

We are delighted to have you as part of our investor community. This section is designed to provide clear, accessible information to help you understand our business, market opportunities, and strategic vision.

Our goal is to ensure you feel confident and well-informed, empowering you to make decisions with clarity and insight. Whether you are a seasoned investor or new to our industry, we are committed to fostering an open and collaborative relationship built on trust, transparency, and shared success.

This material has been carefully prepared to offer valuable insights into an important practice in our industry — credit card receivables advances.

We hope you enjoy your reading.

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Azul's Investor Relations Director

Credit Card Receivables Advances – Overview

In Brazil, it is common for vendors to offer customers buying high-priced goods and services, such as electronics, durable goods, and travel, the option to pay in monthly installments using a credit card. This payment option is a powerful sales tool which drives higher conversion rates. Like other airlines operating in Brazil, Azul offers customers the ability to purchase airline tickets and travel packages by paying in installments using their credit cards.

In most cases, the price charged is the same whether customers choose to pay in installments or in a single payment. Comparing installment options is a major component of the consumer purchase decision making process.

Within the aviation industry, customers can choose to pay in; (i) up to 5 monthly installments for domestic flights without interest; (ii) up to 10 monthly installments for international flights, without interest; and (iii) up to 12 monthly installments, subject to 2% interest per month (24% per annum).

Approximately 80% of customers choose to pay in installments with no interest using their credit cards. For example, a customer buying a R\$500 ticket can choose to pay in one payment or in five monthly installments of R\$100 each.

Once the transaction to purchase in installments is approved, which usually takes seconds, it is certified by the credit card processor and guaranteed by the card issuing bank. Therefore, there is no cardholder default risk to Azul. Also, since customers in Brazil usually buy tickets close to the travel date, most of these receivables extend beyond the date on which the travel occurred.

Regarding these installment sales, Azul can then either; (i) wait to receive the payments as scheduled from the acquiring bank, or (ii) choose to advance the receivables through the acquiring bank or the credit card processor at a low spread to the Brazilian risk-free rate (CDI).

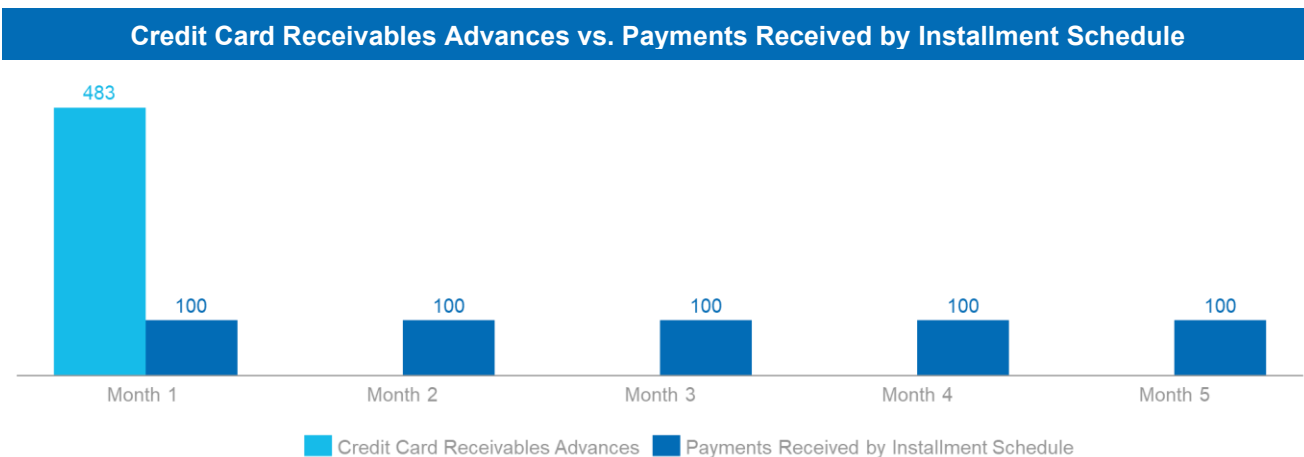
The spread charged to advance these receivables is usually low, around 100 basis points per year above the CDI, reflecting the credit quality of the guaranteeing bank, and not Azul's or the cardholders' credit risk. Once Azul requests the advance, the cash is usually received within two hours, and the company assigns the credit to the counterparty, holding no further obligation. This assignment of credit is carried out without any right of recourse against Azul, meaning that the purchaser of the receivables assumes the risk of potential losses due to debtor default.

In accounting terms (for more details on the accounting entries, see Appendix A), when Azul sells a ticket in installments, the total amount to be received is recorded as account receivable, with a corresponding amount recorded as air traffic liability. Once the customer flies, the air traffic liability becomes flown revenue in Azul's income statement. Once Azul receives the cash, either by waiting for the scheduled payments or advancing the receivables, the amount moves from accounts receivable to cash (and interest expense, if applicable).

Continuing with the example above: if Azul sells a R\$500 ticket in five installments and immediately chooses to advance the receivables, Azul will receive approximately R\$483 upfront. The R\$17 difference represents the discounted value of future receivables, assuming a CDI of 15% per annum plus a spread of 100 basis points.

This amount corresponds to the interest paid by Azul to receive the proceeds in advance and is recorded as interest expense in Azul's income statement in accordance with accrual accounting principles.

Below is a comparison of the cash inflows if Azul decides to advance the credit card receivable versus receiving the payments by installment schedule:



In Brazil, advancing credit card receivables can be a cheaper and more attractive funding option compared to issuing a bond in U.S. dollars, especially if you adjust for exchange rate and inflation differentials and factor in all associated costs (such as bond structuring, distribution, and legal fees, which do not apply to receivables advances).

Furthermore, receivables advances eliminate foreign exchange risk — a significant factor in Brazil, where currency volatility can greatly increase the effective cost of dollar-denominated debt. The convenience and simplicity of this tool make it a competitively priced source of funding, particularly for companies seeking to avoid complex capital market transactions.

This may also be a useful tool to mitigate seasonal impacts throughout the year. Peak travel demands in Brazil are between December and February (coinciding with summer breaks and holiday travel). Bookings usually peak between September and November, in the months leading up to the peak travel period. When the holiday season starts, sales volumes and receivable inflows drop, while operating expenses increase.

Finally, it is important to note that advancing credit card receivables also brings overall accounts receivable balances for Brazilian airlines more in line with those of airlines in the United States. This is because passengers in the United States typically pay for airfare tickets in a single upfront payment (as opposed to installments), converting payments to cash immediately as opposed to flowing those payments through accounts receivable.

Changes in the frequency of credit card advances may cause significant and somewhat counter-intuitive impacts to working capital. The accounts receivable balance of airline that does not advance credit card receivables will be higher than an airline that does. If an airline starts to advance receivables the company's receivable balance will decrease, which will improve working capital.

Conversely, if an airline that regularly advances credit card receivables stops or slows those advances, its accounts receivable balance will increase, leading to a one-time negative impact on working capital (but a reduction in interest expense). While credit card advancements are intended to adjust the Company's mix of cash liquidity, Azul's **total** liquidity is not impacted by these advancements (other than by the spread charged to advance the receivables).

Appendix A

Assuming a typical airline accounting scenario under accrual accounting and IFRS rules below we illustrate the step-by-step of a simplified accounting entry for an airline ticket sold:

1. Ticket sold in installments

When the airline sells a ticket, the revenue is not yet recognized — it is deferred until the flight occurs. The initial accounting entry reflects the accounts receivable (if sold in installments) and air traffic liability (ATL):

Accounts Receivable		ATL
500		500

2. Cash Collections

2.a Payments received according to the installment schedule: as each installment is paid, the accounting entries will be accounts receivable and cash as follows:

Cash		Accounts Receivable
100		500
100		100
100		100
100		100
100		100

2b. If the airline decides to advance the credit card receivables, the accounts receivable will be reverted against cash and the corresponding fee/interest in the P&L:

Cash		Accounts Receivable		Interest (P&L)
483		500	500	17

3. Flight Occurs — Recognition of Flown Revenue

When the flight is completed (or the service obligation is satisfied), the airline recognizes the revenue, and this is when ATL moves from the liability account to the income statement (thereby decreasing ATL and flowing into retained earnings after accounting for operating expenses)

ATL		Revenue (P&L)
500	500	500