vesting period (in years)	Purchasing period up to (years)	Total granted	Total outstanding	Total options available for exercise
August 7, 2018	20.43	3.89	74.9 %	0 %	10.0 %	25.0 %	0.0	4.0	707,400	53,520	53,520
July 7, 2019	42.09	1.08	74.9 %	0 %	10.0 %	25.0 %	0.0	4.0	405,000	—	—
April 30, 2020	10.35	7.87	74.9 %	0 %	10.0 %	33.3 %	0.0	3.0	3,250,000	153,160	153,160
April 30, 2020	10.35	8.60	73.8 %	0 %	9.8 %	25.0 %	0.3	4.0	1,600,000	38,820	38,820
August 17, 2021	33.99	3.46	71.4 %	0 %	9.8 %	25.0 %	1.6	4.0	580,000	1,430	1,430
									<b>6,542,400</b>	<b>246,930</b>	<b>246,930</b>

## **33. REVENUE**

### **33.1 Accounting policies**

#### **33.1.1 Revenue from passenger transport**

Revenue from passenger transport is recognized when air transportation is actually provided. Tickets sold, but not yet used are recorded as “Air traffic liability and loyalty program” account, net of breakage revenue estimate (note 25).

Breakage revenue represents tickets issued that are expected to expire unused, that is, passengers who have purchased tickets and are very likely not to use them. Breakage revenue is estimated using statistical models primarily based on historical data, ticket terms and customers’ travel behavior. Breakage revenue is recognized in proportion to the usage of the related tickets. At least annually, the calculations and the statistical model are reviewed in order to reflect and capture changes in customer behavior regarding ticket expiration.

Other revenues that include charter services, flight rescheduling fees, baggage dispatch and other additional services are recognized when the services are rendered.

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

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

When the transportation service occurs, the portion of the ticket price allocated to air transportation is recognized as revenue and the portion corresponding to loyalty program points is deferred in accordance with IFRS 15.

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

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

Issued points not yet used are recognized under “Air traffic liability and loyalty program”, until their effective use or expiration.

#### **33.1.2 Other revenue**

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

### 33.2 Breakdown of revenue

Description	Years ended December 31,		
	2023	2022	2021
Passenger revenue	17,229,732	15,020,757	9,101,576
Other revenues	1,487,286	1,513,582	1,301,090
<b>Total</b>	<b>18,717,018</b>	<b>16,534,339</b>	<b>10,402,666</b>
<b>Taxes levied</b>			
Passenger revenue	(2,004)	(425,812)	(290,532)
Other revenues	(160,589)	(160,460)	(136,405)
<b>Total taxes<sup>(a)</sup></b>	<b>(162,593)</b>	<b>(586,272)</b>	<b>(426,937)</b>
<b>Total revenue</b>	<b>18,554,425</b>	<b>15,948,067</b>	<b>9,975,729</b>

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

Revenues by geographical location are as follows:

Description	Years ended December 31,		
	2023	2022	2021
Domestic revenue	14,675,974	13,013,202	8,849,486
Foreign revenue	3,878,451	2,934,865	1,126,243
<b>Total revenue</b>	<b>18,554,425</b>	<b>15,948,067</b>	<b>9,975,729</b>

## 34. FINANCIAL RESULT

### 34.1 Accounting policies

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**34.2 Breakdown of financial result**

Description	Consolidated		
	Years ended December, 31		
	2023	2022	2021
<b>Financial income</b>			
Interest on short-term investments	91,353	198,290	105,051
Sublease receivables	13,314	60,930	26,846
TAP Bond fair value	66,053	—	15,935
Others	49,421	18,069	6,448
	<b>220,141</b>	<b>277,289</b>	<b>154,280</b>
<b>Financial expenses</b>			
Interest on loans and financing	(865,107)	(656,326)	(420,682)
Interest on lease	(2,420,557)	(2,533,128)	(2,433,640)
Interest on convertible debt instruments	(242,608)	(231,103)	(201,303)
Interest on factoring credit card receivables	(334,896)	(211,528)	(55,395)
Interest on provisions	(257,419)	(246,147)	(237,740)
Interest on reverse factoring	(17,010)	(79,460)	(18,228)
Interest accounts payable and airport taxes and fees	(418,066)	(282,434)	(101,168)
Guarantee commission	(142,937)	(158,651)	(109,661)
Amortized cost of loans and financing	(44,894)	(29,075)	(38,861)
Amortized cost of convertible debt instruments	(2,622)	(4,533)	(3,756)
Cost of financial operations	(84,453)	(69,416)	(56,060)
TAP Bond fair value	(25,736)	(181,726)	—
Debt restructuring	(199,635)	—	—
Restructuring of debentures	(352,430)	—	—
Others	(200,401)	(110,255)	(161,749)
	<b>(5,608,771)</b>	<b>(4,793,782)</b>	<b>(3,838,243)</b>
<b>Derivative financial instruments, net</b>	<b>(238,458)</b>	<b>958,005</b>	<b>864,184</b>
<b>Foreign currency exchange, net</b>	<b>1,625,064</b>	<b>1,406,566</b>	<b>(1,443,046)</b>
<b>Financial result, net</b>	<b>(4,002,024)</b>	<b>(2,151,922)</b>	<b>(4,262,825)</b>

**35. RISK MANAGEMENT**

**35.1 Accounting policies**

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

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**35.2 Fair value hierarchy of financial instruments**

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

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

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

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

The fair value hierarchy of the Company's consolidated financial instruments, as well as the comparison between carrying amounts and fair values, are presented below:

Description	Note	Level	Carrying amount		Fair value	
			December 31,		December 31,	
			2023	2022	2023	2022
<b>Assets</b>						
Cash and cash equivalents	6	2	1,897,336	668,348	1,897,336	668,348
Long-term investments	7	2	780,312	733,043	780,312	733,043
Derivative financial instruments	23	2	21,909	271,950	21,909	271,950
<b>Liabilities</b>						
Loans and financing	18	2	(9,698,912)	(7,232,699)	(9,796,608)	(6,187,389)
Convertible instruments	20	2	(712,835)	(1,286,748)	(712,835)	(1,286,748)
Convertible debt instruments – conversion right	20	2	(488,775)	(116,971)	(488,775)	(116,971)
Derivative financial instruments	23	2	(69,745)	(244,575)	(69,745)	(244,575)

Financial instruments carried at amortized cost whose fair value is a reasonable approximation of their book value, mainly due to the short maturity of these assets and liabilities, have not been presented above.



### 35.3 Market risks

#### 35.3.1 Interest rate risk

##### 35.3.1.1 Sensitivity analysis

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

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

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

##### 35.3.1 Aircraft fuel price risk (“QAV”)

The price of fuel may vary depending on the volatility of the price of crude oil and its derivatives. To mitigate losses linked to variations in the fuel market, the Company had, as of December 31, 2023, forward transactions on fuel (note 23).

##### 35.3.2.1 Sensitivity analysis

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

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

##### 35.3.1 Foreign exchange risk

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

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

**35.3.3.1 Sensitivity analysis**

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

**35.4 Credit risk**

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

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



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

**35.5 Liquidity risk**

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

Description	December 31, 2023				
	Carrying amount	Contractual cash flows	Until 1 year	From 2 to 5 years	After 5 years
Loans and financing	9,698,912	15,035,043	2,068,226	10,066,315	2,900,502
Reverse factoring	290,847	294,164	294,164	—	—
Leases	15,146,411	25,123,150	3,936,476	13,921,792	7,264,882
Convertible debt instruments	1,201,610	1,883,787	143,109	1,740,678	—
Accounts payable	3,598,768	3,988,050	2,370,980	1,138,958	478,112
Airport taxes and fees	1,760,083	2,019,044	759,679	1,259,365	—
Derivative financial instruments	69,745	69,745	68,905	840	—
	<b>31,766,376</b>	<b>48,412,983</b>	<b>9,641,539</b>	<b>28,127,948</b>	<b>10,643,496</b>

**35.6 Capital management**

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

**Notes to the Consolidated Financial Statements**

December 31, 2023

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



**36. NON-CASH TRANSACTIONS**

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

December 31, 2022												
Description	Sublease	Acquisition of property and equipment	Maintenance reserves	Reverse factoring	Consumption in credit	Sale and leaseback	Loans and financing	Reclassifications	Lease	Modification	Transfers	Total
Accounts receivable	—	—	—	—	—	—	—	—	(84,429)	—	15,537	(68,892)
Aircraft sublease	(55,948)	—	—	—	—	—	—	—	(40,586)	—	—	(96,534)
Deposits	—	—	147,416	—	—	(8,916)	27,792	—	—	—	—	166,292
Inventories	—	—	—	—	—	—	—	—	—	—	(7,321)	(7,321)
Advances to suppliers	—	—	—	—	—	—	—	—	—	—	(687,731)	(687,731)
Property and equipment	—	279,406	—	—	—	11,150	—	—	65,370	—	171,798	527,724
Right-of-use assets	55,948	—	—	—	—	—	—	—	2,378,433	45,481	(159,850)	2,320,012
Loans and financing	—	—	—	—	—	—	(27,792)	—	—	—	—	(27,792)
Leases	—	—	—	—	—	—	—	—	(1,640,102)	47,199	—	(1,592,903)
Accounts payable	—	(279,406)	(147,416)	1,541,948	42,771	(2,234)	—	462,485	—	—	44,673	1,662,821
Reverse factoring	—	—	—	(1,541,948)	—	—	—	—	—	—	—	(1,541,948)
Airport fees	—	—	—	—	—	—	—	(760,839)	—	—	—	(760,839)
Taxes	—	—	—	—	—	—	—	298,354	—	—	—	298,354
Provisions	—	—	—	—	—	—	—	—	(678,252)	—	406,160	(272,092)
Other assets and liabilities	—	—	—	—	(42,771)	—	—	—	—	—	216,734	173,963
Result	—	—	—	—	—	—	—	—	(434)	(92,680)	—	(93,114)
	—	—	—	—	—	—	—	—	—	—	—	—

## 37. COMMITMENTS

### 37.1 Aircraft acquisition

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

Description	December,31	
	2023	2022
Lessors	31	32
Manufacturers	96	112
	<b>127</b>	<b>144</b>

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

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

### 37.2 Letters of credit

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

Description	December, 31			
	2023		2022	
	R\$	US\$	R\$	US\$
Security deposits and maintenance reserves	1,979,883	408,957	2,453,336	470,194
Bank guarantees	9,161	—	44,563	—
	<b>1,989,044</b>	<b>408,957</b>	<b>2,497,899</b>	<b>470,194</b>

## 38. SUBSEQUENT EVENTS

### 38.1 Issuance of debt securities

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

### 38.2 Renegotiation of lease obligations

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



### **38.3 Sublease**

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

### **38.4 Debentures**

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