

# Azul



**Quarterly information – ITR  
Individual and Consolidated**

**AZUL S.A.**

March 31, 2021

with auditor's report on  
review of quarterly information

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## Azul generates adjusted EBITDA of R\$ 129.7 million; second consecutive quarter of positive EBITDA

**São Paulo, May 6th, 2021** – Azul S.A., “Azul” (B3:AZUL4, NYSE:AZUL), the largest airline in Brazil by number of cities and departures, announces today its results for the first quarter of 2021 (“1Q21”). The following financial information, unless stated otherwise, is presented in Brazilian reais and in accordance with International Financial Reporting Standards (IFRS).

### Financial and Operating Highlights

In the first quarter, adjusted EBITDA totaled R\$129.7 million, with a margin of 7.1%, the second consecutive quarter of positive EBITDA.

	1Q21	1Q20	% Δ	4Q20	% Δ
Adjusted Operating revenues (R\$ million) <sup>1</sup>	1,825.8	2,802.7	-34.9%	1,783.7	2.4%
Operating expenses (R\$ million) <sup>2</sup>	(2,039.9)	(2,629.1)	-22.4%	(1,926.8)	5.9%
ASKs (million)	7,168.3	9,308.8	-23.0%	6,451.0	11.1%
RPKs (million)	5,480.3	7,544.5	-27.4%	5,210.5	5.2%
Load factor (%)	76.5%	81.0%	-4.6 p.p.	80.8%	-4.3 p.p.
CASK (cents)	28.5	28.2	0.8%	29.9	-4.7%
CASK ex fuel (cents)	20.1	20.0	0.4%	22.9	-12.1%
Adjusted EBITDA	129.7	654.2	-80.2%	192.9	-32.8%
EBITDA Margin	7.1%	23.3%	-16.2 p.p.	10.8%	-3.7 p.p.

<sup>1</sup> Operating revenue was adjusted for non-recurring items related to the COVID-19 pandemic totaling R\$49.1 million in 4Q20.

<sup>2</sup> Operating expenses were adjusted for non-recurring items totaling R\$31.8 million in 1Q21, R\$14.8 million in 1Q20 and R\$94.1 million in 4Q20. For more information, see page 10.

- Domestic ASKs increased 8.9% compared to 1Q19 and 15.7% compared to 4Q20. The connectivity of Azul’s network, combined with our fleet flexibility and strong demand in our markets allowed us to recover more than 100% of our domestic capacity compared to the same period in 2019, one of the very few airlines in the world to do so.
- Operating revenues totaled R\$1.8 billion for the first quarter of the year, up 2.4% compared to 4Q20.
- Azul Cargo recorded 62.8% growth in net revenue compared to the same period last year, driven by our unique network and our vast array of logistics solutions.
- Operating expenses decreased 22.4% or R\$589.2 million year over year, mainly driven by lower capacity-related expenses and by cost reduction initiatives implemented since last year to make Azul a more efficient airline post-crisis.
- CASK in 1Q21 reached 28.5 cents, 4.7% lower quarter over quarter. Controlling for fuel and foreign exchange, CASK reduced 10.2%, demonstrating the operational leverage available to Azul as we recover our capacity.
- Immediate liquidity, including cash and equivalents, short-term investments, and receivables, ended the quarter at R\$3.3 billion, and at R\$3.8 billion including our option to upsize our convertible debenture. During the quarter, Azul generated R\$552 million in cash inflows minus operating expenses, offset by payments made to lessors and suppliers, deleveraging and capital expenses to prepare for the recovery.
- Total liquidity, including long-term investments and receivables, maintenance reserves, and deposits, remained solid at R\$6.3 billion, an increase of 10.9% compared to 1Q20.
- Brazil has been clearly impacted by the second wave of the COVID-19 pandemic, but it continues to make progress on the vaccine rollout with more than 50 million doses applied. Several cities and states are exiting lockdowns, which has already positively affected recent booking trends. In the last four weeks alone, bookings are up more than 40%, and we expect this trend to accelerate with further vaccine progress.

## Management Comments

We are one year into the pandemic, and I continue to be extremely proud of how our crewmembers are taking care of each other and of our customers. Our culture and our positive energy have never been stronger. So I want to start by thanking each one of our crewmembers for everything they do for Azul.

During the quarter, Brazil was clearly impacted by the second wave of the COVID-19 pandemic. Daily case counts showed a steady increase, resulting in restrictive measures around the country in March. As a result, demand dropped and we quickly managed our capacity and liquidity in response.

We ended the quarter with solid liquidity, with R\$3.3 billion in cash and R\$3.8 billion including our option to upsize our convertible debenture. During the quarter, we generated R\$552 million in cash inflows minus operating expenses and made R\$785 million in payments to reduce debt and pay back deferrals, as well as R\$317 million in investments such as capex and parts to prepare the fleet for the recovery. Our total liquidity reached R\$6.3 billion including reserves and deposits but not including spare parts or other unencumbered assets like TudoAzul and Azul Cargo.

Our commitment to Brazil and its response to the pandemic is more important than ever. Azul was the first airline to publicly commit to transporting vaccines free of charge, and to-date we have flown millions of vaccines to every part of the country. In addition, we have transported vaccine supplies from Puerto Rico to Brazil, delivered 14 tons of intubation kits and anesthetics and over 150 tons of medical supplies. With Brazil's largest domestic network, we will continue to do all we can to support Brazil in this effort.

We ended the first quarter with 109% of our domestic capacity compared to the first quarter of 2019, one of the few airlines in the world to surpass pre-pandemic levels. This is a direct result of our competitive advantages, which include our unique network, our fleet flexibility, and our strong exclusive markets. We continue to be the only airline flying in 80% of our routes, so our advantages are only getting stronger.

Our revenue performance was robust as well, with revenues increasing 2.4% compared to 4Q20. Compared to the first quarter of 2019, we recovered 72% of total revenue, one of the fastest revenue recoveries in the world.

I am especially excited about our cost performance. We have always said we would take this opportunity to completely review our cost structure. One example is maintenance, where most of our service checks are now performed in-house. As a result, even with 23% fewer ASKs, a 9.6% depreciation of the real and a fuel price increase of 6.3% year over year, our CASK remained at the same levels of 1Q20. Compared to 4Q20, CASK was down 5% quarter over quarter, again in spite of fuel price increases and the depreciation of the real.

Azul Cargo continues growing and outperforming every quarter, with another 62.8% increase in revenue year over year, in spite of 23% less capacity in our network. Our unique door-to-door logistics capabilities combined with the broadest network in the country gives us the ability to transform logistics in Brazil like no one else.

In addition to supporting Brazil in its pandemic response, we take our social responsibility very seriously. We witness every day how access to air service creates positive social impact to our destinations. Reinforcing our commitment to ESG, I am proud to say we have already recovered our network to more than 110 domestic destinations in Brazil, more than double any other airline in the country. This provides critical mobility to Brazilians, fostering regional development, creating jobs, stimulating trade and tourism and boosting economic recovery. Our Sustainability Report will be released in the upcoming weeks, and in it we will describe our efforts and commitments regarding all ESG matters.

While the pandemic challenges continue, Brazil has significantly ramped up its vaccine efforts, now averaging one million doses applied per day. In total, we now have more than 50 million doses applied, the fifth most in the world. Vaccines have been proven to reduce hospitalizations and deaths, and allow for the safe reopening of the economy. We know people want to travel, as we are seeing the results of pent-up demand in the United States and are confident the same will happen in Brazil. We are ready for the recovery and remain focused on delivering an experience worthy of the Best Airline in the World.

***John Rodgerson, CEO of Azul S.A.***

## Consolidated Financial Results

The following revised income statement and operating data should be read in conjunction with the quarterly results comments presented below.

Income statement (R\$ million) <sup>1</sup>	1Q21	1Q20	% Δ	4Q20	% Δ
<b>OPERATING REVENUES</b>					
Passenger	1,597.6	2,653.4	-39.8%	1,528.3	4.5%
Cargo and other revenues	228.2	149.3	52.9%	255.4	-10.6%
<b>Total operating revenues</b>	<b>1,825.8</b>	<b>2,802.7</b>	<b>-34.9%</b>	<b>1,783.7</b>	<b>2.4%</b>
<b>OPERATING EXPENSES</b>					
Aircraft fuel	597.7	764.3	-21.8%	451.0	32.5%
Salaries, wages and benefits	414.5	478.1	-13.3%	419.0	-1.1%
Depreciation and amortization	343.7	480.7	-28.5%	336.0	2.3%
Landing fees	149.3	201.9	-26.0%	146.2	2.2%
Traffic and customer servicing	86.7	135.2	-35.9%	79.3	9.3%
Sales and marketing	86.1	109.4	-21.3%	103.8	-17.1%
Maintenance materials and repairs	93.9	125.9	-25.4%	119.3	-21.3%
Other operating revenue / expenses	268.0	333.6	-19.7%	272.2	-1.6%
<b>Total operating expenses</b>	<b>2,039.9</b>	<b>2,629.1</b>	<b>-22.4%</b>	<b>1,926.8</b>	<b>5.9%</b>
<b>Adjusted operating income (loss)</b>	<b>(214.1)</b>	<b>173.6</b>	<b>n.a.</b>	<b>(143.2)</b>	<b>49.5%</b>
<i>Adjusted operating income (loss) Margin</i>	<i>-11.7%</i>	<i>6.2%</i>	<i>n.a.</i>	<i>-8.0%</i>	<i>-3.7 p.p.</i>
<b>Adjusted EBITDA</b>	<b>129.7</b>	<b>654.2</b>	<b>-80.2%</b>	<b>192.9</b>	<b>-32.8%</b>
<i>Adjusted EBITDA margin</i>	<i>7.1%</i>	<i>23.3%</i>	<i>-16.2 p.p.</i>	<i>10.8%</i>	<i>-3.7 p.p.</i>
<b>FINANCIAL RESULT<sup>2</sup></b>					
Financial income	25.3	12.9	96.7%	14.4	76.2%
Financial expenses	(860.2)	(438.5)	96.2%	(852.8)	0.9%
Derivative financial instruments	24.1	(1,281.6)	n.a.	25.9	-6.9%
Foreign currency exchange, net	(1,626.4)	(4,233.8)	-61.6%	1,431.3	n.a.
Result from related party transactions, net	(1.3)	(618.5)	-99.8%	62.6	n.a.
<b>Income (loss) before income taxes<sup>2</sup></b>	<b>(2,652.5)</b>	<b>(6,385.9)</b>	<b>-58.5%</b>	<b>538.2</b>	<b>n.a.</b>
Income (loss) tax and social contribution	-	(13.0)	n.a.	5.2	n.a.
Deferred income tax	-	263.1	n.a.	-	n.a.
<b>Net income (loss)<sup>2</sup></b>	<b>(2,652.5)</b>	<b>(6,135.9)</b>	<b>-56.8%</b>	<b>543.4</b>	<b>n.a.</b>
<i>Net margin</i>	<i>-145.3%</i>	<i>-218.9%</i>	<i>+73.7 p.p.</i>	<i>30.5%</i>	<i>n.a.</i>
<b>Adjusted net loss<sup>3</sup></b>	<b>(1,123.0)</b>	<b>(975.3)</b>	<b>15.1%</b>	<b>(918.2)</b>	<b>22.3%</b>
<i>Adjusted net income (loss) margin<sup>3</sup></i>	<i>-61.5%</i>	<i>-34.8%</i>	<i>-26.7 p.p.</i>	<i>-51.5%</i>	<i>-10.0 p.p.</i>
Weighted avg. of PN equivalent shares	344.7	342.1	0.8%	342.3	0.7%
Adjusted EPS <sup>3</sup>	(3.26)	(2.85)	14.3%	(2.68)	21.5%
Adjusted EPADR <sup>3</sup>	(1.79)	(1.92)	-6.8%	(1.49)	20.1%

<sup>1</sup> Adjusted for non-recurring items totaling R\$31.8 million in 1Q21, R\$143.2 million in 4Q20 and R\$14.8 million in 1Q20. For more information, see page 10.

<sup>2</sup> Financial results adjusted for convertible debentures expenses.

<sup>3</sup> EPS and EPADR adjusted for unrealized derivatives results, foreign currency exchange. One ADR equals three preferred shares (PNs).

Operating Data	1Q21	1Q20	% Δ	4Q20	% Δ
ASKs (million)	7,168	9,309	-23.0%	6,451	11.1%
<i>Domestic</i>	6,906	7,071	-2.3%	5,968	15.7%
<i>International</i>	262	2,238	-88.3%	483	-45.7%
RPKs (million)	5,480	7,544	-27.4%	5,211	5.2%
<i>Domestic</i>	5,306	5,727	-7.3%	4,879	8.8%
<i>International</i>	174	1,818	-90.4%	331	-47.5%
Load factor (%)	76.5%	81.0%	-4.6 p.p.	80.8%	-4.3 p.p.
<i>Domestic</i>	76.8%	81.0%	-4.1 p.p.	81.7%	-4.9 p.p.
<i>International</i>	66.4%	81.2%	-14.9 p.p.	68.7%	-2.3 p.p.
Average fare (R\$) <sup>1</sup>	304.3	403.3	-24.6%	307.0	-0.9%
Revenue passengers (thousands)	5,251	6,579	-20.2%	4,979	5.5%
Block hours	96,318	118,074	-18.4%	86,930	10.8%
Aircraft utilization (hours per day)	7.6	10.2	-25.8%	6.8	11.0%
Departures	58,586	69,691	-15.9%	52,355	11.9%
Average stage length (km)	1,033	1,116	-7.4%	1,035	-0.1%
End of period operating passenger aircraft	159	138	15.2%	158	0.6%
Fuel consumption (thousands of liters)	220,614	299,797	-26.4%	205,589	7.3%
Full-time-equivalent employees	12,435	13,698	-9.2%	11,946	4.1%
End of period FTE per aircraft	78	99	-21.2%	76	3.4%
Yield per passenger kilometer (cents)	29.15	35.17	-17.1%	29.33	-0.6%
RASK (cents) <sup>1</sup>	25.47	30.11	-15.4%	27.65	-7.9%
PRASK (cents) <sup>1</sup>	22.29	28.50	-21.8%	23.69	-5.9%
CASK (cents) <sup>1</sup>	28.46	28.24	0.8%	29.87	-4.7%
CASK ex-fuel (cents) <sup>1</sup>	20.12	20.03	0.4%	22.88	-12.1%
Fuel cost per liter	2.71	2.55	6.3%	2.19	23.5%
Break-even load factor (%)	85.4%	76.0%	+9.4 p.p.	87.3%	-1.8 p.p.
Average exchange rate	5.47	4.46	22.7%	5.40	1.3%
End of period exchange rate	5.70	5.20	9.6%	5.20	9.6%
Inflation (IPCA - LTM)	6.10%	3.30%	+2.8 p.p.	4.52%	+1.6 p.p.
WTI (average per barrel, US\$)	58.14	45.78	27.0%	46.99	23.7%
Heating Oil (US\$)	174.74	154.18	13.3%	128.32	36.2%

<sup>1</sup> Adjusted for non-recurring items

## Operating Revenue

In 1Q21, Azul recorded operating revenues of R\$1.8 billion, compared to R\$2.8 billion in 1Q20, representing a decrease of 34.9% year over year, due to the reduction in 23.0% in capacity and 15.4% in RASK driven by the COVID-19 pandemic. Passenger revenue increased 4.5% quarter over quarter, showing a clear demand recovery particularly in the beginning of 1Q21.

Cargo and other revenue increased 52.9% compared to 1Q20, totaling R\$228.2 million in 1Q21, mainly due to the 62.8% increase in cargo revenue driven by gains in all of Azul Cargo's business segments, partially offset by lower demand for charters.

R\$ cents	1Q21	1Q20	% Δ	4Q20	% Δ
<b>Operating revenue per ASK<sup>1</sup></b>					
Passenger revenue	22.29	28.50	-21.8%	23.69	-5.9%
Cargo and other revenues	3.18	1.60	98.5%	3.96	-19.6%
<b>Operating revenue (RASK)</b>	<b>25.47</b>	<b>30.11</b>	<b>-15.4%</b>	<b>27.65</b>	<b>-7.9%</b>
<b>Operating expenses per ASK<sup>2</sup></b>					
Aircraft fuel	8.34	8.21	1.5%	6.99	19.3%
Salaries, wages and benefits	5.78	5.14	12.6%	6.50	-11.0%
Depreciation and amortization	4.80	5.16	-7.1%	5.21	-7.9%
Landing fees	2.08	2.17	-3.9%	2.27	-8.0%
Traffic and customer servicing	1.21	1.45	-16.8%	1.23	-1.7%
Sales and marketing	1.20	1.18	2.1%	1.61	-25.4%
Maintenance materials and repairs	1.31	1.35	-3.2%	1.85	-29.2%
Other operating expenses	3.74	3.58	4.3%	4.22	-11.4%
<b>Total operating expenses (CASK)</b>	<b>28.46</b>	<b>28.24</b>	<b>0.8%</b>	<b>29.87</b>	<b>-4.7%</b>
<b>Operating income per ASK (RASK - CASK)</b>	<b>(2.99)</b>	<b>1.86</b>	<b>n.a.</b>	<b>(2.22)</b>	<b>34.6%</b>

<sup>1</sup> Operating revenue adjusted for non-recurring items totaling R\$49.1 million in 4Q20

<sup>2</sup> Operating expenses adjusted for non-recurring items totaling R\$31.8 million in 1Q21, R\$94.1 million in 4Q20 and R\$14.8 million 1Q20.  
For more information, see page 10.

## Operating Expenses

Total operating expenses decreased 22.4% or R\$589.2 million year over year, mainly due to lower capacity-related expenses and cost reduction initiatives. The breakdown of our main operating expenses is as follows:

- **Aircraft fuel** decreased 21.8% year over year to R\$597.7 million, mostly due to a 23.0% reduction in capacity and a 9.8% reduction in fuel burn per block hour as a result of our more efficient next-generation fleet, partially offset by a 6.3% increase in jet fuel prices.
- **Salaries, wages and benefits** decreased 13.3% year over year or R\$63.6 million to R\$414.5 million mainly due to our lower capacity and initiatives to increase productivity through process improvement, technology, and a leaner organization.
- **Depreciation and amortization** decreased 28.5% or R\$136.9 million, driven by a reduction in the right-of-use asset as a result of lease contract modifications in 2020, which require us to recalculate the corresponding lease assets and liabilities.
- **Landing fees** decreased 26.0% or R\$52.6 million in 1Q21 compared to the same period last year, mostly due to a 15.9% reduction in departures year over year, particularly in the international segment.
- **Traffic and customer servicing** expenses decreased 35.9% or R\$48.5 million, mostly due to a 20.2% reduction in the number of passengers transported in 1Q21 compared to 1Q20, especially in the international segment, which has higher servicing costs per passenger.
- **Sales and marketing** decreased 21.3%, or R\$23.3 million, mostly driven by a reduction of 39.8% in passenger revenue and fewer marketing campaigns, partly offset by an increase in cargo express shipments, which have higher commission fees.



- **Maintenance materials and repairs** decreased 25.4% or R\$32.0 million, mostly driven by maintenance checks performed in-house and fewer maintenance events in the quarter.
- **Other operating expenses** decreased 19.7% year over year, mostly due to lower expenses as a result of capacity reduction, cost cutting initiatives and better negotiations with suppliers, partially offset by the depreciation of the Brazilian real.

## Non-Operating Results

Net financial results (R\$ million) <sup>1</sup>	1Q21	1Q20	% Δ	4Q20	% Δ
Financial income	25.3	12.9	96.7%	14.4	76.2%
Financial expenses	(860.2)	(438.5)	96.2%	(852.8)	0.9%
Derivative financial instruments	24.1	(1,281.6)	n.a.	25.9	-6.9%
Foreign currency exchange, net	(1,626.4)	(4,233.8)	-61.6%	1,431.3	n.a.
<b>Net financial results</b>	<b>(2,437.1)</b>	<b>(5,941.0)</b>	<b>-59.0%</b>	<b>618.8</b>	<b>n.a.</b>

<sup>1</sup>Excludes convertible debentures expenses

**Net financial expenses** increased 96.2% or R\$409.3 million compared to 1Q20, as a result of lease modifications and the corresponding increase in interest accrual, partially offset by a positive impact of currency depreciation on our TAP Bonds.

**Derivative financial instruments** resulted in a net gain of R\$24.1 million in 1Q21 compared to a loss of R\$1.3 billion in 1Q20. In the first quarter of 2020, a significant drop in oil prices caused a negative impact to our fuel hedge position.

As of March 31, 2021, Azul has hedged 11% of its expected fuel consumption for the next twelve months by using mostly heating oil derivatives.

**Foreign currency exchange, net.** Azul recorded a non-cash foreign currency loss of R\$1.6 billion, primarily due to the 9.6% end of period depreciation of the Brazilian real against US dollar, resulting in an increase in debts denominated in foreign currency.

## Liquidity and Financing

Azul ended the quarter with R\$3.3 billion in immediate liquidity, including cash, receivables and short-term investments. This represented 69% of our last twelve months' revenue. Including our option to upsize our convertible debenture, our immediate liquidity would be R\$3.8 billion. Total liquidity including deposits and maintenance reserves, and long term receivables was R\$6.3 billion as of March 31, 2021. This does not include spare parts or other unencumbered assets like TudoAzul and Azul Cargo. We have no significant debt repayments in the next twelve months, and we also have no restricted cash nor minority interest in our subsidiaries.

Liquidity (R\$ million)	1Q21	4Q20	% Δ	1Q20	% Δ
Cash and cash equivalents	2,275.4	3,064.8	-25.8%	529.2	329.9%
Short-term investments	10.6	91.8	-88.4%	738.1	-98.6%
Accounts receivable and Sublease receivable	1,018.9	998.8	2.0%	1,016.0	0.3%
<b>Immediate liquidity</b>	<b>3,305.0</b>	<b>4,155.5</b>	<b>-20.5%</b>	<b>2,283.3</b>	<b>44.7%</b>
<i>Cash as % of LTM revenues</i>	<i>68.6%</i>	<i>71.7%</i>	<i>-3.1 p.p.</i>	<i>19.5%</i>	<i>+49.1 p.p.</i>
Long term receivables	1,124.2	1,043.9	7.7%	1,175.2	-4.3%
Security deposits and maintenance reserves	1,849.9	1,554.0	19.0%	2,205.2	-16.1%
<b>Total Liquidity</b>	<b>6,279.1</b>	<b>6,753.5</b>	<b>-7.0%</b>	<b>5,663.7</b>	<b>10.9%</b>

Total debt increased 11.0% to R\$19.4 billion compared to December 31, 2020, mostly due to the 9.6% end of period depreciation of the Brazilian real and the postponement of lease payments in the quarter.

As of March 31, 2021, Azul's average debt maturity excluding lease liabilities and convertible debentures was 2.5 years, with an average interest rate of 5.7%. Average interest rate on local and dollar-denominated obligations were 6.1% and 5.6%, respectively.

Loans and financing (R\$ million) <sup>1</sup>	1Q21	4Q20	% Δ	1Q20	% Δ
Operating lease liabilities	13,213.1	11,720.4	12.7%	14,601.9	-9.5%
Finance lease liabilities	927.0	800.4	15.8%	1,251.3	-25.9%
Other aircraft loans and financing	1,333.8	1,231.6	8.3%	1,305.7	2.1%
Loans and financing	3,922.8	3,709.3	5.8%	3,495.6	12.2%
Currency hedges	1.0	7.4	-86.5%	(285.2)	n.a.
<i>% of non-aircraft debt in local currency</i>	<i>41%</i>	<i>44%</i>	<i>-3.1 p.p.</i>	<i>71%</i>	<i>-30.2 p.p.</i>
<i>% of total debt in local currency</i>	<i>9%</i>	<i>10%</i>	<i>-1.2 p.p.</i>	<i>12%</i>	<i>-3.0 p.p.</i>
<b>Gross debt</b>	<b>19,397.7</b>	<b>17,469.0</b>	<b>11.0%</b>	<b>20,369.3</b>	<b>-4.8%</b>
<i>Short term</i>	<i>3,530.9</i>	<i>3,138.1</i>	<i>12.5%</i>	<i>4,281.7</i>	<i>-17.5%</i>
<i>Long term</i>	<i>15,866.8</i>	<i>14,330.9</i>	<i>10.7%</i>	<i>16,087.7</i>	<i>-1.4%</i>

<sup>1</sup> Considers the effect of hedges on debt, excludes convertible debentures given strike price considerably higher than current stock price.

The table below presents additional information related to our leases as of March 31, 2021:

(R\$ million)	1Q21	4Q20	% Δ	1Q20	% Δ
<b>Operating leases</b>					
Payments made	292.7	356.1	-17.8%	375.1	-22.0%
Weighted average remaining lease term	8.1	7.9	2.2%	8.1	-1.1%
<b>Finance leases</b>					
Payments made	14.9	70.2	-78.8%	38.9	-61.7%
Weighted average remaining lease term	5.3	5.5	-4.6%	4.2	24.5%

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

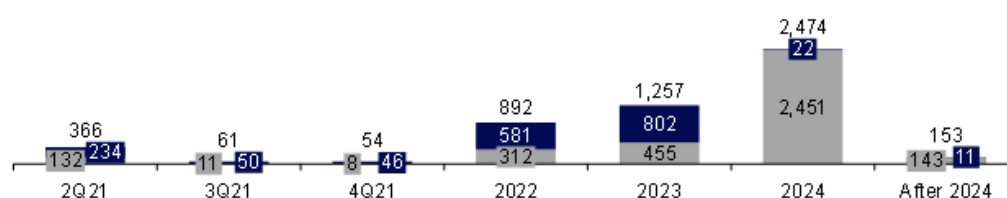
Key financial ratios (R\$ million)	1Q21	4Q20	% Δ	1Q20	% Δ
Cash <sup>1</sup>	4,429.2	5,199.4	-14.8%	3,458.5	28.1%
Gross debt <sup>2</sup>	19,397.7	17,469.0	11.0%	20,369.3	-4.8%
Net debt <sup>2</sup>	14,968.5	12,269.6	22.0%	16,910.8	-11.5%

<sup>1</sup> Includes cash and cash equivalents, short-term and long-term receivables.

<sup>2</sup> Excludes convertible debentures given strike price considerably higher than current stock price.

### Non-aircraft debt amortization - as of March 31<sup>st</sup> (R\$ million)

■ BRL ■ USD



## Fleet and Capital Expenditures

As of March 31, 2021, Azul had a total passenger operating fleet of 159 aircraft and a passenger contractual fleet of 178 aircraft, with an average aircraft age of 7.8 years. Excluding 14 Cessna aircraft, the average aircraft age is 6.3. At the end of 1Q21, the 19 aircraft not included in our operating fleet consisted of 11 aircraft subleased to TAP, 2 subleased to Breeze, 1 subleased to Minas Gerais and 5 aircraft in the process of exiting the fleet.

### Passenger Contractual fleet<sup>1</sup>

Aircraft	1Q21	4Q20	% Δ	1Q20	% Δ
Airbus widebody	12	12	0.0%	10	20.0%
Airbus narrowbody	45	45	0.0%	42	7.1%
Embraer E2	9	9	0.0%	5	80.0%
Embraer E1	59	63	-6.3%	69	-14.5%
ATRs	39	39	0.0%	39	0.0%
Cessna	14	14	0.0%	-	n.a.
<b>Total</b>	<b>178</b>	<b>182</b>	<b>-2.2%</b>	<b>165</b>	<b>7.9%</b>
Aircraft under operating leases	151	156	-3.2%	146	3.4%

<sup>1</sup> Includes 14 aircraft subleased



### Passenger Operating Fleet

Aircraft	1Q21	4Q20	% Δ	1Q20	% Δ
Airbus widebody	11	11	0.0%	10	10.0%
Airbus narrowbody	45	45	0.0%	42	7.1%
Embraer E2	9	7	28.6%	5	80.0%
Embraer E1	48	49	-2.0%	48	0.0%
ATRs	33	33	0.0%	33	0.0%
Cessna	13	13	0.0%	-	n.a.
<b>Total</b>	<b>159</b>	<b>158</b>	<b>0.6%</b>	<b>138</b>	<b>15.2%</b>

### Capex

Capital expenditures totaled R\$217.9 million in 1Q21, compared to R\$248.8 million in 1Q20, mostly due to engine overhaul events and the acquisition of spare parts and engines in the quarter.

### Non-Recurring Items Reconciliation

Non-recurring items totaling R\$31.8 million in 1Q21 were recorded under other operating expenses consisting of expenses related to aircraft redeliveries (R\$19.5 million) along with other one-time restructuring expenses (R\$12.3 million) related to the COVID-19 pandemic.

1Q21 Non-recurring adjustments	As recorded	Adjustment	Adjusted
Revenue	1,825.8	-	1,825.8
Operating expenses	2,071.8	(31.8)	2,039.9
Other operating expenses	299.9	(31.8)	268.0
Operating income	(245.9)	31.8	(214.1)
Operating Margin	-13.5%	+1.7 p.p.	-11.7%
EBITDA	97.8	31.8	129.7
EBITDA Margin	5.4%	+1.7 p.p.	7.1%



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

Aviation is a key driver of sustainable development, bringing people, businesses and communities closer together. Safe, reliable, efficient and cost-effective air transport is an important component of a broader mobility strategy to foster development in an emerging market.

Azul serves more than 110 destinations in Brazil and is the sole airline in 184 routes of our 232 routes, providing an essential service to these communities. Each time Azul connects a new, previously isolated destination with other regions of the country, it contributes to the local development providing employment and stimulating, trade and tourism, among other benefits.

Azul’s corporate social responsibility work also includes social projects, campaigns and volunteer programs, many of them tied to our activity. For example, in the last 12 months, we flew organs and doctors to support organ transplants, and also patients and relatives to Hospital do Amor, a cancer treating facility in the interior of São Paulo state.

Breast cancer awareness campaign Pink October is one of the causes defended by Azul, reaching more than two million customers and crewmembers every year. Azul also supports Operation Smile, an international nonprofit medical service organization providing cleft lip and palate repair surgeries to children worldwide, and Vaga Lume, an entity that supports communities along the Amazon River by collecting food, preparing meals, reading to children and teenagers, and offering library maintenance training to regional volunteers.

Other organizations supported by Azul includes Litro de Luz, which provides lighting to underprivileged communities by installing solar-powered lamps and light poles, and Teto Brasil, which connects volunteers and local communities to work together to improve housing conditions of families living in slums. Approximately two thousand crewmembers are enrolled in our volunteer programs, and many more volunteer independently. With their help, we continued to support nonprofit organizations focused on the development of the country, especially in the areas of health, education and infrastructure.

Respect for people is fundamental to building strong and lasting relationships. We take good care of our crewmembers by providing them with training, promotional opportunities, healthcare, and fostering equality, non-discrimination and diversity. For our customers, we offer a great customer experience including friendly, reliable and on-time service. We are continuously working to increase accessibility to our services.

We have the youngest fleet in the country and continue to make progress towards the long-term sustainability of our business by replacing older aircraft with next-generation, more fuel-efficient planes. Since we started our fleet transformation, we have reduced carbon emissions per ASK by 18%.



Azul complies with all environmental legislation relating to the protection of the environment, including waste disposal, use of chemical substances, and aircraft noise, and we require our suppliers to comply with environmental management system procedures and to allow technical audits to enforce compliance. In addition, Azul is the only airline in Brazil with an onboard recycling program.

Dialog and transparency are the foundation of Azul's corporate governance structure. The Company adopts management procedures that comply with SEC and CVM requirements and seek to guarantee international standards of transparency.

Azul's 2019 Sustainability report is available on our IR website, and the 2020 report will be released in May 2021. The following table presents Azul's key ESG information according to the Sustainability Accounting Standards Board (SASB) standard for the airline industry:

ESG KEY INDICATORS	1Q21	4Q20	% Δ
<b>Environmental</b>			
<b>Fuel</b>			
Total fuel consumed per ASK (GJ / ASK)	1,156.6	1,197.3	-3.4%
Total fuel consumed (GJ x 1000)	8,291	7,724	7.3%
<b>Fleet</b>			
Average age of operating fleet <sup>1</sup>	6.3	6.9	-8.7%
<b>Social</b>			
<b>Labor Relations</b>			
Employee gender: (%) male	59.1	58.6	0.9%
(%) female	40.9	41.4	-1.2%
Employee monthly turnover (%)	1.2	1.4	-14.3%
% of employee covered under collective bargaining agreements	100	100	0.0%
Number and duration of strikes and lockout (# days)	0	0	n.a.
Volunteers	1,801	1,804	-0.2%
<b>Customer &amp; Company Behavior</b>			
Amount of legal and regulatory fines and settlements associated with anti-competitive practices	0	0	n.a.
<b>Safety</b>			
Number of accidents	0	0	n.a.
Number of governmental enforcement actions and aviation safety	0	0	n.a.
<b>Governance</b>			
<b>Management</b>			
Independent directors (%)	90.0	90.0	0.0%
Percent of board members that are women	10.0	10.0	0.0%
Board of directors average age	59	59	0.5%
Director meeting attendance (%)	88.7	88.2	0.6%
Board size	11	10	10.0%
Participation of women in leadership positions (%)	39.5	37.6	5.1%



## Glossary

**Aircraft Utilization**

Average number of block hours per day per aircraft operated.

**Available Seat Kilometers (ASK)**

Number of aircraft seats multiplied by the number of kilometers flown.

**Completion Factor**

Percentage of accomplished flights.

**Cost per ASK (CASK)**

Operating expenses divided by available seat kilometers.

**Cost per ASK ex-fuel (CASK ex-fuel)**

Operating expenses divided by available seat kilometers excluding fuel expenses.

**EBITDA**

Earnings before interest, taxes, depreciation, and amortization.

**Load Factor**

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

**Revenue Passenger Kilometers (RPK)**

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

**Passenger Revenue per Available Seat Kilometer (PRASK)**

Passenger revenue divided by available seat kilometers (also equal to load factor multiplied by yield).

**Revenue per ASK (RASK)**

Operating revenue divided by available seat kilometers.

**Stage Length**

The average number of kilometers flown per flight.

**Trip Cost**

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

**Yield**

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



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

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





## Declaration of the Officers on the Quarterly Information

In compliance with CVM Instruction 480/09, the Officers declare that they have discussed, reviewed and approved the individual and consolidated quarterly information (ITR) for the three-month period ended March 31, 2021.

Barueri, May 03, 2021

John Peter Rodgerson  
Chief Executive Officer

Alexandre Wagner Malfitani  
Chief Financial and Investor Relations Officer

Antonio Flavio Torres Martins Costa  
Chief Operating Officer

Abhi Manoj Shah  
Chief Revenue Officer



## **Declaration of the Officers on the Independent Auditor's Report on Review of Quarterly Information**

In compliance with CVM Instruction 480/09, the Officers declare that they have discussed, reviewed and agreed with the conclusions expressed in the independent auditor's report on review of the individual and consolidated quarterly information (ITR) for the three-month period ended March 31, 2021.

Barueri, May 03, 2021

John Peter Rodgerson  
Chief Executive Officer

Alexandre Wagner Malfitani  
Chief Financial and Investor Relations Officer

Antonio Flavio Torres Martins Costa  
Chief Operating Officer

Abhi Manoj Shah  
Chief Revenue Officer



## Audit Committee Summary Report

All the members of the Audit Committee, considering the documents presented and the information and clarifications provided by the Company's Officers and by Ernst & Young Auditores Independentes S.S., have reviewed the individual and consolidated quarterly information (ITR) for the three-month period ended March 31, 2021. Based on this information, they have expressed a favorable opinion on the quarterly information (ITR) for the three-month period ended March 31, 2021, accompanied by the report on review of quarterly information (ITR) to be issued by Ernst & Young Auditores Independentes S.S., recommending its approval to the Board Directors.

Barueri, May 03, 2021

Gilberto de Almeida Peralta  
Member of the Audit Committee

Sergio Eraldo de Salles Pinto  
Member of the Audit Committee

Gelson Pizzirani  
Member of the Audit Committee

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

The Shareholders, Board of Directors and Officers

**Azul S.A.**

Barueri – SP

### **Introduction**

We have reviewed the interim individual and consolidated financial information of Azul S.A. (the "Company") contained in the Quarterly Information Form – ITR form as of March 31, 2021, which comprise the statement of financial position on March 31, 2021, and the statements of operations, of comprehensive income (loss) and the statements of changes in equity and of cash flows for the three-month period then ended, including explanatory notes.

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

### **Scope of review**

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

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

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



## **Other matters**

### **Statements of value added**

The quarterly information referred to above includes the individual and consolidated statements of value added (DVA) for the three-month period ended March 31, 2021, prepared under the responsibility of the Company management and presented as supplementary information under IAS 34. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set forth by this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, May 6, 2021.

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

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





**AZUL S.A.**  
**Statements of financial position**  
March 31, 2021  
(In thousands of Brazilian reais – R\$)

Assets	Note	Parent company		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
<b>Current assets</b>					
Cash and cash equivalents	5	413,677	437,896	2,275,430	3,064,815
Short-term investments	6	-	-	10,624	91,819
Accounts receivable	7	-	-	865,604	875,382
Aircraft sublease receivables	8	-	-	153,316	123,455
Inventories	9	-	-	454,160	402,587
Security deposits and maintenance reserves	10	-	-	275,294	318,460
Taxes recoverable	11	14,525	13,931	137,280	133,706
Derivative financial instruments	20	-	-	83,861	79,216
Prepaid expenses	12	10,552	690	148,122	136,350
Other current assets		238	17,131	159,082	191,633
Total current assets		438,992	469,648	4,562,773	5,417,423
<b>Non-current assets</b>					
Long-term investments	6	-	-	903,318	854,462
Aircraft sublease receivables	8	-	-	220,861	189,482
Security deposits and maintenance reserves	10	-	-	1,574,623	1,235,582
Derivative financial instruments	20	-	-	263,339	349,093
Related parties	23	333	-	-	-
Prepaid expenses	12	-	-	17,165	18,192
Other non-current assets		31	32	184,540	149,508
Investments	14	792,477	793,541	-	-
Property and equipment	15	-	-	1,805,059	1,799,706
Right-of-use assets	15	-	-	4,473,909	4,610,741
Intangible assets	16	-	-	1,186,866	1,170,268
Total non-current assets		792,841	793,573	10,629,680	10,377,034
<b>Total assets</b>		<b>1,231,833</b>	<b>1,263,221</b>	<b>15,192,453</b>	<b>15,794,457</b>

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



**AZUL S.A.**  
**Statements of financial position**  
 March 31, 2021  
 (In thousands of Brazilian reais – R\$)

Liabilities and equity	Note	Parent company		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
<b>Current liabilities</b>					
Loans and financing	17	-	-	524,508	858,332
Lease liabilities	18	-	-	3,005,412	2,272,349
Accounts payable	19	270	34,617	2,026,304	2,238,668
Accounts payable – supplier finance		-	-	360,467	157,801
Air traffic liability	21	-	-	2,308,888	2,488,872
Reimbursement to customers		-	-	237,833	221,342
Salaries, accruals and payroll charges		1,125	557	413,167	400,371
Insurance premiums payable		11,012	-	63,079	52,427
Taxes payable		452	16,412	59,518	55,260
Federal tax installment payment program		-	-	13,292	13,358
Derivative financial instruments	20	-	-	116,296	173,769
Provisions	22	-	-	859,746	853,810
Related parties	23	79,422	72,538	-	-
Other current liabilities		-	-	262,964	426,272
<b>Total current liabilities</b>		<b>92,281</b>	<b>124,124</b>	<b>10,251,474</b>	<b>10,212,631</b>
<b>Non-current liabilities</b>					
Loans and financing	17	2,521,980	2,419,704	7,254,058	6,502,182
Lease liabilities	18	-	-	11,134,687	10,248,463
Accounts payable	19	-	-	593,524	323,059
Derivative financial instruments	20	-	-	180,794	247,265
Federal tax installment payment program		-	-	105,521	108,519
Provisions	22	-	-	2,260,444	1,988,665
Provision for loss on investment	14	15,526,402	12,868,143	-	-
Other non-current liabilities		-	-	320,781	312,423
<b>Total non-current liabilities</b>		<b>18,048,382</b>	<b>15,287,847</b>	<b>21,849,809</b>	<b>19,730,576</b>
<b>Equity</b>					
	24				
Issued capital		2,266,992	2,246,367	2,266,992	2,246,367
Advance for future capital increase		22,320	20,625	22,320	20,625
Capital reserve		1,953,738	1,947,887	1,953,738	1,947,887
Treasury shares		(14,807)	(13,182)	(14,807)	(13,182)
Other comprehensive income		655	655	655	655
Accumulated losses		(21,137,728)	(18,351,102)	(21,137,728)	(18,351,102)
		(16,908,830)	(14,148,750)	(16,908,830)	(14,148,750)
<b>Total liabilities and equity</b>		<b>1,231,833</b>	<b>1,263,221</b>	<b>15,192,453</b>	<b>15,794,457</b>

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



## AZUL S.A.

### Statements of profit or loss

Three-month period ended March 31, 2021 and 2020

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

	Note	Parent company		Consolidated	
		Three-month periods ended		Three-month periods ended	
		03/31/2021	03/31/2020	03/31/2021	03/31/2020
Passenger revenue		-	-	1,597,642	2,653,419
Cargo transport and other revenue		-	-	228,180	149,256
<b>Net revenue</b>	27	-	-	1,825,822	2,802,675
Cost of services	28	-	-	(1,828,397)	(2,345,533)
<b>Gross profit (loss)</b>		-	-	(2,575)	457,142
Operating expenses					
Selling expenses		-	-	(90,853)	(116,763)
Administrative expenses		(6,114)	(2,305)	(68,338)	(181,580)
Other operating expenses		(12)	-	(84,175)	-
	28	(6,126)	(2,305)	(243,366)	(298,343)
Equity	14	(2,665,174)	(5,665,578)	-	-
<b>Operating profit (loss)</b>		(2,671,300)	(5,667,883)	(245,941)	158,799
Financial income	29	1,788	-	25,349	12,887
Financial expenses	29	(66,479)	(1,169)	(915,152)	(438,470)
Derivative financial instruments	20	54,032	-	78,172	(1,281,616)
Foreign currency exchange, net	29	(104,667)	(17,047)	(1,727,760)	(4,233,800)
		(115,326)	(18,216)	(2,539,391)	(5,940,999)
Result from related party transactions, net		-	(714,618)	(1,294)	(618,517)
<b>Loss before income tax and social contribution</b>		(2,786,626)	(6,400,717)	(2,786,626)	(6,400,717)
Current income tax and social contribution	13	-	(13,016)	-	(13,016)
Deferred income tax and social contribution	13	-	263,106	-	263,106
<b>Net loss</b>		(2,786,626)	(6,150,627)	(2,786,626)	(6,150,627)
Basic loss per common share - R\$	25	(0.11)	(0.24)	(0.11)	(0.24)
Diluted loss per common share - R\$	25	(0.11)	(0.24)	(0.11)	(0.24)
Basic loss per preferred share - R\$	25	(8.08)	(17.98)	(8.08)	(17.98)
Diluted loss per preferred share - R\$	25	(8.08)	(17.98)	(8.08)	(17.98)

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







## AZUL S.A.

### Statements of comprehensive loss

Three-month period ended March 31, 2021 and 2020  
(In thousands of Brazilian reais – R\$)

	Parent company and Consolidated	
	Three-month periods ended	
	03/31/2021	03/31/2020
Net loss	(2,786,626)	(6,150,627)
<b>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</b>		
Cash flow hedges	-	17,052
Total comprehensive loss for the period	(2,786,626)	(6,133,575)

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



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

Three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais – R\$)

Description	Note	Issued capital	Treasury shares	Capital reserve	Other comprehensive income	Accumulated losses	Total
At December 31, 2019		2,243,215	(15,565)	1,928,830	(159,261)	(7,516,393)	(3,519,174)
Net loss		-	-	-	-	(6,150,627)	(6,150,627)
Cash flow hedge		-	-	-	17,052	-	17,052
<b>Total comprehensive income</b>		-	-	-	17,052	(6,150,627)	(6,133,575)
Share-based payment	26	1,860	-	4,166	-	-	6,026
At March 31, 2020		2,245,075	(15,565)	1,932,996	(142,209)	(13,667,020)	(9,646,723)

Description	Note	Issued capital	Advance for future capital increase	Treasury shares	Capital reserve	Other comprehensive income	Accumulated losses	Total
At December 31, 2020		2,246,367	20,625	(13,182)	1,947,887	655	(18,351,102)	(14,148,750)
Net loss		-	-	-	-	-	(2,786,626)	(2,786,626)
<b>Total comprehensive income</b>		-	-	-	-	-	(2,786,626)	(2,786,626)
Share buyback	24	-	-	(1,625)	-	-	-	(1,625)
Share-based payment	26	20,625	1,695	-	5,851	-	-	28,171
At March 31, 2021		2,266,992	22,320	(14,807)	1,953,738	655	(21,137,728)	(16,908,830)

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





# AZUL S.A.

## Statements of cash flows

Three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Parent company		Consolidated	
	Three-month periods ended		Three-month periods ended	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
<b>Cash flows from operating activities</b>				
Net loss	(2,786,626)	(6,150,627)	(2,786,626)	(6,150,627)
<b>Reconciliation of non-cash items:</b>				
Depreciation and amortization	-	-	343,749	480,665
Unrealized derivative results	(54,032)	-	(78,172)	1,248,956
Share-based payment	-	-	5,851	4,166
Exchange differences, net	99,152	13,630	1,726,369	4,225,402
Interest income (expenses) on assets and liabilities	54,956	716,276	824,932	373,898
Related parties	6,551	-	-	599,197
Deferred income tax and social contribution	-	(263,106)	-	(263,106)
Provisions	-	-	3,869	43,665
Sale and leaseback	-	-	(22,736)	-
Result from modification of lease contracts	-	-	(13,102)	-
Proceeds from sale and/or disposal of property and equipment and intangible assets	-	-	9,994	41,265
Equity	2,665,174	5,665,578	-	-
<b>Adjusted net loss (profit)</b>	<b>(14,825)</b>	<b>(18,249)</b>	<b>14,128</b>	<b>603,481</b>
<b>Changes in operating assets and liabilities</b>				
Accounts receivable	-	50	10,886	254,085
Aircraft sublease receivables	-	-	4,122	(65,407)
Inventories	-	-	(53,038)	(36,832)
Security deposits and maintenance reserves	-	-	(148,475)	(84,568)
Prepaid expenses	(9,862)	15	(10,745)	(52,422)
Taxes recoverable	(594)	(89)	(3,201)	970
Other assets	16,898	-	(2,480)	(7,743)
Rights and obligations with derivatives	-	-	(18,696)	(322,182)
Accounts payable	(34,351)	4	347,787	632,780
Accounts payable – supplier finance	-	-	(156,883)	(150,267)
Reimbursement to customers	-	-	13,185	-
Salaries, accruals and payroll charges	568	(350)	12,796	25,862
Insurance premiums payable	11,012	-	10,652	(11,816)
Taxes payable	(15,960)	13,250	4,258	(4,389)
Federal installment payment program	-	-	(2,437)	(2,103)
Air traffic liability	-	-	(179,984)	(401,162)
Accrual for tax, civil and labor risks	-	-	(29,663)	(35,927)
Other liabilities	-	-	(134,947)	(15,811)
Interest paid	-	-	(35,901)	(283,317)
Income tax and social contribution paid	-	(304)	-	(304)
<b>Net cash provided by (used in) operating activities</b>	<b>(47,114)</b>	<b>(5,673)</b>	<b>(358,636)</b>	<b>42,928</b>
<b>Cash flows from investing activities</b>				
Short-term investments				
Acquisition of short-term investments	-	-	(75,044)	(924,728)
Redemption of short-term investments	-	21	156,486	245,534
Payment for acquisition of subsidiary	-	-	(20,000)	-
Acquisition of intangible assets	-	-	(41,573)	(26,211)
Acquisition of property and equipment	-	-	(176,301)	(222,587)
<b>Net cash provided by (used) in investing activities</b>	<b>-</b>	<b>21</b>	<b>(156,432)</b>	<b>(927,992)</b>
<b>Cash flows from financing activities</b>				
Loans and financing				
Proceeds	-	-	4,750	-
Repayment	-	-	(53,090)	(25,132)
Lease payment	-	-	(290,963)	(148,302)
Proceeds from sale and leaseback	-	-	21,256	5,801
Advance for future capital increase	22,320	-	22,320	-
Capital increase due to exercise of stock options	-	1,860	-	1,860
Treasury shares	(1,625)	-	(1,625)	-
<b>Net cash provided by (used in) financing activities</b>	<b>20,695</b>	<b>1,860</b>	<b>(297,352)</b>	<b>(165,773)</b>
Exchange rate changes on cash and cash equivalents	2,200	(302)	23,035	(67,807)
<b>Decrease in cash and cash equivalents</b>	<b>(24,219)</b>	<b>(4,094)</b>	<b>(789,385)</b>	<b>(1,118,644)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>437,896</b>	<b>7,961</b>	<b>3,064,815</b>	<b>1,647,880</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>413,677</b>	<b>3,867</b>	<b>2,275,430</b>	<b>529,236</b>

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



# AZUL S.A.

## Statements of value added

Three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Note	Parent company		Consolidated	
		Three-month periods ended		Three-month periods ended	
		03/31/2021	03/31/2020	03/31/2021	03/31/2020
<b>Sales revenue</b>					
Revenue	27	-	-	1,650,069	2,725,106
Cargo transport and other revenue	27	-	-	258,900	168,832
Allowance (reversal) for expected credit losses		-	-	(56)	(2,777)
		-	-	1,908,913	2,891,161
<b>Inputs acquired from third parties</b>					
Aircraft fuel	28	-	-	(597,666)	(764,310)
Materials, energy, third-party services and other		(3,200)	(720)	(655,181)	(852,200)
Aircraft insurance		-	-	(13,614)	(13,316)
		(3,200)	(720)	(1,266,461)	(1,629,826)
<b>Gross value added</b>					
		(3,200)	(720)	642,452	1,261,335
<b>Retentions</b>					
Depreciation and amortization	28	-	-	(343,749)	(480,665)
<b>Net value added produced by the entity</b>					
		(3,200)	(720)	298,703	780,670
<b>Value added received in transfers</b>					
Equity	14	(2,665,174)	(5,665,578)	-	-
Financial income	29	1,788	-	25,349	12,887
Result from related party transactions, net		-	(714,618)	(1,294)	(618,517)
		(2,663,386)	(6,380,196)	24,055	(605,630)
<b>Total value added to be distributed</b>					
		(2,666,586)	(6,380,916)	322,758	175,040
<b>Distribution of value added:</b>					
<b>Personnel</b>					
		2,384	1,395	341,884	417,080
Salaries and wages		1,724	884	263,423	340,352
Benefits		561	476	54,987	46,320
F.G.T.S.		99	35	23,474	30,408
<b>Taxes, fees and contributions</b>					
		542	(249,900)	154,012	(82,766)
Federal		389	(249,926)	130,282	(91,111)
State		-	-	8,831	5,402
Municipal		153	26	14,899	2,943
<b>Third party capital remuneration</b>					
		117,114	18,216	2,613,488	5,991,353
Financial expenses	29	117,114	18,216	2,564,740	5,953,886
Rentals		-	-	48,748	37,467
<b>Shareholders' equity compensation</b>					
		(2,786,626)	(6,150,627)	(2,786,626)	(6,150,627)
Net loss		(2,786,626)	(6,150,627)	(2,786,626)	(6,150,627)

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





# AZUL S.A.

## Notes to the quarterly information

March 31, 2021

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

### 1. OPERATIONS

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

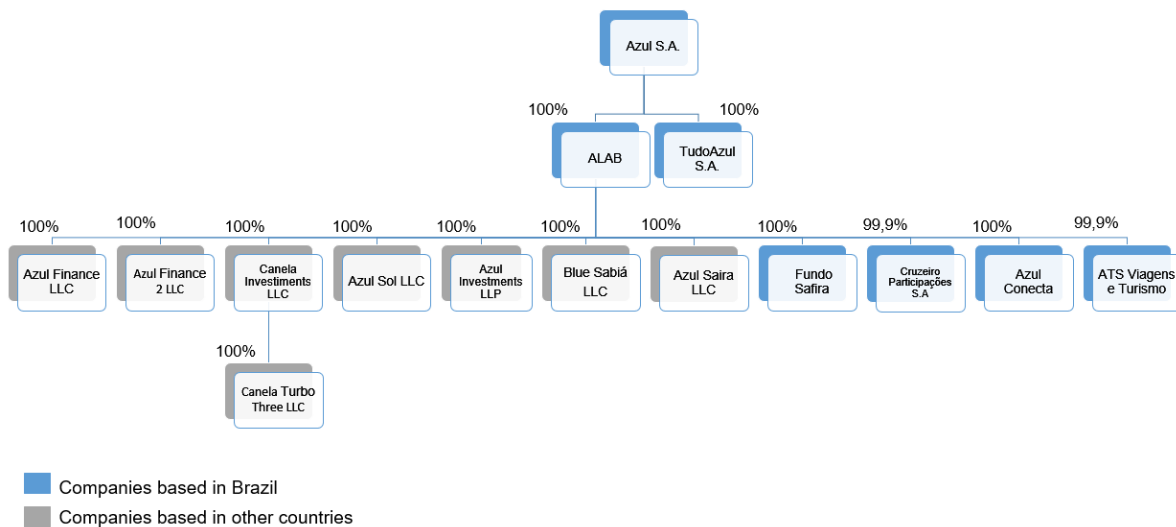
The Company carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. (“ALAB”), which holds authorization from government authorities to operate as an airline.

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

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

#### 1.1 Structure

The Company’s consolidation structure of March 31, 2021 is as follows:





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

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

Company	Type of investment	Main activity	Country	% equity interest	
				03/31/2021	12/31/2020
TudoAzul S.A.	Direct	Frequent-flyer program	Brazil	100.00%	100.00%
AZUL Linhas Aéreas Brasileiras S.A.	Direct	Airline operations	Brazil	100.00%	100.00%
Azul Conecta Ltda.	Indirect	Airline operations	Brazil	100.00%	100.00%
ATS Viagens e Turismo Ltda.	Indirect	Package holidays	Brazil	99.90%	99.90%
Fundo Safira	Indirect	Exclusive investment fund	Brazil	100.00%	100.00%
Cruzeiro Participações S.A	Indirect	Holding of equity interests in other companies	Brazil	99.90%	99.90%
Azul Investments LLP	Indirect	Funding	USA	100.00%	100.00%
Azul SOL LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Azul Finance LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Azul Finance 2 LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Blue Sabiá LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Canela Investments LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Canela Turbo Three LLC	Indirect	Aircraft financing	USA	100.00%	100.00%
Azul Saira LLC	Indirect	Aircraft financing	USA	100.00%	100.00%

## 1.2 Impacts of the Covid-19 pandemic

Management has been closely monitoring the developments related to the Covid-19 pandemic and the second wave that hit Brazil in the second half of February 2020, when several cities began to adopt stricter restrictive measures with the closing of bars, restaurants, supermarkets and non-essential shops, in order to encourage distancing.

These measures caused a sharp rise of the dollar against the local currency and a new slowdown in the economy which consequently affected the demand for passenger air transport, which was experiencing a visible growth. However, despite this scenario, demand remained at the same levels as at the end of 2020, and Brazil still appears as one of the countries with the best recovery in the aviation market, as shown in the graph below:

In view of the uncertainties of the impacts and duration of the second wave of Covid-19, management once again adopted austerity measures to preserve cash, especially through the postponement of lease and suppliers payments, freezing of contracts, suspension of unessential projects and the continuous search for cost-cutting opportunities.

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





**AZUL S.A.**

**Notes to the quarterly information**

March 31, 2021

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

### 1.3 Capital structure and net working capital

On March 31, 2021, the Company had a negative equity position of R\$16,908,830 (R\$14,148,750 on December 31, 2020). The variation in the balance is mainly due to the devaluation of 9.6% of the real against the US dollar in the three-month period ended March 31, 2021, from R\$ 5.1967 to R\$5.6973, which significantly impacted the Company's result in the foreign exchange variation line in the amount of R\$1,727,760, recorded in the financial result, and increased fuel, maintenance and interest costs with dollar-denominated lease.

In turn, consolidated net working capital presented a variation of R\$893,493, reaching a negative position of R\$5,688,701 on March 31, 2021 (minus R\$4,795,208 on December 31, 2020). The variation in the balance is substantially related to the increase in lease liabilities mainly due to the 9.6% devaluation of the real against the US dollar and postponement of lease payments due to the significant increase in the dollar in the quarter.

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

Such actions have proven to be efficient to withstand the economic slowdown presented due to the Covid-19 pandemic and its second wave.

Management continuously monitors the effects of the crisis and will continue to adopt measures to strengthen its cash position.

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

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

### 1.4 Seasonality

The Company's operating revenues depend substantially on the general volume of passenger and cargo traffic, which is subject to seasonal changes. Our passenger revenues are generally higher during the summer and winter holidays, in January and July respectively, and in the last two weeks of December, which corresponds to the holiday season. Considering the distribution of fixed costs, this seasonality tends to cause variations in operating results between the quarters of the fiscal year.

## 2. BUSINESS COMBINATION

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





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

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

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

This acquisition generated goodwill of R\$57,446 initially allocated to the line item “Goodwill for expected future profitability” in the quarterly information. The conclusion of the analysis of the fair value of the assets acquired and liabilities assumed will be completed within next quarter.

Description	Fair value of assets and liabilities
<b>Assets</b>	
Cash and cash equivalents	3,971
Accounts receivable	3,637
Inventories	1,624
Taxes recoverable	1,399
Other assets	458
Property and equipment (a)	74,205
	<u>85,294</u>
<b>Liabilities</b>	
Loans and financing	(16,540)
Accounts payable	(5,764)
Salaries, accruals and payroll charges	(2,707)
Taxes payable	(824)
Provision for tax, civil and labor risks (b)	(1,687)
Other liabilities	(650)
	<u>(28,172)</u>
Net assets acquired	<u>57,122</u>
Consideration at present value	<u>114,568</u>
Goodwill for expected future profitability	<u>57,446</u>
<b>Cash flows</b>	
Net cash acquired with subsidiary	3,971
Payment	<u>(62,684)</u>
Net cash flow from acquisition	<u>(58,713)</u>

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

(b) The Company recognized R\$500 fair value from possible contingencies.







**AZUL S.A.**

**Notes to the quarterly information**

March 31, 2021

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

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

The Company's individual quarterly information (ITR) has been prepared in accordance with accounting practices adopted in Brazil. The accounting practices adopted in Brazil include those included in the Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC"), approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM").

The Company's consolidated quarterly information (ITR) has been prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting practices adopted in Brazil include those included in the Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC"), approved by the Federal Accounting Council ("CFC") and the CVM.

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

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

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

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

The individual and consolidated quarterly information (ITR) has been prepared based on the historical cost, except for the following material items recognized in the statements of financial position.

- Short-term investments classified as cash and cash equivalents;
- Short-term investments comprising mainly exclusive investment funds, measured at fair value;
- Derivative financial instruments; and
- Loans and financing – conversion right.





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

##### 4.3 Foreign currency transactions

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

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

Description	Final rate		Average rate	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
U.S. dollar	5.6973	5.1967	5.6461	5.1578
Euro	6.6915	6.3779	6.7188	5.8989

#### 5. CASH AND CASH EQUIVALENTS

Description	Effective interest rate p.a.	Parent company		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
Cash and bank deposits		62,515	21,417	493,995	465,054
Cash equivalents					
Bank Deposit Certificate - CDB	0.22%	351,162	416,479	1,757,144	2,216,592
Repurchase agreements	0.22%	-	-	23,340	361,183
Exclusive investment funds	1.93%	-	-	951	21,986
		413,677	437,896	2,275,430	3,064,815





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 6. SHORT-TERM INVESTMENTS

Description	Effective interest rate p.a.	Consolidated	
		03/31/2021	12/31/2020
Exclusive investment funds	1.93%	2,263	62,972
Investment funds	0.01%	8,361	28,847
TAP Bond	7.50%	903,318	854,462
		<u>913,942</u>	<u>946,281</u>
<b>Current</b>		10,624	91,819
<b>Non-current</b>		903,318	854,462

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

## 7. ACCOUNTS RECEIVABLE

Description	Consolidated	
	03/31/2021	12/31/2020
<b>Local currency</b>		
Credit card companies	383,311	394,895
Cargo and travel agencies	145,199	146,854
Azul Viagens	69,778	56,870
TudoAzul Program	73,545	65,522
Other	28,819	52,713
Total local currency	<u>700,652</u>	<u>716,854</u>
<b>Foreign currency</b>		
Credit card companies	7,303	8,927
Maintenance reserves	129,797	112,170
Airline partner companies	11,971	24,910
Insurance	8,125	7,150
Other	23,943	21,502
Total foreign currency	<u>181,139</u>	<u>174,659</u>
Total	<u>881,791</u>	<u>891,513</u>
Allowance for expected credit losses	(16,187)	(16,131)
Total net	<u>865,604</u>	<u>875,382</u>





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

(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	Consolidated	
	03/31/2021	12/31/2020
Not past due	701,688	743,715
Past due	163,916	131,667
Total	865,604	875,382

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

Description	Consolidated	
	03/31/2021	12/31/2020
Balances at the beginning of the period	(16,131)	(14,716)
Business combination - Azul Conecta	-	(380)
(Additions) reversals	(131)	(3,205)
Write-off of uncollectible amounts	75	2,170
Balances at the end of the period	(16,187)	(16,131)

## 8. AIRCRAFT SUBLEASE RECEIVABLES

Description	Consolidated	
	03/31/2021	12/31/2020
2021	155,827	142,932
2022	74,023	62,547
2023	80,354	65,040
2024	80,516	65,188
2025	47,208	34,789
After 2025	4,708	1,994
Gross lease receivables	442,636	372,490
Accrued interest	(68,459)	(59,553)
Net lease receivables	374,177	312,937
<b>Current</b>	153,316	123,455
<b>Non-current</b>	220,861	189,482

As of March 31, 2021, the amount of R\$71,757 was past due. No provision was established as the Company's cash comprises amounts referring to security deposits advanced by the sub-lessor, and therefore there is a low expectation of non-realization of such assets.



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

March 31, 2021

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

**9. INVENTORIES**

Description	Consolidated	
	03/31/2021	12/31/2020
Maintenance parts and materials	495,522	442,161
Flight attendance and uniforms	9,256	9,579
Provision for loss on inventories	(50,618)	(49,153)
Total net	454,160	402,587

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

Description	Consolidated	
	03/31/2021	12/31/2020
Balances at the beginning of the period	(49,153)	(33,727)
Additions	(2,050)	(16,438)
Write-offs	585	1,012
Balances at the end of the period	(50,618)	(49,153)

**10. SECURITY DEPOSITS AND MAINTENANCE RESERVES**

The movement of security deposits and maintenance reserves for the three-month period ended March 31, 2021 is as follows:

Description	Consolidated		
	Maintenance reserves	Security deposits	Total
Balances at December 31, 2020	1,321,646	232,396	1,554,042
Additions	169,197	39,020	208,217
Provision for loss	(5,740)	-	(5,740)
Reimbursements	(47,979)	(9,003)	(56,982)
Exchange differences	130,513	19,867	150,380
Balances at March 31, 2021	1,567,637	282,280	1,849,917
<b>Current</b>	275,294	-	275,294
<b>Non-current</b>	1,292,343	282,280	1,574,623





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 11. TAXES RECOVERABLE

	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
IRPJ and CSSL	13,888	13,888	13,949	4,443
Withholding income tax	637	23	21,417	3,470
PIS and COFINS	-	-	95,273	123,005
ICMS	-	-	5,943	1,765
INSS	-	20	698	519
Other taxes	-	-	-	504
	14,525	13,931	137,280	133,706

## 12. PREPAID EXPENSES

Description	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Insurances premiums	10,160	374	49,566	49,428
Expenses with leased aircraft and engines	-	-	27,028	28,351
Guarantee commission	44	-	64,269	40,678
Other	348	316	24,424	36,085
Total	10,552	690	165,287	154,542
<b>Current</b>	10,552	690	148,122	136,350
<b>Non-current</b>	-	-	17,165	18,192

## 13 DEFERRED TAXES

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

Description	Consolidated		
	12/31/2020	Result	03/31/2021
<b>Temporary differences</b>			
Fair value of TAP Bond	(26,132)	229	(25,903)
Financial instruments	(121,960)	45,523	(76,437)
Deferred revenue TudoAzul program	(117,540)	(9,557)	(127,097)
Depreciation of aircraft and engines	(53,182)	49,865	(3,317)
Temporary differences assets (*)	318,814	(86,060)	232,754
	-	-	-

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





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 13.2 Reconciliation of the effective income tax rate

Description	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Loss before income tax and social contribution	(2,786,626)	(6,400,717)	(2,786,626)	(6,400,717)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	947,453	2,176,244	947,453	2,176,244
<b>Adjustments to determine the effective rate</b>				
Profits from investments not taxed abroad	-	-	(3,694)	(26,278)
Share of profit (loss) of subsidiaries	(906,159)	(1,926,296)	-	-
(Unrecorded) benefit on tax losses and temporary differences	(29,118)	-	(950,303)	(1,956,039)
Permanent differences	(12,176)	-	6,906	22,100
Other	-	142	(362)	34,063
	-	250,090	-	250,090
Current income tax and social contribution	-	(13,016)	-	(13,016)
Deferred income tax and social contribution	-	263,106	-	263,106
Income tax and social contribution credit (expense)	-	250,090	-	250,090
<b>Effective rate</b>	0%	4%	0%	4%

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

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

Description	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Tax loss and negative social contribution base, net	392,584	108,084	6,805,985	5,751,867
Tax loss (25%)	98,146	27,021	1,701,496	1,437,967
Negative social contribution base (9%)	35,333	9,728	612,539	517,668

## 14. INVESTMENTS

### 14.1 Parent company's direct investments

Description	Company shares		Company equity interest		
	Common	Paid-up capital	Voting capital	Equity	Net loss
<b>At December 31, 2020</b>					
ALAB	260,809,600	100%	100%	(12,868,143)	(9,544,807)
TudoAzul	80,542,264	100%	100%	(27,039)	(3,705)
<b>At March 31, 2021</b>					
ALAB	260,809,600	100%	100%	(15,526,402)	(2,664,110)
TudoAzul	80,542,264	100%	100%	(28,103)	(1,064)





## AZUL S.A.

### Notes to the quarterly information

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

## 14.2 Movement of the parent company's investments

Description	ALAB	TudoAzul <sup>(a)</sup>	Total
Balances at December 31, 2020	(12,868,143)	793,541	(12,074,602)
Share of profit (loss) of subsidiaries	(2,664,110)	(1,064)	(2,665,174)
Share-based reserve of subsidiary	5,851	-	5,851
Balances at March 31, 2021	(15,526,402)	792,477	(14,733,925)

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

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

### 15.1 PROPERTY AND EQUIPMENT

Description	Weighted average rate (p.a.)	Consolidated				03/31/2021
		12/31/2020	Acquisitions	Disposals/ write-offs	Transfers	
<b>Cost</b>						
Aircraft and engines		2,297,661	146,646	(102,999)	310	2,341,618
Buildings and leasehold improvements		485,247	3,198	(3)	-	488,442
Equipment and facilities		181,094	3,564	(187)	-	184,471
Other		28,008	266	-	-	28,274
Construction in progress		33,630	18,077	-	(807)	50,900
Advance payments for acquisition of aircraft		91,944	-	-	-	91,944
		3,117,584	171,751	(103,189)	(497)	3,185,649
<b>Depreciation</b>						
Aircraft and engines	8%	(624,736)	(48,060)	2,277	-	(670,519)
Buildings and leasehold improvements	9%	(128,761)	(11,101)	-	-	(139,862)
Equipment and facilities	12%	(107,917)	(5,210)	86	-	(113,041)
Other	10%	(19,606)	(704)	-	-	(20,310)
		(881,020)	(65,075)	2,363	-	(943,732)
<b>Property and equipment</b>		2,236,564	106,676	(100,826)	(497)	2,241,917
<b>Impairment</b>		(436,858)	-	-	-	(436,858)
<b>Total property and equipment, net</b>		1,799,706	106,676	(100,826)	(497)	1,805,059







## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 15.2 RIGHT-OF-USE ASSETS

Description	Weighted average rate p.a.	Consolidated					03/31/2021
		12/31/2020	Acquisitions	Disposals/ write-offs	Contractual changes	Transfers	
<b>Cost</b>							
Aircraft		9,575,376	-	-	8,561	-	9,583,937
Engines and simulators		528,310	63,877	-	11,241	-	603,428
Restoration of aircraft and engines		597,011	-	-	-	-	597,011
Maintenance of aircraft and engines		1,414,507	38,260	(9,287)	-	497	1,443,977
Properties		114,167	-	-	-	-	114,167
Other		30,435	1,361	-	-	-	31,796
		12,259,806	103,498	(9,287)	19,802	497	12,374,316
<b>Depreciation</b>							
Aircraft	6%	(5,498,615)	(141,800)	-	-	-	(5,640,415)
Engines and simulators	13%	(264,613)	(16,795)	-	-	-	(281,408)
Restoration of aircraft and engines	10%	(182,861)	(15,479)	-	-	-	(198,340)
Maintenance of aircraft and engines	22%	(892,325)	(76,911)	2,852	-	-	(966,384)
Properties	8%	(74,607)	(2,349)	-	-	-	(76,956)
Other	11%	(29,429)	(860)	-	-	-	(30,289)
		(6,942,450)	(254,194)	2,852	-	-	(7,193,792)
<b>Right-of-use assets</b>		5,317,356	(150,696)	(6,435)	19,802	497	5,180,524
<b>Impairment</b>		(706,615)	-	-	-	-	(706,615)
<b>Right-of-use assets, net</b>		4,610,741	(150,696)	(6,435)	19,802	497	4,473,909

During the three-month period ended March 31, 2021, the Company carried out a sale and leaseback transaction for two of its own engines. The gain related to this operation corresponds to the amount of R\$22,736, recognized in the line item “Other costs of services”.

During the three-month period ended March 31, 2021, due to aircraft and engine lease agreements, in accordance with CPC 06 (R2) – Leases, equivalent to IFRS 16, it was necessary to remeasure the lease liability through a revised discount rate, resulting in an increase in debt at present value by R\$6,700, with a corresponding entry in the amount of R\$ 19,802 in the right-of-use asset and the difference, a gain of R\$13,102, was recognized under “Other costs of services”.





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 16 INTANGIBLE ASSETS

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

Description	Weighted average rate (p.a.)	Consolidated			03/31/2021
		12/31/2020	Acquisitions	Disposals/ write-offs	
<b>Cost</b>					
Goodwill for expected future profitability (a)	-	810,948	-	-	810,948
Airport operating license (b)	-	82,196	-	-	82,196
Software	-	593,334	41,573	(244)	634,663
		<u>1,486,478</u>	<u>41,573</u>	<u>(244)</u>	<u>1,527,807</u>
<b>Amortization</b>					
Software	17%	(316,210)	(24,853)	122	(340,941)
		<u>(316,210)</u>	<u>(24,853)</u>	<u>122</u>	<u>(340,941)</u>
<b>Total intangible assets, net</b>		<u>1,170,268</u>	<u>16,720</u>	<u>(122)</u>	<u>1,186,866</u>

- (a) Goodwill for expected future profitability, in the amounts of R\$ 753,502 and R\$57,446, arises from the acquisitions of Tudo Azul S.A. in 2012 and Azul Conecta in 2020, respectively, and refers to the consideration transferred, less the fair value of assets acquired and liabilities assumed, net.
- (b) As part of the allocation of the purchase price for the acquisition of Tudo Azul S.A., the Company recognized the value of operating licenses for certain airports and has an indefinite useful life.





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 17 LOANS AND FINANCING

### 17.1 Movement of loans and financing

Description	Parent company							03/31/2021
	Nominal rate p.a.	Maturity	12/31/2020	Variation of conversion right	Interest incurred	Exchange differences	Amortized cost	
<b>In foreign currency – US\$</b>								
Convertible debentures (a)	6.0% to 7.5%	Oct/25	2,419,704	(54,032)	54,062	101,352	894	2,521,980
Total in R\$			2,419,704	(54,032)	54,062	101,352	894	2,521,980
<b>Current liabilities</b>			-					-
<b>Non-current liabilities</b>			2,419,704					2,521,980

(a) The balance contains the conversion right in the amount of R\$1,411,967 (as of December 31, 2020 – R\$1,465,999).





# AZUL S.A.

## Notes to the quarterly information

March 31, 2021

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

Consolidated											
Description	Nominal rate p.a.	Maturity	12/31/2020	Proceeds	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Exchange differences	Amortized cost	03/31/2021
<b>In foreign currency – US\$</b>											
Working capital	1% to 5.9%	Oct/24	2,236,844	-	-	-	-	33,791	216,102	1,740	2,488,477
Convertible debentures (a)	6.0% to 7.5%	Oct/25	2,419,704	-	(54,032)	-	-	54,062	101,352	894	2,521,980
Aircraft and engines	4.0% to 6.0% Libor 3M + 2.6%	Mar/29	1,084,705	-	-	(7,618)	(2,283)	14,386	105,630	1,027	1,195,847
<b>In local currency – R\$</b>											
Working capital	5.0% to 10.7% CDI + 2% to 6% TLP + 5%	Dec/23	776,481	7,217	-	(35,250)	(24,989)	9,595	-	188	733,242
Debentures	CDI + 3%	Dec/23	690,904	-	-	-	-	8,852	-	1,335	701,091
Aircraft and engines	6.0% to 6.5% Selic + 2.8% to 5.5% TLP + 5%	May/25	151,876	-	-	(12,689)	(3,153)	1,854	-	41	137,929
Total in R\$			7,360,514	7,217	(54,032)	(55,557)	(30,425)	122,540	423,084	5,225	7,778,566
<b>Current liabilities</b>				858,332							524,508
<b>Non-current liabilities</b>				6,502,182							7,254,058

(a) The balance contains the conversion right in the amount of R\$1,411,967 (as of December 31, 2020 – R\$1,465,999).





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

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

Description	Consolidated	
	03/31/2021	12/31/2020
2022	841,765	743,137
2023	1,251,368	914,343
2024	2,467,614	2,264,451
2025	2,662,262	2,551,701
After 2025	31,049	28,550
	<u>7,254,058</u>	<u>6,502,182</u>

#### 17.3 Covenants

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

On March 31, 2021 the Company obtained a waiver for the United States International Development Finance Corporation (“DFC”) in relations to Guarantor’s Covenants for the periods ending on March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021 and therefore, the related debt remains classified in this quarterly information according to the established by a financing agreement flow.

#### 17.4 Other

On March 31, 2021, the Company concluded the renegotiation of its working capital obligation with the DFC, which resulted in the obtaining of a new payment flow, where the short-term debt was extended, and therefore, transferred to the long term. Such negotiation did not result in the extinction of debt instruments, in accordance with CPC 48, equivalent to IFRS 9.





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 18 LEASE LIABILITIES

### 18.1 Movement of lease liabilities

Consolidated									
Description	Average payment term in years	Weighted average rate	12/31/2020	Additions	Contractual modifications	Payments	Interest incurred	Exchange differences	03/31/2021
<b>Lease without purchase option:</b>									
Aircraft and engines	8.06	22.19%	11,663,143	66,429	(31,500)	(286,818)	609,114	1,138,807	13,159,175
Other	2.05	8.18%	57,278	1,361	-	(5,897)	1,120	95	53,957
<b>Lease with purchase option:</b>									
Aircraft and engines	5.29	11.91%	800,391	-	38,200	(14,908)	23,650	79,634	926,967
Total in R\$			12,520,812	67,790	6,700	(307,623)	633,884	1,218,536	14,140,099
<b>Current liabilities</b>			2,272,349						3,005,412
<b>Non-current liabilities</b>			10,248,463						11,134,687





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

#### 18.2 Schedule of lease amortization

Description	Consolidated	
	03/31/2021	12/31/2020
2021	2,412,899	2,498,180
2022	3,511,020	3,206,765
2023	3,987,266	3,641,808
2024	3,954,735	3,610,754
2025	3,313,200	3,011,683
After 2025	12,325,843	11,199,380
Minimum lease payment	29,504,963	27,168,570
Financial charges	(15,364,864)	(14,647,758)
Present value of minimum lease payments	14,140,099	12,520,812

During the three-month period ended March 31, 2021, due to aircraft and engine lease agreements, in accordance with CPC 06 (R2) – Leases, equivalent to IFRS 16, it was necessary to remeasure the lease liability through a revised discount rate, resulting in an increase in debt at present value by R\$6,700, with a corresponding entry in the amount of R\$19,802 in the right-of-use asset and the difference, a gain of R\$13,102, was recognized under “Other costs of services”.

#### 19 ACCOUNTS PAYABLE

Description	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Accounts payable – local currency	159	32,096	1,701,805	1,612,933
Accounts payable – foreign currency	111	2,521	918,023	948,794
	270	34,617	2,619,828	2,561,727
<b>Current</b>	270	34,617	2,026,304	2,238,668
<b>Non-current</b>	-	-	593,524	323,059



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

March 31, 2021

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

**20 DERIVATIVE FINANCIAL INSTRUMENTS**

	Consolidated					
	Derivatives not designated as hedge					
	Options - foreign currency	Interest rate swap	Forward - Fuel	Forward - foreign currency	Conversion right (debentures)	Total
<b>Changes in fair value</b>						
Rights (obligations) with derivatives at December 31, 2020	8,947	(269,491)	(81,274)	349,093	(1,465,999)	(1,458,724)
Gains (losses) recognized in result	(6,573)	135,945	21,267	(126,499)	54,032	78,172
(Receipt) payment in cash	1,410	983	16,302	-	-	18,695
Rights (obligations) with derivatives at March 31, 2021	3,784	(132,563)	(43,705)	222,594	(1,411,967)	(1,361,857)
<b>Rights with derivative financial instruments</b>	3,784	120,822	-	222,594	-	347,200
<b>Obligations with derivative financial instruments</b>	-	(253,385)	(43,705)	-	-	(297,090)
<b>Loans and financing (embedded in convertible debentures)</b>	-	-	-	-	(1,411,967)	(1,411,967)
	3,784	(132,563)	(43,705)	222,594	(1,411,967)	(1,361,857)







## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 21 AIR TRAFFIC LIABILITY

Description	Consolidated	
	03/31/2021	12/31/2020
Cargo and passenger air traffic liability	1,366,364	1,550,579
Azul Viagens	163,920	183,061
TudoAzul Program	778,604	755,232
	<u>2,308,888</u>	<u>2,488,872</u>

The air traffic liability balances are presented net of passenger revenue breakage and the TudoAzul program, corresponding to R\$373,815 on March 31, 2021 (R\$ 372,534 on December 31, 2020).

## 22 PROVISIONS

Description	Consolidated				Total
	Provisions for return of aircraft and engines	Provision for tax, civil and labor risks	Provision for onerous contract	Provision for post-employment benefit	
Balance at December 31, 2020	1,336,186	155,814	1,340,522	9,953	2,842,475
Addition of provision	-	30,436	27,131	53	57,620
Write-offs and/or payments	(29,621)	(29,663)	(33,763)	-	(93,047)
Interest incurred	14,676	-	43,454	185	58,315
Exchange differences	128,991	-	125,836	-	254,827
Balance at March 31, 2021	<u>1,450,232</u>	<u>156,587</u>	<u>1,503,180</u>	<u>10,191</u>	<u>3,120,190</u>
<b>Current</b>	119,509	-	740,237	-	859,746
<b>Non-current</b>	1,330,723	156,587	762,943	10,191	2,260,444

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

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

The Company's Management believes that the provision for tax, civil and labor risks is sufficient to cover possible losses on legal and administrative proceedings. The balances of the proceedings with estimates of probable and possible losses are shown below:

Description	Consolidated			
	Probable loss		Possible loss	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Tax	2,863	2,858	157,803	154,640
Civil	102,241	104,915	48,869	43,347
Labor	51,483	48,041	113,235	114,524
	<u>156,587</u>	<u>155,814</u>	<u>319,907</u>	<u>312,511</u>





## AZUL S.A.

### Notes to the quarterly information

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## 22.2 Provision for post-employment benefit

The Company offers its employees a health care plan that, as a result of complying with current legislation, generates post-employment benefit obligations. The movements of actuarial liabilities related to the post-employment benefit, prepared based on an actuarial report, are presented below:

	Consolidated	
	03/31/2021	12/31/2020
Actuarial liabilities at the beginning of the period	9.953	-
Current service cost recognized in profit or loss	53	9.921
Cos of interest recognized in profit or loss	185	687
Effect of change in financial assumptions	-	(962)
Effect of plan experience	-	307
Actuarial liabilities at the end of the period	10.191	9.953
<b>Actuarial assumptions</b>		
Weighted average of assumptions to determine the defined benefit obligation		
Nominal discount rate p.a.		7,43%
Actual discount rate p.a.		3,80%
Estimated inflation rate in the long term p.a.		3,50%
HCCTR – Average nominal inflation rate p.a.		6,60%
HCCTR – Actual nominal inflation rate p.a.		3,00%
Mortality table		AT-2000 downrated by 10%

## 23 RELATED-PARTY TRANSACTIONS

### 23.1 Compensation of key management personnel

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

Description	Consolidated	
	03/31/2021	03/31/2020
Salaries and charges	6,592	4,310
Share-based payment plan (a)	10,111	3,403
	16,703	7,713

- (a) Considers stock option plans, restricted shares and phantom shares. The effect on the result referring to the phantom shares is based on the variation of the Company's share value, which is updated at each reporting period, and does not represent a cash outflow in the current year, with a forecast for settlement in up to eight years.

### 23.2 Guarantees and pledges granted by the Parent Company

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





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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#### 23.3 Technology service sharing contract

On January 1, 2013, the Company entered into a contract with Águia Branca Participações S.A., one of its shareholders, for the sharing of information technology resources for an indefinite period. The total amount of services acquired during the three-month period ended March 31, 2021 was R\$13 (R\$51 on December 31, 2020), recorded under “Other costs of services” in the statement of profit or loss. As of March 31, 2021 there were no amounts to be paid as a result of this transaction.

#### 23.4 Ticket sales contract

On March 26, 2018, the Company entered into a ticket sales contract with Caprioli Turismo Ltda., a travel agency owned by the Caprioli family (which holds an indirect interest 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.

#### 23.5 Sublease of aircraft receivable

In December 2019, the Company signed a letter of intent for the sublease of up to 28 aircraft to the Breeze Aviation Group (“Breeze”), an airline founded by the controlling shareholder of Azul, headquartered in the United States. The transaction was voted and approved by 97% of the Azul's shareholders at the Extraordinary General Meeting held on March 2, 2020. Following good corporate practices, the controlling shareholder did not participate in the voting.

The Company sub-leased two aircrafts to Breeze and recorded a balance receivable of R\$50,939.

#### 23.6 Indemnities

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

### 24 EQUITY

#### 24.1 Issued capital

Description	Company's capital	Parent company	
		Quantity	
		Common shares	Preferred shares
At March 31, 2021	2,266,992	928,965,058	333,549,383
At December 31, 2020	2,246,367	928,965,058	331,644,724

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





## AZUL S.A.

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

- 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	Parent company					
	03/31/2021			12/31/2020		
	Common shares	Preferred shares	% economic participation	Common shares	Preferred shares	% economic participation
David Neeleman	67.0%	1.7%	4.0%	67.0%	1.2%	3.5%
Trip shareholders <sup>(a)</sup>	33.0%	5.5%	6.5%	33.0%	5.5%	6.5%
United Airlines Inc	-	8.1%	7.8%	-	8.1%	7.8%
Blackrock	-	5.1%	1.3%	-	5.1%	1.3%
Capital Research Global Investors	-	10.6%	2.8%	-	5.1%	1.3%
Other	-	69.0%	77.5%	-	74.9%	79.4%
Treasury shares	-	0.1%	0.1%	-	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

The Company is authorized, by resolution of the Board of Directors, to increase the issued capital regardless of any amendments to bylaws, with the issue of up to 104,949,010 preferred shares. The Board of Directors will set the conditions for the issue, including price and payment term.

## 24.2 Treasury shares

Set out below is the movement of treasury shares:

Description	Parent company	
	Number of shares	R\$
At December 31, 2020	265,461	13,182
Acquisition	47,000	1,625
At March 31, 2021	312,461	14,807





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

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

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

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of shares outstanding by instruments potentially convertible into shares. However, due to the losses reported in the three-month periods ended March 31, 2021 and 2020, these instruments issued by the parent company have a non-dilutive effect and therefore were not considered in the total number of shares outstanding to determine the diluted loss per share.

Description	Parent company and consolidated	
	Three-month periods ended	
	03/31/2021	03/31/2020
<b>Numerator</b>		
Net loss for the period	(2,786,626)	(6,150,627)
<b>Denominator</b>		
Weighted average number of common shares	928,965,058	928,965,058
Weighted average number of preferred shares	332,283,182	329,670,399
75 preferred shares (*)	75	75
Weighted average number of equivalents preferred shares (*)	344,669,382	342,056,600
Weighted average number of equivalents common shares (*)	25,850,203,683	25,654,244,983
Weighted average number of shares outstanding and presumed conversions	61,234,191	8,666,493
Weighted average number of shares that would have been issued at average market price	3,237,450	5,997,809
Basic loss per common share	(0.11)	(0.24)
Diluted loss per common share	(0.11)	(0.24)
Basic loss per preferred share	(8.08)	(17.98)
Diluted loss per preferred share	(8.08)	(17.98)

(\*) This refers to the participation in the value of the Company's total equity, calculated as if all 928,965,058 common shares had been converted into 12,386,200 preferred shares at the conversion ratio of 75 common shares for each preferred share.

(\*\*) This refers to the participation in the value of the Company's total equity, calculated as if the weighted average of preferred shares had been converted into common shares at the conversion ratio of 75 common shares for each 1 preferred share.

## 26 SHARE-BASED PAYMENT

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





## AZUL S.A.

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#### 26.1 Stock option plan

Set out below is the movement of the plan during the three-month period ended March 31, 2021:

Description	Parent company and Consolidated
	Number of shares
At December 31, 2020	6,108,210
Exercised (a)	(1,904,659)
At March 31, 2021	4,203,551
<b>Number of exercisable options at:</b>	
At March 31, 2021	2,122,701
At December 31, 2020	2,158,658

(a) The exercise of 1,904,659 shares corresponds to the amount of R\$22,320.

The expense recognized in the statement of profit or loss corresponding to the stock option plan for the three-month period ended March 31, 2021 was R\$1,525 (R\$2,429 as of March 31, 2020).

#### 26.2 Restricted stock option plan

Set out below is the movement of the plan during the three-month period ended March 31, 2021:

Description	Parent company and Consolidated
	Number of shares
At December 31, 2020	1,653,005
At March 31, 2021	1,653,005

The expense recognized in the statement of profit or loss corresponding to the restricted stock option plan for the three-month period ended March 31, 2021 was R\$4,326 (R\$1,737 as of March 31, 2020).

#### 26.3 Phantom shares

Set out below is the movement of the plan during the three-month period ended March 31, 2021:

Description	Parent company and Consolidated
	Total outstanding
At December 31, 2020	4,857,041
Settled	(1,270)
At March 31, 2021	4,855,771





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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The expense recognized in the statement of profit or loss corresponding to the phantom shares for the three-month period ended March 31, 2021 was R\$6,975 (R\$2,131 as of March 31, 2020). As of March 31, 2021, the total obligation related to the plan is R\$69,320 (R\$62,351 as of December 31, 2020).

## 27 SALES REVENUE

Description	Consolidated	
	Three-month periods ended	
	03/31/2021	03/31/2020
<b>Sales revenue</b>		
Passenger service	1,650,069	2,726,259
Cargo transport and other revenue	258,900	167,679
Gross revenue	1,908,969	2,893,938
<b>Taxes levied</b>		
Passenger service	(52,427)	(72,840)
Cargo transport and other revenue	(30,720)	(18,423)
Total taxes	(83,147)	(91,263)
<b>Net revenue</b>	1,825,822	2,802,675

Revenues by geographical location are as follows:

Description	Consolidated	
	Three-month periods ended	
	03/31/2021	03/31/2020
Domestic revenue	1,678,529	2,198,313
Foreign revenue	147,293	604,362
Net revenue	1,825,822	2,802,675





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

## 28 EXPENSES BY NATURE

	Parent company		Consolidated	
	Three-month periods ended		Three-month periods ended	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
<b>Cost of services</b>				
Aircraft fuel	-	-	(597,666)	(764,310)
Salaries and benefits	-	-	(375,621)	(455,013)
Airport charges	-	-	(149,343)	(201,907)
Provision of traffic services	-	-	(86,665)	(135,202)
Maintenance and repair materials	-	-	(93,885)	(140,709)
Depreciation and amortization (a)	-	-	(295,233)	(460,498)
Other	-	-	(229,984)	(187,894)
	-	-	(1,828,397)	(2,345,533)
<b>Selling expenses</b>				
Salaries and benefits	-	-	(4,783)	(7,344)
Advertising and publicity	-	-	(86,070)	(109,419)
	-	-	(90,853)	(116,763)
<b>Administrative expenses</b>				
Salaries and benefits	(2,774)	(1,559)	(34,116)	(15,720)
Depreciation and amortization	-	-	(1,964)	(20,167)
Other	(3,340)	(746)	(32,258)	(145,693)
	(6,114)	(2,305)	(68,338)	(181,580)
<b>Other operating expenses</b>				
Idleness - Depreciation and amortization	-	-	(46,552)	-
Other	(12)	-	(37,623)	-
	(12)	-	(84,175)	-
<b>Total</b>	<b>(6,126)</b>	<b>(2,305)</b>	<b>(2,071,763)</b>	<b>(2,643,876)</b>

(a) Net of PIS and COFINS credit in the amount of R\$373

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







## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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## 29 FINANCIAL RESULT

Description	Parent company		Consolidated	
	Three-month periods ended		Three-month periods ended	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
<b>Financial income</b>				
Interest on short-term investments	1,699	-	18,026	2,826
Sublease receivable	-	-	6,850	7,495
Other	89	-	473	2,566
	<u>1,788</u>	<u>-</u>	<u>25,349</u>	<u>12,887</u>
<b>Financial expenses</b>				
Interest on loans	-	-	(68,478)	(54,584)
Interest on lease	-	-	(633,884)	(265,766)
Interest on convertible debentures	(54,062)	-	(54,062)	-
Interest on factoring of credit card receivables	-	-	(6,431)	(8,404)
Interest on provisions	-	-	(58,315)	(47,489)
Interest and fines on other operations	-	-	(48,039)	(42,040)
Guarantee commission	-	-	(17,066)	(5,565)
Borrowing cost	(894)	-	(5,225)	(3,810)
Other	(11,523)	(1,169)	(23,652)	(10,812)
	<u>(66,479)</u>	<u>(1,169)</u>	<u>(915,152)</u>	<u>(438,470)</u>
Derivative financial instruments, net	54,032	-	78,172	(1,281,616)
Foreign currency exchange, net	(104,667)	(17,047)	(1,727,760)	(4,233,800)
Financial result, net	<u>(115,326)</u>	<u>(18,216)</u>	<u>(2,539,391)</u>	<u>(5,940,999)</u>

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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

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

Description	Level	Parent company			
		Carrying amount		Fair value	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
<b>Assets</b>					
Cash and cash equivalents	2	413,677	437,896	413,677	437,896
<b>Liabilities</b>					
Loans and financing	-	(1,110,013)	(953,705)	(743,934)	(532,868)
Loans and financing - conversion right	2	(1,411,967)	(1,465,999)	(1,411,967)	(1,465,999)
Accounts payable	-	(270)	(34,617)	(270)	(34,617)
Insurance premiums payable	-	(11,012)	-	(11,012)	-

Description	Level	Consolidated			
		Carrying amount		Fair value	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
<b>Assets</b>					
Cash and cash equivalents	2	2,275,430	3,064,815	2,275,430	3,064,815
Short-term investments	2	913,942	946,281	913,942	946,281
Accounts receivable	-	865,604	875,382	865,604	875,382
Aircraft sublease receivables	-	374,177	312,937	374,177	312,937
Security deposits and maintenance reserves	-	1,849,917	1,554,042	1,849,917	1,554,042
Derivative financial instruments	2	347,200	428,309	347,200	428,309
<b>Liabilities</b>					
Loans and financing	-	(6,366,599)	(5,894,515)	(5,833,086)	(5,414,689)
Loans and financing - conversion right	2	(1,411,967)	(1,465,999)	(1,411,967)	(1,465,999)
Lease liabilities	-	(14,140,099)	(12,520,812)	(14,140,099)	(12,520,812)
Accounts payable	-	(2,619,828)	(2,561,727)	(2,619,828)	(2,561,727)
Accounts payable – supplier finance	-	(360,467)	(157,801)	(360,467)	(157,801)
Reimbursement to customers	-	(237,833)	(221,342)	(237,833)	(221,342)
Insurance premiums payable	-	(63,079)	(52,427)	(63,079)	(52,427)
Derivative financial instruments	2	(297,090)	(421,034)	(297,090)	(421,034)

### 30.2 TAP Bond

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

### 30.3 Convertible debentures

On November 12, 2020, the Company concluded the public offering for the distribution of debentures convertible into preferred shares. As required by CPC 48 - Financial Instruments, equivalent to IFRS 9. The conversion right was measured at fair value through profit or loss as it is an embedded derivative. Accordingly, during the three-month period ended March 31, 2021, due to the change in the share price, a revenue of R\$54,032 was recognized.





## **AZUL S.A.**

### **Notes to the quarterly information**

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#### **30.4 Derivative financial instruments**

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

#### **30.5 Market risks**

##### **30.5.1 Interest rate risk**

As of March 31, 2021, the Company had swap contracts to hedge against the effect of fluctuations in interest rates on part of payments for finance leases. During the three-month period ended March 31, 2021, the Company recognized a total gain from interest hedge transactions in the amount of R\$135,945 (R\$157,795 as of March 31, 2020).

##### **30.5.2 Aviation fuel price risk (“QAV”)**

The price of aviation fuel may vary depending on the volatility of the price of crude oil and its derivatives. To mitigate losses linked to variations in the fuel market, the Company had, as of March 31, 2021, forward transactions on fuel. During the three-month period ended March 31, 2021, the Company recognized a total gain of R\$21,267 (loss of R\$1,390,029 as of March 31, 2020)

##### **30.5.3 Foreign exchange risk**

The foreign exchange risk arises from the possibility of unfavorable exchange differences to which the Company's liabilities or cash flows are exposed. The Company constantly monitors the net exposure in foreign currency and evaluates the contracting of derivative transactions, projecting for a maximum period of up to 12 months, and a longer term if deemed appropriate, to minimize its exposure. During the three-month period ended March 31, 2021, the Company recognized a loss of R\$133,072 (R\$49,383 as of March 31, 2020).





## AZUL S.A.

### Notes to the quarterly information

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The exposure to exchange differences is as follows:

Description	Consolidated			
	Exposure to US\$		Exposure to €	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
<b>Assets</b>				
Cash and cash equivalents and investments	256,629	262,309	903,318	854,462
Accounts receivable	166,096	232,950	-	-
Security deposits and maintenance reserves	1,814,396	1,540,231	-	-
Aircraft sublease receivables	374,177	312,937	-	-
Derivative rights	171,853	155,920	-	-
Other assets	127,129	60,576	-	-
Total assets	2,910,280	2,564,923	903,318	854,462
<b>Liabilities</b>				
Accounts payable	(918,023)	(831,429)	-	-
Loans and financing	(6,206,304)	(5,741,253)	-	-
Lease liabilities	(14,086,142)	(12,463,426)	-	-
Derivative obligations	(43,705)	(81,274)	-	-
Provisions and other liabilities	(3,106,300)	(951,348)	-	-
Total liabilities	(24,360,474)	(20,068,730)	-	-
Net exposure	(21,450,194)	(17,503,807)	903,318	854,462
Net exposure in foreign currency	(3,764,975)	(3,368,254)	134,995	133,972

### 30.6 Credit risk

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

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

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





## AZUL S.A.

### Notes to the quarterly information

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## 30.7 Liquidity risk

The maturity schedules of the Company's consolidated financial liabilities as of March 31, 2021 are as follows:

Description	Consolidated 03/31/2021						
	Carrying amount	Contractual cash flows	2021	2022	2023	2024	After 2025
Accounts payable	2,619,828	2,619,828	2,026,304	203,858	286,388	84,810	18,468
Accounts payable – supplier finance	360,467	360,467	360,467	-	-	-	-
Loans and financing	7,778,566	7,854,811	487,098	910,321	1,277,635	2,480,560	2,699,197
Lease liabilities	14,140,099	29,504,963	2,412,899	3,511,020	3,987,266	3,954,735	15,639,043
Derivative obligations	297,090	297,090	116,296	40,392	73,207	67,195	-
Reimbursement to customers	237,833	237,833	237,833	-	-	-	-
	25,433,883	40,874,992	5,640,897	4,665,591	5,624,496	6,587,300	18,356,708

## 30.8 Sensitivity analysis of financial instruments

### 30.8.1 Risk factor: Exchange rate differences

As of March 31, 2021, the Company adopted an exchange rate of R\$5.6973/US\$1.00 and R\$6.6915/€1.00, corresponding to the month's closing rate announced by the Central Bank of Brazil as a probable scenario. The table below shows the sensitivity analysis and the effect on the result of the exchange rate fluctuation in the amount exposed of March 31, 2021:

Description	Consolidated			
	Exposure to US\$		Exposure to €	
	Rate	03/31/2021	Rate	03/31/2021
Net exposure at 03/31/2021	5.6973	(21,450,194)	6.6915	903,318
<b>Effect on profit or loss</b>				
Foreign currency devaluation by -50%	2.8487	10,725,097	3.3458	(451,659)
Foreign currency devaluation by -25%	4.2730	5,362,549	5.0186	(225,830)
Foreign currency appreciation by 50%	8.5460	(10,725,097)	10.0373	451,659
Foreign currency appreciation by 25%	7.1216	(5,362,549)	8.3644	225,830

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

As of March 31, 2021, the Company has oil derivative contracts to protect future aviation fuel consumption. The probable scenarios used by the Company are the market curves at the March 31, 2021 closing for derivatives that protect the fuel price risk. The table below shows the sensitivity analysis in US dollars of the fluctuation of aviation fuel barrel prices:

Description	Consolidated	
	Exposure to HOA <sup>(a)</sup>	
	Price <sup>(b)</sup>	03/31/2021
HOA reference price at 03/31/2021	\$178	(43,705)
<b>Effect on profit or loss</b>		
HOA devaluation by -50%	\$89	(138,164)
HOA devaluation by -25%	\$134	(69,082)
HOA appreciation by 50%	\$267	137,655
HOA appreciation by 25%	\$223	68,879

(a) HOA – Heating Oil

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





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#### 30.8.3 Risk factor: changes in interest rates

As of March 31, 2021, the Company held financial investments and debts linked to various types of rates. In the sensitivity analysis of non-derivative financial instruments, the impact on annual interest was only considered on positions with values and exposed to such fluctuations, according to the scenarios shown below:

Description	Consolidated			
	Exposure to CDI		Exposure to LIBOR rate	
	Rate (p.a.)	03/31/2021	Rate (p.a.) <sup>(a)</sup>	03/31/2021
Net exposure at 03/31/2021	1.9%	226,041	2.7%	(723,489)
<b>Effect on profit or loss</b>				
Interest rate devaluation by -50%	1.0%	(2,107)	1.3%	9,445
Interest rate devaluation by -25%	1.4%	(1,054)	2.0%	4,722
Interest rate appreciation by 50%	2.9%	2,107	4.0%	(9,445)
Interest rate appreciation by 25%	2.4%	1,054	3.4%	(4,722)

(a) Weighted rate.

#### 30.9 Capital management

The Company seeks capital alternatives in order to satisfy its operational needs, aiming at a capital structure that it considers adequate for the financial costs and the maturity dates of funding and its guarantees. The Company continuously monitors its net indebtedness.

#### 31 NON-CASH TRANSACTIONS

Description	Consolidated 03/31/2021
Supplier finance (Accounts payable - supplier finance/Accounts payable)	359,550
Sublease (Aircraft sublease receivables/Provisions)	27,134
Property and equipment (Acquisition of property and equipment/Accounts payable)	33,710
Sale and leaseback (Security deposits and maintenance reserves)	2,760
Sale and leaseback (Accounts payable/Sale and leaseback)	87,762
Sale and leaseback (Property and equipment and right-of-use assets/Sale and leaseback)	65,238
Sale and leaseback (Lease liabilities/Sale and leaseback)	(56,606)





## AZUL S.A.

### Notes to the quarterly information

March 31, 2021

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## 32 COMMITMENTS

### 32.1 Aircraft acquisition

As of March 31, 2021, the Company had contractually assumed the commitment to acquire 131 aircraft, 93 directly from manufacturers and 38 from lessors (132 as of December 31, 2020, 94 directly from manufacturers and 38 from lessors). The related financial disbursements calculated at present value are shown below:

Description	Consolidated	
	03/31/2021	12/31/2020
2021	2,202,363	1,941,843
2022	986,529	855,247
2023	655,887	565,661
2024	1,775,757	1,533,423
2025	1,576,005	1,351,477
After 2025	4,675,783	3,926,183
	<u>11,872,324</u>	<u>10,173,834</u>

### 32.2 Letters of credit

As of March 31, 2021, the Company issued letters of credit in the amount of US\$507 million (US\$522 million as of December 31, 2020), equivalent to R\$2,891,316 (R\$2,713,794 as of December 31, 2020) and R\$31,823 (R\$38,270 as of December 31, 2020) related to security deposits, maintenance reserves and local guarantees.

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