

Azul



**Quarterly Information - ITR
Individual and Consolidated**

AZUL S.A.

September 30, 2021
with auditor's report on
review of individual and consolidated
quarterly information - ITR

Contents

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

Declaration of the Officers on the Individual and Consolidated Quarterly Information

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

Barueri, November 08, 2021.

John Peter Rodgerson
Chief Executive Officer

Alexandre Wagner Malfitani
Chief Financial and Investor Relations Officer

Antonio Flavio Torres Martins Costa
Chief Operating Officer

Abhi Manoj Shah
Chief Revenue Officer



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

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

Barueri, November 08, 2021.

John Peter Rodgerson
Chief Executive Officer

Alexandre Wagner Malfitani
Chief Financial and Investor Relations Officer

Antonio Flavio Torres Martins Costa
Chief Operating Officer

Abhi Manoj Shah
Chief Revenue Officer



Audit Committee Summary Report

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

Barueri, November 08, 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





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

Report on the review of interim financial information

The Shareholders, Board of Directors and Officers

Azul S.A.

Barueri – SP

Introduction

We have reviewed the interim individual and consolidated balance financial information of Azul S.A. (the "Company") contained in the Quarterly Information Form – ITR form as of September 30, 2021, which comprise the individual and consolidated statement of financial position on September 30, 2021, and the individual and consolidated statements of profit or loss and of comprehensive income for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including 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 nine-month period ended September 30, 2021, prepared under the responsibility of the Company management and presented as supplementary information under IAS 34. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set forth by this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 11, 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
September 30, 2021
(In thousands of Brazilian reais – R\$)

Assets	Note	Parent company		Consolidated	
		09/30/21	12/31/20	09/30/21	12/31/20
Current assets					
Cash and cash equivalents	5	372,467	437,896	3,633,321	3,064,815
Short-term investments	6	-	-	1,180	91,819
Accounts receivable	7	-	-	1,566,095	875,382
Aircraft sublease receivables	8	-	-	86,569	123,455
Inventories	9	-	-	519,557	402,587
Security deposits and maintenance reserves	10	-	-	389,793	318,460
Taxes recoverable	11	15,404	13,931	132,987	133,706
Derivative financial instruments	20	-	-	79,608	79,216
Prepaid expenses	12	7,223	690	172,204	136,350
Other current assets		8,823	17,131	190,347	191,633
Total current assets		403,917	469,648	6,771,661	5,417,423
Non-current assets					
Long-term investments	6	-	-	878,564	854,462
Aircraft sublease receivables	8	-	-	206,893	189,482
Security deposits and maintenance reserves	10	25	-	1,558,300	1,235,582
Derivative financial instruments	20	-	-	221,710	349,093
Related parties		312	-	-	-
Prepaid expenses	12	-	-	16,544	18,192
Other non-current assets		-	32	358,510	149,508
Investments	14	802,795	793,541	-	-
Property and equipment	15	-	-	1,879,116	1,799,706
Right-of-use assets	15	-	-	4,541,194	4,610,741
Intangible assets	16	-	-	1,345,503	1,170,268
Total non-current assets		803,132	793,573	11,006,334	10,377,034
Total assets		1,207,049	1,263,221	17,777,995	15,794,457

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



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

Liabilities and equity	Note	Parent company		Consolidated	
		09/30/21	12/31/20	09/30/21	12/31/20
Current liabilities					
Loans and financing	17	-	-	749,912	858,332
Lease liabilities	18	-	-	3,371,795	2,272,349
Accounts payable	19	2,712	34,617	1,783,546	2,238,668
Accounts payable – supplier finance		-	-	395,392	157,801
Air traffic liability	21	-	-	3,031,291	2,488,872
Reimbursement to customers		-	-	145,461	221,342
Salaries, wages and benefits		995	557	584,715	400,371
Insurance premiums payable		-	-	5,252	52,427
Taxes payable		670	16,412	60,372	55,260
Government installment payment program		-	-	59,006	13,358
Derivative financial instruments	20	-	-	79,786	173,769
Provisions	22	-	-	849,972	853,810
Related parties		79,705	72,538	-	-
Other current liabilities		-	-	319,548	426,272
Total current liabilities		84,082	124,124	11,436,048	10,212,631
Non-current liabilities					
Loans and financing	17	2,321,796	2,419,704	9,646,250	6,502,182
Lease liabilities	18	-	-	10,623,669	10,248,463
Accounts payable	19	-	-	627,475	323,059
Reimbursement to customers		-	-	84,981	-
Derivative financial instruments	20	-	-	178,644	247,265
Government installment payment program		-	-	322,348	108,519
Provisions	22	-	-	2,175,877	1,988,665
Provision for loss on investment	14	16,747,105	12,868,143	-	-
Other non-current liabilities		-	-	628,637	312,423
Total non-current liabilities		19,068,901	15,287,847	24,287,881	19,730,576
Equity					
	24				
Issued capital		2,290,337	2,246,367	2,290,337	2,246,367
Advance for future capital increase		539	20,625	539	20,625
Capital reserve		1,941,100	1,947,887	1,941,100	1,947,887
Treasury shares		(6,592)	(13,182)	(6,592)	(13,182)
Other comprehensive income		655	655	655	655
Accumulated losses		(22,171,973)	(18,351,102)	(22,171,973)	(18,351,102)
		(17,945,934)	(14,148,750)	(17,945,934)	(14,148,750)
Total liabilities and equity		1,207,049	1,263,221	17,777,995	15,794,457

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





AZUL S.A.

Statements of profit or loss

Periods ended September 30, 2021 and 2020

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

	Note	Parent company		Consolidated	
		Three-month periods ended		Three-month periods ended	
		09/30/21	09/30/20	09/30/21	09/30/20
Passenger revenue		-	-	2,400,206	624,491
Cargo transport and other revenue		-	-	317,595	180,835
Net revenue	27	-	-	2,717,801	805,326
Cost of services	28	-	-	(2,336,886)	(788,826)
Gross profit		-	-	380,915	16,500
Operating expenses					
Selling expenses		-	-	(91,516)	(65,214)
Administrative expenses		(17,698)	(8,341)	(104,997)	(198,942)
Other operating expenses, net		-	-	(111,212)	-
	28	(17,698)	(8,341)	(307,725)	(264,156)
Equity		(2,287,253)	(1,190,447)	-	-
Operating profit (loss)		(2,304,951)	(1,198,788)	73,190	(247,656)
Financial income	29	4,467	88	33,552	12,262
Financial expenses	29	(48,927)	(1,016)	(982,768)	(575,730)
Derivative financial instruments	29	255,904	-	263,229	68,747
Foreign currency exchange, net	29	(102,787)	(4,186)	(1,582,189)	(542,642)
		108,657	(5,114)	(2,268,176)	(1,037,363)
Result from related party transactions		-	(63)	(1,308)	81,054
Loss before income tax and social contribution		(2,196,294)	(1,203,965)	(2,196,294)	(1,203,965)
Current income tax and social contribution	13	-	2,238	-	2,238
Deferred income tax and social contribution	13	-	(24,554)	-	(24,554)
Net loss		(2,196,294)	(1,226,281)	(2,196,294)	(1,226,281)
Basic loss per common share - R\$	25	(0.08)	(0.05)	(0.08)	(0.05)
Diluted loss per common share - R\$	25	(0.08)	(0.05)	(0.08)	(0.05)
Basic loss per preferred share - R\$	25	(6.35)	(3.58)	(6.35)	(3.58)
Diluted loss per preferred share - R\$	25	(6.35)	(3.58)	(6.35)	(3.58)

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





AZUL S.A.

Statements of profit or loss

Periods ended September 30, 2021 and 2020

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

	Note	Parent company		Consolidated	
		Nine-month periods ended		Nine-month periods ended	
		09/30/21	09/30/20	09/30/21	09/30/20
Passenger revenue		-	-	5,415,284	3,560,447
Cargo transport and other revenue		-	-	830,705	449,146
Net revenue	27	-	-	6,245,989	4,009,593
Cost of services	28	-	-	(5,985,598)	(4,245,245)
Gross profit (loss)		-	-	260,391	(235,652)
Operating expenses					
Selling expenses		-	-	(261,788)	(242,699)
Administrative expenses		(32,501)	(23,767)	(273,283)	(634,355)
Other operating expenses, net		(12)	-	(299,986)	-
	28	(32,513)	(23,767)	(835,057)	(877,054)
Equity	14	(3,880,902)	(9,977,894)	-	-
Operating loss		(3,913,415)	(10,001,661)	(574,666)	(1,112,706)
Financial income	29	9,095	2,320	89,385	45,908
Financial expenses	29	(158,971)	(14,786)	(2,764,192)	(1,617,196)
Derivative financial instruments	29	287,091	-	307,763	(1,478,033)
Foreign currency exchange, net	29	(44,671)	(25,781)	(875,264)	(5,816,221)
		92,544	(38,247)	(3,242,308)	(8,865,542)
Result from related party transactions		-	(714,745)	(3,897)	(776,405)
Loss before income tax and social contribution		(3,820,871)	(10,754,653)	(3,820,871)	(10,754,653)
Current income tax and social contribution	13	-	(5,181)	-	(5,181)
Deferred income tax and social contribution	13	-	242,516	-	242,516
Net loss		(3,820,871)	(10,517,318)	(3,820,871)	(10,517,318)
Basic loss per common share - R\$	25	(0.15)	(0.41)	(0.15)	(0.41)
Diluted loss per common share - R\$	25	(0.15)	(0.41)	(0.15)	(0.41)
Basic loss per preferred share - R\$	25	(11.06)	(30.74)	(11.06)	(30.74)
Diluted loss per preferred share - R\$	25	(11.06)	(30.74)	(11.06)	(30.74)

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





AZUL S.A.

Statements of comprehensive income

Periods ended September 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Parent company and Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Net loss	(2,196,294)	(1,226,281)	(3,820,871)	(10,517,318)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	-	1,250	-	152,464
Total comprehensive income (loss) for the period	(2,196,294)	(1,225,031)	(3,820,871)	(10,364,854)

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



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

Periods ended September 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

Description	Note	Issued capital	Treasury shares	Capital reserve	Other comprehensive income (loss)	Accumulated losses	Total
At December 31, 2019		2,243,215	(15,565)	1,928,830	(159,261)	(7,516,393)	(3,519,174)
Net loss		-	-	-	-	(10,517,318)	(10,517,318)
Cash flow hedge		-	-	-	152,464	-	152,464
Total comprehensive income (loss)		-	-	-	152,464	(10,517,318)	(10,364,854)
Exercise of stock options		3,152	-	-	-	-	3,152
Treasury shares		-	2,383	-	-	-	2,383
Share-based payment	26	-	-	12,122	-	-	12,122
At September 30, 2020		2,246,367	(13,182)	1,940,952	(6,797)	(18,033,711)	(13,866,371)

Description	Note	Issued capital	Advance for future capital increase	Treasury shares	Capital reserve	Other comprehensive income (loss)	Accumulated losses	Total
At December 31, 2020		2,246,367	20,625	(13,182)	1,947,887	655	(18,351,102)	(14,148,750)
Net loss		-	-	-	-	-	(3,820,871)	(3,820,871)
Total comprehensive income (loss)		-	-	-	-	-	(3,820,871)	(3,820,871)
Exercise of stock options		43,970	(20,086)	-	-	-	-	23,884
Share buyback	24	-	-	6,590	-	-	-	6,590
Share-based payment	26	-	-	-	(6,787)	-	-	(6,787)
At September 30, 2021		2,290,337	539	(6,592)	1,941,100	655	(22,171,973)	(17,945,934)

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





AZUL S.A.

Statements of cash flows

Periods ended September 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Parent company		Consolidated	
	Nine-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Cash flows from operating activities				
Net loss	(3.820.871)	(10.517.318)	(3.820.871)	(10.517.318)
Reconciliation of non-cash items:				
Depreciation and amortization	-	-	1.042.309	1.402.443
Results from impairment of onerous assets and liabilities	-	-	(103.017)	20.084
Unrealized derivative results	(287.091)	505	(307.763)	1.478.033
Share-based payment	-	-	16.437	15.974
Foreign currency exchange, net	38.951	42.159	935.271	5.601.418
Interest income (expenses) on assets and liabilities	145.984	716.277	2.460.568	1.375.456
Related parties	-	-	-	748.228
Deferred income tax and social contribution	-	(242.516)	-	(242.516)
Provisions	-	-	(18.602)	331.713
Sale and leaseback	-	-	(22.736)	-
Result from modification of lease contracts	-	-	(17.819)	(815.229)
Proceeds from sale and/or disposal of property and equipment and intangible assets	-	-	14.225	13.282
Equity	3.880.902	9.977.894	-	-
Adjusted net loss (profit)	(42.125)	(22.999)	178.002	(588.432)
Changes in operating assets and liabilities				
Accounts receivable	-	78	(689.087)	471.577
Aircraft sublease receivables	-	-	36.448	62.470
Inventories	-	-	(123.551)	(12.103)
Security deposits and maintenance reserves	-	-	(299.363)	(109.694)
Prepaid expenses	(6.533)	(917)	(34.206)	33.563
Taxes recoverable	(1.473)	110	2.132	75.683
Other assets	21.478	3.586	(186.523)	316.355
Rights and obligations with derivatives	-	-	(14.941)	(254.906)
Accounts payable	(31.645)	2.676	900.195	1.351.339
Accounts payable – supplier finance	-	-	(859.272)	(245.709)
Reimbursement to customers, net	-	-	(2.533)	-
Salaries, wages and benefits	438	(143)	184.344	51.479
Insurance premiums payable	1.339	7	(47.043)	(36.684)
Taxes payable	(16.303)	8.602	(694)	(19.828)
Government installment payment program	-	-	260.494	(5.687)
Air traffic liability	-	-	542.419	175.871
Provision for tax, civil and labor risks	-	-	(108.049)	(73.397)
Other liabilities	-	-	(79.293)	(32.055)
Interest paid	-	-	(307.339)	(399.677)
Income tax and social contribution paid	-	(304)	-	(304)
Total changes in operating assets and liabilities	(32.699)	13.695	(825.862)	1.348.293
Net cash provided by (used in) operating activities	(74.824)	(9.304)	(647.860)	759.861
Cash flows from investing activities				
Short-term investments	-	-	-	-
Acquisition of short-term investments	-	-	(98.488)	(1.358.549)
Redemption of short-term investments	-	21	189.401	1.288.444
Payment for acquisition of subsidiary	-	-	(20.000)	(17.713)
Proceeds from sale of property and equipment	-	-	-	45.670
Acquisition of intangible assets	-	-	(116.120)	(69.187)
Acquisition of property and equipment	-	-	(376.719)	(308.664)
Net cash provided by (used in) investing activities	-	21	(421.926)	(419.999)
Cash flows from financing activities				
Loans and financing	-	-	-	-
Proceeds	-	-	3.066.614	141.401
Repayment	-	-	(342.383)	(154.257)
Other	-	-	(60.034)	-
Lease payment	-	-	(1.214.807)	(442.029)
Proceeds from sale and leaseback	-	-	21.256	-
Advance for future capital increase	23.884	-	23.884	-
Capital increase due to exercise of stock options	-	3.152	-	3.152
Treasury shares	(10.829)	-	(10.829)	-
Net cash provided by (used in) financing activities	13.055	3.152	1.483.701	(451.733)
Exchange rate changes on cash and cash equivalents	(3.660)	(395)	154.591	(100.295)
Net increase (decrease) in cash and cash equivalents	(65.429)	(6.526)	568.506	(212.166)
Cash and cash equivalents at the beginning of the period	437.896	7.961	3.064.815	1.647.880
Cash and cash equivalents at the end of the period	372.467	1.435	3.633.321	1.435.714

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



**AZUL S.A.****Statements of value added**

Periods ended September 30, 2021 and 2020

(In thousands of Brazilian reais – R\$)

	Note	Parent company		Consolidated	
		Nine-month periods ended 09/30/21	Nine-month periods ended 09/30/20	Nine-month periods ended 09/30/21	Nine-month periods ended 09/30/20
Gross sales revenue					
Passenger revenue	27	-	-	5,589,392	3,665,398
Cargo transport and other revenue	27	-	-	928,935	511,693
Allowance (reversal) for expected credit losses		-	-	203	(2,191)
		-	-	6,518,530	4,174,900
Inputs acquired from third parties					
Aircraft fuel	28	-	-	(2,086,266)	(1,057,743)
Materials, energy, third-party services and other		(22,374)	(19,324)	(2,372,608)	(1,537,361)
Aircraft insurance		-	-	(36,658)	(44,674)
		(22,374)	(19,324)	(4,495,532)	(2,639,778)
Gross value added					
		(22,374)	(19,324)	2,022,998	1,535,122
Retentions					
Depreciation and amortization	28	-	-	(1,042,309)	(1,402,443)
Impairment	28	-	-	103,017	(20,084)
Net value added produced by the entity					
		(22,374)	(19,324)	1,083,706	112,595
Value added received in transfers					
Equity	14	(3,880,902)	(9,977,894)	-	-
Financial income	29	9,095	2,320	89,385	45,908
Result from related party transactions		-	(714,745)	(3,897)	(776,405)
		(3,871,807)	(10,690,319)	85,488	(730,497)
Total value added to be distributed					
		(3,894,181)	(10,709,643)	1,169,194	(617,902)
Distribution of value added:					
Personnel					
		8,189	4,078	1,061,913	855,594
Salaries and wages		6,247	2,341	784,866	654,085
Benefits		1,679	1,639	205,917	146,922
F.G.T.S.		263	98	71,130	54,587
Taxes, fees and contributions					
		1,950	(236,970)	449,114	60,819
Federal		1,050	(236,970)	411,493	33,518
State		-	-	28,825	19,437
Municipal		900	-	8,796	7,864
Third party capital remuneration					
		(83,449)	40,567	3,479,038	8,983,003
Financial expenses	29	158,971	14,786	2,764,192	1,617,196
Derivative financial instruments	29	(287,091)	-	(307,763)	1,478,033
Foreign currency exchange, net	29	44,671	25,781	875,264	5,816,221
Rentals		-	-	147,345	71,553
Own capital remuneration					
		(3,820,871)	(10,517,318)	(3,820,871)	(10,517,318)
Net loss		(3,820,871)	(10,517,318)	(3,820,871)	(10,517,318)

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

1. OPERATIONS

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

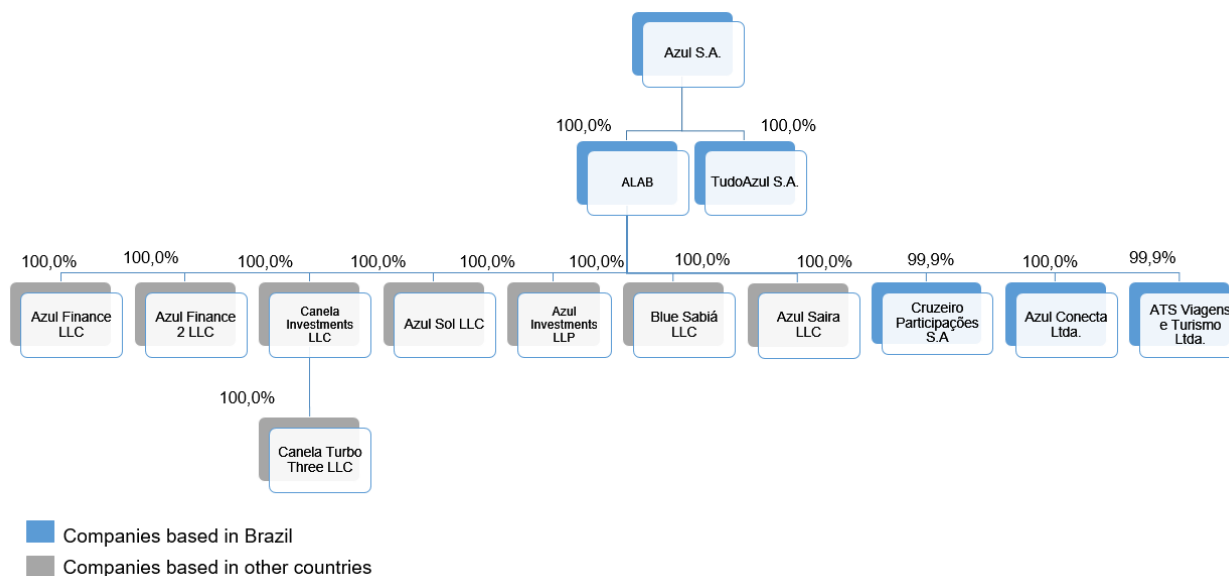
The Company carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. (“ALAB”), which holds authorization from government authorities to operate as an airline.

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

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

1.1 Structure

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

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

Company	Type of investment	Main activity	Country	% equity interest	
				09/30/21	12/31/20
TudoAzul S.A.	Direct	Frequent-flyer program	Brazil	100.00%	100.00%
AZUL Linhas Aéreas Brasileiras S.A. (ALAB)	Direct	Airline operations	Brazil	100.00%	100.00%
Azul Conecta Ltda.	Indirect	Airline operations	Brazil	100.00%	100.00%
ATS Viagens e Turismo Ltda.	Indirect	Travel packages	Brazil	99.90%	99.90%
Fundo Safira (*)	Indirect	Exclusive investment fund	Brazil	-	100.00%
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%

(*) Exclusive investment fund discontinued on July 22, 2021.

1.2 Impacts of the Covid-19 pandemic

Management has been closely monitoring the developments related to the Covid-19 pandemic. The progress of the vaccination in Brazil has allowed a strong resumption of the Company's business.





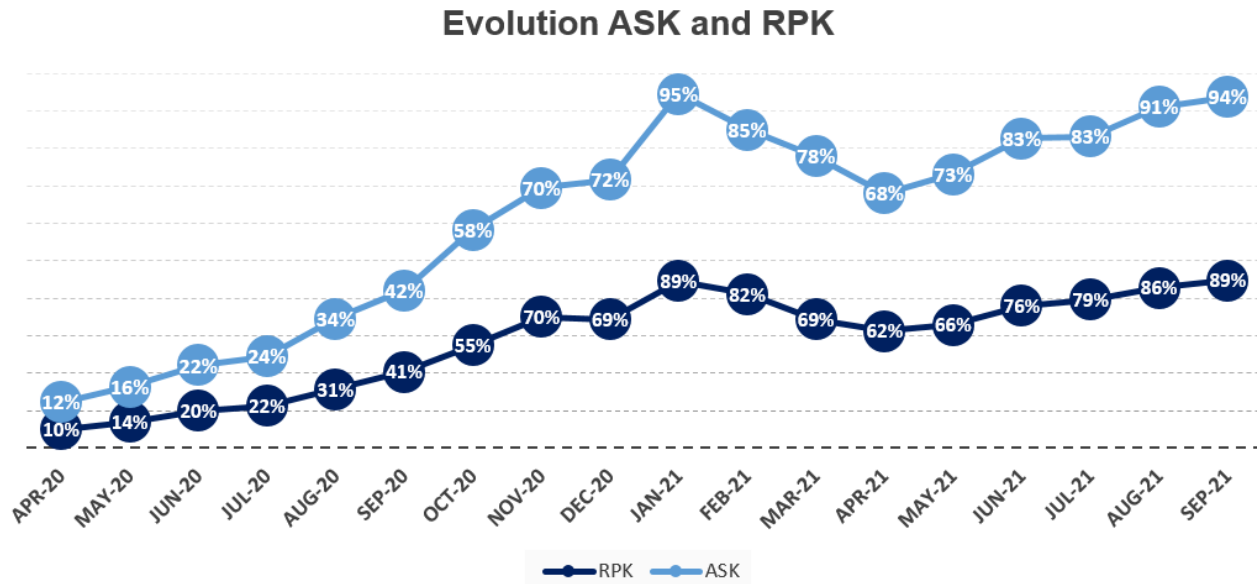
AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

Presented below is the evolution of the supply (ASK) and demand (RPK) in the COVID-19 pandemic period compared to 2019 levels:



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

The cash management measures started being relaxed, mainly with the resumption of lease and supplier payments. The Company continues to manage diligently its financial resources in order to fulfill the obligations assumed.

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

During the three and nine-month period ended September 30, 2021, there were no impacts on this individual and consolidated quarterly information related to changes in accounting estimates and/or provisions.

1.3 Capital structure and net working capital

As of September 30, 2021, the Company had a negative equity position of R\$17,945,934 (R\$14,148,750 as of December 31, 2020).

The variation in the balance is mainly due to the developments of the second wave of the COVID-19 pandemic, which affected the demand for airline tickets in the period between March and June, and the effect of the 4.7% devaluation of the Brazilian real against the U.S. dollar.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

In turn, consolidated net working capital presented a positive variation of R\$130,821, reaching a negative balance of R\$4,664,387 as of September 30, 2021 (negative balance of R\$ 4,795,208 as of December 31, 2020). The variation in the balance is mainly related to the increase in cash, arising from the raising of funds through the issue of Senior Notes in the net amount of R\$2,976,795 (note 17.1), offset by the increase in the lease liability, mainly due to the devaluation of Brazilian real against the U.S. dollar.

Management continuously monitors the Company's financial health and will continue to adopt measures to strengthen its cash position, provide cost efficiency and reduce operating expenses. Such actions have proven to be efficient for the business continuity and sustainability.

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

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.

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

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

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

The goodwill recognized is not deductible for income tax purposes.

Description	Fair value of assets and liabilities
Assets	
Cash and cash equivalents	3.971
Accounts receivable	3.637
Inventories	1.624
Taxes recoverable	1.399
Other assets	458
Property and equipment (a)	74.205
Intangible assets (b)	44.351
	<u>129.645</u>
Liabilities	
Loans and financing	(16.540)
Accounts payable	(5.764)
Salaries, wages and benefits	(2.707)
Taxes payable	(824)
Provision for tax, civil and labor risks (c)	(1.687)
Other liabilities	(135.470)
	<u>(162.992)</u>
Net assets acquired	<u>(33.347)</u>
Consideration at present value	<u>114.568</u>
Goodwill	<u>147.915</u>
Cash flows	
Net cash acquired with subsidiary	3.971
Payment	(62.684)
Net cash flow from acquisition	<u>(58.713)</u>

- (a) The Company carried out the fair value measurement of property and equipment based on conditions at the acquisition date. Goodwill recognized in this line item amounts to R\$56,820.
- (b) The Company recognized the value of the Congonhas airport slots as intangible asset. These rights were assessed based on an analysis of the discounted cash flow. The amount attributed to these items was R\$44,351.
- (c) The Company recognized the fair value of R\$500 related to possible contingencies, existing and not recognized at the acquisition date.





AZUL S.A.

Notes to the quarterly information

September 30, 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 and consolidated quarterly information (ITR) has been prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting practices adopted in Brazil include those included in the Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC"), approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM").

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.

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, disclosed on March 4, 2021.

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

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

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

The approval and authorization for issue of this individual and consolidated quarterly information (ITR) occurred at the Board of Directors' meeting held on November 8, 2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

4.1 New accounting standards and interpretations adopted for the period

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

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 “Exchange differences, 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	
	Nine-month period ended	Year ended	Nine-month period ended	Year ended
	09/30/21	12/31/20	09/30/21	12/31/20
U.S. dollar	5.4394	5.1967	5.3317	5.1578
Euro	6.2983	6.3779	6.3768	5.8989

5. CASH AND CASH EQUIVALENTS

Description	Effective interest rate p.a.	Parent company		Consolidated	
		09/30/21	12/31/20	09/30/21	12/31/20
Cash and bank deposits		9,660	21,417	194,678	465,054
Cash equivalents					
Bank Deposit Certificate - CDB	3.73%	362,807	416,479	2,287,884	2,216,592
Time Deposit - TD	0.01%	-	-	1,148,581	-
Repurchase agreements	0.01%	-	-	2,178	361,183
Exclusive investment funds	-	-	-	-	21,986
		<u>372,467</u>	<u>437,896</u>	<u>3,633,321</u>	<u>3,064,815</u>





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

6. SHORT-TERM INVESTMENTS

Description	Effective interest rate p.a.	Consolidated	
		09/30/21	12/31/20
Exclusive investment funds	-	-	62,972
Investment funds	0.05%	1,180	28,847
<i>TAP Bond</i>	7.50%	878,564	854,462
		<u>879,744</u>	<u>946,281</u>
Current		1,180	91,819
Non-current		878,564	854,462

7. ACCOUNTS RECEIVABLE

Description	Consolidated	
	09/30/21	12/31/20
Local currency		
Credit card companies	937,847	394,895
Cargo and travel agencies	273,689	146,854
Travel package financing entities	91,530	56,870
TudoAzul Program partners	116,552	65,522
Other	43,433	52,713
Total local currency	<u>1,463,051</u>	<u>716,854</u>
Foreign currency		
Credit card companies	16,159	8,927
Maintenance reserves	44,922	112,170
Airline partner companies	27,208	24,910
Insurance companies	5,627	7,150
Clearinghouse – agencies and cargo	21,337	10,340
Other	3,719	11,162
Total foreign currency	<u>118,972</u>	<u>174,659</u>
Total	<u>1,582,023</u>	<u>891,513</u>
Allowance for expected credit losses	<u>(15,928)</u>	<u>(16,131)</u>
Total net	<u>1,566,095</u>	<u>875,382</u>

In Brazil, card receivables mainly come from flights that have already taken place and are not exposed to credit risk of the cardholder. Therefore, these receivables can easily be converted to cash when needed, paying a small interest rate.

As of September 30, 2021, certain reclassifications in the amount of R\$102,094 were made to the line item “Other non-current assets” related to the returns of maintenance reserve of a lessor that entered court-supervised reorganization. The Company has past-due lease liabilities with such lessor in the amount of R\$156,230, therefore, there is no risk of realization of such receivable. No provision for loss was established as of September 30, 2021.





AZUL S.A.

Notes to the quarterly information

September 30, 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	
	09/30/21	12/31/20
Not past due	1,459,286	743,715
Past due	106,809	131,667
Total	1,566,095	875,382

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

Description	Consolidated	
	09/30/21	12/31/20
Balances at the beginning of the period	(16,131)	(14,716)
Business combination – Azul Conecta	-	(380)
(Additions) reversals	(2,355)	(3,205)
Write-off of uncollectible amounts	2,558	2,170
Balances at the end of the period	(15,928)	(16,131)

8. AIRCRAFT SUBLEASE RECEIVABLES

Description	Consolidated	
	09/30/21	12/31/2020
2021	46,969	142,932
2022	75,435	62,547
2023	85,441	65,040
2024	85,596	65,188
2025	53,502	34,789
After 2025	4,500	1,994
Gross lease receivables	351,443	372,490
Accrued interest	(57,981)	(59,553)
Net lease receivables	293,462	312,937
Current	86,569	123,455
Non-current	206,893	189,482

As of September 30, 2021, the amount of R\$26,613 was past due (R\$34,457 as of December 31, 2020). No provision was established as the Company's cash comprises amounts referring to security deposits advanced by the sub-lessor, and therefore there is no expectation of non-realization of such assets.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

9. INVENTORIES

Description	Consolidated	
	09/30/21	12/31/20
Maintenance parts and materials	564,758	442,161
Flight attendance and uniforms	10,534	9,579
Provision for loss on inventories	(55,735)	(49,153)
Total net	519,557	402,587

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

Description	Consolidated	
	09/30/21	12/31/20
Balances at the beginning of the period	(49,153)	(33,727)
Additions	(8,750)	(16,438)
Write-offs	2,168	1,012
Balances at the end of the period	(55,735)	(49,153)

10. SECURITY DEPOSITS AND MAINTENANCE RESERVES

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

Description	Parent company	Consolidated		
	Security deposits	Maintenance reserves	Security deposits	Total
Balances at December 31, 2020	-	1,321,646	232,396	1,554,042
Additions	25	400,425	36,853	437,278
Provision for loss	-	(20,834)	-	(20,834)
Reimbursements	-	(79,229)	(17,177)	(96,406)
Foreign currency exchange	-	63,405	10,608	74,013
Balances at September 30, 2021	25	1,685,413	262,680	1,948,093
Current	-	348,178	41,615	389,793
Non-current	25	1,337,235	221,065	1,558,300

11. TAXES RECOVERABLE

	Parent company		Consolidated	
	09/30/21	12/31/20	09/30/21	12/31/20
PIS and COFINS	-	-	60,514	123,005
Withholding income tax	1,670	23	19,012	3,470
IRPJ and CSSL	13,734	13,888	45,097	4,443
ICMS	-	-	8,364	1,765
INSS	-	20	-	519
Other taxes	-	-	-	504
	15,404	13,931	132,987	133,706





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

12. PREPAID EXPENSES

Description	Parent company		Consolidated	
	09/30/21	12/31/20	09/30/21	12/31/20
Insurances premiums	7,107	374	30,355	49,428
Expenses with leased aircraft and engines	-	-	26,889	28,351
Commissions	50	-	113,849	60,681
Other	66	316	17,655	16,082
Total	7,223	690	188,748	154,542
Current	7,223	690	172,204	136,350
Non-current	-	-	16,544	18,192

13 DEFERRED TAXES

13.1 Reconciliation of deferred tax assets (liabilities)

Description	Consolidated		
	12/31/20	Result	09/30/21
Temporary differences			
Fair value of TAP Bond	(26,132)	(532)	(26,664)
Financial instruments	(121,960)	47,532	(74,428)
Deferred revenue TudoAzul program	(117,540)	(81,683)	(199,223)
Depreciation of aircraft and engines	(53,182)	(11,841)	(65,023)
Temporary differences assets (*)	318,814	46,524	365,338
	-	-	-

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

13.2 Reconciliation of the effective income tax rate

Description	Parent company			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Loss before income tax and social contribution	(2,196,294)	(1,203,965)	(3,820,871)	(10,754,653)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	746,740	409,348	1,299,096	3,656,582
Adjustments to determine the effective rate				
Share of profit (loss) of subsidiaries	(777,666)	(404,752)	(1,319,507)	(3,392,484)
(Unrecorded) benefit on tax losses and temporary differences	(50,672)	(26,919)	(60,803)	(26,919)
Permanent differences	81,214	-	81,214	-
Other	384	7	-	156
	-	(22,316)	-	237,335
Current income tax and social contribution	-	2,238	-	(5,181)
Deferred income tax and social contribution	-	(24,554)	-	242,516
Income tax and social contribution credit	-	(22,316)	-	237,335
Effective rate	0%	-2%	0%	2%



AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Loss before income tax and social contribution	(2,196,294)	(1,203,965)	(3,820,871)	(10,754,653)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	746,740	409,348	1,299,096	3,656,582
Adjustments to determine the effective rate				
Profits from investments not taxed abroad	(87,979)	18,753	(54,926)	57,544
(Unrecorded) benefit on tax losses and temporary differences	(794,580)	(457,796)	(1,394,518)	(3,495,965)
Permanent differences	135,380	8,312	150,348	19,931
Other	439	(933)	-	(757)
	-	(22,316)	-	237,335
Current income tax and social contribution	-	2,238	-	(5,181)
Deferred income tax and social contribution	-	(24,554)	-	242,516
Income tax and social contribution credit	-	(22,316)	-	237,335
Effective rate	0%	-2%	0%	2%

The Company offsets 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	
	09/30/21	12/31/20	09/30/21	12/31/20
Tax loss and negative social contribution base, net	235,913	108,084	8,722,579	5,751,867
Tax loss (25%)	58,978	27,021	2,180,645	1,437,967
Negative social contribution base (9%)	21,232	9,728	785,032	517,668

14. INVESTMENTS

14.1 Parent company's direct investments

Description	Company equity interest			Net profit (loss)
	Paid-up capital	Voting capital	Equity	
At December 31, 2020				
ALAB	100%	100%	(12,868,143)	(9,544,807)
TudoAzul	100%	100%	(27,039)	(3,705)
At September 30, 2021				
ALAB	100%	100%	(16,747,105)	(3,890,156)
TudoAzul	100%	100%	(17,785)	9,254





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

14.2 Movement of the parent company's investments

Description	ALAB	TudoAzul	Total
Balances at December 31, 2020	(12,868,143)	793,541	(12,074,602)
Share of profit (loss) of subsidiaries	(3,890,156)	9,254	(3,880,902)
Share-based reserve of subsidiary	2,599	-	2,599
Capitalization of capital reserve	8,595	-	8,595
Balances at September 30, 2021	(16,747,105)	802,795	(15,944,310)

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

15.1 PROPERTY AND EQUIPMENT

Description	Weighted average rate (p.a.)	Consolidated				09/30/21
		12/31/20	Acquisitions	Disposals/ write-offs	Transfers ^(a)	
Cost						
Aircraft and engines		2,297,661	265,596	(122,526)	(3,273)	2,437,458
Buildings and leasehold improvements		485,247	13,195	(387)	1,240	499,295
Equipment and facilities		181,094	12,988	(539)	-	193,543
Other		28,008	1,111	-	-	29,119
Construction in progress		33,630	48,103	(4)	(13,678)	68,051
Advance payments for acquisition of aircraft		91,944	-	-	-	91,944
		3,117,584	340,993	(123,456)	(15,711)	3,319,410
Depreciation						
Aircraft and engines	9%	(624,736)	(147,467)	7,158	-	(765,045)
Buildings and leasehold improvements	9%	(128,761)	(33,429)	354	-	(161,836)
Equipment and facilities	12%	(107,917)	(15,997)	280	-	(123,634)
Other	10%	(19,606)	(2,091)	-	-	(21,697)
		(881,020)	(198,984)	7,792	-	(1,072,212)
Property and equipment		2,236,564	142,009	(115,664)	(15,711)	2,247,198
Impairment ^(b)		(436,858)	-	68,776	-	(368,082)
Total property and equipment, net		1,799,706	142,009	(46,888)	(15,711)	1,879,116

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

(b) The reversal of impairment is due to the use of same aircraft for cargo service.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

15.2 RIGHT-OF-USE ASSETS

Description	Weighted average rate (p.a.)	Consolidated					09/30/21
		12/31/20	Acquisitions	Disposals/ write-offs	Contractual modifications	Transfers ^(a)	
Cost							
Aircraft and engines		10,033,538	406,603	(19,302)	121,913	8,253	10,551,005
Simulators		70,148	-	-	-	-	70,148
Restoration of aircraft and engines		597,011	15,462	-	-	-	612,473
Maintenance of aircraft and engines		1,414,507	122,394	(48,713)	(11,557)	7,458	1,484,089
Properties		114,167	-	-	-	-	114,167
Other		30,435	1,517	-	-	-	31,952
		<u>12,259,806</u>	<u>545,976</u>	<u>(68,015)</u>	<u>110,356</u>	<u>15,711</u>	<u>12,863,834</u>
Depreciation							
Aircraft and engines	7%	(5,707,259)	(491,014)	16,286	-	-	(6,181,987)
Simulators	14%	(55,969)	(7,274)	-	-	-	(63,243)
Restoration of aircraft and engines	9%	(182,861)	(41,139)	-	-	-	(224,000)
Maintenance of aircraft and engines	21%	(892,325)	(221,506)	39,621	8,522	-	(1,065,688)
Properties	8%	(74,607)	(6,910)	-	-	-	(81,517)
Other	5%	(29,429)	(1,194)	-	-	-	(30,623)
		<u>(6,942,450)</u>	<u>(769,037)</u>	<u>55,907</u>	<u>8,522</u>	<u>-</u>	<u>(7,647,058)</u>
Right-of-use assets		<u>5,317,356</u>	<u>(223,061)</u>	<u>(12,108)</u>	<u>118,878</u>	<u>15,711</u>	<u>5,216,776</u>
Impairment (b)		<u>(706,615)</u>	<u>-</u>	<u>31,033</u>	<u>-</u>	<u>-</u>	<u>(675,582)</u>
Right-of-use assets, net		<u>4,610,741</u>	<u>(223,061)</u>	<u>18,925</u>	<u>118,878</u>	<u>15,711</u>	<u>4,541,194</u>

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

(b) The reversal of impairment is due to the use of same aircraft for cargo service.

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

Additionally, due to aircraft and engine lease agreements, in accordance with CPC-06 (R2) – Leases, equivalent to IFRS-16, it was necessary to remeasure the lease liability through a lower discount rate, resulting in an increase in debt at present value by R\$101,060, with a corresponding entry in the amount of R\$118,878 in the right-of-use asset and the difference, a gain of R\$17,818.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

16. INTANGIBLE ASSETS

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

Description	Weighted average rate (p.a.)	Consolidated			09/30/21
		12/31/20	Acquisitions	Transfers	
Cost					
Goodwill (a)	-	810.948	134.820	(44.351)	901.417
Slots (b)	-	82.196	-	44.351	126.547
Software	-	593.334	116.120	-	709.454
		1.486.478	250.940	-	1.737.418
Amortization					
Software	17%	(316.210)	(75.705)	-	(391.915)
		(316.210)	(75.705)	-	(391.915)
Total intangible assets, net		1.170.268	175.235	-	1.345.503

- (a) Goodwill, in the amounts of R\$753,502 and R\$147,915, arises from the acquisitions of Tudo Azul S.A. (old TRIP Linhas Aéreas S.A) in 2012 and Azul Conecta (old Two Taxi Aéreo Ltda.) in 2020, respectively, and refers to the consideration transferred, less the fair value of assets acquired and liabilities assumed, net.
- (b) As part of the allocation of the purchase price for the acquisition of Tudo Azul S.A.(old TRIP Linhas Aéreas S.A) and Azul Conecta (old Two Taxi Aéreo Ltda.) , the Company recognized the value of operating licenses for certain airport slots, asset with an indefinite useful life.



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

September 30, 2021

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

17. LOANS AND FINANCING**17.1 Movement of loans and financing**

Description	Nominal rate p.a.	Maturity	Parent company					09/30/21
			12/31/20	Variation of conversion right	Interest incurred	Foreign currency exchange	Amortized cost	
In foreign currency – US\$								
Convertible debentures (a)	6.0% to 7.5%	Oct/25	2,419,704	(287,091)	143,272	43,198	2,713	2,321,796
Total in R\$			2,419,704	(287,091)	143,272	43,198	2,713	2,321,796
Non-current liabilities			2,419,704					2,321,796

(a) The balance contains the conversion right in the amount of R\$1,178,908 (as of December 31, 2020 – R\$1,465,999).





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

Description	Nominal rate p.a.	Maturity	Consolidated								
			12/31/20	Funding	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	09/30/21
In foreign currency – US\$											
Working capital											
Senior notes - 2024	5.9%	Oct/24	2,076,310	-	-	-	(64,115)	94,193	98,933	4,997	2,210,318
Senior notes - 2026	7.3%	Jun/26	-	2,976,795	-	-	-	65,995	209,253	4,980	3,257,023
Other	1.0%	Jul/23	160,534	-	-	(170,547)	(1,110)	1,086	14,903	-	4,866
Convertible debentures (a)	6.0% to 7.5%	Oct/25	2,419,704	-	(287,091)	-	-	143,272	43,198	2,713	2,321,796
Aircraft and engines	3.0% to 6.0%	Mar/29	1,076,442	-	-	(29,559)	(73,199)	39,450	52,266	2,929	1,068,329
	Libor 3M + 2.6%	Mar/22	8,263	-	-	(5,555)	(153)	145	359	246	3,305
In local currency - R\$											
Working capital	CDI + 2% to 6%	Feb/24	709,668	37,460	-	(76,434)	(43,245)	30,130	-	141	657,720
	10.2%	Sep/25	43,444	-	-	(13,838)	(2,947)	2,981	-	-	29,640
	5.0%	Jul/21	10,846	-	-	(11,151)	(184)	159	-	330	-
	TJLP + 5%	Jul/21	12,523	-	-	(12,570)	(394)	441	-	-	-
Debentures	CDI + 3%	Dec/23	690,904	-	-	-	(6,000)	33,747	-	3,991	722,642
Aircraft and engines	6.0% to 7.3%	Mar/27	116,374	-	-	(25,651)	(4,662)	4,902	-	144	91,107
	Selic + 2.8% to 5.5%	May/25	35,502	-	-	(4,416)	(3,026)	1,326	-	30	29,416
Total in R\$			7,360,514	3,014,255	(287,091)	(349,721)	(199,035)	417,827	418,902	20,501	10,396,162
Current liabilities			858,332								749,912
Non-current liabilities			6,502,182								9,646,250

(a) The balance contains the conversion right in the amount of R\$1,178,908 (as of December 31, 2020 – R\$1,465,999).





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

17.2 New funds and renegotiations

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

In June 2021, the subsidiary Azul Investments LLP concluded a gross fundraising abroad in the total amount of principal of US\$600 million, equivalent to R\$3,052,440, in line item “working capital”, denominated Senior Notes 2026. The remuneration agreed was an annual interest 7.3750%, with semi-annual amortizations and maturity of the principal in June 2026. The Company incurred borrowing costs of R\$75,645, which will be amortized over the contract term, as required by CPC-48, equivalent to IFRS-9. The Company and its subsidiary Azul Linhas Aéreas Brasileiras S.A. will provide irrevocable, unconditional and full guarantee to honor the payment of their obligations related to the debt, and net proceeds from the issue will be used by the Company for corporate purposes in general.

17.3 Schedule of amortization of long-term debt

Description	Consolidated	
	09/30/21	12/31/20
2022	349,075	743,137
2023	1,214,144	914,343
2024	2,353,298	2,264,451
2025	2,444,522	2,551,701
After 2025	3,285,211	28,550
	<u>9,646,250</u>	<u>6,502,182</u>

17.4 Covenants

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

On March 31, 2021, the Company obtained a waiver from DFC in relation to the Guarantor’s Covenants and, therefore, the related debt remains classified in this quarterly information according to the established contractual flow.

There are no measurements to be made as of September 30, 2021.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

18. LEASE LIABILITIES

18.1 Movement of lease liabilities

Consolidated											
Description	Average remaining term	Weighted average rate	12/31/20	Additions	Contractual modifications	Payments	Interest incurred	Write-offs	Transfers (*)	Foreign currency exchange	09/30/21
Lease without purchase option:											
Aircraft and engines	7.93	22%	11,663,143	430,757	(28,883)	(1,232,192)	1,789,972	(16,153)	(156,230)	560,858	13,011,272
Other	1.55	8%	57,278	1,517	-	(19,607)	2,857	-	-	101	42,146
Lease with purchase option:											
Aircraft and engines	4.81	8%	800,391	-	129,943	(88,109)	59,312	-	-	40,509	942,046
Total			12,520,812	432,274	101,060	(1,339,908)	1,852,141	(16,153)	(156,230)	601,468	13,995,464
Current liabilities											2,272,349
Non-current liabilities											10,248,463

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

18.2 Schedule of lease amortization

Description	Consolidated	
	09/30/21	12/31/20
2021	1,049,243	2,498,180
2022	3,496,138	3,206,765
2023	3,863,541	3,641,808
2024	3,834,967	3,610,754
2025	3,223,523	3,011,683
After 2025	12,159,135	11,199,380
Minimum lease payment	27,626,547	27,168,570
Financial charges	(13,631,083)	(14,647,758)
Present value of minimum lease payments	13,995,464	12,520,812

During the nine-month period ended September 30, 2021, due to aircraft and engine lease agreements, in accordance with CPC-06 (R2) – Leases, equivalent to IFRS-16, it was necessary to remeasure the lease liability through a lower discount rate, resulting in an increase in debt at present value by R\$101,060, with a corresponding entry in the amount of R\$118,878 in the right-of-use asset and the difference, a gain of R\$17,818.

19. ACCOUNTS PAYABLE

Description	Parent company		Consolidated	
	09/30/21	12/31/20	09/30/21	12/31/20
Accounts payable – local currency	305	32,096	1,612,652	1,612,933
Accounts payable – foreign currency	2,407	2,521	798,369	948,794
	2,712	34,617	2,411,021	2,561,727
Current	2,712	34,617	1,783,546	2,238,668
Non-current	-	-	627,475	323,059



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

September 30, 2021

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

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated					
	Derivatives not designated as <i>hedge</i>					
	Options - foreign currency	Interest rate swap	Forward - Fuel	Forward - foreign currency	Conversion right (debentures)	Total
Changes in fair value						
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	(10,223)	88,551	77,151	(134,807)	287,091	307,763
Payment in cash	1,276	4,923	8,742	-	-	14,941
Rights (obligations) with derivatives at September 30, 2021	-	(176,017)	4,619	214,286	(1,178,908)	(1,136,020)
Rights with current derivative financial instruments	-	74,989	4,619	-	-	79,608
Rights with non-current derivative financial instruments	-	7,424	-	214,286	-	221,710
Obligations with current derivative financial instruments	-	(79,786)	-	-	-	(79,786)
Obligations with non-current derivative financial instruments	-	(178,644)	-	-	-	(178,644)
Conversion right (debentures)	-	-	-	-	(1,178,908)	(1,178,908)
	-	(176,017)	4,619	214,286	(1,178,908)	(1,136,020)





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

21. AIR TRAFFIC LIABILITY

Description	Consolidated	
	09/30/21	12/31/20
Cargo and passenger air traffic liability	1,923,795	1,550,579
Travel packages	239,627	183,061
TudoAzul Program	867,869	755,232
	<u>3,031,291</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\$585,933 as of September 30, 2021 (R\$372,534 as of 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	15,462	99,130	50,641	159	165,392
Write-offs and/or payments	(28,662)	(108,044)	(145,103)	-	(281,809)
Interest incurred	46,592	-	124,466	661	171,719
Foreign currency exchange	68,348	-	59,724	-	128,072
Balance at September 30, 2021	<u>1,437,926</u>	<u>146,900</u>	<u>1,430,250</u>	<u>10,773</u>	<u>3,025,849</u>
Current	127,926	116,393	605,653	-	849,972
Non-current	1,310,000	30,507	824,597	10,773	2,175,877

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	
	09/30/21	12/31/20	09/30/21	12/31/20
Tax	31,181	2,858	420,946	154,640
Civil	67,595	104,915	46,442	43,347
Labor	48,124	48,041	108,433	114,524
	<u>146,900</u>	<u>155,814</u>	<u>575,821</u>	<u>312,511</u>





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

23. RELATED PARTY TRANSACTIONS

23.1 Compensation of key management personnel

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

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Salaries and charges	7,625	5,122	21,373	12,191
Share-based payment plan (a)	(502)	4,649	32,888	11,490
	7,123	9,771	54,261	23,681

(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.

Due to the reduction of the share value in the quarter ended September 30, 2021, from R\$43.89 to R\$36.41, there was a decrease in the estimate of remuneration and, consequently, a reversal of the expense recorded in prior periods.

23.2 Guarantees and pledges granted by the Parent Company

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

23.3 Technology service sharing contract

On January 1, 2013, the Company entered into a contract with Águia Branca Participações S.A., one of its shareholders, for the sharing of information technology resources for an indefinite period. The total amount of services acquired during the nine-month period ended September 30, 2021 was R\$39 (R\$51 as of December 31, 2020), recorded under "Other operating expenses, net" in the statement of profit or loss. As of September 30, 2021 there were no amounts to be paid as a result of this transaction.

23.4 Ticket sales contract

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

23.5 Aircraft sublease receivables

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

Until September 30, 2021, the Company sub-leased three aircrafts to Breeze and recorded a balance receivable of R\$79,441.

23.6 Indemnities

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

24. EQUITY

24.1 Issued capital

Description	Parent company and Consolidated		
	Company's capital	Quantity	
		Common shares	Preferred shares
At September 30, 2021	2,290,337	928,965,058	333,644,960
At December 31, 2020	2,246,367	928,965,058	331,644,724

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

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

Company shareholding structure is presented below:

Shareholder	Parent company and Consolidated					
	09/30/21			12/31/20		
	Common shares	Preferred shares	% economic participation	Common shares	Preferred shares	% economic participation
David Neeleman	67.0%	1.7%	4.0%	67.0%	1.2%	3.5%
Trip shareholders ^(a)	33.0%	5.5%	6.5%	33.0%	5.5%	6.5%
United Airlines Inc	-	8.1%	7.8%	-	8.1%	7.8%
Blackrock	-	5.1%	4.9%	-	5.1%	4.9%
Capital Research Global Investors	-	10.6%	10.2%	-	5.1%	4.9%
Other	-	68.9%	66.5%	-	74.9%	72.3%
Treasury shares	-	0.1%	0.1%	-	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

The Company is authorized, by resolution of the Board of Directors, to increase the issued capital regardless of any amendments to bylaws, with the issue of up to 100,911,935 (one hundred million, nine hundred and eleven thousand, nine hundred and thirty-five) preferred shares. The Board of Directors will set the conditions for the issue, including price and payment term.

24.2 Treasury shares

Set out below is the movement of treasury shares:

Description	Parent company and Consolidated		
	Number of shares	Amount paid	Average cost (in R\$)
At December 31, 2020	265,461	13,182	20.14
Acquisition	287,800	10,829	37.63
Transfers	(358,732)	(17,419)	48.56
At September 30, 2021	194,529	6,592	33.89

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

25. 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.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

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 and nine-month periods ended September 30, 2021 and 2020, these instruments issued by the parent company have a non-dilutive effect and therefore were not considered in the total number of shares outstanding to determine the diluted loss per share.

Description	Parent company and consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Numerator				
Net loss for the period	(2,196,294)	(1,226,281)	(3,820,871)	(10,517,318)
Denominator				
Weighted average number of common shares	928,965,058	928,965,058	928,965,058	928,965,058
Weighted average number of preferred shares	333,628,983	329,837,817	333,161,566	329,737,244
75 preferred shares (*)	75	75	75	75
Weighted average number of equivalent preferred shares (**)	346,015,184	342,224,018	345,547,767	342,123,445
Weighted average number of equivalent common shares (**)	25,951,138,808	25,666,801,333	25,916,082,541	25,659,258,383
Weighted average number of shares outstanding and presumed conversions	62,889,904	9,869,421	62,741,419	9,516,248
Weighted average number of shares that would have been issued at average market price	2,974,848	3,290,224	2,965,839	4,527,470
Basic loss per common share - R\$	(0.08)	(0.05)	(0.15)	(0.41)
Diluted loss per common share - R\$	(0.08)	(0.05)	(0.15)	(0.41)
Basic loss per preferred share - R\$	(6.35)	(3.58)	(11.06)	(30.74)
Diluted loss per preferred share - R\$	(6.35)	(3.58)	(11.06)	(30.74)

(*) 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 nine-month period ended September 30, 2021.

During the third quarter, a new program was granted for the Restricted Shares Plan, with vesting period of 4 years, exercisable at the rate of 25% per year.

During the third quarter, a new program was also granted for the Phantom Shares Plan, with vesting period of 4 years, exercisable at the rate of 25% per year and a maximum exercise period of up to 8 years. The exercise price is the price of the Company's shares traded on B3 at the grant date, the volatility used is of the last 252 business days and no dividends are expected for this plan.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

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

Description	Consolidated		
	Number of shares		
	Stock option plan (a)	Restricted shares plan	Phantom Shares (b)
At December 31, 2020	6,108,210	1,653,005	4,857,041
Granted	-	300,000	580,000
Exercised	(2,000,236)	(495,093)	(140,253)
Canceled	(149,238)	(74,914)	(133,274)
At September 30, 2021	3,958,736	1,382,998	5,163,514

(a) As of September 30, 2021, the number of options available is 2,661,816 (2,158,658 as of December 31, 2020)

(b) As of September 30, 2021, the total obligation related to the Phantom Shares plan is R\$79,709 (R\$62,351 as of December 31, 2020).

Set out below is the expense recognized in the statement of profit or loss for three and nine-month periods ended September 30, 2020 and 2021:

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Stock option plan	1,444	2,314	4,495	7,183
Restricted stock option plan	3,355	4,766	11,942	8,791
Phantom Shares	(9,255)	11,789	25,251	21,196

In the three-month period ended September 30, 2021, the price of the Company's share suffered a negative variation of 20.5%, while in the nine-month period the price variation represents a negative variation of 7.9%.

27. SALES REVENUE

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Sales revenue				
Passenger revenue	2,478,240	647,060	5,589,392	3,665,398
Cargo transport and other revenue	352,408	206,653	928,935	511,693
Gross revenue	2,830,648	853,713	6,518,327	4,177,091
Taxes levied				
Passenger revenue	(78,034)	(22,569)	(174,108)	(104,951)
Cargo transport and other revenue	(34,813)	(25,818)	(98,230)	(62,547)
Total taxes	(112,847)	(48,387)	(272,338)	(167,498)
Net revenue	2,717,801	805,326	6,245,989	4,009,593

Revenues by geographical location are as follows:

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Domestic revenue	2,448,038	693,228	5,636,406	3,127,912
Foreign revenue	269,763	112,098	609,583	881,681
Net revenue	2,717,801	805,326	6,245,989	4,009,593



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

September 30, 2021

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

28. RESULT BY NATURE

Description	Parent company			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Administrative expenses				
Salaries and benefits	(2,179)	(2,040)	(9,239)	(4,442)
Other	(15,519)	(6,301)	(23,262)	(19,325)
	(17,698)	(8,341)	(32,501)	(23,767)
Other operating expenses				
Other	-	-	(12)	-
	-	-	(12)	-
Total	(17,698)	(8,341)	(32,513)	(23,767)

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Cost of services				
Aircraft fuel	(879,238)	(226,134)	(2,086,266)	(1,057,743)
Salaries and benefits	(390,687)	(230,634)	(1,120,366)	(877,565)
Airport charges	(188,488)	(73,777)	(476,621)	(319,442)
Provision of traffic services	(104,385)	(46,434)	(271,075)	(209,006)
Maintenance and repair materials	(144,027)	(111,424)	(379,260)	(345,307)
Depreciation and amortization (a)	(304,752)	(409,537)	(890,597)	(1,342,328)
Impairment (b)	-	(16,366)	103,017	(20,084)
Other	(325,309)	325,480	(864,430)	(73,770)
	(2,336,886)	(788,826)	(5,985,598)	(4,245,245)
Selling expenses				
Salaries and benefits	(4,992)	(5,018)	(14,916)	(16,667)
Advertising and publicity	(86,524)	(60,196)	(246,872)	(226,032)
	(91,516)	(65,214)	(261,788)	(242,699)
Administrative expenses				
Salaries and benefits	(49,825)	(73,906)	(145,906)	(113,379)
Depreciation and amortization	(2,033)	(20,046)	(5,965)	(60,115)
Other	(53,139)	(104,990)	(121,412)	(460,861)
	(104,997)	(198,942)	(273,283)	(634,355)
Other operating expenses				
Idleness - Depreciation and amortization	(42,492)	-	(145,747)	-
Other	(68,720)	-	(154,239)	-
	(111,212)	-	(299,986)	-
Total	(2,644,611)	(1,052,982)	(6,820,655)	(5,122,299)

(a) Net of PIS and COFINS credit in the amount of R\$1,413

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

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





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

29. FINANCIAL RESULT

Description	Parent company			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Financial income				
Interest on short-term investments	4,446	-	8,979	-
Other	21	88	116	2,320
	4,467	88	9,095	2,320
Financial expenses				
Interest on convertible debentures	(47,416)	-	(143,272)	-
Interest and fines on other operations	(18)	(925)	(18)	(13,697)
Borrowing cost	(915)	-	(2,713)	-
Other	(578)	(91)	(12,968)	(1,089)
	(48,927)	(1,016)	(158,971)	(14,786)
Derivative financial instruments, net	255,904	-	287,091	-
Monetary and exchange differences, net	(102,787)	(4,186)	(44,671)	(25,781)
Financial result, net	108,657	(5,114)	92,544	(38,247)

Description	Consolidated			
	Three-month periods ended		Nine-month periods ended	
	09/30/21	09/30/20	09/30/21	09/30/20
Financial income				
Interest on short-term investments	24,531	4,384	65,989	17,098
Sublease receivable	6,626	7,211	20,187	22,557
Other	2,395	667	3,209	6,253
	33,552	12,262	89,385	45,908
Financial expenses				
Interest on loans	(129,761)	(57,030)	(274,555)	(171,701)
Interest on lease	(616,085)	(378,637)	(1,852,141)	(989,685)
Interest on convertible debentures	(47,416)	-	(143,272)	-
Interest on factoring of credit card receivables	(8,024)	(3,188)	(18,480)	(18,314)
Interest on provisions	(57,399)	(87,435)	(171,719)	(191,715)
Interest and fines on other operations	(56,143)	(30,972)	(147,599)	(192,603)
Guarantee commission	(34,978)	(10,454)	(75,592)	(25,184)
Borrowing cost	(8,937)	(4,252)	(20,501)	(11,921)
Other	(24,025)	(3,762)	(60,333)	(16,073)
	(982,768)	(575,730)	(2,764,192)	(1,617,196)
Derivative financial instruments	263,229	68,747	307,763	(1,478,033)
Foreign currency exchange, net	(1,582,189)	(542,642)	(875,264)	(5,816,221)
Financial result, net	(2,268,176)	(1,037,363)	(3,242,308)	(8,865,542)

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 monitors 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

September 30, 2021

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

30.1 Accounting classification and fair value hierarchy of financial instruments

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

Description	Level	Parent company			
		Carrying amount		Fair value	
		09/30/21	12/31/20	09/30/21	12/31/20
Assets					
Cash and cash equivalents	2	372,467	437,896	372,467	437,896
Liabilities					
Loans and financing	-	(1,142,887)	(953,705)	(1,164,482)	(532,868)
Loans and financing - conversion right	2	(1,178,908)	(1,465,999)	(1,178,908)	(1,465,999)
Accounts payable	-	(2,712)	(34,617)	(2,712)	(34,617)

Description	Level	Consolidated			
		Carrying amount		Fair value	
		09/30/21	12/31/20	09/30/21	12/31/20
Assets					
Cash and cash equivalents	2	3,633,321	3,064,815	3,633,321	3,064,815
Short-term investments	2	879,744	946,281	879,744	946,281
Accounts receivable	-	1,566,095	875,382	1,566,095	875,382
Aircraft sublease receivables	-	293,462	312,937	293,462	312,937
Security deposits and maintenance reserves	-	1,948,093	1,554,042	1,948,093	1,554,042
Derivative financial instruments	2	301,318	428,309	301,318	428,309
Liabilities					
Loans and financing	-	(9,217,254)	(5,894,515)	(9,249,146)	(5,414,689)
Loans and financing - conversion right	2	(1,178,908)	(1,465,999)	(1,178,908)	(1,465,999)
Lease liabilities	-	(13,995,464)	(12,520,812)	(13,995,464)	(12,520,812)
Accounts payable	-	(2,411,021)	(2,561,727)	(2,411,021)	(2,561,727)
Accounts payable – supplier finance	-	(395,392)	(157,801)	(395,392)	(157,801)
Reimbursement to customers	-	(230,442)	(221,342)	(230,442)	(221,342)
Insurance premiums payable	-	(5,252)	(52,427)	(5,252)	(52,427)
Derivative financial instruments	2	(258,430)	(421,034)	(258,430)	(421,034)

30.2 TAP Bond

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

30.3 Convertible debentures

On November 12, 2020, the Company concluded the public offering for the distribution of debentures convertible into preferred shares. As required by CPC-48 - Financial Instruments, equivalent to IFRS-9, the conversion right was measured at fair value through profit or loss as it is an embedded derivative. Accordingly, during the nine-month period ended September 30, 2021, due to the change in the price of the Company's share, a revenue of R\$287,091 was recognized.





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

30.4 Derivative financial instruments

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

30.5 Market risks

30.5.1 Interest rate risk

As of September 30, 2021, the Company had swap contracts to hedge against the effect of fluctuations in interest rates on part of payments for finance leases. During the nine-month period ended September 30, 2021, the Company recognized a total gain of R\$88,551 (loss of R\$10,580 as of September 30, 2020).

30.5.2 Aviation fuel price risk (“QAV”)

The price of aviation fuel may vary depending on the volatility of the price of crude oil and its derivatives. To mitigate losses linked to variations in the fuel market, the Company had, as of September 30, 2021, forward transactions on fuel. During the nine-month period ended September 30, 2021, the Company recognized a total gain of R\$77,151 (loss of R\$1,410,952 as of September 30, 2020).

30.5.3 Foreign exchange risk

The foreign exchange risk arises from the possibility of unfavorable exchange differences to which the Company's liabilities or cash flows are exposed. The Company constantly monitors the net exposure in foreign currency and evaluates the contracting of derivative transactions, projecting for a period deemed appropriate to minimize its exposure. During the nine-month period ended September 30, 2021, the Company recognized a loss of R\$145,030 (R\$77,662 as of September 30, 2020).





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

The exposure to exchange differences is as follows:

Description	Consolidated			
	Exposure to US\$		Exposure to €	
	09/30/21	12/31/20	09/30/21	12/31/20
Assets				
Cash and cash equivalents and investments	1,295,419	262,309	884,403	854,462
Accounts receivable	100,673	232,950	-	-
Security deposits and maintenance reserves	1,912,225	1,540,231	-	-
Aircraft sublease receivables	293,462	312,937	-	-
Derivative rights	4,619	155,920	-	-
Other assets	82,889	60,576	-	-
Total assets	3,689,287	2,564,923	884,403	854,462
Liabilities				
Accounts payable	(772,462)	(831,429)	-	-
Loans and financing	(8,865,637)	(5,741,253)	-	-
Lease liabilities	(13,968,872)	(12,463,426)	-	-
Derivative obligations	-	(81,274)	-	-
Provisions and other liabilities	(3,154,437)	(951,348)	-	-
Total liabilities	(26,761,408)	(20,068,730)	-	-
Net exposure	(23,072,121)	(17,503,807)	884,403	854,462
Net exposure in foreign currency	(4,241,666)	(3,368,254)	140,419	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

September 30, 2021

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

30.7 Liquidity risk

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

Description	Consolidated 09/30/21						
	Carrying amount	Contractual cash flows	2021	2022	2023	2024	After 2025
Accounts payable	2,411,021	2,411,021	1,012,009	1,052,622	188,690	24,642	133,058
Accounts payable – supplier finance	395,392	395,392	395,392	-	-	-	-
Loans and financing	10,396,162	10,540,507	198,007	923,707	1,276,565	2,381,226	5,761,002
Lease liabilities	13,995,464	27,626,547	1,049,243	3,496,138	3,863,541	3,834,967	15,382,658
Derivative obligations	258,430	258,430	79,786	74,451	70,355	33,838	-
Reimbursement to customers	230,442	230,442	55,228	142,943	32,271	-	-
	27,686,911	41,462,339	2,789,665	5,689,861	5,431,422	6,274,673	21,276,718

30.8 Sensitivity analysis of financial instruments

30.8.1 Risk factor: changes in exchange rates

As of September 30, 2021, the Company adopted an exchange rate of R\$5.4394/US\$1.00 and R\$6.2983/€1.00, corresponding to the month's closing rate released by the Central Bank of Brazil as a probable scenario. The table below shows the sensitivity analysis and the effect on the result of the exchange rate fluctuation in the amount exposed as of September 30, 2021:

Description	Consolidated			
	Exposure to US\$		Exposure to €	
	Rate	09/30/21	Rate	09/30/21
Net exposure at 9/30/2021	5.4394	(23,072,121)	6.2983	884,403
Effect on profit or loss				
Foreign currency devaluation by -50%	2.7197	11,536,060	3.1492	(442,201)
Foreign currency devaluation by -25%	4.0796	5,768,030	4.7237	(221,101)
Foreign currency appreciation by 50%	8.1591	(11,536,060)	9.4475	442,201
Foreign currency appreciation by 25%	6.7993	(5,768,030)	7.8729	221,101

30.8.2 Risk factor: changes in aviation fuel prices

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

Description	Consolidated	
	Exposure to HOA ^(a)	
	Price ^(b)	09/30/21
HOA reference price at 9/30/2021	\$226	4,619
Effect on profit or loss		
HOA devaluation by -50%	\$113	(214,930)
HOA devaluation by -25%	\$170	(107,401)
HOA appreciation by 50%	\$339	214,168
HOA appreciation by 25%	\$283	107,084





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

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

30.8.3 Risk factor: changes in interest rates

As of September 30, 2021, the Company held financial investments and debts linked to various types of rates. In the sensitivity analysis of non-derivative financial instruments, the impact on annual interest was only considered on positions with values and exposed to such fluctuations, according to the scenarios shown below:

Description	Consolidated			
	Exposure to CDI		Exposure to LIBOR rate	
	Rate (p.a.)	09/30/21	Rate (p.a.) ^(a)	09/30/21
Net exposure at 9/30/2021	6.15%	58,485	0.14%	(883)
Effect on profit or loss				
Interest rate devaluation by -50%	3.08%	(29,243)	0.07%	441
Interest rate devaluation by -25%	4.61%	(14,621)	0.11%	221
Interest rate appreciation by 50%	9.23%	29,243	0.21%	(441)
Interest rate appreciation by 25%	7.69%	14,621	0.18%	(221)

- (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							Total
	Accounts receivable	Property and equipment and intangible assets	Maintenance reserves	Supplier finance	Sale and leaseback	Loans and financing	Lease	
Accounts receivable	(255)	-	-	-	-	-	(5,308)	(5,563)
Aircraft sublease receivables	(14,874)	-	-	-	-	-	(1,324)	(16,198)
Security deposits and maintenance reserves	5,022	-	17,776	-	2,760	15,952	-	41,510
Accounts payable	60,748	(65,067)	(17,776)	1,096,863	87,762	(15,611)	(28,662)	1,118,257
Accounts payable – supplier finance	-	-	-	(1,096,863)	-	-	-	(1,096,863)
Other liabilities	-	(134,820)	-	-	-	-	-	(134,820)
Sale and leaseback	-	-	-	-	(90,522)	-	(8,632)	(99,154)
Lease liabilities	-	-	-	-	-	-	(414,458)	(414,458)
Acquisition of intangible assets	-	134,820	-	-	-	-	-	134,820
Acquisition of property and equipment	-	65,067	-	-	-	-	-	65,067
Provisions	(50,641)	-	-	-	-	-	13,200	(37,441)
Right-of-use assets	-	-	-	-	-	-	445,184	445,184
Proceeds from loans and financing	-	-	-	-	-	(7,674)	-	(7,674)
Repayments of loans and financing	-	-	-	-	-	7,333	-	7,333





AZUL S.A.

Notes to the quarterly information

September 30, 2021

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

32 COMMITMENTS

32.1 Aircraft acquisition

As of September 30, 2021, the Company had contractually assumed the commitment to acquire 133 aircraft, 94 directly from manufacturers and 39 from lessors (132 as of December 31, 2020, 94 directly from manufacturers and 38 from lessors). The amounts shown below are discounted to present value using the weighted discount rate of leasing transactions and do not necessarily characterize a cash outflow as the Company evaluates the obtainment of financing to meet these commitments.

Description	Consolidated	
	09/30/21	12/31/20
2021	932,670	1,941,843
2022	1,201,860	855,247
2023	873,582	565,661
2024	2,060,631	1,533,423
2025	1,831,548	1,351,477
After 2025	4,989,385	3,926,183
	<u>11,889,676</u>	<u>10,173,834</u>

32.2 Letters of credit

As of September 30, 2021, the Company held letters of credit in the amount of US\$496 million (US\$522 million as of December 31, 2020), equivalent to R\$2,696,656 (R\$2,713,794 as of December 31, 2020) and of R\$32,584 (R\$38,270 as of December 31, 2020) related to security deposits, maintenance reserves and local guarantees.

33 EVENTS AFTER THE REPORTING PERIOD

On October 22, 2021, the Company announced that it entered into a Warrant Agreement that establishes the delivery of warrant representing the right to purchase 1,800,000 “Class A” common shares of Liliium N.V. by ALAB, Company’s operating subsidiary, at the price of € 0.12 per share, exercisable until October 22, 2026. With this operation, Azul will become indirect shareholder of Liliium N.V., through exercise of warrant and conversion of Liliium N.V.’s capital into shares. Subject to the execution of the final agreements, other share purchase options may be granted to Azul.

Azul and Liliium also established exclusivity between them as regards the work for structuring the operation and the offer of eVTOL products or services in Brazil until the beginning of the execution and delivery of the final agreements or until the expiration of the commitment signed. The terms currently contemplated in the partnership may be adjusted or changed, including materially, according to the progress of the negotiations between the parties. The operation involving VTOL aircraft in Brazil is also subject to the obtainment of certificates and approvals from regulatory authorities.

