Financial Statements
Individual and Consolidated
2021
Azul S.A.

Azul

Contents

Management Comments

As always, I would like to thank the most engaged and passionate crewmembers in the world. With their dedication, we had a record revenue of R$3.7 billion in the fourth quarter of 2021. Our competitive advantages led by our unique network and diversified fleet resulted in an 87% recovery of our total net revenue compared to 2019, reaching almost R$10 billion in the year at a RASK of 39.46 cents in 4Q21, 18% above the same period in 2019 and 42.7% above the fourth quarter of 2020.

During the quarter, we continued to focus on our domestic network. We are now flying to almost 150 destinations, a remarkable addition of more than 30 destinations compared to 2019. Over time, the growth from these new destinations will contribute significant incremental demand to our network.
In the year our EBITDA reached R$1.6 billion, representing a margin of 16%. Only in 4Q21 our EBITDA reached over R$1 billion, representing a margin of 27.5%. This clearly demonstrates the earnings power and potential of our business going forward. We finished the year with a strong cash position of R$4.1 billion, 40.6% higher than the same period in 2019 and more than R$600 million above our guidance.

One valuable driver of profitability is Azul Cargo, our unmatched logistics solution. Azul Cargo now serves more than 4,500 cities and communities across the country, 2,000 of which we can deliver to in 48 hours or less. Azul Cargo reached R$1.1 billion in net revenue in 2021, surpassing our ambitious target to double cargo revenue compared to 2019, when we generated revenues of R$480.7 million. We recently announced the launch of the world's first Embraer Class-F freighter, a unique solution that will deliver competitive advantages for our clients. Just as we helped to transform the Brazilian passenger market, we strongly believe Azul Cargo will do the same to the logistics market.

TudoAzul, our wholly-owned loyalty program, had a 21% increase in gross billings in 2021 compared to 2019, totaling almost 14 million members at the end of the year. Azul Viagens, our vacations business, is another important driver of margin expansion. In 2021, we sold 30% more travel packages compared to 2019, mainly by leveraging the uniqueness of our network and the flexibility of our fleet. During weekends, for example, when utilization is normally low for airlines, we dedicated 25% of our capacity to fly exclusive nonstop leisure routes, which are ideal for Azul Viagens.
Azul contributes significantly to Brazil's sustainable development by bringing people, businesses, and communities closer together. ESG has long been a commitment of ours, and most recently, we have been included in the Corporate Sustainability Index of the B3 Stock Exchange. At the same time, we also improved our CDP score to "B", highlighting our engagement to environmental initiatives.

Our strong 4Q results give us confidence in our business model. Our annualized EBITDA exit rate of approximately R$4 billion per year is 10% above our 2019 full year EBITDA. While we did experience some short-term challenges from Omicron during the first quarter of 2022, we are sharply focused on executing our business plan for 2022, with the full recovery of corporate and international demand still to come. We see exciting opportunities in our passenger, loyalty, vacations and logistics businesses and look forward to sharing those with you throughout the year.

John Rodgerson, CEO of Azul S.A.

Azul in 2021

- ✓ Largest airline in Brazil in cities served and departures, with 900 peak daily flights to over 140 destinations
- ✓ Operating fleet with 161 aircraft with an average age of 6.6 years (excluding Cessna aircraft)
- ✓ 42% of domestic departures and 34% market share (RPK)
- ✓ Among fastest demand recoveries in the world

Macroeconomic Outlook

2021 was a strong year of recovery for Azul, with significant improvements in capacity, revenue and earnings compared to the previous year. Brazil continues to make meaningful progress on vaccinations, with more than 72% of the total population fully vaccinated and over 62 million booster doses already applied. Brazil surpassed both the United States and Europe in terms of share of population with at least one dose, confirming Brazilians' high intent to vaccinate. This has led to a remarkable reduction in the number of cases, deaths and hospitalizations.

As a result, Brazil is expected to end 2021 with a GDP growth of 4.5%, according to a preview released in February by the Central Bank's IBC-Br (Economic Activity Index). This would represent a clear recovery in the Brazilian economy, after a 4.1% drop in 2020 due to the pandemic.

During the year, the real accumulated a devaluation against the dollar of 7.4% compared to 2020 and 38.4% compared to 2019. Fuel prices reached record prices, well above 2019 and 2020 levels, rising 29.7% and 43.3% respectively.

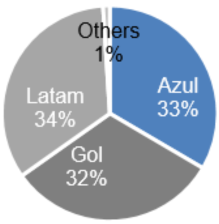
Aviation market

The aviation industry was undoubtedly one of the most affected by the COVID-19 pandemic. However, over the course of 2021, particularly the second half, the sector recovered most of its demand, especially in the leisure segment. Prospects for the world economy have brightened the future of the sector, and so has the massive vaccine rollout in many economies and particularly in Brazil, where by December 2021 over 90% of the target population had received at least their first dose of the vaccine.

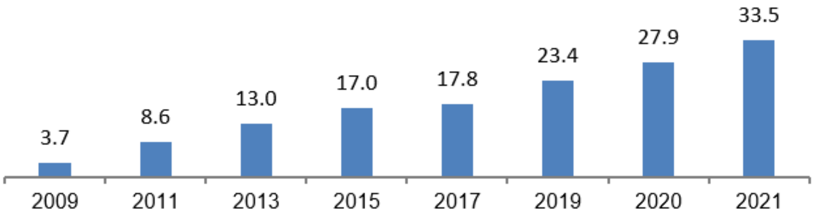
Data released for December 2021 by ANAC, the Brazilian civil aviation regulator, demonstrate the rapid recovery in the sector: there were 62.6 million people transported in 2021, an increase of 38.3% compared to 2020. In December 2021, we saw the highest volume of passengers flying in Brazil since the onset of the pandemic.

As a result, Azul recorded a net operating revenue in the year of R$10.0 billion, 72.2% higher year over year, and representing 87.2% of 2019 revenues. RASK recovered to 2019 levels and increased 11.9% compared to 2020. During the year, Azul gradually rebuilt its network, ending the year with a capacity increase of 53.9% year over year, and a 52.4% increase in RPKs, resulting in a load factor of 79.2%. Compared to 2019, domestic capacity and RPK increased 6.8% and 2.8%, respectively.

Market Share
(Domestic RPK, 2021)



Azul's Domestic Market RPK (%)



Environmental, Social and Governance ("ESG") Responsibility

The table below presents Azul's key ESG information, according to the Sustainability Accounting Standards Board (SASB) standard for the airline industry

ESG Key Indicators	2021	2020	% Δ
Environmental			
Fuel			
Total fuel consumed per ASK (GJ / ASK)	1,172	1,198	-2.2%
Total fuel consumed (GJ x 1000)	36,798	24,441	50.6%
Fleet			
Average age of operating fleet[1]	6.6	8.3	-20.5%
Social			
Labor Relations			
Employee gender: male	59.0%	58.6%	0.4 p.p.
female	41.0%	41.4%	-0.4 p.p.
Employee monthly turnover	1.1%	1.4%	-0.3 p.p.
% of employee covered under collective bargaining agreements	100.0%	100.0%	0.0 p.p.
Volunteers	2,754	1,928	42.8%
Governance			
Management			
Independent directors	90.9%	90.0%	0.9 p.p.
Percent of board members that are women	9.1%	10.0%	-0.9 p.p.
Board of directors' average age	60	59	2.1%
Director meeting attendance	98.9%	88.2%	10.7 p.p.
Board size	11	10	10.0%
Participation of women in leadership positions	39.2%	37.6%	1.6 p.p.

Consolidated Results

The following revised income statement and operating data should be read in conjunction with the annual results comments presented below. Prior periods have been restated to reflect adoption of the new IFRS 16 accounting standards.

Income statement (R$ million)[1]	2021	2020	% Δ	2019	% Δ
Operating Revenues					
Passenger revenue	8,811.0	5,088.7	73.1%	10,907.9	-19.2%
Cargo revenue and others	1,164.7	704.5	65.3%	534.4	117.9%
Total operating revenues	**9,975.7**	**5,793.3**	**72.2%**	**11,442.3**	**-12.8%**
Operating Expenses					
Aircraft fuel	3,257.2	1,508.8	115.9%	3,085.6	5.6%
Salaries, wages and benefits	1,748.4	1,426.6	22.6%	1,868.4	-6.4%
Depreciation and amortization	1,544.3	1,726.4	-10.5%	1,591.4	-3.0%
Landing fees	677.7	465.6	45.5%	725.0	-6.5%
Traffic and customer servicing	389.3	288.3	35.0%	476.5	-18.3%
Sales and marketing	404.1	329.8	22.5%	444.1	-9.0%
Maintenance materials and repairs	546.6	449.8	21.5%	281.6	94.1%
Other operating expenses	1,360.9	1,059.6	28.4%	938.4	45.0%
Total operating expenses	**9,928.7**	**7,254.9**	**36.9%**	**9,410.9**	**5.5%**
Operating income (loss)	**47.0**	**(1,461.6)**	**n.a.**	**2,031.4**	**-97.7%**
Operating margin	0.5%	-25.2%	n.a.	17.8%	-17.3 p.p.
EBITDA	**1,591.3**	**264.8**	**501.0%**	**3,622.8**	**-56.1%**
EBITDA margin	16.0%	4.6%	+11.4 p.p.	31.7%	-15.7 p.p.
Financial Result[2]					
Financial income	154.3	60.3	155.9%	72.1	114.1%
Financial expense	(3,633.2)	(2,470.0)	47.1%	(1,329.5)	173.3%
Derivative financial instruments	35.0	(1,452.1)	n.a.	325.5	-89.3%
Foreign currency exchange, net	(1,365.6)	(4,384.9)	-68.9%	(391.9)	248.5%
Related parties result	(5.2)	(713.8)	-99.3%	(17.0)	-69.5%
Income (loss) before income taxes[2]	**(4,767.7)**	**(10,422.2)**	**-54.3%**	**690.6**	**n.a.**
Income tax and social contribution	-	(0.0)	n.a.	(2.2)	n.a.
Deferred income tax and social contribution	-	242.5	n.a.	135.4	n.a.
Net income (loss)[2]	**(4,767.7)**	**(10,179.7)**	**-53.2%**	**823.7**	**n.a.**
Net margin	-47.8%	-175.7%	+127.9 p.p.	7.2%	n.a.
Adjusted Net income (loss)[3]	**(3,461.6)**	**(4,601.9)**	**-24.8%**	**845.5**	**n.a.**
Adjusted net income (loss) margin[3]	-34.7%	-79.4%	+44.7 p.p.	7.4%	n.a.
Fully diluted shares	406.3	401.2	1.2%	344.0	18.1%
Diluted EPS	(11.74)	(25.37)	-53.7%	2.39	n.a.
Diluted EPADR (US$)	(6.53)	(14.76)	-55.8%	1.82	n.a.
Adjusted EPS[3]	(8.52)	(11.47)	-25.7%	2.46	n.a.
Adjusted EPADR (US$)/[3]	(4.74)	(6.67)	-29.0%	1.87	n.a.

[1]Operating results were adjusted for non-recurring items totaling a net gain of R$104.5 million in 4Q21 from the partial reversal of the impairment loss of E1s and other aircraft related items, partially offset by revised non-cash provisions and other expenses. Operating results in 4Q20 and 4Q19 were adjusted for non-recurring items totaling a net loss of R$143.2 million and R$3.2 billion, respectively.
[2]Financial results adjusted for convertible debentures expenses.
[3]Net income (loss) and EPS/EPADR adjusted for unrealized derivative results and foreign currency exchange rate. One ADR equals three preferred shares (PNs).

Operating Data[1]	2021	2020	% Δ	2019	% Δ
ASKs (million)	31,386	20,395	53.9%	35,868	-12.5%
Domestic	29,380	17,158	71.2%	27,521	6.8%
International	2,007	3,237	-38.0%	8,348	-76.0%
RPKs (million)	24,851	16,311	52.4%	29,941	-17.0%
Domestic	23,431	13,788	69.9%	22,790	2.8%
International	1,419	2,522	-43.7%	7,151	-80.2%
Load factor (%)	79.2%	80.0%	-0.8 p.p.	83.5%	-4.3 p.p.
Domestic	79.8%	80.4%	-0.6 p.p.	82.8%	-3.1 p.p.
International	70.7%	77.9%	-7.2 p.p.	85.7%	-14.9 p.p.
Average fare (R$)	378.0	343.9	9.9%	394.2	-4.1%
Passengers (thousands)	23,311	14,796	57.6%	27,674	-15.8%
Block hours	409,424	266,881	53.4%	495,362	-17.3%
Aircraft utilization (hours per day)	8.3	5.4	52.7%	11.3	-26.6%
Departures	245,102	158,070	55.1%	295,354	-17.0%
Average stage length (km)	1,057	1,083	-2.4%	1,050	0.7%
End of period operating passenger aircraft	161	162	-0.6%	140	15.0%
Fuel consumption (thousands of liters)	979,762	650,536	50.6%	1,203,486	-18.6%
Fuel consumption per ASK	31.2	31.9	-2.1%	33.6	-7.0%
Full-time-equivalent employees	12,485	11,108	12.4%	13,189	-5.3%
End of period FTE per aircraft	78	69	13.1%	94	-17.7%
Yield (cents)	35.46	31.20	13.6%	36.43	-2.7%
RASK (cents)	31.78	28.41	11.9%	31.90	-0.4%
PRASK (cents)	28.07	24.95	12.5%	30.41	-7.7%
CASK (cents)	31.63	35.57	-11.1%	26.24	20.6%
CASK ex-fuel (cents)	21.26	28.17	-24.6%	17.63	20.5%
Fuel cost per liter	3.32	2.32	43.3%	2.56	29.7%
Break-even load factor (%)	78.8%	100.2%	-21.4 p.p.	68.7%	+10.1 p.p.
Average exchange rate	5.40	5.16	4.6%	3.95	36.8%
End of period exchange rate	5.58	5.20	7.4%	4.03	38.4%
Inflation (IPCA/LTM)	10.06%	4.52%	+5.5 p.p.	4.31%	+5.8 p.p.
WTI (average per barrel, US$)	67.97	40.39	68.3%	57.64	17.9%
Heating Oil (US$)	206.44	125.11	65.0%	193.23	6.8%

[1]Operating results adjusted for non-recurring items

Operating Revenue

In 2021, Azul recorded an operating revenue of almost R$10.0 billion, up 72.2% compared to 2020, representing a recovery of 87.2% of 2019 revenues.

Compared to 2020, passenger revenue was up 73.1%, a recovery of 80.8% of 2019 levels even with international traffic far from full recovery. PRASK increased 12.5% compared to 2020, mainly due to our ability to increase fares, clearly demonstrating our rational capacity deployment and the sustainable competitive advantages of our network and business model. Compared to 2019, PRASK recovered 92.3%.

Cargo and other revenues more than doubled in 2021 compared to 2019, increasing 117.9% to R$1.2 billion mainly due to the 128.0% increase in cargo revenue driven by strong demand for our logistics solutions and our exclusive network. Compared to 2020, cargo and other revenues increased 65.3%.

The table below sets forth the breakdown of our operating revenues and expenses per ASK basis for the periods indicated:

R$ cents	2021	2020	% Δ	2019	% Δ
Operating revenue per ASK					
Passenger revenue	28.07	24.95	12.5%	30.41	-7.7%
Cargo revenue and others	3.71	3.45	7.4%	1.49	149.1%
Operating revenue (RASK)	**31.78**	**28.41**	**11.9%**	**31.90**	**-0.4%**
Operating expenses per ASK[1]					
Aircraft fuel	10.38	7.40	40.3%	8.60	20.6%
Salaries, wages and benefits	5.57	7.00	-20.4%	5.21	6.9%
Depreciation and amortization	4.92	8.46	-41.9%	4.44	10.9%
Landing fees	2.16	2.28	-5.4%	2.02	6.8%
Traffic and customer servicing	1.24	1.41	-12.3%	1.33	-6.6%
Sales and marketing	1.29	1.62	-20.4%	1.24	4.0%
Maintenance materials and repairs	1.74	2.21	-21.0%	0.78	121.9%
Other operating expenses	4.34	5.20	-16.5%	2.62	65.7%
Total operating expenses (CASK)	**31.63**	**35.57**	**-11.1%**	**26.24**	**20.6%**
Operating income per ASK (RASK/CASK)	**0.15**	**(7.17)**	**n.a.**	**5.66**	**-97.4%**

[1] Operating results were adjusted for non-recurring items.

Operating Expenses

In 2021, Azul recorded operating expenses of R$9.9 billion, compared to R$7.3 billion in 2020, representing an increase of 36.9%, mainly due to the capacity increase of 53.9% and the revenue increase of 72.2%.

Compared to 2019, total operating expenses increased 5.5% or R$517.8 million, mostly driven by a 29.7% increase in jet fuel prices and a 36.8% average depreciation of the real against the dollar, partially offset by higher productivity and cost reduction initiatives implemented throughout the year.

The breakdown of our main operating expenses compared to 2019 is as follows:

- **Aircraft fuel** increased 5.6% to R$3,257.2 million, mostly due to a 29.7% increase in jet fuel price per liter, partially offset by a 7.0% reduction in fuel burn per ASK, as a result of our more efficient next-generation fleet and a 17.3% reduction in block hours.

- **Salaries, wages and benefits** decreased 6.4% to R$1.748.4 million, mainly due to a 5.3% reduction in full-time employees compared to 2019, aligned with cost reduction initiatives implemented to increase our productivity.

- **Depreciation and amortization** decreased 3.0% or R$47.0 million, driven by the reduction in the right-of-use asset due to lease contract modifications that occurred in 2020, partially offset by an increase in the size of our fleet compared to 2019.

- **Landing fees** decreased 6.5% or R$47.3 million, mostly due to the 17.0% reduction in departures. partially offset by the 15% inflation over the last 24 months.

- **Traffic and customer servicing expenses** decreased 18.3% or R$87.1 million, mostly due to a 17.0% reduction in departures in 2021 compared to 2019.

- **Sales and marketing** decreased 9.0%, or R$39.9 million, mostly driven by a 12.8% reduction in revenue, which reduced sales commissions, partially offset by the increase in cargo express shipments, which have higher commission fees.
- **Maintenance materials and repairs** increased R$265.1 million compared to 2019, mostly driven by a 36.8% average depreciation of the real against the dollar and a higher number of maintenance events, partially offset by a higher share of maintenance checks performed in-house.

- **Other operating expenses** increased R$422.5 million, driven by expenses related to the growth of our logistics business, engines rental and the depreciation of the real against the dollar.

Liquidity and Financing

Azul ended the year with R$4.1 billion in immediate liquidity, including cash and cash equivalents, accounts receivable and short-term investments, 40.6% above 2019, even after paying over R$2.1 billion in leases, loans, deferral repayments, interest and capital expenses. This immediate liquidity represented 41.6% of our last twelve months' revenue. Total liquidity including deposits, maintenance reserves, long-term investments and receivables was R$7.2 billion as of December 31, 2021. This does not include spare parts or other unencumbered assets like TudoAzul or Azul Cargo.

Liquidity (R$ million)	2021	2020	% Δ	2019	% Δ
Cash, cash equivalents and short-term investments	3,075.2	3,156.6	-2.6%	1,709.9	79.8%
Accounts receivable	1,074.1	998.8	7.5%	1,240.9	-13.4%
Immediate liquidity	**4,149.3**	**4,155.5**	**-0.1%**	**2,950.8**	**40.6%**
Cash as % of LTM revenues	41.6%	71.7%	-30.1 p.p.	25.8%	+15.8 p.p.
Long-term investments and receivables	1,104.7	1,043.9	5.8%	1,602.2	-31.0%
Security deposits and maintenance reserves	1,964.4	1,554.0	26.4%	1,651.5	18.9%
Total Liquidity	**7,218.5**	**6,753.5**	**6.9%**	**6,204.5**	**16.3%**

Gross debt increased 35.0% compared to 2020, mostly due to the 7.4% end of period depreciation of the real, new aircraft entering the fleet, the capital raised in 2020 through the issuance of the 2026 senior notes, offset by loans and lease repayments done in the year.

Gross debt adjusted to the current foreign exchange rate of 5.00 would have reached R$20,797.3 million, a reduction of R$2,239.0 or 9.7% compared to year-end 2021.

As of December 31, 2021, Azul's average debt maturity excluding lease liabilities and convertible debentures was 3.1 years, with an average interest rate of 7.5%. Average interest rate on local and dollar-denominated obligations were 12.3% and 6.4%, respectively.

Loans and financing (R$ million)[1]	2021	2020	% Δ	2019	% Δ
Operating lease liabilities	13,796.5	11,720.4	17.7%	11,118.4	24.1%
Finance lease liabilities	1,094.1	800.4	36.7%	988.3	10.7%
Other aircraft loans and financing	1,205.9	1,231.6	-2.1%	1,060.5	13.7%
Loans and financing	6,939.8	3,709.3	87.1%	2,457.6	182.4%
Currency hedges	-	7.4	n.a.	(321.7)	n.a.
% of non-aircraft debt in local currency	20%	44%	-23.9 p.p.	100%	-79.8 p.p.
% of total debt in local currency	7%	10%	-3.8 p.p.	18%	-11.6 p.p.
Gross debt	**23,036.3**	**17,469.0**	**31.9%**	**15,303.0**	**50.5%**
Short term	4,481.9	3,138.1	42.8%	2,045.7	119.1%
Long term	18,554.4	14,330.9	29.5%	13,257.3	40.0%

[1] Considers the effect of hedges on debt, net of aircraft sublease receivables; excludes convertible debentures.

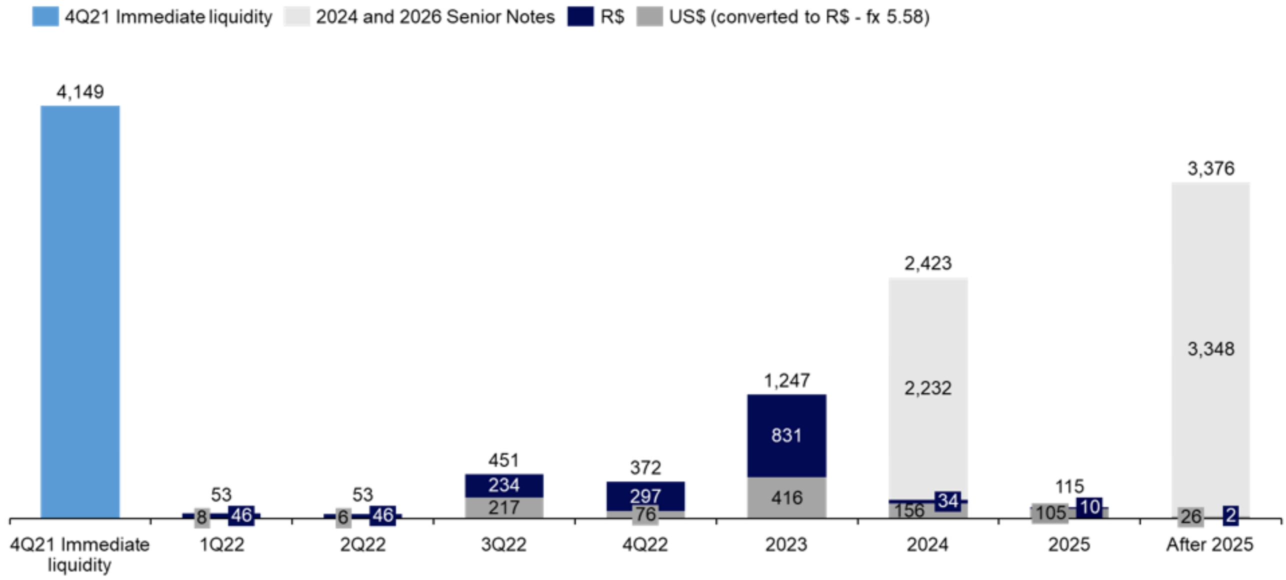
Azul's key financial ratios are presented below:

Key financial ratios (R$ million)	2021	2020	% Δ	2019	% Δ
Cash[1]	5,254.0	5,199.4	1.1%	4,553.0	15.4%
Gross debt[2]	23,036.3	17,469.0	31.9%	15,303.0	50.5%
Net debt[2]	17,782.3	12,269.6	44.9%	10,750.1	65.4%

[1]Includes cash and cash equivalents, short-term and long-term investments, and receivables.
[2] Excludes convertible debentures.

The chart below converts our dollar-denominated debt to reais using the quarter-end foreign exchange rate of 5.58:

Loans and financing debt amortization as of December 31st, 2021
(R$ million converted at 5.58 reais per dollar)[1]



[1] Excludes convertible debentures.

Fleet

As of December 31, 2021, Azul had a total passenger operating fleet of 161 aircraft and a passenger contractual fleet of 179 aircraft, with an average aircraft age of 6.6 years excluding Cessna aircraft. At the end of 2021, the 18 aircraft not included in our operating fleet consisted of 6 ATR subleased to TAP, 3 Embraer E1 subleased to Breeze, 2 Airbus narrowbody and 3 ATR aircraft in process of entering service and 4 aircraft in the process of exiting the fleet.

Passenger Contractual Fleet[1]	2021	2020	% Δ
Airbus widebody	12	12	0.0%
Airbus narrowbody	49	45	8.9%
Embraer E2	9	9	0.0%
Embraer E1	50	63	-20.6%
ATR	42	39	7.7%
Cessna	17	17	0.0%
Total[1]	**179**	**185**	**-3.2%**
Aircraft under operating leases	*150*	*156*	*-3.8%*

[1] Includes 9 subleased aircraft.

Passenger Operating Fleet	2021	2020	% Δ
Airbus widebody	11	11	0.0%
Airbus narrowbody	47	45	4.4%
Embraer E2	9	7	28.6%
Embraer E1	44	49	-10.2%
ATR	33	33	0.0%
Cessna	17	17	0.0%
Total	**161**	**162**	**-0.6%**

Declaration of the Officers on the Individual and Consolidated Financial Statements

In compliance with CVM Instruction No. 480/09, the Officers declare that they have discussed, reviewed and agreed with the individual and consolidated financial statements for the year ended December 31, 2021.

Barueri, February 22, 2022.

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 the Financial Statements

In compliance with CVM Instruction No. 480/09, the Officers declare that they have discussed, reviewed and agreed with the conclusions expressed in the independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2021.

Barueri, February 22, 2022.

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

Presentation and general information

The Statutory Audit Committee is an advisory body directly linked to the Board of Directors, with operational autonomy and own budget, for advisory purposes, for:

(i) Engaging and removing the independent auditor;

(ii) Supervising the independent auditor's activities as to:

(a) its independence;
(b) the quality of the services provided; and
(c) the adequacy of the services provided to meet the Company needs;

(iii) Supervising the Company's internal controls and internal audit areas;

(iv) Supervising the activities of the Company's financial statements preparation function;

(v) Monitoring the quality and integrity of the Company's internal control mechanisms;

(vi) Monitoring the quality and integrity of the Company's quarterly information, interim and annual financial statements;

(vii) Monitoring the quality and integrity of the information and measurements disclosed on the basis of adjusted accounting data and non-accounting data that add elements not addressed by the structure of the usual reports on the Company's financial statements;

(viii) Assessing and monitoring the Company's risk exposures, and also requiring in-depth information about policies and procedures regarding:

(a) management fees;
(b) the use of Company assets; and
(c) expenses incurred in the Company's name;

(ix) Assessing and monitoring, together with management and the internal audit function, the adequacy of the Company transactions with related parties and their respective disclosures; and

(x) Preparing the annual summarized report to be presented together with the financial statements, containing the description of:

(a) its activities, the results and conclusions reached and recommendations made; and
(b) any situations in which there is a significant disagreement among Company management, the independent auditor and the Audit Committee in relation to the Company's financial statements.

Summary of statutory audit committee activities in 2021

Internal audit

(i) Review and approval of the major Company risks presented by the Internal Audit;

(ii) Analysis and approval of the planning of projects to be carried out in 2021;

(iii) Monitoring of the audit matters, pending implementation in 2020;

(iv) Analysis of the audit work carried out in light of inquiries of independent auditors;

(v) Monitoring of the services carried out in 2021; and

(vi) Analysis and authorization of request of adjustments to the audit plan due to the COVID-19 pandemic.

Internal controls

(i) Monitoring of internal control tests for certification to meet the requirements of Sections 302 and 404 of the Sarbanes-Oxley Act.

Independent audit

(i) Analysis and approval of the information provided by Ernst & Young Auditores Independentes S.S. for the year ended December 31, 2021; and

(ii) Analysis of the planning and strategy of Ernst & Young Auditores Independentes S.S. for the year 2021.

Individual and consolidated financial statements

(i) Review and recommendation to the Board of Directors as to the approval of the Company's individual and consolidated financial statements;

(ii) Monitoring of the provisions for risks and accounting estimates;

(iii) Analysis of the proposals for guarantees and approval to be resolved by the Board of Directors.

Opinion of the Statutory Audit Committee

In compliance with the legal provisions, the Statutory Audit Committee reviewed the management report and the individual and consolidated financial statements for the year ended December 31, 2021. Based on this review and also considering the information and clarifications provided by the Company management and by Ernst & Young Auditores Independentes S.S. during the year, the Statutory Audit Committee expressed a favorable opinion on the management report and on the individual and consolidated financial statements for the year ended December 31, 2021, together with the audit opinion issued by Ernst & Young Auditores Independentes S.S., recommending the Board of Directors to approve them.

Barueri, February 22, 2022.

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

São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
Azul S.A.
Barueri – São Paulo

Opinion

We have audited the individual and consolidated financial statements of Azul S.A. ("Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's individual and consolidated financial position as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Passenger Revenue</u>

Flight revenue is recognized upon effective rendering of the transportation service. Tickets sold and not used, corresponding to advanced ticket sales (air traffic liability), are recorded in current liabilities and are recognized when used, on an accrual basis. The recognition of certain revenues takes into account estimates with a reasonable degree of professional judgment by management, such as the expectation of expiration of unused tickets; these assumptions are evaluated by management based on historical data. Additionally, the process of ticket sales and flight revenue recognition is highly dependent on information technology (IT) systems.

Considering the facts listed above and the magnitude of these balances on the financial statements as a whole, we consider this a key audit matter.

How our audit addressed this matter

The audit procedures included, among others (i) the analysis of the adequacy of manual journal entries included in the revenue accounts; (ii) observation of a sample of passenger boarding the airplanes in order to verify the respective revenue; (iii) analytical review of revenue balances considering our expectations and market indicators; (iv) analysis of revenue recognition over expired credits (breakage); (v) performance, with the assistance of our IT staff, of audit substantive procedures over the assessment of risks and impacts from the general IT controls related to the process of revenue recognition; (vi) review of accounting manual entries recorded by the Company; and (vii) evaluation of whether financial statements disclosures, included in Note 29, were appropriate. Internal control deficiencies were identified in the process of logical access (a general IT control), as such the extension of our audit substantive procedures, designed to obtain sufficient and appropriate audit evidence, was affected.

As a result of these procedures, we identified adjustment in the mathematical calculations made to determine breakage, which was not recorded by management given its immateriality to the financial statements taken as a whole.

Based on the result of the audit procedures performed which is consistent with management's assessment, we consider the Company's passenger revenue recognition policies are acceptable to support the judgments, estimates and information included in the financial statements taken as a whole.

Maintenance Reserves

Under the lease agreements with aircraft lessors, the Company has agreed to carry out maintenance or to reimburse the lessor based upon the actual state of the fuselage, engines and parts with limited useful life.

Management assesses the recoverability of these deposits by comparing the amounts expected to be reimbursed when the next maintenance is performed. Amounts determined to be non-recoverable are recognized as expenses in the statement of operations for the year. As at December 31, 2021, according to Note 10, the balance of the maintenance reserves totaled R$1,644,889 thousand (current and non-current).

Considering the magnitude of the amounts involved, in addition to the degree of judgment applied in determining the maintenance cost estimates to be incurred and the need for management to monitor the recoverability of these deposits, we consider this to be a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others (i) sending confirmation letters to certain lessors to ascertain the balance of the maintenance reserve in each contract; (ii) selecting a sample of contracts and checking their respective terms; (iii) analysis of management's assessment of the recoverability of the provision for maintenance costs, which considers the recoverability of each deposit for each item, aircraft and lessor; and (iv) assessing whether the disclosures in the financial statements, included in Note 10, were adequate based on the applicable accounting standards.

Based on the result of audit procedures, which is consistent with management's assessment, we consider the accounting policies, for measuring the maintenance deposits, acceptable to support the judgments, estimates and information included in the context of the financial statements taken as a whole.

Going concern assumption

The financial statements were prepared on a going concern basis, i.e., on the assumption that the Company is and will continue to be in operation for a foreseeable future of at least 12 months after the balance sheet date. This assumption considers that management neither intends to liquidate the Company or to cease its operations nor has no other realistic alternative but to do so. Notes 1.2 and 1.3 to the financial statements detail how the Company's management concluded that there is a reasonable expectation as to its going concern to support the preparation of the financial statements using this assumption.

The Company (consolidated) has negative working capital of R$5,863,917 thousand, negative equity of R$18,333,003 thousand as of December 31, 2021, and reported losses in recent years, and management's assessment, described in the aforementioned note, includes measures already implemented and in progress to continue as a going concern. The calculations that support the assumptions of expected profitability and cash flows require management to make judgments with a high degree of subjectivity, in addition to analyzing all new agreements signed by management, especially those with lessors and financial institutions. Given the degree of judgment involved in the cash flow projections and in the assessment of the appropriateness of the use of the going concern assumption by the Company's management in the preparation of the financial statements, this is considered a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others, (i) obtaining and analyzing the financial assessment prepared by the Company regarding the uncertainties that may cast doubt on its ability to continue as a going concern, and the assessment of the cash flow projections prepared by the Company for the 12 months after the balance sheet date; (ii) with the assistance of our valuation specialists, we reviewed the assumptions used in determining the cash flow projections, considering actual results, as well as the consistency of actual vs. budgeted figures for the previous periods; (iii) evaluating the agreements entered into by the Company for renegotiations and deferrals of the maturity of lease payment dates and agreements with financial institutions; and (iv) assessing the adequacy of the Company's disclosures included in Notes 1.2 and 1.3 to the individual and consolidated financial statements.

Based on the audit procedures performed, which are consistent with management's assessment, we consider the Company's judgment that there is no material uncertainty relating to the going concern assumption to be acceptable in the context of the financial statements taken as a whole.

Other matters

<u>Statements of value added</u>

The individual and consolidated statements of value added (SVA) for year ended December 31, 2021, prepared under the responsibility of Company management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted together with the audit of the Company’s financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in Technical Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work performed, we conclude that the Management Report presents material misstatements, we are required to communicate such fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit procedures and significant audit findings, including significant deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 24, 2022.

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

Marcio D. Berstecher
Accountant CRC-1SP259735/O-2

AZUL S.A.

Statements of financial position

December 31, 2021

(In thousands of Brazilian reais – R$)

		Parent company		Consolidated	
Assets	**Note**	**12/31/21**	**12/31/20**	**12/31/21**	**12/31/20**
Current assets					
Cash and cash equivalents	5	293,557	437,896	3,073,799	3,064,815
Short-term investments	6	-	-	1,430	91,819
Accounts receivable	7	-	-	997,893	875,382
Aircraft sublease receivables	8	-	-	76,199	123,455
Inventories	9	-	-	571,924	402,587
Security deposits and maintenance reserves	10	-	-	410,912	318,460
Taxes recoverable	11	14,568	13,931	109,699	133,706
Derivative financial instruments	22	-	-	83,177	79,216
Prepaid expenses	12	3,097	690	244,413	219,039
Advances to suppliers	13	97	151	203,379	83,114
Other current assets		199	16,980	73,511	25,830
Total current assets		311,518	469,648	5,846,336	5,417,423
Non-current assets					
Long-term investments	6	-	-	906,719	854,462
Aircraft sublease receivables	8	-	-	197,999	189,482
Security deposits and maintenance reserves	10	-	-	1,553,507	1,235,582
Derivative financial instruments	22	-	-	270,640	349,093
Prepaid expenses	12	-	-	313,365	18,192
Other non-current assets		53	32	126,100	149,508
Investments	15	763,059	793,541	-	-
Property and equipment	16	-	-	1,961,174	1,799,706
Right-of-use assets	17	-	-	5,999,595	4,610,741
Intangible assets	18	-	-	1,358,038	1,170,268
Total non-current assets		763,112	793,573	12,687,137	10,377,034
Total assets		1,074,630	1,263,221	18,533,473	15,794,457

The accompanying notes are an integral part of these individual and consolidated financial statements.

AZUL S.A.

Statements of financial position
December 31, 2021
(In thousands of Brazilian reais – R$)

		Parent company		Consolidated	
Liabilities and equity	Note	12/31/21	12/31/20	12/31/21	12/31/20
Current liabilities					
Loans and financing	19	39,124	-	1,023,390	858,332
Lease liabilities	20	-	-	3,497,665	2,272,349
Accounts payable	21	3,436	34,617	1,771,663	2,238,668
Accounts payable – supplier finance	21	-	-	3,694	157,801
Air traffic liability	23	-	-	3,063,816	2,488,872
Reimbursement to customers		-	-	173,686	221,342
Salaries, wages and benefits		2,317	557	459,697	400,371
Insurance premiums payable		-	-	92,793	52,427
Taxes payable		1,354	16,412	127,685	55,260
Government installment payment program		-	-	69,691	13,358
Derivative financial instruments	22	-	-	77,509	173,769
Provisions	24	-	-	977,103	853,810
Related parties	25	-	72,538	-	-
Airport fees		-	-	217,863	137,075
Other current liabilities		-	-	153,998	289,197
Total current liabilities		46,231	124,124	11,710,253	10,212,631
Non-current liabilities					
Loans and financing	19	1,833,877	2,419,704	8,995,341	6,502,182
Lease liabilities	20	-	-	11,392,910	10,248,463
Accounts payable	21	-	-	563,502	323,059
Derivative financial instruments	22	-	-	209,542	247,265
Government installment payment program		-	-	352,108	108,519
Provisions	24	-	-	2,522,486	1,988,665
Related parties	25	4,776	-	-	-
Provision for loss on investment	15	17,522,749	12,868,143	-	-
Other non-current liabilities		-	-	1,120,334	312,423
Total non-current liabilities		19,361,402	15,287,847	25,156,223	19,730,576
Equity	26				
Issued capital		2,290,876	2,246,367	2,290,876	2,246,367
Advance for future capital increase		120	20,625	120	20,625
Capital reserve		1,946,471	1,947,887	1,946,471	1,947,887
Treasury shares		(11,959)	(13,182)	(11,959)	(13,182)
Other comprehensive income		5,799	655	5,799	655
Accumulated losses		(22,564,310)	(18,351,102)	(22,564,310)	(18,351,102)
		(18,333,003)	(14,148,750)	(18,333,003)	(14,148,750)
Total liabilities and equity		1,074,630	1,263,221	18,533,473	15,794,457

The accompanying notes are an integral part of these individual and consolidated financial statements.

AZUL S.A.

Statements of profit or loss

Years ended December 31, 2021 and 2020

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

		Parent company		Consolidated	
		Years ended			
	Note	12/31/21	12/31/20	12/31/21	12/31/20
Passenger revenue		-	-	8,811,044	5,039,607
Cargo transport and other revenue		-	-	1,164,685	704,519
Net revenue	29	-	-	9,975,729	5,744,126
Cost of services	30	-	-	(8,124,204)	(5,458,691)
Gross profit		-	-	1,851,525	285,435
Operating expenses					
Selling expenses		-	-	(424,680)	(351,316)
Administrative expenses		(55,567)	(42,624)	(328,970)	(864,026)
Other operating income and (expenses), net		3,930	-	(1,043,080)	(469,174)
	30	(51,637)	(42,624)	(1,796,730)	(1,684,516)
Equity	15	(4,706,798)	(9,564,331)	-	-
Operating profit (loss)		(4,758,435)	(9,606,955)	54,795	(1,399,081)
Financial income		15,436	4,027	154,280	60,298
Financial expenses		(218,605)	(65,275)	(3,838,243)	(2,514,587)
Derivative financial instruments		829,213	(755,354)	864,184	(2,207,470)
Foreign currency exchange, net		(80,817)	61,152	(1,443,046)	(4,302,540)
	31	545,227	(755,450)	(4,262,825)	(8,964,299)
Result from related party transactions		-	(714,809)	(5,178)	(713,834)
Loss before income tax and social contribution		(4,213,208)	(11,077,214)	(4,213,208)	(11,077,214)
Current income tax and social contribution	14	-	(11)	-	(11)
Deferred income tax and social contribution	14	-	242,516	-	242,516
Net loss		(4,213,208)	(10,834,709)	(4,213,208)	(10,834,709)
Basic loss per common share - R$	27	(0.16)	(0.42)	(0.16)	(0.42)
Diluted loss per common share - R$	27	(0.16)	(0.42)	(0.16)	(0.42)
Basic loss per preferred share - R$	27	(12.19)	(31.67)	(12.19)	(31.67)
Diluted loss per preferred share - R$	27	(12.19)	(31.67)	(12.19)	(31.67)

The accompanying notes are an integral part of these individual and consolidated financial statements.

AZUL S.A.

Statements of comprehensive income
Years ended December 31, 2021 and 2020
(In thousands of Brazilian reais – R$)

		Parent company and Consolidated	
		Years ended	
	Note	12/31/21	12/31/20
Net loss		(4,213,208)	(10,834,709)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	22	-	159,261
Post-employment benefit	24	5,144	655
Total comprehensive income (loss) for the year		(4,208,064)	(10,674,793)

The accompanying notes are an integral part of these individual and consolidated financial statements.

AZUL S.A.

Statements of changes in equity
Years ended December 31, 2021 and 2020
(In thousands of Brazilian reais – R$)

Description	Note	Issued capital	Advance for future capital increase	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		-	-	-	-	-	(10,834,709)	(10,834,709)
Post-employment benefit	24	-	-	-	-	655	-	655
Cash flow hedge	22	-	-	-	-	159,261	-	159,261
Total comprehensive income (loss)		-	-	-	-	159,916	(10,834,709)	(10,674,793)
Share-based payment	28	3,152	20,625	2,383	19,057	-	-	45,217
At December 31, 2020		2,246,367	20,625	(13,182)	1,947,887	655	(18,351,102)	(14,148,750)
Net loss		-	-	-	-	-	(4,213,208)	(4,213,208)
Post-employment benefit	24	-	-	-	-	5,144		5,144
Total comprehensive income (loss)		-	-	-	-	5,144	(4,213,208)	(4,208,064)
Share buyback	26	-	-	(16,198)	-	-	-	(16,198)
Share-based payment	28	44,509	(20,505)	17,421	(1,416)	-	-	40,009
At December 31, 2021		2,290,876	120	(11,959)	1,946,471	5,799	(22,564,310)	(18,333,003)

The accompanying notes are an integral part of these individual and consolidated financial statements.

AZUL S.A.

Statements of cash flows

Years ended December 31, 2021 and 2020

(In thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	Years ended			
	12/31/21	12/31/20	12/31/21	12/31/20
Cash flows from operating activities				
Net loss	(4,213,208)	(10,834,709)	(4,213,208)	(10,834,709)
Reconciliation of non-cash items:				
Depreciation and amortization	-	-	1,544,333	1,805,553
Results from impairment of onerous assets and liabilities	-	-	(1,075,682)	(757,554)
Unrealized derivative results	(829,213)	755,860	(864,184)	2,207,470
Share-based payment	-	-	17,180	22,910
Foreign currency exchange, net	80,910	(39,682)	1,431,508	4,040,945
Interest income (expenses) on assets and liabilities	205,058	760,830	3,418,852	2,166,133
Related parties	-	-	-	687,531
Deferred income tax and social contribution	-	(242,516)	-	(242,516)
Provisions	-	-	646,606	701,322
Sale and leaseback	-	-	(22,736)	(16,224)
Result from modification of lease contracts	-	-	(24,323)	(902,888)
Proceeds from sale and/or disposal of property and equipment and intangible assets	-	-	832	621,415
Equity	4,706,798	9,564,331	-	-
Adjusted net loss (profit)	(49,655)	(35,886)	859,178	(500,612)
Changes in operating assets and liabilities				
Accounts receivable	-	78	(270,334)	341,759
Aircraft sublease receivables	-	-	65,032	69,336
Inventories	-	-	(159,118)	(44,587)
Security deposits and maintenance reserves	-	-	(421,612)	(173,778)
Prepaid expenses	(2,407)	(539)	(364,107)	(25,089)
Taxes recoverable	(637)	(12,621)	26,009	251,962
Advances to suppliers	54	-	(120,266)	7,239
Other assets	(53,256)	3,586	79,201	265,479
Rights and obligations with derivatives	-	-	(24,520)	(257,021)
Accounts payable	(30,945)	34,574	1,078,643	993,546
Accounts payable – supplier finance	-	-	(1,356,689)	(249,727)
Reimbursement to customers	-	-	(63,507)	212,542
Salaries, wages and benefits	1,756	(179)	185,692	40,093
Insurance premiums payable	1,072	7	40,669	2,489
Taxes payable	(15,619)	16,044	66,719	4,212
Government installment payment program	-	-	(7,399)	(9,749)
Air traffic liability	-	-	574,944	394,618
Provision	-	-	(395,361)	(116,393)
Airport fees	-	-	80,788	38,046
Other liabilities	-	-	439,957	212,463
Interest paid	-	-	(624,535)	(480,294)
Income tax and social contribution paid	-	(304)	-	(304)
Total changes in operating assets and liabilities	(99,982)	40,646	(1,169,794)	1,476,842
Net cash provided by (used in) operating activities	(149,637)	4,760	(310,616)	976,230
Cash flows from investing activities				
Short-term investments				
Acquisition of short-term investments	-	-	(98,788)	(1,471,743)
Redemption of short-term investments	-	21	189,470	1,513,613
Payment for acquisition of subsidiary	-	-	(20,000)	(38,713)
Proceeds from sale of property and equipment	-	-	-	45,670
Acquisition of intangible assets	-	-	(152,542)	(109,587)
Acquisition of property and equipment	-	-	(624,286)	(343,073)
Net cash provided by (used in) investing activities	-	21	(706,146)	(403,833)
Cash flows from financing activities				
Loans and financing				
Proceeds	-	1,702,155	3,071,274	1,936,223
Repayment	-	-	(390,985)	(192,408)
Payment of debt issuance costs	-	-	(75,645)	-
Lease payment	-	-	(1,799,815)	(834,086)
Proceeds from sale and leaseback	-	-	21,256	-
Advance for future capital increase	24,004	(1,300,000)	24,004	-
Capital increase	-	23,777	-	23,777
Treasury shares	(16,198)	-	(16,198)	-
Net cash provided by (used in) financing activities	7,806	425,932	833,891	933,506
Exchange rate changes on cash and cash equivalents	(2,508)	(778)	191,855	(88,968)
Net increase (decrease) in cash and cash equivalents	(144,339)	429,935	8,984	1,416,935
Cash and cash equivalents at the beginning of the year	437,896	7,961	3,064,815	1,647,880
Cash and cash equivalents at the end of the year	293,557	437,896	3,073,799	3,064,815

The accompanying notes are an integral part of these individual and consolidated financial statements.

AZUL S.A.

Statements of value added

Years ended December 31, 2021 and 2020

(In thousands of Brazilian reais – R$)

	Note	Parent company		Consolidated	
		Years ended			
		12/31/21	12/31/20	12/31/21	12/31/20
Gross sales revenue					
Passenger revenue	29	-	-	9,101,576	5,197,272
Cargo transport and other revenue	29	-	-	1,301,090	799,222
Allowance (reversal) for expected credit losses		-	-	(1,686)	(1,415)
		-	-	10,400,980	5,995,079
Inputs acquired from third parties					
Aircraft fuel	30	-	-	(3,257,223)	(1,508,750)
Materials, energy, third-party services and other		(36,926)	(36,350)	(4,218,784)	(3,055,625)
Aircraft insurance		-	-	(62,781)	(61,786)
		(36,926)	(36,350)	(7,538,788)	(4,626,161)
Gross value added		(36,926)	(36,350)	2,862,192	1,368,918
Retentions					
Depreciation and amortization	30	-	-	(1,544,333)	(1,805,553)
Impairment	30	-	-	1,075,682	757,554
Net value added produced by the entity		(36,926)	(36,350)	2,393,541	320,919
Value added received in transfers					
Equity	15	(4,706,798)	(9,564,331)	-	-
Financial income	31	15,436	4,027	154,280	60,298
Result from related party transactions		-	(714,809)	(5,178)	(713,834)
		(4,691,362)	(10,275,113)	149,102	(653,536)
Total value added to be distributed		(4,728,288)	(10,311,463)	2,542,643	(332,617)
Distribution of value added:					
Personnel		12,097	5,674	1,455,647	1,211,096
Salaries and wages		9,380	3,409	1,085,627	878,808
Benefits		2,274	2,115	272,933	260,154
F.G.T.S.		443	150	97,087	72,134
Taxes, fees and contributions		2,614	(241,905)	661,299	172,275
Federal		1,671	(241,905)	607,956	129,986
State		-	-	40,245	29,051
Municipal		943	-	13,098	13,238
Third party capital remuneration		(529,791)	759,477	4,638,905	9,118,721
Financial expenses	31	218,605	65,275	3,838,243	2,514,587
Derivative financial instruments	31	(829,213)	755,354	(864,184)	2,207,470
Foreign currency exchange, net	31	80,817	(61,152)	1,443,046	4,302,540
Rentals		-	-	221,800	94,124
Own capital remuneration		(4,213,208)	(10,834,709)	(4,213,208)	(10,834,709)
Net loss		(4,213,208)	(10,834,709)	(4,213,208)	(10,834,709)

The accompanying notes are an integral part of these individual and consolidated financial statements.

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 since the beginning of its operations on December 15, 2008.

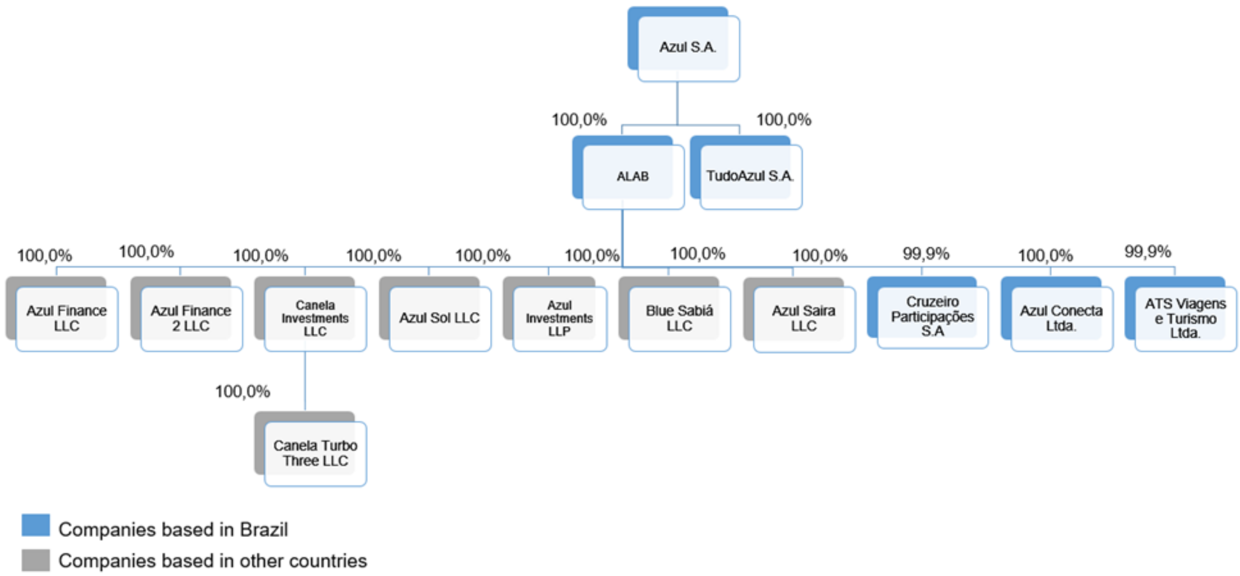
The Company carries out its activities through its subsidiaries, mainly Azul Linhas Aéreas Brasileiras S.A. ("ALAB"), which holds authorization from government authorities to operate as an airline.

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 Penteado de Ulhôa 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 December 31, 2021 is as follows:



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

The table below lists the operational activities in which the Company's subsidiaries are engaged, as well as the changes in ownership that occurred in the year, when applicable.

				% equity interest	
Company	Type of investment	Main activity	Country	12/31/21	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 Saíra LLC	Indirect	Aircraft financing	USA	100.00%	100.00%

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

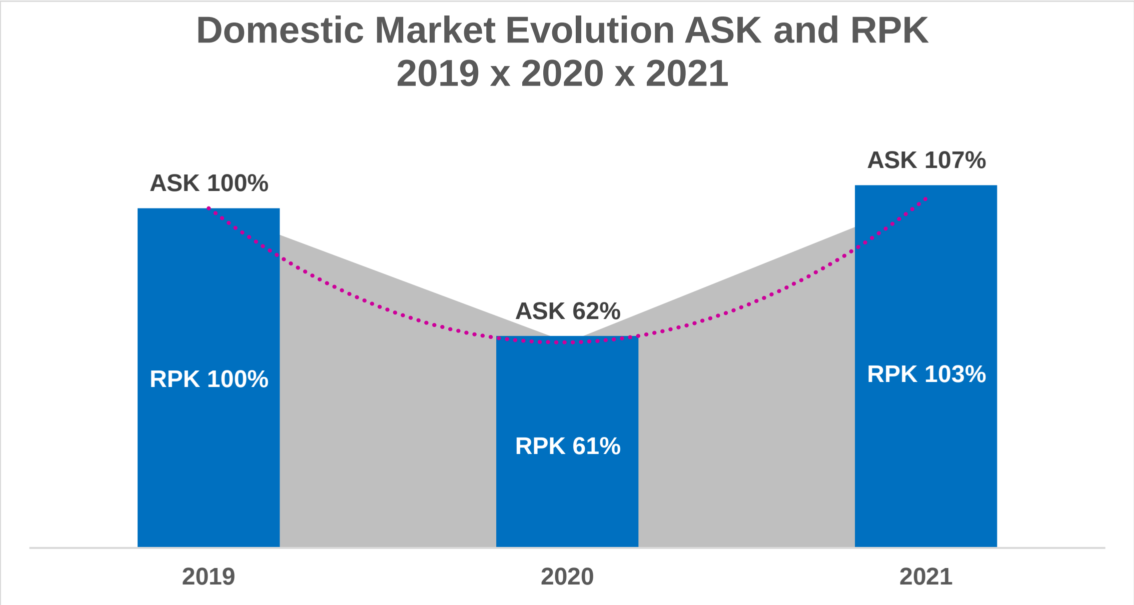
1.2 Impacts of the Covid-19 pandemic

During 2021, the global economy was once again impacted by developments related to the COVID-19 pandemic, mainly due to the 2nd wave of contamination caused by the Delta variant in the first and second quarters.

It should be noted that in Brazil the vaccination process had a high adherence by the population, which caused a drastic drop in the number of infected people and deaths, thus favoring the conditions for the resumption of passenger air transport.

The Company's Management closely monitors developments related to the COVID-19 pandemic, assessing the impact on its business and especially on its crew and customers.

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 projects that contained non-essential expenditures, and continuous search for opportunities to reduce costs and to raise funds in the capital market, seeking the economic and financial equilibrium among all stakeholders.

Throughout the year, management measures became more flexible, mainly due to the resumption of payments of lease and supplier considerations. 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 year ended December 31, 2021, there were no impacts on these individual and consolidated financial statements related to changes in accounting estimates and/or provisions, the impacts are related to the postponement of fleet transformation plans and realization of the business growth potential.

1.3 Capital structure and net working capital

The Company's Management, together with the Board of Directors, constantly monitors the Company's liquidity position and cash projections, as well as any factors that may affect the ability to generate revenue and the Company's ability to honor the financial commitments assumed.

The position of equity and consolidated net working capital and their variations are presented below:

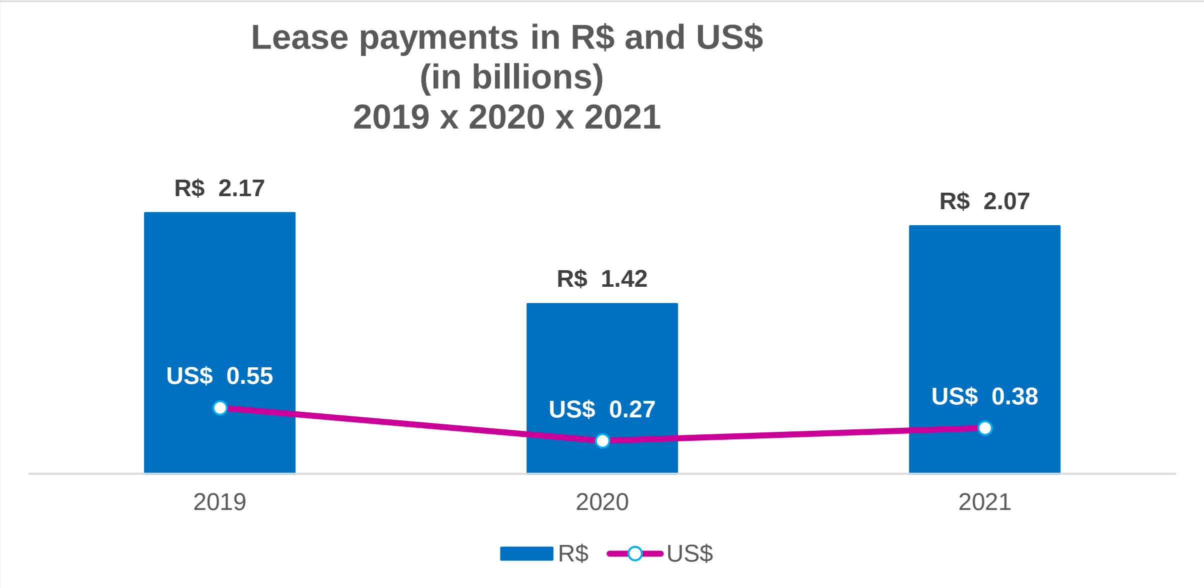
(In thousands of Brazilian reais – R$, unless otherwise indicated)

Description	12/31/21	12/31/20	Variation	12/31/19	Variation
Net working capital	(5,863,916)	(4,795,208)	(1,068,708)	(2,723,289)	(2,071,919)
Equity	(18,333,003)	(14,148,750)	(4,184,253)	(3,519,174)	(10,629,576)

The variation in the balance of net working capital is mainly related to the increase in the positions of lease obligations and short-term loans and financing, both impacted by the devaluation of the real against the US dollar by approximately 7.4% in the year.

Additionally, the lease liabilities position also includes postponed installments of obligations negotiated with lessors in the peak of the COVID-19 pandemic, which are expected to be settled gradually in the period between 2023 and 2027.

The chart below shows the resumption of lease consideration payments:



In June 2021, the Company concluded its fundraising with the issuance of Senior Notes in the net amount of R$2,976,795 (note 19.2). The proceeds were used to for corporate purposes in general. In order to promote an economic and financial balance with suppliers, during the year the Company made several payments that had been postponed, with original due dates in 2020 and 2021. The position of short-term obligations with suppliers decreased by R$621,112.

The Company has the ability to access the capital market at competitive costs, its latest relevant fundraising processes occurred within the period of the Covid 19 pandemic were subject to annual interest between 6.0% and 7.5%.

The variation in the balance of negative equity position 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 7.4% devaluation of the real against the US dollar during the year. A significant part of the operating costs are directly impacted by changes in exchange rates, such as fuel and maintenance, as well as the financial result, given that virtually all lease obligations and loans and financing are denominated in US dollars. During the year of 2021 the Company suffered unrealized exchange losses in the amount of R$1,443,046 (R$4,302,540 at December 31, 2020).

Management continuously monitors the Company's liquidity situation and will continue to adopt measures to strengthen its cash position, provide efficiency in costs and restrain operating expenses. These actions have proven to be efficient for the business continuity and sustainability.

The Company ended the year with a position of cash, cash equivalents, accounts receivable and short-term aircraft sublease receivables totaling R$4,149,321 (R$4,155,471 at December 31, 2020). Management 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 9, 2021. This assessment includes planned future actions, macroeconomic and aviation sector assumptions, such as: recovery in air transport demand, estimates of exchange rates and fuel prices.

The Company's Management monitors and informs the Board of Directors about the performance achieved in relation to the approved plan and updates it as needed.

Based on this conclusion, these individual and consolidated financial statements have been prepared based on the principle of going concern.

1.4 Acceleration of fleet transformation

In 2019, the Company's management approved the Embraer E195 phase-out plan ("E1"). On the same date, the Company signed letters of intent for the sublease of these assets to other air operators. The change in the intended use of the aircraft triggered an impairment review that resulted in the recognition of impairment of these assets of R$2,075,582 and the constitution of an onerous liability of R$821,751 at that time.

In the second quarter of 2021, there was a partial reversal of the impairment in the amount of R$103,017 due to Management's decision to use 2 aircraft for cargo, thus changing the intended use of these assets.

The COVID-19 pandemic triggered the postponement of the plans for delivery of aircraft to sub-lessors. One of letter of intent for sublease signed remains valid, three aircraft was delivered and 10 more units are scheduled to be delivered in the next year. On the other hand, as provided for in the signed letters, as a result of the adverse conditions that arose from the COVID-19 pandemic and predicting opportunities to use these aircraft in the Company's operations, one of letter intention corresponding to a total of 21 aircraft was canceled.

As a result of such cancellation, the Company through asset recoverability studies, made a partial reversal of the provision initially recognized, in the amount corresponding to R$1,362,386.

At December 31, 2021, the provision for impairment of assets corresponds to a total of 28 aircraft (51 aircraft and 4 engines at December 31, 2020).

The main assumptions used in the analysis included:

- Sublease revenue;
- Estimated period for start of the sublease contracts;
- Delivery and maintenance costs of aircraft;
- Residual value for own aircraft at the end of sublease contracts;

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

- Exchange rate; and
- Pre-tax discount rate.

Considering the updating of the macroeconomic assumptions and the Company's business plans, the breakdown of the account balances and the movement of the provision are shown below:

1.4.1 Breakdown of balances of provision for impairment and onerous liability

	Consolidated	
Description	12/31/21	12/31/20
Provision for impairment of ROU	(605,651)	(706,614)
Provision for impairment of aircraft and engine	(68,693)	(211,062)
Provision for impairment of rotables	(225,797)	(225,797)
Provision for impairment of other assets	(12,013)	(75,075)
Total provision for impairment of Company assets	(912,154)	(1,218,548)
Provision for onerous liabilities	(693,407)	(1,340,522)
Total	(1,605,561)	-2559070

1.4.2 Movement of the provision for impairment and onerous liability

	Consolidated		
Description	Impairment of assets	Onerous liabilities	Total
Balance at December 31, 2019	(2,075,582)	(821,751)	(2,897,333)
Foreign currency exchange	-	(213,280)	(213,280)
Interest expense	-	(206,011)	(206,011)
Additions	-	(362,426)	(362,426)
Consumption	272,006	262,946	534,952
Maintenance reserves	(20,486)	-	(20,486)
Sale of aircraft	13,123	-	13,123
Renegotiation of lease contracts (lease modification)	581,926	-	581,926
Other	10,465	-	10,465
Balance at December 31, 2020	(1,218,548)	(1,340,522)	(2,559,070)
Foreign currency exchange	-	(103,858)	(103,858)
Interest expense	-	(156,516)	(156,516)
Reversals	494,592	970,811	1,465,403
Additions	(188,198)	(201,523)	(389,721)
Consumption	-	188,842	188,842
Initial recognition of sublease (*)	-	(50,641)	(50,641)
Balance at December 31, 2021	(912,154)	(693,407)	(1,605,561)

(*) The balance was transferred from "Provision for onerous liabilities" to "Aircraft sublease receivables", as it refers to the estimated amount of the sublease receivable for two aircraft delivered to Breeze.

1.5 Seasonality

The Company's operating revenues depend substantially on the general volume of passenger and cargo traffic, which is subject to seasonal changes. Our passenger revenues are generally higher during the summer and winter holidays, in January and July respectively, and in the last two weeks of December, which corresponds to the holiday season. Considering the distribution of fixed costs, this seasonality tends to cause variations in operating results between the quarters of the fiscal year. It should be noted that the COVID-19 pandemic impacted the behavior related to the frequency of travels of the Company's customers, which may affect the usual business seasonality.

2. BUSINESS COMBINATION

2.1. Accounting policies

The Company accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred.

In the acquisition of a business, Management assesses the assets acquired and liabilities assumed in order to classify and allocate them according to the contractual terms, economic circumstances and relevant conditions at the acquisition date. Goodwill is initially measured as the excess of the consideration transferred over the fair value of the net assets acquired (identifiable assets and liabilities assumed, net). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units that are expected to benefit from the acquisition.

2.2. Acquisition of Azul Conecta

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 the Company for a specified period.

Considering the 12-month period for the identification and measurement of identifiable assets acquired and liabilities assumed at fair value, provided for in CPC 15 – Business Combinations, equivalent to IFRS – 3, the Company completed the purchase price allocation report and such acquisition generated goodwill of R$147,915 allocated in line item "Goodwill".

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

The goodwill recognized is not deductible for income tax purposes.

The identifiable assets acquired and assumed liabilities that were recognized at the acquisition date and the related fair value are shown below:

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
	129,645
Liabilities	
Loans and financing	(16,540)
Accounts payable	(5,764)
Salaries, accruals and payroll charges	(2,707)
Taxes payable	(824)
Provision for tax, civil and labor risks (c)	(136,507)
Other liabilities	(650)
	(162,992)
Net assets acquired	(33,347)
Consideration at present value	114,568
Goodwill	147,915
Cash flows	
Net cash acquired with subsidiary	3,971
Payment	(62,684)
Net cash flow from acquisition	(58,713)

(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 prepared by independent experts. The amount attributed to these items was R$44,351.

(c) The Company recognized the fair value of R$135,320 related to contingent liabilities, that is, existing and not recognized in the acquiree's statement of financial position at the acquisition date.

3. DECLARATION OF MANAGEMENT, BASIS FOR PREPARATION AND PRESENTATION OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Company's individual and consolidated financial statements have 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 corporation 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 financial statements have been prepared based on the real ("R$") as a functional and presentation currency and are expressed in thousands of reais, unless otherwise indicated.

The preparation of the Company's individual and consolidated financial statements 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 these individual and consolidated financial statements, Management used the following disclosure criteria: (i) regulatory requirements; (ii) relevance and specificity of the information on the Company's operations to users; (iii) informational needs of users of the individual and consolidated financial statements; and (iv) information from other entities participating in the passenger air transport market.

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

In order to ensure a better presentation and comparability of balances, some reclassifications were carried out in the balance sheet and income statements of the previous year.

The individual and consolidated financial statements have 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;
- Investments accounted for under the equity method;
- Short-term investments mainly comprised of TAP Bond;
- Derivative financial instruments; and
- Debenture conversion right

3.1 Approval and authorization for issue of the individual and consolidated financial statements

The approval and authorization for issue of these individual and consolidated financial statements occurred at the Board of Directors' meeting held on February 22, 2022.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are described in each corresponding explanatory note, except those that refer to more than one explanatory note, described below. The accounting policies have been consistently applied for the comparative years presented and for the Company's individual and consolidated financial statements.

4.1 Consolidation

The consolidated financial statements include information about the Company and its subsidiaries in which Azul held direct or indirect control. Control of a subsidiary is achieved when Azul is exposed, or has rights, to variable returns in such subsidiaries and has the power to influence the investee's operating and financial decisions.

The financial information of the subsidiaries has been prepared using the same accounting policies as the Company.

All related party assets and liabilities, equity, income, expenses and cash flows related to transactions between related parties are eliminated in full in the consolidation process.

4.2 New accounting standards and interpretations adopted for the year

On March 31, 2021, the IASB extended until June 30, 2022 the application of the practical expedient of IFRS-16 ("lease concessions") as a result of the Covid-19 pandemic. This extension is also approved by the CVM. In certain renegotiations of its lease contracts, the Company adopted the provisions of said standard and the effects on these individual and consolidated financial statements are immaterial.

4.3 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.

4.4 Statement of value added ("SVA")

Its purpose is to evidence the wealth generated by the Company and its distribution during a given year, and is presented by the Company as required by Brazilian corporate law as part of its individual financial statements and as supplementary information to the consolidated financial statements, as it is not an expected or mandatory statement according to IFRS standards.

The SVA was prepared based on information obtained from the accounting records following the provisions contained in CPC 09 - Statement of value added.

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

4.5 Segment information

An operating segment is a component of the Company that develops business activities to obtain revenues and incur expenses. The operating segments reflect the way in which the Company's Management reviews the financial information for decision-making. The Company's Management identified the operating segments that meet the quantitative and qualitative parameters of disclosure, namely:

	% net revenue	
Parameters	**12/31/21**	**12/31/20**
Qualitative		
Passenger service	n/a	n/a
Quantitative		
Passenger service	87.5%	86.7%
Cargo service	12.1%	12.7%
Other revenue	0.4%	0.6%

The Company regularly manages its business and makes resource allocation decisions considering the existence of only one operating segment, which is why the information for the cargo transportation segment is not being disclosed.

4.6 Significant accounting estimates

As disclosed in note 3, Management makes judgments that have a significant effect on the amounts recognized in the financial statements, namely:

- provision for impairment of aircraft, engines and onerous liability (note 1.4);
- business combination (note 2);
- allowance for expected losses (note 7);
- provision for inventory losses (Note 9)
- analysis of recoverability of maintenance deposits (note 10);
- annual impairment test of deferred taxes (note 14);
- useful life of property and equipment and intangible assets with finite useful life (notes 16 and 18);
- annual impairment test of goodwill (note 18);
- slot recovery analysis (note 18);
- ticket breakage revenue and frequent-flyer programs (note 23);

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

- provision for return of aircraft and engines (note 24.1.1);
- provision for tax, civil and labor risks (note 24.1.3);
- provision for post-employment benefits (note 24.1.4); and
- share-based payment (note 28).

The Company continuously revises the assumptions used in its accounting estimates. The effect of revisions to accounting estimates is recognized in the financial statements in the year in which such revisions are made.

4.7 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 conversion is recorded under the line item "Foreign currency exchange, net" in the statement of profit or loss for the year.

The exchange rates in Brazilian reais at the date of these individual and consolidated financial statements are as follows:

	Final rate		Average rate	
	Year ended		Year ended	
Description	12/31/21	12/31/20	12/31/21	12/31/20
U.S. dollar	5.5805	5.1967	5.3956	5.1578
Euro	6.3210	6.3779	6.3784	5.8989

5. CASH AND CASH EQUIVALENTS

5.1. Accounting policies

This group includes cash balances, bank deposits and short-term investments with immediate liquidity, which are readily convertible into a known amount of cash with an insignificant risk of change in value. Financial investments designated as cash equivalents classified in this group are measured at fair value through profit or loss.

5.2. Breakdown of cash and cash equivalents

	Effective interest	Parent company		Consolidated	
Description	rate p.a.	12/31/21	12/31/20	12/31/21	12/31/20
Cash and bank deposits		10,724	21,417	229,745	465,054
Cash equivalents					
Bank Deposit Certificate - CDB	3.33%	282,833	416,479	2,750,776	2,216,592
Time Deposit - TD	0.05%	-	-	91,043	-
Repurchase agreements	0.02%	-	-	2,235	361,183
Exclusive investment funds	-	-	-	-	21,986
		293,557	437,896	3,073,799	3,064,815

6. SHORT-TERM INVESTMENTS

6.1 Accounting policies

In the presentation and measurement of the financial investments, the Company considers the provisions of CPC 48 - "Financial Instruments", equivalent to IFRS 9, which determines that financial assets shall be initially measured at fair value less costs directly attributable to their acquisition. In turn, the subsequent measurement is divided into two categories:

6.1.1 Amortized cost

Short-term investments are measured at amortized cost when all the following conditions are met:

- The Company plans to hold the financial asset to collect cash flows set forth in contract;
- Contractual cash flows represent solely payments of interest and principal ("SPPI"); and
- The Company did not opt for the fair value methodology in order to eliminate measurement inconsistencies named "accounting mismatch".

6.1.2 Fair value

- Through comprehensive income: short-term investments shall be measured at fair value through comprehensive income when both of the following conditions are met:

  (i) the Company plans to hold the financial asset to collect cash flows set forth in contract and sell the asset; and
  (ii) contractual cash flows represent SPPI;

- Through profit or loss: it is considered to be a residual category, i.e. the Company does not plan to hold the financial asset to collect cash flows set forth in contract and/or sell the asset, this shall be measured at fair value through profit or loss.

Financial instruments designated at fair value through profit or loss are used to eliminate or significantly reduce an accounting mismatch, and are therefore measured at fair value.

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

6.2. Breakdown of short-term investments

6.2.1 Short-term investments measured at fair value through profit or loss

Description	Effective interest rate p.a.	Consolidated 12/31/21	Consolidated 12/31/20
Exclusive investment funds	-	-	62,972
Investment funds	0.15%	1,430	28,847
TAP Bond	7.50%	906,719	854,462
		908,149	946,281
Current		1,430	91,819
Non-current		906,719	854,462

7. ACCOUNTS RECEIVABLE

7.1 Accounting policies

These are measured based on the invoiced amount, net of expected losses on receivables, and approximate the fair value given their short-term nature. Considering the requirements of CPC 48 - “Financial Instruments”, equivalent to IFRS 9, the allowance for expected losses on receivables is now measured by applying the simplified approach, through the use of historical data, projecting the expected loss over the life of the contract, by segmenting the receivables portfolio into groups that have the same pattern of collection and according to the respective maturities. Additionally, for certain cases, the Company carries out individual analyses to assess the risks of collection of the receivables and establish provision, if necessary.

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

7.2 Breakdown of accounts receivable

	Consolidated	
Description	**12/31/21**	**12/31/20**
Local currency		
Credit card companies	411,092	394,895
Cargo and travel agencies	209,621	146,854
Travel package financing entities	106,824	56,870
TudoAzul Program partners	128,018	65,522
Other	32,896	52,713
Total local currency	888,451	716,854
Foreign currency		
Credit card companies	19,211	8,927
Reimbursement receivable for maintenance reserves	18,197	112,170
Airline partner companies	36,693	24,910
Insurance companies	4,194	7,150
Clearinghouse - agencies and cargo	26,085	10,340
Other	22,879	11,162
Total foreign currency	127,259	174,659
Total	1,015,710	891,513
Allowance for expected credit losses	(17,817)	(16,131)
Total net	997,893	875,382

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, through the discounting of these receivables with the card operators.

As of December 31, 2021, reclassifications of R$105,277 were made to the line item “Other non-current assets” related to reimbursement receivable from the 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$205,978, therefore, there is no risk of realization of such receivable. No provision for loss was established as of December 31, 2021.

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

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

	Consolidated	
Description	**12/31/21**	**12/31/20**
Not past due		
Up to 30 days	562,539	476,378
31 to 60 days	101,699	69,729
61 to 90 days	56,001	46,007
91 to 180 days	110,207	86,215
181 to 360 days	90,351	65,386
Not past due	920,797	743,715
Past due		
Up to 30 days	25,872	104,377
31 to 60 days	20,178	8,371
61 to 90 days	13,235	4,228
91 to 180 days	3,589	5,077
181 to 360 days	5,388	6,178
Over 360 days	8,834	3,436
Past due	77,096	131,667
Total	997,893	875,382

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

	Consolidated	
Description	**12/31/21**	**12/31/20**
Balances at the beginning of the year	(16,131)	(14,716)
Business combination - Azul Conecta	-	(380)
(Additions) reversals	(5,921)	(3,205)
Write-off of uncollectible amounts	4,235	2,170
Balances at the end of the year	(17,817)	(16,131)

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

8. AIRCRAFT SUBLEASE RECEIVABLES

8.1 Accounting policies

The sublease receivable is a transaction whereby the lessee, in this case the Company, subleases the asset that is the subject of a lease to a third party, thus becoming an intermediate lessor. CPC 06 (R2) - Leases, equivalent to IFRS 16, requires an intermediate lessor to classify the sublease as finance or operating. Considering that the contracts entered into by the Company up to December 31, 2021 cover most of the term of the head lease, the subleases were accounted for as follows:

- Derecognition of the right-of-use asset related to the head lease and recognition of the rights arising from the sublease contracts at present value;
- Recognition of any difference between the right of use written off and the rights arising from the sublease contract at present value in profit or loss for the year;
- Maintenance of the lease obligations of the host contract in the statement of financial position;
- Recognition of financial income over the term of the sublease; and
- Recognition of financial expenses relating to obligations of the host lease contract.

8.2 Breakdown of aircraft sublease receivables

	Consolidated	
Description	**12/31/21**	**12/31/20**
2021	-	142,932
2022	92,092	62,547
2023	87,658	65,040
2024	87,817	65,188
2025	54,890	34,789
After 2025	4,615	1,994
Gross lease receivables	327,072	372,490
Accrued interest	(52,874)	(59,553)
Net lease receivables	274,198	312,937
Current	76,199	123,455
Non-current	197,999	189,482

As of December 31, 2021, the amount of R$16,980 was past due (R$34,457 as of December 31, 2020). No provision was established as the Company has higher obligations arising from the receipt of security deposits advanced by the sub-lessor, and therefore there is no expectation of non-realization of such assets.

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

9. INVENTORIES

9.1 Accounting policies

Inventory balances mainly comprise materials for maintenance and replacement of flight equipment parts. Inventories are measured at average acquisition cost plus expenses such as non-recoverable taxes, customs expenses incurred in the acquisition, and expenses with transportation to the warehouse. Expenses with freight transfers between operational bases are not capitalized, if incurred. Provisions for obsolescence of inventories are recorded for items not expected to be realized.

9.2 Breakdown of inventories

	Consolidated	
Description	12/31/21	12/31/20
Maintenance parts and materials	597,204	442,161
Flight attendance and uniforms	13,655	9,579
Provision for obsolescence of inventories	(38,935)	(49,153)
Total net	571,924	402,587

Set out below is the movement of the provision for obsolescence of inventories:

	Consolidated	
Description	12/31/21	12/31/20
Balances at the beginning of the year	(49,153)	(33,727)
Additions	(10,681)	(16,438)
Write-offs	2,566	1,012
Reversal of impairment	18,333	-
Balances at the end of year	(38,935)	(49,153)

10. SECURITY DEPOSITS AND MAINTENANCE RESERVES

10.1 Accounting policies

10.1.1 Security deposits

Security deposits are represented by amounts deposited by the Company to the lessors of aircraft, as required at the inception of the lease, as guarantee for the fulfillment of the lease contract. Security deposits are denominated in U.S. Dollars, do not bear interest and are not reimbursable at the end of the contracts. Judicial deposits are also classified in this group.

10.1.2 Maintenance reserves

Certain master lease agreements provide for the payment of aircraft maintenance reserves made to the lessors to be held as collateral for the performance of major maintenance activities, and therefore these deposits are reimbursable upon completion of the maintenance event in an amount equal to or less than:

- the amount of the maintenance reserve held by the lessor associated with the specific maintenance event; or

- the costs related to the specific maintenance event.

Substantially all of these maintenance reserve payments are calculated based on an aircraft utilization measure, such as flight hours or cycles, and are used solely to collateralize the performance of maintenance by the lessor. At the reporting date we assess whether the maintenance reserve deposits required by the master lease agreements are expected to be recovered through the performance of qualifying maintenance on the leased assets. Maintenance deposits expected to be recovered are held in assets, and the amounts identified as non-recoverable are readily transferred to profit or loss.

Aircraft maintenance reserves are classified as current or non-current depending on the dates when the related maintenance is expected to be performed.

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

10.2 Breakdown of security deposits and maintenance reserves

The movement of security deposits and maintenance reserves is as follows:

	Consolidated		
Description	Maintenance reserves	Security deposits	Total
Balances at December 31, 2019	1,498,898	152,635	1,651,533
Business combination - Azul Conecta	-	298	298
Additions	313,950	93,739	407,689
Impairment	(20,486)	-	(20,486)
Provision for loss	(419,843)	-	(419,843)
Reimbursements	(476,588)	(43,519)	(520,107)
Foreign currency exchange	425,715	29,243	454,958
Balances at December 31, 2020	1,321,646	232,396	1,554,042
Additions	501,309	95,799	597,108
Reversal of impairment	24,275	-	24,275
Provision for loss	(221,626)	-	(221,626)
Reimbursements	(86,804)	(48,584)	(135,388)
Transfer	-	23,782	23,782
Foreign currency exchange	106,089	16,137	122,226
Balances at December 31, 2021	1,644,889	319,530	1,964,419
Current	357,210	53,702	410,912
Non-current	1,287,679	265,828	1,553,507

11. TAXES RECOVERABLE

11.1 Accounting policies

Taxes recoverable represent rights that will be realized through offsets against future obligations arising from the Company's operational activities, mainly from the transport of passengers and cargo. The Company continuously reviews the capacity of realization of these assets and, when necessary, provisions are established to ensure that these assets are accounted for at their realization value.

11.2 Breakdown of taxes recoverable

	Parent company		Consolidated	
	12/31/21	12/31/20	12/31/21	12/31/20
PIS and COFINS	-	-	61,049	123,005
Withholding income tax	2,180	23	19,768	3,470
IRPJ and CSSL	12,388	13,888	15,488	4,443
ICMS	-	-	9,500	1,765
Other taxes	-	20	3,894	1,023
	14,568	13,931	109,699	133,706

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

12. PREPAID EXPENSES

12.1 Accounting policies

Prepaid expenses represent payments through which the Company will receive the provision of services and/or will benefit from the use of the related assets in a subsequent period.

12.2 Breakdown of prepaid expenses

	Parent company		Consolidated	
Description	12/31/21	12/31/20	12/31/21	12/31/20
Insurances premiums	3,064	374	89,951	49,428
Maintenance	-	-	295,518	82,689
Commissions	-	-	112,599	60,681
Other	33	316	59,710	44,433
Total	3,097	690	557,778	237,231
Current	3,097	690	244,413	219,039
Non-current	-	-	313,365	18,192

13. ADVANCES TO SUPPLIERS

13.1 Accounting policies

Advances to suppliers represent the advance payment of installments related to purchases of goods or obtainment of rights that will be delivered in the future.

13.2 Breakdown of advances to suppliers

	Parent company		Consolidated	
Description	12/31/21	12/31/20	12/31/21	12/31/20
Advances – local currency	97	151	109,677	39,698
Advances – foreign currency	-	-	93,702	43,416
	97	151	203,379	83,114

14. INCOME TAX AND CONTRIBUTION

14.1 Accounting policies

14.1.1 Current taxes

In Brazil, current taxes comprise corporate income tax (“IRPJ”) and social contribution on profit (“CSLL”), which are calculated monthly based on the taxable profit, after offsetting tax loss carryforwards, limited to 30% of the taxable profit. A 15% rate is applied to that base, plus 10% for IRPJ and 9% for CSLL.

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

The income from foreign subsidiaries is subject to taxation in accordance with the rates and legislation in force. In Brazil such income is taxed in accordance with Law No. 12,973/14.

14.1.2 Deferred taxes

Deferred taxes represent credits and debits on tax loss carryforwards, as well as temporary differences between the tax and accounting bases. Deferred tax and contribution assets and liabilities are classified as non-current. An impairment loss on these assets is recognized when the Company's internal studies indicate that the future use of these credits is not likely.

Deferred tax assets and liabilities are present net if there is a legally enforceable right to set off tax liabilities against tax assets, and if they are related to taxes levied by the same tax authority on the same taxable entity. Therefore, for presentation purposes, balances of tax assets and liabilities, which do not meet the legal criteria for realization, are disclosed separately. Deferred tax assets and liabilities shall be measured at the rates that are expected to be applicable in the period in which the asset is realized or the liability is settled, based on the tax rates and legislation in force at the reporting date. The projections of future taxable profits on tax loss carryforwards are prepared based on the business plans and are reviewed and approved annually by the Board of Directors.

14.1.3 Uncertainty over income tax treatments

On January 1, 2019, the accounting standard ICPC 22 - Uncertainty over Income Tax Treatments, equivalent to IFRIC 23, became effective, addressing the application of recognition and measurement requirements when there is uncertainty over income tax treatments.

The Company analyzes relevant tax decisions of higher courts and whether they conflict in any way with the positions adopted. For known uncertain tax positions, when necessary the Company establishes a provision based on the legal opinions issued by its legal advisors. The Company quarterly evaluates the positions assumed in which there are uncertainties about the tax treatment adopted.

14.2 Reconciliation of deferred tax assets (liabilities)

	Consolidated		
Description	**12/31/20**	**Profit or loss**	**12/31/21**
Temporary differences			
Fair value of TAP Bond	(26,132)	(5,417)	(31,549)
Financial instruments	(121,960)	26,752	(95,208)
Deferred revenue TudoAzul program	(117,540)	(21,084)	(138,624)
Depreciation of aircraft and engines	(53,182)	53,182	-
Temporary differences assets (*)	318,814	(52,917)	265,897
Others		(516)	(516)
	-	-	-

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

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

14.3 Reconciliation of the effective income tax rate

	Parent company		Consolidated	
	Years ended			
Description	12/31/21	12/31/20	12/31/21	12/31/20
Loss before income tax and social contribution	(4,213,208)	(11,077,214)	(4,213,208)	(11,077,214)
Combined nominal tax rate	34%	34%	34%	34%
Taxes calculated at nominal rates	1,432,491	3,766,253	1,432,491	3,766,253
Adjustments to determine the effective rate				
Share of profit (loss) of investees	(1,600,311)	(3,251,873)	-	-
(Unrecorded) benefit on tax losses and temporary differences	197,274	-	(1,311,394)	(3,257,190)
Permanent differences	(29,454)	(244,011)	(116,876)	(244,011)
Taxation on universal bases	-	-	(4,221)	-
Others	-	(27,864)	-	(22,547)
	-	242,505	-	242,505
Current income tax and social contribution	-	(11)	-	(11)
Deferred income tax and social contribution	-	242,516	-	242,516
Income tax and social contribution credit (expense)	-	242,505	-	242,505
Effective rate	0%	2%	0%	2%

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

	Parent company		Consolidated	
Description	12/31/21	12/31/20	12/31/21	12/31/20
Tax loss and negative social contribution base, net	316,407	108,084	8,843,805	5,751,867
Tax loss (25%)	79,102	27,021	2,210,951	1,437,967
Negative social contribution base (9%)	28,477	9,728	795,942	517,668

15. INVESTMENTS

15.1. Accounting policies

The consolidated financial statements include information about the Company and its subsidiaries in which Azul held direct or indirect control. Control of a subsidiary is achieved when Azul is exposed, or has rights, to variable returns in such subsidiaries and have the power to influence the investee's operating and financial decisions.

The financial information of the subsidiaries has been prepared using the same accounting policies as the Company.

All related party assets and liabilities, equity, income, expenses and cash flows related to transactions between related parties are eliminated in full in the consolidation process.

The list of companies under the Company’s control, the percentage of equity interest and the operational segments in which the subsidiaries are engaged are presented in detail in Note 1.1.

In the individual financial statements, investments represent the Company's equity interest in subsidiaries. Investments are initially stated at cost and subsequently adjusted using the equity method. The Company does not have equity interests in companies over which it does have control.

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

15.2 Direct investments

	Company equity interest			
Description	**Paid-up capital**	**Voting capital**	**Equity**	**Net loss**
At December 31, 2020				
ALAB	100%	100%	(12,868,143)	(9,544,807)
TudoAzul	100%	100%	(27,039)	(19,524)
At December 31, 2021				
ALAB	100%	100%	(17,522,749)	(4,676,316)
TudoAzul	100%	100%	(57,521)	(30,482)

15.3 Movement of the investments

Description	ALAB	TudoAzul (*)	Total
Balances at December 31, 2019	(5,324,874)	813,065	(4,511,809)
Share of profit (loss) of subsidiaries	(9,544,807)	(19,524)	(9,564,331)
Advance for future capital increase	1,300,000	-	1,300,000
Share-based reserve of subsidiary	21,576	-	21,576
Capital increase	520,552	-	520,552
Post-employment benefit	655	-	655
Cash flow hedge	158,755	-	158,755
Balances at December 31, 2020	(12,868,143)	793,541	(12,074,602)
Share of profit (loss) of subsidiaries	(4,676,316)	(30,482)	(4,706,798)
Share-based reserve of subsidiary	16,566	-	16,566
Post-employment benefit	5,144	-	5,144
Balances at December 31, 2021	(17,522,749)	763,059	(16,759,690)

(*) Includes goodwill arising from the acquisition of Tudo Azul S.A. in 2012, in the amount of R$753,502, and other acquisition adjustments in the amount of R$67,078.

16. PROPERTY AND EQUIPMENT

16.1 Accounting policies

Property and equipment, including rotable components (replacement parts), are stated at acquisition cost.

Depreciation is calculated according to the estimated economic useful life of each asset using the straight-line method. The estimated economic useful lives, residual values and depreciation methods are reviewed annually and the effects of any changes in estimates are accounted for prospectively.

The carrying amounts of property and equipment items are tested annually to identify any indication of impairment or when facts or changes in circumstances indicate that the carrying amount is greater than the estimated recoverable amount.

An item of property and equipment is derecognized upon its disposal or when no future economic benefits are expected from the continued use of the asset. Any gains or losses arising on the sale or derecognition of an item are determined by the difference between the amount received on the sale and the carrying amount of the asset and are recognized in profit or loss.

The Company receives credits from manufacturers when purchasing certain aircraft and engines, which can be used to pay for maintenance services. These credits are recorded as a reduction of the acquisition cost of the aircraft and related engines.

16.1.1 Sale and leaseback transactions

First, sale and leaseback transactions are analyzed within the scope of CPC 47– Revenue from Contracts with Customers, equivalent to IFRS 15, in order to verify whether the performance obligation has been satisfied, and therefore to account for the sale of the asset. If this requirement is not met, it is a financing with the asset given as guarantee.

If the requirements related to the performance obligation set out in IFRS 15 are met, the Company measures a right-of-use asset arising from the sale and leaseback transaction in proportion to the carrying amount of the asset related to the right of use retained by the Company. Accordingly, only the gains or losses related to the rights transferred to the buyer-lessor are recognized.

During the year ended December 31, 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 line item “Other costs of services”.

16.1.2 Advance payments for acquisition of aircraft

Advance payments for acquisition of aircraft are recorded in property and equipment, including interest and financial charges incurred during the aircraft manufacturing phase and leasehold improvements. During the year ended December 31, 2021, no advances were made for the acquisition of aircraft.

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

16.2 Breakdown of property and equipment

	Consolidated					
Description	Weighted average rate (p.a.)	12/31/20	Acquisitions	Disposals/ write-offs	Transfers [a]	12/31/21
Cost						
Aircraft and engines		2,297,661	360,384	(137,293)	(1,521)	2,519,231
Buildings and leasehold improvements		485,247	20,694	(503)	1,240	506,678
Equipment and facilities		181,094	19,169	(1,144)	-	199,119
Other		28,008	1,897	-	-	29,905
Construction in progress		33,630	44,631	(4)	(26,083)	52,174
Advance payments for acquisition of aircraft		91,944	-	-	(6,337)	85,607
		3,117,584	446,775	(138,944)	(32,701)	3,392,714
Depreciation						
Aircraft and engines	9%	(624,736)	(200,677)	14,091	-	(811,322)
Buildings and leasehold improvements	9%	(128,761)	(45,791)	460	-	(174,092)
Equipment and facilities	12%	(107,917)	(22,086)	767	-	(129,236)
Other	10%	(19,606)	(2,794)	-	-	(22,400)
		(881,020)	(271,348)	15,318	-	(1,137,050)
Property and equipment		2,236,564	175,427	(123,626)	(32,701)	2,255,664
Impairment [b]		(436,858)	(4,240)	146,608	-	(294,490)
Total property and equipment, net		1,799,706	171,187	22,982	(32,701)	1,961,174

	Consolidated							
Description	Weighted average rate (p.a.)	12/31/19	Business combination - Azul Conecta	Acquisitions	Disposals/write-offs	Contractual modifications	Transfers [a]	12/31/20
Cost								
Aircraft and engines		2,706,529	97,814	259,986	(689,771)	-	(76,897)	2,297,661
Buildings and leasehold improvements		296,728	-	22,433	(2,104)	(975)	169,165	485,247
Equipment and facilities		176,814	780	21,324	(12,867)	-	(4,957)	181,094
Other		24,297	294	818	-	-	2,599	28,008
Construction in progress		171,839	-	40,464	(4,485)	-	(174,188)	33,630
Advance payments for acquisition of aircraft		84,578	-	20,800	(13,434)	-	-	91,944
		3,460,785	98,888	365,825	(722,661)	(975)	(84,278)	3,117,584
Depreciation								
Aircraft and engines	8%	(612,124)	(24,214)	(207,908)	230,855	-	(11,345)	(624,736)
Buildings and leasehold improvements	17%	(78,001)	-	(50,795)	35	-	-	(128,761)
Equipment and facilities	12%	(97,990)	(326)	(21,191)	11,786	-	(196)	(107,917)
Other	11%	(16,654)	(142)	(2,792)	-	-	(18)	(19,606)
		(804,769)	(24,682)	(282,686)	242,676	-	(11,559)	(881,020)
Property and equipment		2,656,016	74,206	83,139	(479,985)	(975)	(95,837)	2,236,564
Impairment [b]		(687,176)	-	-	250,318	-	-	(436,858)
Total property and equipment, net		1,968,840	74,206	83,139	(229,667)	(975)	(95,837)	1,799,706

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

(b) The reversal of the impairment is due to the result from the use of some aircraft for cargo service and the partial cancellation of the intention to sublease aircraft (Note 1.4).

17. RIGHT-OF-USE ASSETS

17.1 Accounting policies

CPC 06 (R2) – Leases, equivalent to IFRS 16, establishes the principles for the recognition, measurement, presentation and disclosure of leasing operations and requires that lessees, at the commencement date of the contract, recognize a liability to make payments (a lease liability) and an asset representing the right to use the underlying asset over the lease term (a right-of-use asset – “ROU”). Lessees must separately recognize in the statement of profit or loss interest expense on the lease liability and depreciation expense for the right-of-use asset.

Lessees are also required to reassess the lease liability in the event of certain events, for example, a change in the lease term, a change in future lease payment flows as a result of a change in an index or rate used to determine such payments. In general, the lessee must recognize the remeasurement value of the lease liability as an adjustment to the right-of-use asset.

In determining the discount rate, the Company primarily used as a basis those the funding operations of dates and/or modification of the lease agreements in the Brazilian and North American markets. For operations in the Brazilian market, the Company converted the cost of funding to the equivalent of an operation in US dollars, adjusting this for the country risk and interest rate differential between Brazil and the United States of America. Thus, it was concluded that the built-in inflationary effects are very low, in addition to the fact that 99.5% of the Company's leasing obligations are denominated in dollars.

17.1.1 Componentization of aircraft

At the receipt and initial recognition of aircraft and/or right-of-use assets, the Company allocates the total cost of the aircraft between five major components; airframe, auxiliary power unit ("APU"), landing gear and two engines. The economic useful life is the period extending up to the next heavy maintenance or structural check or the remaining useful life of the aircraft/engines or lease contract, whichever is shorter.

17.1.2 Capitalization of heavy maintenance events

The Company has maintenance contracts for its engines that cover all significant maintenance events. Subsequent heavy maintenance events, which increase the useful lives of assets, are capitalized and recognized as property and equipment or in addition to the right of use of assets. They are subsequently depreciated during the respective period of use or until the end of the lease. Repairs and other routine maintenance are recognized in profit or loss during the year in which they are incurred.

Additionally, the Company also has "power-by-the-hour" contracts, in which the amounts due to maintenance providers are calculated based on the hours flown, at the time of the maintenance event.

17.1.3 Recognition of contractual obligations relating to return of aircraft (asset retirement obligation)

The costs resulting from the maintenance events that will be carried out immediately before the return of the aircraft to the lessors, defined as restoration events, upon the receipt of the aircraft, are recognized at present value, increasing the value of the asset as a balancing item to an obligation, as long as they can be reasonably estimated. Assets are depreciated on a straight-line basis over the lease contract term, while liabilities are updated by interest rates and exchange effects.

As of December 31, 2021, the Company also recognized provisions for ARO related to engines, according to the accounting practice mentioned in the note 24.1.1

The carrying amount that represents the right of use of aircraft is tested for impairment annually, even if there are no circumstances that indicate the existence of impairment.

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

17.2 Breakdown of right-of-use assets

	Consolidated						
Description	Weighted average rate (p.a.)	12/31/20	Acquisitions	Disposals/ write-offs	Contractual modifications	Transfers [a]	12/31/21
Cost							
Aircraft and engines		10,033,538	1,021,819	(19,301)	221,266	99,167	11,356,489
Simulators		70,148	13	-	49,621	-	119,782
Restoration of aircraft and engines		597,011	790,727	-	-	-	1,387,738
Maintenance of aircraft and engines		1,414,507	236,336	(113,160)	(2,285)	7,458	1,542,856
Properties		114,167	-	(98,215)	-	-	15,952
Other		30,435	70,174	(27,335)	-	-	73,274
Advance payments for right of use of aircraft		-	76,097	-	-	(76,097)	-
		12,259,806	2,195,166	(258,011)	268,602	30,528	14,496,091
Depreciation							
Aircraft and engines	7%	(5,707,259)	(677,537)	16,286	-	-	(6,368,510)
Simulators	20%	(55,969)	(14,287)	-	-	-	(70,256)
Restoration of aircraft and engines	33%	(182,861)	(197,788)	-	-	-	(380,649)
Maintenance of aircraft and engines	19%	(892,325)	(271,203)	111,338	-	-	(1,052,190)
Properties	3%	(74,607)	(3,213)	74,606	-	-	(3,214)
Other	30%	(29,429)	(9,194)	22,597	-	-	(16,026)
		(6,942,450)	(1,173,222)	224,827	-	-	(7,890,845)
Right-of-use assets		5,317,356	1,021,944	(33,184)	268,602	30,528	6,605,246
Impairment (b)		(706,615)	(172,305)	273,269	-	-	(605,651)
Right-of-use assets, net		4,610,741	849,639	240,085	268,602	30,528	5,999,595

	Consolidated						
Description	Weighted average rate (p.a.)	12/31/19	Acquisitions	Disposals/ write-offs	Contractual modifications	Transfers [a]	12/31/20
Cost							
Aircraft		12,071,427	2,197,881	(25,741)	(4,736,892)	68,701	9,575,376
Engines and simulators		484,597	86,995	(38,160)	(6,515)	1,393	528,310
Restoration of aircraft and engines		423,194	290,785	(116,968)	-	-	597,011
Maintenance of aircraft and engines		1,374,925	168,513	(82,887)	(54,658)	8,614	1,414,507
Properties		114,167	-	-	-	-	114,167
Other		42,391	109	(12,065)	-	-	30,435
		14,510,701	2,744,283	(275,821)	(4,798,065)	78,708	12,259,806
Depreciation							
Aircraft	8%	(4,538,684)	(954,452)	25,741	-	(31,220)	(5,498,615)
Engines and simulators	14%	(231,625)	(67,191)	35,595	-	(1,392)	(264,613)
Restoration of aircraft and engines	9%	(145,546)	(37,315)	-	-	-	(182,861)
Maintenance of aircraft and engines	27%	(549,869)	(368,476)	32,729	-	(6,709)	(892,325)
Properties	9%	(64,042)	(10,565)	-	-	-	(74,607)
Other	16%	(34,776)	(6,717)	12,064	-	-	(29,429)
		(5,564,542)	(1,444,716)	106,129	-	(39,321)	(6,942,450)
Right-of-use assets		8,946,159	1,299,567	(169,692)	(4,798,065)	39,387	5,317,356
Impairment (b)		(1,361,356)	-	72,815	581,926	-	(706,615)
Right-of-use assets, net		7,584,803	1,299,567	(96,877)	(4,216,139)	39,387	4,610,741

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

(b) The reversal of the impairment is due to the result from the use of some aircraft for cargo service and the cancellation of the intention to sublease aircraft (Note 1.4).

18. INTANGIBLE ASSETS

18.1. Accounting policies

18.1.1 Finite useful life

Intangible assets acquired are measured at cost at the time of their initial recognition. After initial recognition, intangible assets with finite useful lives, generally software, are stated at cost, less accumulated amortization and accumulated impairment losses, where applicable. Intangible assets generated internally, excluding development costs, are not capitalized and the expense is reflected in the statement of profit or loss for the year in which it was incurred.

18.1.2 Indefinite useful life

18.1.2.1 Goodwill

In this category, the amounts related to goodwill arising from the business combinations of Tudo Azul S.A and Azul Conecta are recorded. Goodwill is tested annually by comparing the carrying amount with the recoverable amount of the cash-generating unit. Management makes judgments and establishes assumptions to assess the impact of macroeconomic and operational changes, in order to estimate future cash flows and measure the recoverable amount of assets. No impairment has been recorded to date.

18.1.2.2 Rights of operations in airports (slots)

In the business combinations of Tudo Azul S.A. and Azul Conecta, slots acquired were recognized at their fair values at the acquisition date and not amortized. The estimated useful life of these rights was considered indefinite due to several factors and considerations, including requirements and authorizations for permission to operate in Brazil and limited availability of usage rights at the most important airports in terms of air traffic volume. The carrying amount of these rights is assessed annually. No impairment has been recorded to date.

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

18.2. Breakdown of intangible assets

	Consolidated				
Description	Weighted average rate (p.a.)	12/31/20	Acquisitions	Transfers [c]	12/31/21
Cost					
Goodwill (a)	-	810,948	134,820	(44,351)	901,417
Slots (b)	-	82,196	-	44,351	126,547
Software	-	593,334	152,542	2,173	748,049
		1,486,478	287,362	2,173	1,776,013
Amortization					
Software	17%	(316,210)	(101,765)	-	(417,975)
		(316,210)	(101,765)	-	(417,975)
Total intangible assets, net		1,170,268	185,597	2,173	1,358,038

	Consolidated				
Description	Weighted average rate (p.a.)	12/31/19	Acquisitions	Disposals/ write-offs	12/31/20
Cost					
Goodwill (a)	-	753,502	57,446	-	810,948
Slots (b)	-	82,196	-	-	82,196
Software	-	489,904	109,587	(6,157)	593,334
		1,325,602	167,033	(6,157)	1,486,478
Amortization					
Software	16%	(238,118)	(78,151)	59	(316,210)
		(238,118)	(78,151)	59	(316,210)
Total intangible assets, net		1,087,484	88,882	(6,098)	1,170,268

(a) Goodwill, in the amounts of R$753,502 and R$147,915, arises from the acquisition of Tudo Azul S.A. (formerly TRIP Linhas Aéreas S.A.) in 2012 and Azul Conecta (formerly Two Táxi 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. (formerly TRIP Linhas Aéreas S.A.) and Azul Conecta (formerly Two Táxi Aéreo Ltda.) the Company recognized the value of operating licenses for certain airport slots, asset with an indefinite useful life.

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

18.3 Impairment of non-financial assets

The Company performs an annual review for impairment indicators in order to assess events or changes in economic, technological, or operating conditions that may indicate that an asset is impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value, less costs to sell and its value in use. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, a provision for impairment is set up by adjusting the carrying amount.

The previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited, so that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount previously determined, net of depreciation or amortization.

The Company operates a single cash-generating unit.

In estimating the asset's value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the cash-generating unit.

Aircraft and engines in operation are tested for impairment, by comparing the net carrying amount with the fair value indicated by specialized publications. After this comparison, Management concluded that there are no losses related to the right of use recorded in the asset, and therefore no provision for loss on these assets was recorded.

As disclosed in note 1.4, the Company intends to sublease the E1 model aircraft, in accordance with its fleet transformation acceleration plan and, accordingly, a provision for impairment was established. The details and assumptions adopted are also included in that note to financial statements.

18.3.1 Impairment of intangible assets without a finite useful life

As of December 31, 2021, the Company performed annual impairment tests, through the discounted cash flow of the cash-generating unit.

The assumptions used in the impairment tests of goodwill and other intangible assets are consistent with the Company's operating plans and internal projections, prepared for a period of five years. After this period, a perpetuity rate of growth of operating projections is assumed. Assumptions and projections are revised and approved by management. The discounted cash flow that determined the value in use of the cash-generating unit was prepared according to the Company's business plan approved by the Board of Directors on December 9, 2021.

The following assumptions were considered:

- Fleet and capacity: plan for operational fleet, utilization and capacity of aircraft in each route;
- Passenger revenue: historical revenue per seat per kilometer flown with growth in line with the Company's business plan;
- Operating costs: specific performance indicators by cost line, in line with the Company's business plan, as well as macroeconomic assumptions; and
- Investment needs: aligned with the Company's business plan.

The macroeconomic assumptions commonly adopted include the Gross Domestic Product (“GDP”), and projections of the US dollar, both obtained from the Focus Report issued by the Central Bank of Brazil, in addition to future kerosene barrel prices and interest rates, obtained from specific Bloomberg disclosures.

The result of the impairment test showed that the estimated recoverable amount is greater than the carrying amount allocated to the cash-generating unit and, therefore no adjustment of the recoverable amount to be recorded at December 31, 2021 was identified, as shown below:

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

	12/31/21		12/31/20	
	Goodwill	Airport operating license	Goodwill	Airport operating license
Carrying amount	901,417	126,547	810,948	82,196
Carrying amount – CGU	8,499,312	-	6,410,447	-
Value in use	35,355,308	2,419,843	32,227,871	1,726,007
Pre-tax discount rate	9.5%	10.5%	10.3%	8.5%
Growth rate in perpetuity	3.0%	3.0%	3.0%	3.0%

19. LOANS AND FINANCING

19.1. Accounting policies

Loans and financing are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method, with the exception of the embedded derivative contained in the convertible debentures, issued in November 2020, which is measured at fair value through profit or loss.

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

19.2 Movement of loans and financing

Parent company								
Description	Nominal rate p.a.	Maturity	12/31/20	Variation of conversion right	Interest incurred	Foreign currency exchange	Amortized cost	12/31/21
In foreign currency – US$								
Convertible debentures (a)	6.0%	Oct/25	2,419,704	(829,213)	201,303	77,451	3,756	1,873,001
Total in R$			2,419,704	(829,213)	201,303	77,451	3,756	1,873,001
Current liabilities			-					39,124
Non-current liabilities			2,419,704					1,833,877

Parent company									
Description	Nominal rate p.a.	Maturity	12/31/19	Funding	Variation of conversion right	Interest incurred	Foreign currency exchange	Amortized cost	12/31/20
In foreign currency – US$									
Convertible debentures (a)	6.0% to 7.5%	Oct/25	-	1,702,155	755,354	25,116	(82,358)	19,437	2,419,704
Total in R$			-	1,702,155	755,354	25,116	(82,358)	19,437	2,419,704
Current liabilities			-						-
Non-current liabilities			-						2,419,704

(a) The balance contains the conversion right in the amount of R$636,786 (as of December 31, 2020 – R$1,465,999).

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

Consolidated											
Description	Nominal rate p.a.	Maturity	12/31/20	Funding	Variation of conversion right	Payment of principal	Payment of interest	Interest incurred	Foreign currency exchange	Amortized cost	12/31/21
In foreign currency – US$											
Working capital											
Senior notes - 2024	5.9%	Oct/24	2,076,310	-	-	-	(129,680)	127,437	156,163	6,680	2,236,910
Senior notes - 2026	7.3%	Jun/26	-	2,976,795	-	-	(122,803)	127,840	294,660	21,526	3,298,018
Other	1.0%	Jun/23	160,534	-	-	(170,547)	(1,110)	1,095	15,030	-	5,002
Convertible debentures (a)	6.0% to 7.5%	Oct/25	2,419,704	-	(829,213)	-	-	201,303	77,451	3,756	1,873,001
Aircraft and engines	3.0% to 6.0%	Mar/29	1,076,442	-	-	(37,029)	(85,543)	51,050	82,722	4,311	1,091,953
	Libor 3M + 2.6%	Mar/22	8,263	-	-	(7,525)	(178)	189	477	335	1,561
In local currency - R$											
Working capital	CDI + 2% to 6%	Feb/24	709,668	46,478	-	(103,065)	(56,750)	47,180	-	188	643,699
	10.0%	Sep/25	43,443	-	-	(20,329)	(3,642)	3,730	-	-	23,202
	5.0%	Jun/21	10,846	-	-	(11,151)	(184)	159	-	330	-
	TJLP + 5%	Jun/21	12,524	-	-	(12,571)	(394)	441	-	-	-
Debentures	CDI + 3%	Dec/23	690,904	-	-	-	(16,000)	52,784	-	5,329	733,017
Aircraft and engines	6.0% to 7.3%	Mar/27	116,374	-	-	(32,606)	(5,901)	6,341	-	122	84,330
	Selic + 2.8% to 5.5%	May/25	35,502	-	-	(5,880)	(4,060)	2,436	-	40	28,038
Total in R$			7,360,514	3,023,273	(829,213)	(400,703)	(426,245)	621,985	626,503	42,617	10,018,731
Current liabilities			858,332								1,023,390
Non-current liabilities			6,502,182								8,995,341

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

					Consolidated								
Description	**Nominal rate p.a.**	**Maturity**	**12.31.19**	**Funding**	**Unrealized profit from conversion right**	**Debt acknowled-gment**	**Business combination - Azul Conecta**	**Payment of principal**	**Payment of interest**	**Interest incurred**	**Exchange differences**	**Amortized cost**	**12.31.20**
In foreign currency - US$													
Working capital	1% to 5.9%	Oct/24	1,727,882	4,682	-	-	-	(907)	(137,795)	132,033	504,766	6,183	2,236,844
Debentures	6.0% to 7.5%	Oct/25	-	1,702,155	755,354	-	-	-	-	25,116	(82,358)	19,437	2,419,704
Aircraft and engines	4.7% to 6.,0% Libor 3M + 2.4% to 2.9% Libor 6M + 2%	Mar/29	896,232	-	-	-	-	(111,703)	(23,880)	54,178	268,404	1,474	1,084,705
In local currency - R$													
Working capital	5.0% to 10.7% CDI + 2% to 6% TJLP + 5%	Dec/23	37,355	229,386	-	527,375	4,975	(58,746)	(3,366)	39,395	-	107	776,481
Debentures	CDI + 3%	Dec/23	692,407	-	-	-	-	-	(18,459)	24,238	-	(7,282)	690,904
Aircraft and engines	6.0% to 6.5% Selic + 2.8% to 5.5% TJLP + 5%	May/25	164,280	-	-	-	11,565	(21,052)	(10,241)	7,649	-	(325)	151,876
Total in R$			3,518,156	1,936,223	755,354	527,375	16,540	(192,408)	(193,741)	282,609	690,812	19,594	7,360,514
Current liabilities			481,227										858,332
Non-current liabilities			3,036,929										6,502,182

(a) The balance contains the conversion right in the amount of R$636,786 (as of December 31, 2020 – R$1,465,999).

19.3 Main loan and financing operations

19.3.1 Senior notes 2026

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, with a coupon of 7.25% per year, 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 byCPC-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.

19.3.2 *Financing of aircraft and engines*

The balance consists substantially of the financing of engine maintenance and the purchase of aircraft and engines.

Aiming to maintain a prudential and sustainable short-term liquidity position, 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.

19.3.3 Convertible debentures

On November 12, 2020, the Company concluded the public offering for the distribution of debentures convertible into first-issue preferred shares, with security interest and additional personal guarantee of the Company, under CVM Instruction No. 400, with the following characteristics: total issue amount: (i) R$1,745,900; (ii) issue date: October 26, 2020; (iii) term and maturity date: 5 years from the date of issue, maturing therefore on October 26, 2025; (iv) conversion price: R$32.2649 per preferred share, resulting in an initial conversion premium of 27.50%, calculated on the VWAP (*Volume Weighted Average Price)* of 30 trading sessions of the reference share of R$25,3058.

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

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

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

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

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 year ended December 31, 2021, due to the devaluation of the Company's shares, a gain of R$829,213 was recognized under the "Derivative financial instruments, net" line item.(loss of R$755,354 in December, 31 2020)

19.3.4 Senior notes 2024

On October 19, 2017, the subsidiary Azul Investments LLP priced an offering of Senior Notes abroad, with total principal amount of US$400 million, due in 2024 and with a coupon of 5,875% p.a. This transaction is part of the Company's liability management strategy the proceeds will be used for refinancing debts and general corporate purposes.

19.3.5 *Working capital in foreign currency*

The balance is comprised substantially of contracts that will be used by the Company for general corporate purposes.

19.4 Schedule of amortization of long-term debt

	Consolidated	
Description	**12/31/21**	**12/31/20**
2022	-	743,137
2023	1,242,042	914,343
2024	2,417,304	2,264,451
2025	1,959,558	2,551,701
2026	3,357,741	13,990
After 2026	18,696	14,560
	8,995,341	6,502,182

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

19.5 Covenants

As of December 31, 2021, the Company has loans and financing subject to covenants related to the indebtedness level and the debt service coverage ratio.

Covenant related to:	Indicators for the measurement	Frequency of measurement
9th and 10th issue of debentures	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1.2; and (ii) Financial leverage less than or equal to 6.5.	Annual
Credit facility agreement (CFA)	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1.2; and (ii) Financial leverage less than or equal to 6.5.	Annual
Aircraft financing	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than (ii) Financial leverage less than or equal to 5.5.	Quarterly/Annual
Aircraft financing	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1.2; and (ii) Financial leverage less than or equal to 6.5.	Annual

The Company previously requested a waiver to the counterparties, and obtained it in 2021. Therefore, the related debt is still classified in these financial statements according to the contractual flow originally established.

20. LEASE LIABILITIES

20.1 Accounting policies

The lease liabilities are recognized, measured, presented and disclosed in accordance with CPC 06 (R2) – Leases, equivalent to IFRS – 16, against right-of-use assets, the accounting policies adopted by the Company for leasing operations are presented in Note 17 to these financial statements.

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

20.2 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	12/31/21
Lease without purchase option:											
Aircraft and engines	7.87	21%	11,663,143	868,705	119,196	(1,906,735)	2,352,332	(16,153)	(205,978)	850,137	13,724,647
Other	4.99	9%	57,278	70,174	-	(18,097)	4,965	(42,433)	-	(18)	71,869
Lease with purchase option:											
Aircraft and engines	5.72	8%	800,391	170,621	125,083	(140,470)	76,343	-	-	62,091	1,094,059
Total			12,520,812	1,109,500	244,279	(2,065,302)	2,433,640	(58,586)	(205,978)	912,210	14,890,575
Current liabilities			2,272,349								3,497,665
Non-current liabilities			10,248,463								11,392,910

Consolidated										
Description	Average payment term in years	Weighted average rate	12/31/19	Additions	Contractual modifications	Payments	Interest incurred	Write-offs	Foreign currency exchange	12/31/20
Lease without purchase option:										
Aircraft and engines	7.89	22%	11,046,134	2,329,443	(5,327,038)	(1,162,869)	1,431,944	(4,912)	3,350,441	11,663,143
Other	2.12	8%	72,230	-	-	(21,741)	6,881	-	(92)	57,278
Lease with purchase option:										
Aircraft and engines	5.54	14%	988,257	-	(374,890)	(231,417)	130,326	-	288,115	800,391
Total in R$			12,106,621	2,329,443	(5,701,928)	(1,416,027)	1,569,151	(4,912)	3,638,464	12,520,812
Current liabilities			1,585,233							2,272,349
Non-current liabilities			10,521,388							10,248,463

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

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

20.3 Schedule of lease amortization

	Consolidated	
Description	12/31/21	12/31/20
2021	-	2,498,180
2022	3,802,070	3,206,765
2023	4,056,001	3,641,808
2024	4,015,746	3,610,754
2025	3,397,128	3,011,683
2026	3,072,413	2,716,366
After 2026	10,080,996	8,483,014
Minimum lease payment	28,424,354	27,168,570
Financial charges	(13,533,779)	(14,647,758)
Present value of minimum lease payments	14,890,575	12,520,812

20.4 Covenants

As of December 31, 2021, the Company has lease liabilities subject to covenants related to the indebtedness level and the debt service coverage ratio.

Covenant related to:	Indicators for the measurement	Frequency of measurement
Aircraft financing	(i) Adjusted debt service coverage ratio (DSCR) equal to or greater than 1.2; and (ii) Financial leverage less than or equal to 5.5.	Quarterly/Annual

These conditions will only be verified in the 2023 financial year, therefore, the related debt is still classified in these financial statements according to the contractual flow originally established.

21. ACCOUNTS PAYABLE

21.1 Accounts payable

21.1.1 Accounting policies

These are initially recognized at fair value and subsequently increased, where applicable, by the corresponding charges, monetary variations and exchange differences incurred up to the end of the reporting period.

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

21.1.2 Breakdown of accounts payable

	Parent company		Consolidated	
Description	**12/31/21**	**12/31/20**	**12/31/21**	**12/31/20**
Accounts payable – local currency	596	32,096	1,680,614	1,612,933
Accounts payable – foreign currency	2,840	2,521	654,551	948,794
	3,436	34,617	2,335,165	2,561,727
Current	3,436	34,617	1,771,663	2,238,668
Non-current	-	-	563,502	323,059

21.2 Accounts payable – supplier finance

21.2.1 Accounting policies

Management negotiated with suppliers to extend the payment terms. As a result, the Company signed an agreement with financial institutions to allow the discounting of trade notes receivable from its suppliers. Taking into account that the early receipt with financial institutions is an option for suppliers, this does not generate financial expenses for the Company, and the Company is neither refunded and/nor benefited with discounts from the financial institution due to payment before the maturity date agreed upon with the supplier. There is no change in the bill subordination level in the event of judicial execution.

22. DERIVATIVE FINANCIAL INSTRUMENTS

22.1 Accounting policies

Changes in interest rates, foreign exchange rates and aviation fuel prices expose the Company and its subsidiaries to risks that may affect their financial performance. In order to mitigate such risks, the Company contracts derivative financial instruments that may or may not be designated for hedge accounting and, if so, are classified as cash flow or fair value hedge.

22.1.1 Derivative financial instruments not designated as hedge accounting

The Company may contract derivative financial instruments that are not designated as hedge accounting when the objectives of Risk Management do not require such classification. Operations not designated as hedge accounting present the change in their fair value directly in the financial result.

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

22.2 Breakdown of derivative financial instruments

	Consolidated					
	Derivatives not designated as *hedge accounting*					
Changes in fair value	Options - foreign currency	Interest rate swap	Forward - Fuel	Forward - foreign currency	Conversion right (debentures)	Total
Rights (obligations) with derivatives at 12.31.20	8,947	(269,491)	(81,274)	349,093	(1,465,999)	(1,458,724)
Gains (losses) recognized in result	(10,222)	48,571	75,075	(78,453)	829,213	864,184
Payment in cash	1,275	7,663	15,582	-	-	24,520
Rights (obligations) with derivatives at 12.31.21	-	(213,257)	9,383	270,640	(636,786)	(570,020)
Rights with current derivative financial instruments	-	73,794	9,383	-	-	83,177
Rights with non-current derivative financial instruments	-	-	-	270,640	-	270,640
Obligations with current derivative financial instruments	-	(77,509)	-	-	-	(77,509)
Obligations with non-current derivative financial instruments	-	(209,542)	-	-	-	(209,542)
Long-term loans and financing	-	-	-	-	(636,786)	(636,786)
	-	(213,257)	9,383	270,640	(636,786)	(570,020)

	Consolidated								
	Cash flow hedge		Fair value hedge	Derivatives not designated as hedge					
Changes in fair value	Interest rate swap	Options - foreign currency	Interest rate swap	Options - foreign currency	Interest rate swap	Fuel	Forward - foreign currency	Conversion right (debentures)	Total (a)
Rights (obligations) with derivatives at December 31, 2019	(7,129)	338,592	24,057	(35,487)	(62,803)	56,491	202,013	-	515,734
Gains (losses) recognized in result	(4,799)	(94,928)	24,421	(143,156)	(22,846)	(1,374,519)	163,711	755,354	(696,762)
Gains (losses) in OCI	7,129	152,132	-	-	-	-	-	-	159,261
Reclassification to debt	-	(218,979)	(43,485)	127,889	(101,136)	778,286	(15,200)	-	527,375
(Receipt) payment in cash	4,799	(176,817)	(4,993)	59,701	(82,706)	458,468	(1,431)	-	257,021
Rights (obligations) with derivatives at December 31, 2020	-	-	-	8,947	(269,491)	(81,274)	349,093	755,354	762,629
Rights with current derivative financial instruments	-	-	-	9,613	69,603	-	-	-	79,216
Rights with non-current derivative financial instruments	-	-	-	-	-	-	349,093	-	349,093
Obligations with current derivative financial instruments	-	-	-	(666)	(91,829)	(81,274)	-	-	(173,769)
Obligations with non-current derivative financial instruments	-	-	-	-	(247,265)	-	-	-	(247,265)
Long-term loans and financing	-	-	-	-	-	-	-	755,354	755,354
	-	-	-	8,947	(269,491)	(81,274)	349,093	755,354	762,629

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

23. AIR TRAFFIC LIABILITY

23.1 Accounting policies

This represents the Company's obligations for the early receipt of air transport services and other auxiliary services related to the main obligation with its customers. They are accounted for at the amount of the transaction and as they are non-monetary items they are not subject to exchange differences or monetary adjustment of any nature. These obligations are extinguished with the provision of the transport services against operating income in the statement of profit or loss for the year.

23.2 Breakdown of air traffic liability

	Consolidated	
Description	**12/31/21**	**12/31/20**
Cargo and passenger air traffic liability	1,912,050	1,550,579
Travel packages	232,840	183,061
TudoAzul Program	918,926	755,232
	3,063,816	2,488,872

The air traffic liability balances are presented net of passenger revenue breakage and the TudoAzul program, corresponding to R$407,718 as of December 31, 2021 (R$372,534 as of December 31, 2020), with average period of utilization of 47 days (62 days as of December 31, 2020).

24. PROVISIONS

24.1 Accounting policies

24.1.1 Provision for return of aircraft and engines (asset retirement obligation - ARO)

Aircraft and engines negotiated under the lease without purchase option modality regularly provide for contractual obligations establishing conditions for return. In these cases, the Company provides for the return costs, since these are present obligations, arising from past events and which will generate future disbursements, which are reliably measured. These expenses basically refer to aircraft reconfiguration (interior and exterior), obtaining licenses and technical certifications, verifications of returns, maintenance, painting, etc., as established in the contract. The estimated cost is initially recognized at present value in right-of-use assets and the balancing item of the provision for aircraft return is recorded in the "Provisions" account. After initial recognition, the liability is updated according to the capital remuneration rate estimated by the Company, with a corresponding entry recorded in the financial result. Any changes in the estimate of expenses to be incurred are recognized prospectively.

24.1.2 Provision for onerous liability

Onerous contract is that in which the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received over the same contract. In these cases, the present obligation under the contract is measured and recognized as a provision. However, before a separate provision for onerous contract is established, the Company assesses and recognizes any impairment loss that has occurred in the assets related to that contract in accordance with CPC 01 (R1) – Impairment of Assets, equivalent to IAS 36.

The provision is related to the obligations arising from the fleet transformation plan, as detailed in note 1.4.

24.1.3 Provision for tax, civil and labor risks

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company is a party to several legal and administrative proceedings, mainly in Brazil. Assessments of the likelihood of loss in these cases include an analysis of the available evidence, the hierarchy of laws, the available case laws, the most recent court decisions and their significance in the legal system, as well as the assessment of external lawyers. Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

24.1.4 Post-employment benefits

The Company recognizes actuarial liabilities related to health insurance benefits offered to its employees in accordance with CPC 33 (R1) - "Employee Benefits", equivalent to IAS 19. Actuarial gains and losses are recognized in other comprehensive income based on the actuarial report prepared by independent experts, while the cost of current service and the cost of interest are recognized in profit or loss for the year.

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

24.2. Breakdown of provisions

	Consolidated				
Description	Provisions for return of aircraft and engines	Provision for tax, civil and labor risks	Provision for onerous contract	Provision for post-employment benefit	Total
Balance at December 31, 2019	904,095	87,506	821,751	-	1,813,352
Business combination - Azul Conecta	-	1,688	-	-	1,688
Additions	304,594	183,014	362,426	9,921	859,955
Write-offs/Payment	(118,504)	(116,394)	(262,946)	-	(497,844)
Interest incurred	84,939	-	206,011	687	291,637
Changes in assumptions	-	-	-	(655)	(655)
Foreign currency exchange	161,062	-	213,280	-	374,342
Balance at December 31, 2020	1,336,186	155,814	1,340,522	9,953	2,842,475
Additions	790,727	549,791	252,164	212	1,592,894
Reversal	-	-	(970,811)	-	(970,811)
Payments	(95,344)	(146,623)	(150,944)	-	(392,911)
Interest incurred	80,484	-	156,516	740	237,740
Effect of change in financial assumptions	-	-	-	(4,744)	(4,744)
Effect of plan experience	-	-	-	(400)	(400)
Transfers	37,898	-	(37,898)	-	-
Foreign currency exchange	91,488	-	103,858	-	195,346
Balance at December 31, 2021	2,241,439	558,982	693,407	5,761	3,499,589
Current	312,671	146,623	517,809	-	977,103
Non-current	1,928,768	412,359	175,598	5,761	2,522,486

24.2.1 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:

	Consolidated			
	Probable loss		Possible loss	
Description	12/31/21	12/31/20	12/31/21	12/31/20
Tax	218,051	2,858	217,470	154,640
Civil	69,326	104,915	44,661	43,347
Labor	52,121	48,041	107,427	114,524
Other	219,484	-	-	-
	558,982	155,814	369,558	312,511

24.2.1.1 Main proceedings

24.2.1.1.1 COFINS

The Company discusses the non-application of the additional charge of 1% of COFINS on imports of aircraft, parts and components, in the amount of R$196,048. In view of the recent decisions from higher courts considering the legality of the collection of the additional rate on the imports made by airlines, the Company reassessed the likelihood of loss, which resulted in the reclassification from possible loss to probable loss, and reassessed the amounts involved.

24.2.1.1.2 Labor

On February 22, 2017, the Labor Department of Justice filed a lawsuit against the Company alleging the violation of certain labor aspects, such as excessive daily workday and the absence of enjoyment of rest periods, for which approximately R$66,000 in punitive damages. The lawsuit is awaiting a hearing. The likelihood of success was assessed as possible by the Company's legal advisors.

24.2.1.1.3 Others

The amounts recognized under this line item refer to several issues, among which is the contingent liability assumed as a result of the business combination with Azul Conecta in the amount of R$134,820.

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

24.2.2 Provision for post-employment benefit

	Consolidated	
	12/31/21	12/31/20
Actuarial liabilities at the beginning of the year	9,953	-
Current service cost recognized in P&L	212	9,921
Cos of interest recognized in P&L	740	687
Effect of change in financial assumptions	(4,744)	(962)
Effect of plan experience	(400)	307
Actuarial liabilities at the end of the year	5,761	9,953

Actuarial assumptions		
Weighted average of assumptions to determine the defined benefit obligation		
Nominal discount rate p.a.	10.57%	7.43%
Actual discount rate p.a.	5.30%	3.80%
Estimated inflation rate in the long term p.a.	5.00%	3.50%
HCCTR - Average nominal inflation rate p.a.	8.15%	6.60%
HCCTR - Actual nominal inflation rate p.a.	3.00%	3.00%
Mortality table	AT-2000 downrated by 10%	AT-2000 downrated by 10%

25. RELATED PARTY TRANSACTIONS

25.1 Transactions and balances

Transactions with related parties were entered into in the ordinary course of the Company's business, at prices, terms and financial charges according to the conditions established between the parties. These transactions include, among other aspects, shared service contracts and loan agreements, detailed below:

			Parent company			
Creditor	Debtor	Type of operation	Interest rate (p.a.)	Maturity	12/31/21	12/31/20
ALAB	Azul	Loan	5.72%	dez/25	4,776	4,514
ALAB	Azul	Onlending	-	-	-	68,024
					4,776	72,538

25.2 Compensation of key management personnel

25.2.1 Accounting policies

25.2.1.1 Executive bonus and employee profit sharing

The Company's employees are entitled to profit sharing based on certain goals agreed annually, and executives based on statutory provisions proposed by the Board of Directors and approved by the shareholders. The amount of profit sharing is recognized in profit or loss for the year in which the goals are achieved.

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

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

	Consolidated	
	Years ended	
Description	12/31/21	12/31/20
Short-term benefits	30,080	29,792
Share-based payment plan (a)	13,042	36,986
	43,122	66,778

(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 year ended December 31, 2021, from R$39.30 to R$24.36, there was a decrease in the estimate of remuneration and, consequently, a reversal of the expense recorded in prior periods.

25.3 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.

25.4 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 year ended December 31, 2021 was R$52 (R$51 as of December 31, 2020), recorded under "Other operating income and expenses, net" in the statement of profit or loss. As of December 31, 2021, there were no amounts to be paid as a result of this transaction.

25.5 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.

25.6 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 December 31, 2021, the Company sub-leased three aircrafts to Breeze and recorded a balance receivable of R$79,663 (R$24,167 as of December 31, 2020).

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

26. EQUITY

26.1 Issued capital

	Parent company and Consolidated		
		Quantity	
Description	Company's capital	Common shares	Preferred shares
At December 31, 2021	2,290,876	928,965,058	333,680,010
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.

Company shareholding structure is presented below:

	Parent company and Consolidated					
	12/31/21			12/31/20		
Shareholder	Common shares	Preferred shares [b]	% 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%
Capital Research Global Investors	-	11.6%	11.2%	-	5.1%	4.9%
Other	-	73.0%	70.4%	-	80.0%	77.2%
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.
(b) Shareholders with interest above 5.0%.

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.

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

26.2 Treasury shares

26.2.1 Accounting policies

Own equity instruments that are acquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the fair value, if the share is reissued, is recognized in the share premium.

26.2.2 Movement of treasury shares

	Parent company and Consolidated		
Description	Number of shares	Amount paid	Average cost (in R$)
At December 31, 2019	444,245	15,565	35.04
Transfers	(178,784)	(2,383)	13.33
At December 31, 2020	265,461	13,182	49.66
Acquisition	477,800	16,198	33.90
Transfers	(358,732)	(17,421)	48.56
At December 31, 2021	384,529	11,959	31.10

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.

27. EARNINGS (LOSS) PER SHARE

27.1 Accounting policies

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

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 years ended December 31, 2021 and 2020, these instruments issued by the parent company have a non-dilutive effect and therefore were not considered in the total number of shares outstanding to determine the diluted loss per share.

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

Although there are differences between common and preferred shares as to voting and preemptive rights in the event of liquidation, the Company's preferred shares do not grant the right to receive fixed dividends. Preferred shares have economic power and the right to receive dividends 75 times greater than common shares. Accordingly, the Company considers that the economic power of preferred shares is greater than that of common shares. Therefore, the profit or loss for the year attributable to the controlling shareholders is allocated proportionally in relation to the total economic participation of the amount of common and preferred shares.

27.2 Earnings (loss) per share calculation

	Parent company and consolidated	
	Years ended	
Description	12/31/21	12/31/20
Numerator		
Net loss	(4,213,208)	(10,834,709)
Denominator		
Weighted average number of common shares	928,965,058	928,965,058
Weighted average number of preferred shares	333,286,277	329,779,360
75 preferred shares (*)	75	75
Weighted average number of equivalent preferred shares (*)	345,672,478	342,165,561
Weighted average number of equivalent common shares (*)	25,925,435,858	25,662,417,083
Weighted average number of shares outstanding and presumed conversions	63,296,103	63,789,234
Weighted average number of shares that would have been issued at average market price	2,711,861	4,705,897
Basic loss per common share - R$	(0.16)	(0.42)
Diluted loss per common share - R$	(0.16)	(0.42)
Basic loss per preferred share - R$	(12.19)	(31.67)
Diluted loss per preferred share - R$	(12.19)	(31.67)

(*) 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.

28 SHARE-BASED PAYMENT

28.1 Accounting policies

The Company offers executives share-based compensation plans to be settled with Company shares and in cash, according to which the Company receives services as consideration.

The cost of transactions with executives, settled with equity instruments and with awards, is measured based on the fair value at the date they were granted. To determine the fair value, the Company uses the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the employee acquires the full right to the award (vesting date).

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Management's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement or profit or loss for the year is recognized in “Salaries and benefits” and represents the movement in cumulative expense recognized as at the beginning and end of that year.

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

The cost of cash-settled transactions is initially measured at fair value at the grant date. This fair value is expensed over the period up to the maturity date, with the recognition of a corresponding liability. The liability is remeasured at fair value at the reporting date up to the settlement date, with the changes in fair value recognized in the statement of profit or loss for the year under “Salaries and benefits”.

28.2 Compensation plans

The Company has three share-based compensation plans for its management: the Stock Option Plan, the Restricted Stock Option Plan and the Stock Purchase Plan ("Phantom"). All of them aim to stimulate and promote the alignment of the objectives of the Company, shareholders, management and employees, and mitigate the risks in the generation of value of the Company by the loss of its executives, strengthening their commitment and productivity in the long-term results.

The movement of the plans and the expense recognized in profit or loss during the years ended December 31, 2021 and 2020 are as follows:

	Consolidated		
	Number of shares		
Description	Stock option plan [(a)]	Restricted stock option plan [(b)]	*Phantom Shares* [(c)]
At December 31, 2019	8,184,768	589,394	965,908
Granted	-	1,382,582	4,793,582
Exercised	(2,076,558)	(244,947)	(3,568)
Canceled	-	(74,024)	(898,881)
At December 31, 2020	6,108,210	1,653,005	4,857,041
Granted	-	300,000	580,000
Exercised	(2,035,286)	(495,093)	(140,253)
Canceled	(149,238)	(91,526)	(160,106)
At December 31, 2021	3,923,686	1,366,386	5,136,682

	Expense		
Description	Stock option plan	Restricted stock option plan	*Phantom Shares* [(d)]
At December 31, 2020	9,489	13,421	28,842
At December 31, 2021	5,933	15,877	(4,630)

(a) As of December 31, 2021, the weighted average exercise price is R$11.79 (R$15.12 as of December 31, 2020).

(b) The amount of 136,361 shares is equivalent to R$5,805 of income tax withheld by the Company.

(c) As of December 31, 2021, the total obligation related to the Phantom Shares plan is R$49,828 (R$62,351 as of December 31, 2020).

(d) Due to the negative variation in the share value, from R$39.30 to R$24.36, in the year ended December 31, 2021, there was a decrease in the estimate of remuneration and consequently a reversal of the obligation recognized in previous periods.

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

28.2.1 Stock option plan

The options granted in the Stock Option Plan require an acquisition period between 4 and 5 years, exercisable at a rate between 20% and 25% per year and have an average duration of up to eight years. The estimated volatility was calculated based on the historical volatility of shares of airlines listed on the stock exchanges in Brazil and the rest of Latin America.

Date of grant	Share exercise price	Fair value of option on the date of grant	Estimated volatility of share price	Expected dividend	Risk-free return rate	Average remaining maturity (in years)	Total options granted	Total outstanding options	Total vested options
12/11/2009	R$ 3.42	R$ 1.93	47.67%	1.10%	8.75%	-	5,032,800	212,420	212,420
03/24/2011	R$ 6.44	R$ 4.16	54.77%	1.10%	12.00%	-	1,572,000	84,000	84,000
04/05/2011	R$ 6.44	R$ 4.16	54.77%	1.10%	12.00%	-	656,000	7,500	7,500
06/30/2014	R$ 19.15	R$ 11.01	40.59%	1.10%	12.46%	-	2,169,122	750,927	750,927
07/01/2015	R$ 14.51	R$ 10.82	40.59%	1.10%	15.69%	-	627,810	210,555	210,555
07/01/2016	R$ 14.50	R$ 10.14	43.07%	1.10%	12.21%	-	820,250	317,837	317,837
07/06/2017	R$ 22.57	R$ 12.82	43.35%	1.10%	10.26%	-	680,467	471,745	471,745
03/14/2017	R$ 11.85	R$ 4.82	50.64%	1.10%	11.32%	0.1	9,343,510	1,868,702	43,603
							20,901,959	3,923,686	2,098,587

28.2.2 Restricted stock option plan

The shares granted in the Restricted Stock Option Plan require an acquisition period of 4 years, exercisable at the rate of 25% per year. The estimated volatility was calculated based on the historical volatility of shares of airlines listed on the stock exchanges in Brazil and the rest of Latin America.

Date of grant	Fair value of share (in reais)	Total granted	Total not exercised
06/30/2014	R$ 21.00	487,670	-
07/01/2015	R$ 21.00	294,286	-
07/01/2016	R$ 21.00	367,184	-
07/06/2017	R$ 24.17	285,064	1,550
08/07/2018	R$ 24.43	291,609	61,222
08/05/2019	R$ 51.65	170,000	72,503
06/19/2020	R$ 21.80	1,382,582	947,723
07/07/2021	R$ 42.67	300,000	283,388
		3,578,395	1,366,386

28.2.3 Stock purchase plan – Phantom

Phantom Shares plans require an acquisition period of between 3 and 4 years, have a duration of between 6 and 8 years and the exercise price must be equal to the lowest share price traded on the market during the thirty trading sessions prior to the date of the granting of options approved by the Compensation Committee. The estimated volatility for the plans up to 2020 was calculated based on the historical volatility of the Company's shares, for the 2021 plan, the volatility calculated is that of the last 252 business days. No dividends are expected for this plan.

The fair value of this liability is reviewed and updated in each reporting period, according to the change in the fair value of the benefit granted and the acquisition of the right to exercise.

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

Date of grant	Exercise price	Price at the date of grant	Current share price	Fair value at the date of grant	Estimated volatility of share price	Expected dividend	Risk-free return rate	Average remaining maturity (in years)	Total granted	Total outstanding
08/07/2018	R$ 20.43	R$ 40.41	R$ 24.36	R$ 11.98	34.00%	1.10%	6.40%	0.6	707,400	88,404
08/05/2019	R$ 42.09	R$ 25.34	R$ 24.36	R$ 11.98	38.80%	1.10%	6.40%	1.6	405,000	14,201
04/30/2020	R$ 10.35	R$ 17.40	R$ 24.36	R$ 11.98	53.22%	0.00%	3.02%	1.3	3,250,000	2,985,488
04/30/2020	R$ 10.35	R$ 17.40	R$ 24.36	R$ 11.98	53.22%	0.00%	3.02%	2.3	1,600,000	1,495,421
08/17/2021	R$ 33.99	R$ 33.99	R$ 24.36	R$ 10.29	52.04%	0.00%	8.56%	3.6	580,000	553,168
									6,542,400	5,136,682

29. SALES REVENUE

29.1. Accounting policies

29.1.1 Passenger, cargo and auxiliary service revenue

Passenger revenue is recognized when air transportation is actually provided. Tickets sold but not yet flown are recorded as air traffic liability, representing deferred revenue from tickets sold to be flown on a future date, net of breakage revenue estimate.

Breakage revenue consists of calculating, on a historical basis, tickets issued that will expire due to non-use, that is, passengers who have purchased tickets and are very likely not to use them. For the purposes of recognizing this revenue, the average periods for providing air transport services are also considered, and these assumptions are included in a statistical model that determines the estimate of the breakage rate to be adopted. At least annually, the calculations and the statistical model are reviewed in order to reflect and capture changes in customer behavior regarding ticket expiration.

Other revenues that include charter services, flight rescheduling fees, baggage dispatch and other additional services are recognized along with the primary passenger transport obligation.

29.1.2 Frequent-flyer program revenue - TudoAzul

Under the "TudoAzul" program, customers accrue points based on the amount spent on tickets flown. The amount of points earned depends on TudoAzul membership category, market, fare class and other factors, including promotional campaigns.

Through historical data, the Company estimates the points that will expire without being used and recognizes the corresponding revenue in the issue of the point (breakage) considering the average exchange term. With some exceptions, points generally expire two years after the date earned regardless of activity in the program member's account.

Upon the sale of a ticket, the Company recognizes a portion of ticket sales as revenue when the transportation service occurs and defers a portion corresponding to the points earned under the TudoAzul Program, in accordance with CPC 47 - Revenue from Contracts with Customers, equivalent to IFRS 15.

The Company determines the estimated selling price of the air transportation and points as if each element had been sold on a separate basis and was therefore based on the stand-alone selling price.

The Company also sells frequent-flyer program points to customers and partners, including credit card companies, financial institutions and retail companies. The related revenue is deferred and recognized as passenger transport revenue when the points are redeemed and the related transport service occurs, based on the weighted average price of the points sold.

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

Points awarded or sold and not used are recorded in “Air traffic liability”.

29.2 Breakdown of sales revenue

	Consolidated	
	Years ended	
Description	12/31/21	12/31/20
Revenue		
Passenger revenue	9,101,576	5,197,272
Cargo transport and other revenue	1,301,090	799,222
Gross revenue	10,402,666	5,996,494
Taxes levied		
Passenger revenue	(290,532)	(157,665)
Cargo transport and other revenue	(136,405)	(94,703)
Total taxes	(426,937)	(252,368)
Net revenue	9,975,729	5,744,126

Revenues by geographical location are as follows:

	Consolidated	
	Years ended	
Description	12/31/21	12/31/20
Domestic revenue	8,849,486	4,759,257
Foreign revenue	1,126,243	984,869
Net revenue	9,975,729	5,744,126

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

30. RESULT BY NATURE

	Parent company		Consolidated	
	Years ended			
Description	12/31/21	12/31/20	12/31/21	12/31/20
Cost of services				
Aircraft fuel	-	-	(3,257,223)	(1,508,750)
Salaries and benefits	-	-	(1,566,667)	(1,242,812)
Airport charges	-	-	(677,653)	(465,606)
Provision of traffic services	-	-	(395,533)	(288,327)
Maintenance and repair materials	-	-	(546,647)	(464,566)
Depreciation and amortization (a)	-	-	(1,346,523)	(1,262,407)
Impairment	-	-	1,075,682	757,554
Other	-	-	(1,409,640)	(983,777)
	-	-	(8,124,204)	(5,458,691)
Selling expenses				
Salaries and benefits	-	-	(20,693)	(21,487)
Advertising and publicity	-	-	(403,987)	(329,829)
	-	-	(424,680)	(351,316)
Administrative expenses				
Salaries and benefits	(13,768)	(6,274)	(161,081)	(162,338)
Depreciation and amortization	-	-	(8,124)	(83,371)
Other	(41,799)	(36,350)	(159,765)	(618,317)
	(55,567)	(42,624)	(328,970)	(864,026)
Other operating expenses				
Idleness - Depreciation and amortization	-	-	(189,686)	(459,775)
Other	3,948	-	(853,394)	(9,399)
	3,930	-	(1,043,080)	(469,174)
Total	(51,637)	(42,624)	(9,920,934)	(7,143,207)

(a) Net of PIS and COFINS credit in the amount of R$2,002.

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 year called idleness were reclassified from the “Costs of services” group to the “Other operating income and expenses, net” group.

31. FINANCIAL RESULT

31.1 Accounting policies

Financial income and expenses include interest income on amounts invested, exchange differences on assets and liabilities, changes in the fair value of financial assets measured at fair value through profit or loss, gains and losses on hedge instruments that are recognized in profit or loss, interest on loans and financing, interest on leases, commissions and bank charges, among others. Interest income and expenses are recognized in the statement of profit or loss using the effective interest method.

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

31.2 Breakdown of financial result

	Parent company		Consolidated	
	Years ended			
Description	12/31/21	12/31/20	12/31/21	12/31/20
Financial income				
Interest on short-term investments	15,290	547	120,986	23,187
Sublease receivable	-	-	26,846	28,714
Other	146	3,480	6,448	8,397
	15,436	4,027	154,280	60,298
Financial expenses				
Interest on loans	-	(16,948)	(420,682)	(270,057)
Interest on lease	-	-	(2,433,640)	(1,569,151)
Interest on convertible debentures	(201,303)	-	(201,303)	(25,116)
Interest on factoring credit card receivables	-	-	(55,395)	(25,715)
Interest on provisions	-	-	(237,740)	(283,797)
Interest and fines on other operations	(319)	(11,241)	(255,634)	(225,082)
Guarantee commission	(44)	-	(109,661)	(38,484)
Borrowing cost	(3,756)	(28,264)	(42,617)	(19,594)
Other	(13,183)	(8,822)	(81,571)	(57,591)
	(218,605)	(65,275)	(3,838,243)	(2,514,587)
Derivative financial instruments, net	829,213	(755,354)	864,184	(2,207,470)
Foreign currency exchange, net	(80,817)	61,152	(1,443,046)	(4,302,540)
Financial result, net	545,227	(755,450)	(4,262,825)	(8,964,299)

32. 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.

32.1 Accounting classification and fair value hierarchy of financial instruments

The accounting classifications of the Company's consolidated financial instruments and fair value hierarchy are shown below:

		Parent company			
		Carrying amount		Fair value	
Description	Level	12/31/21	12/31/20	12/31/21	12/31/20
Assets					
Cash and cash equivalents	2	293,557	437,896	293,557	437,896
Liabilities					
Loans and financing	-	(1,236,215)	(953,705)	1,256,767	(532,868)
Loans and financing - conversion right	2	(636,786)	(1,465,999)	(636,786)	(1,465,999)
Accounts payable	-	(3,436)	(34,617)	(3,436)	(34,617)

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

		Consolidated			
		Carrying amount		Fair value	
Description	Level	12/31/21	12/31/20	12/31/21	12/31/20
Assets					
Cash and cash equivalents	2	3,073,799	3,064,815	3,073,799	3,064,815
Short-term investments	2	908,149	946,281	908,149	946,281
Accounts receivable	-	997,893	875,382	997,893	875,382
Aircraft sublease receivables	-	274,198	312,937	274,198	312,937
Security deposits and maintenance reserves	-	1,964,419	1,554,042	1,964,419	1,554,042
Derivative financial instruments	2	353,817	428,309	353,817	428,309
Liabilities					
Loans and financing	-	(9,381,945)	(5,894,515)	(8,973,383)	(5,414,689)
Loans and financing - conversion right	2	(636,786)	(1,465,999)	(636,786)	(1,465,999)
Lease liabilities	-	(14,890,575)	(12,520,812)	(14,890,575)	(12,520,812)
Accounts payable	-	(2,335,165)	(2,561,727)	(2,335,165)	(2,561,727)
Accounts payable – supplier finance	-	(3,694)	(157,801)	(3,694)	(157,801)
Reimbursement to customers	-	(173,686)	(221,342)	(173,686)	(221,342)
Insurance premiums payable	-	(92,793)	(52,427)	(92,793)	(52,427)
Derivative financial instruments	2	(287,051)	(421,034)	(287,051)	(421,034)

32.2 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 matures in 10 years from its 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.

32.3 Convertible debentures

As required by CPC 48 - Financial Instruments, equivalent to IFRS-9, the conversion right of the convertible debentures was measured at fair value through profit or loss as it is an embedded derivative. Details of this operation are provided in note 19.3.3.

32.4 Derivative financial instruments

Derivative financial instruments and their movements are presented in Note 22 to these financial statements.

32.5 Market risks

During the years ended December 31, 2021 and 2020, gains and losses were recognized in profit or loss as follows:

	Consolidated	
Description	12/31/21	12/31/20
Gain (loss) on interest rate risk	48,571	30,949
Gain (loss) on aviation fuel price risk (“QAV”)	75,075	(1,371,941)
Gain (loss) on foreign exchange risk	(88,675)	74,371
	34,971	(1,266,621)

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

32.5.1 Interest rate risk

As of December 31, 2021, the Company had swap contracts to hedge against the effect of fluctuations in interest rates on part of payments for leases.

32.5.2 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 December 31, 2021, forward transactions on fuel.

32.5.3 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.

The exposure to the main exchange differences is as follows:

	Consolidated			
	Exposure to US$		Exposure to €	
Description	12/31/21	12/31/20	12/31/21	12/31/20
Assets				
Cash and cash equivalents and short-term investments	244,239	262,309	911,071	854,462
Accounts receivable	100,640	232,950	-	-
Security deposits and maintenance reserves	1,918,517	1,540,231	-	-
Aircraft sublease receivables	274,198	312,937	-	-
Derivative rights	-	155,920	-	-
Other assets	154,198	60,576	-	-
Total assets	2,691,792	2,564,923	911,071	854,462
Liabilities				
Accounts payable	(624,162)	(831,429)	-	-
Loans and financing	(8,506,445)	(5,741,253)	-	-
Lease liabilities	(14,814,400)	(12,463,426)	-	-
Derivative obligations	-	(81,274)	-	-
Provisions and other liabilities	(3,808,012)	(951,348)	-	-
Total liabilities	(27,753,019)	(20,068,730)	-	-
Net exposure	(25,061,227)	(17,503,807)	911,071	854,462
Net exposure in foreign currency	(4,490,857)	(3,368,254)	144,134	133,972

32.6 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.

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

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

32.7 Liquidity risk

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

	Consolidated 12/31/21						
Description	Carrying amount	Contractual cash flows	2022	2023	2024	2025	After 2026
Accounts payable	2,335,165	2,335,165	1,771,663	150,477	191,160	86	221,779
Accounts payable – supplier finance	3,694	3,694	3,694	-	-	-	-
Loans and financing	10,018,731	10,143,516	1,039,198	1,298,922	2,443,293	1,978,628	3,383,475
Lease liabilities	14,890,575	28,424,354	3,802,070	4,056,001	4,015,746	3,397,128	13,153,409
Derivative obligations	287,051	287,051	77,509	68,534	141,008	-	-
Insurances premiums payable	92,793	92,793	92,793	-	-	-	-
Reimbursement to customers	173,686	173,686	173,686	-	-	-	-
	27,801,695	41,460,259	6,960,613	5,573,934	6,791,207	5,375,842	16,758,663

32.8 Sensitivity analysis of financial instruments

32.8.1 Risk factor: changes in exchange rates

As of December 31, 2021, the Company adopted an exchange rate of R$5.5805/US$1.00 and R$6.3210/€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 December 31, 2021:

	Consolidated			
	Exposure to US$		Exposure to €	
Description	Rate	12/31/21	Rate	12/31/21
Net exposure at 12/31/2021	5.5805	(25,061,227)	6.3210	911,071
Effect on profit or loss				
Foreign currency devaluation by -50%	2.7903	12,530,613	3.1605	(455,536)
Foreign currency devaluation by -25%	4.1854	6,265,307	4.7408	(227,768)
Foreign currency appreciation by 50%	8.3708	(12,530,613)	9.4815	455,536
Foreign currency appreciation by 25%	6.9756	(6,265,307)	7.9013	227,768

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

32.8.2 Risk factor: changes in aviation fuel prices

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

	Consolidated	
	Exposure to HOA [(a)]	
Description	Price [(b)]	12/31/21
HOA reference price at 12/31/2021	$227	9,383
Effect on profit or loss		
HOA devaluation by -50%	$114	(266,776)
HOA devaluation by -25%	$170	(128,745)
HOA appreciation by 50%	$341	287,779
HOA appreciation by 25%	$284	148,534

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

32.8.3 Risk factor: changes in interest rates

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

	Consolidated			
	Exposure to CDI		Exposure to LIBOR rate	
Description	Rate (p.a.)	12/31/21	Rate (p.a.) [(a)]	12/31/21
Net exposure at 12/31/2021	9.15%	120,866	0.27%	(1,540)
Effect on profit or loss				
Interest rate devaluation by -50%	4.58%	(60,433)	0.13%	770
Interest rate devaluation by -25%	6.86%	(30,217)	0.20%	385
Interest rate appreciation by 50%	13.73%	60,433	0.40%	(770)
Interest rate appreciation by 25%	11.44%	30,217	0.33%	(385)

(a) Weighted rate.

32.9 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.

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

33. NON-CASH TRANSACTIONS

	Consolidated								
Description	Accounts receivable	Property and equipment and intangible assets	Maintenance reserves	Supplier finance	Sale and leaseback	Loans and financing	Lease	Transfers	Total
Accounts receivable	(255)	-	-	-	-	-	(51,504)	(105,277)	(157,036)
Aircraft sublease receivables	(14,874)	-	-	-	-	-	(5,348)	-	(20,222)
Security deposits and maintenance reserves	-	-	19,422	-	2,760	17,925	-	23,782	63,889
Property and equipment	-	102,220	-	- -	90,522	- -	8,633	-	3,065
Right-of-use assets	-	30,528	-	-	-	-	1,897,676	-	1,928,204
Intangible assets	-	136,993	-	-	-	-	-	-	136,993
Loans and financing	-	-	-	-	-	(17,925)	-	-	(17,925)
Lease liabilities	-	-	-	-	-	-	(1,041,464)	205,978	(835,486)
Accounts payable	60,748	(134,921)	(19,422)	1,202,582	87,762	-	-	186,425	1,383,174
Accounts payable – supplier finance	-	-	-	(1,202,582)	-	-	-	-	(1,202,582)
Salaries, wages and benefits	-	-	-	-	-	-	-	121,736	121,736
Government installment payment program	-	-	-	-	-	-	-	(308,161)	(308,161)
Provisions	(50,641)	(134,820)	-	-	-	-	(790,727)	-	(976,188)
Other assets and liabilities	5,022	-	-	-	-	-	-	(124,483)	(119,461)

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

34. COMMITMENTS AND GUARANTEES

34.1 Aircraft acquisition

As of December 31, 2021, the Company had contractually assumed the commitment to acquire 131 aircraft, 86 directly from manufacturers and 45 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.

	Consolidated	
Description	12/31/21	12/31/20
2021	-	1,941,843
2022	1,332,170	855,247
2023	1,048,452	565,661
2024	2,354,729	1,533,423
2025	2,116,390	1,351,477
2026	2,325,528	1,633,289
After 2026	3,454,271	2,292,894
	12,631,540	10,173,834

34.2 Letters of credit

As of December 31, 2021, the Company held letters of credit in the amount of US$492 million (US$522 million as of December 31, 2020), equivalent to R$3,112,152 (R$2,713,794 as of December 31, 2020) and of R$8,763 (R$38,270 as of December 31, 2020) related to security deposits, maintenance reserves and local guarantees.

34.3 Guarantees

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

Additionally, other guarantees are offered for fundraising, such as the assignment of rights over credit card receivables, parts and equipment.

Renata Bandeira Gomes do Nascimento
CRC 1SP 215231/O-3
Controller and tax director