

Azul Reports Second Quarter Net Income of R\$345 million

Revenue up 31% to R\$2.6 billion and operating result up 70% to R\$340 million

São Paulo, August 8, 2019 – Azul S.A., “Azul” (B3:AZUL4, NYSE:AZUL) the largest airline in Brazil by number of cities and departures, announces today its results for the second quarter of 2019 (“2Q19”). The following financial information, unless stated otherwise, is presented in Brazilian reais and in accordance with International Financial Reporting Standards (IFRS). Prior periods presented have been adjusted to reflect the adoption of IFRS 16 accounting standards.

Financial and Operating Highlights for 2Q19

- Operating income was R\$339.9 million yielding a margin of 13.0%, compared with R\$200.1 million and a margin of 10.0% in 2Q18.
- Net income totaled R\$345.5 million, compared to a net loss of R\$791.4 million in 2Q18.

Financial results (R\$ million) ¹	2Q19	2Q18	% Δ	1H19	1H18	% Δ
Operating revenues	2,617.7	1,994.2	31.3%	5,159.7	4,186.2	23.3%
Operating income	339.9	200.1	69.9%	675.5	573.4	17.8%
Operating margin	13.0%	10.0%	+3.0 p.p.	13.1%	13.7%	-0.6 p.p.
EBITDA	733.2	522.2	40.4%	1,457.4	1,191.8	22.3%
EBITDA margin	28.0%	26.2%	+1.8 p.p.	28.2%	28.5%	-0.2 p.p.
Net income	345.5	(791.4)	n.a.	483.2	(619.1)	n.a.
Net income ² per PN share (R\$)	1.00	(2.34)	n.a.	1.41	(1.84)	n.a.
Net income ² per ADS (US\$)	0.78	(1.82)	n.a.	1.10	(1.43)	n.a.

¹ Adjusted for the non-recurrent aircraft sale loss of R\$226.3 million incurred in 2Q18.

² 2Q19 EPS and EPDR of R\$0.34 and US\$0.27 excluding exchange rate results and unrealized hedge results.

- Passenger traffic (RPK) increased 21.3% on a capacity growth of 15.5%, representing a load factor of 84.1%, 4.0 percentage points higher than 2Q18.
- In addition to the double-digit growth in capacity, RASK and PRASK increased 13.6% and 13.0% year over year, respectively. RASK adjusted for the increase in stage length increased 15.1% year over year.
- CASK normalized for fuel, currency and the end of the payroll tax relief increased 0.9%, mostly due to higher depreciation expenses, hiring and training associated with our upcoming growth.
- Total liquidity position was R\$4.2 billion, up R\$371.1 million, representing 42% of last twelve months' revenue. Azul also generated R\$386.9 million in free cash flow during the quarter.
- Net debt to EBITDA leverage was 3.1x. Excluding the five aircraft received during the quarter, leverage would had been 2.9x.
- Fitch assigned Azul a rating of BB- reinforcing the strength of our balance sheet.
- Azul's fleet in service totaled 130 aircraft, including 29 next-generation aircraft, representing 39% of total capacity.
- TudoAzul recorded a 31% year-over-year increase in gross billings ex-Azul.
- Azul Cargo recorded a 47% year-over-year increase in revenue.
- For the ninth year in a row, Azul won the *Skytrax* award of Best Regional Airline in South America, and also Best Airline Staff. The Company also ranked best budget airline in the world by *The Travel*.

Management Comments

Thanks to the hard work and dedication of our crewmembers, we had record second quarter results. Top-line revenue grew an impressive 31.3%, while net income totaled R\$345.5 million. We continued to execute on our margin expansion strategy while benefiting from the strength of our network, high quality-service, and efficient operation.

During 2Q19 Azul grew capacity by 15.5% year over year while improving RASK by 13.6% or 15.1% adjusted for the increase in stage length. This is the third year in a row that we increase capacity by double digits while growing RASK. In addition to the healthy domestic demand environment together with a change in competitive dynamics, ancillary and other revenues also had a strong performance. We expect to continue to see a positive demand environment during the second half of the year, which is seasonally the strongest.

Most of our growth comes from our fleet transformation, which allows us to expand margins by deploying larger, next-generation aircraft. In 2Q19, we received four A320neos and one A330neo ending the quarter with 29 next-generation aircraft in operation, representing 39% of total ASKs. In addition, we opportunistically leased 12 former Avianca Brasil A320neos to accelerate our fleet transformation and also to occupy a few of their markets.

These next-generation aircraft provide significantly lower unit costs through more efficient fuel burn, lower ownership costs and better economies of scale. In 2Q19, this allowed us to offset cost pressures from higher fuel prices, the devaluation of the Brazilian real, and the end of the payroll tax relief. Controlling for these items, total CASK increased 0.9%, mainly due to timing differences between the delivery of aircraft and its entry into service, as well as pilot hiring and training expenses as we prepare for growth in the upcoming quarters.

We are continually looking to optimize our capacity plans. During 2Q19, we significantly moderated our international capacity growth while sharpening our presence in the domestic market, and that is where we intend to continue to focus. Looking ahead to the rest of the year, we are excited with the first deliveries of the Embraer E2 and the margin expansion opportunities they offer.

Cargo had another outstanding quarter with revenues growing 47% year over year, driven by higher volumes and yields, as we continue to expand our presence in the booming Brazilian e-commerce segment. We ended the first half of the year with a 20% share of cargo volume transported in Brazil, up 8.0 percentage points year over year.

Finally, our loyalty program TudoAzul maintained its strong growth pace, increasing gross billings ex-Azul by 31% year over year. The majority of this increase came from sales to banking partners and Clube TudoAzul. This is TudoAzul's fourth consecutive year with over 30% growth.

We ended the quarter with a solid cash position of R\$4.2 billion, up R\$371.1 million year over year, representing 42% of our last twelve months' revenue. Free cash flow generation totaled R\$386.9 million, reflecting our commitment to sustainable growth and building long-term value. In addition, the recent assignment of a BB-rating by Fitch reinforces the strength of our balance sheet.

Our customers clearly recognize the special Azul experience delivered by our crewmembers. For the ninth year in a row, we won the Skytrax award of Best Regional Airline in South America, and also Best Airline Staff. We also ranked best budget airline in the world by The Travel, an internationally renowned travel advisory website.

In conclusion, we will continue to demonstrate significant revenue growth across all parts of our business while at the same time transforming our fleet to deliver lower unit costs. Our multi-year margin expansion plan is on track, and I am confident we are well on our way to achieving this year's margin guidance.

John Rodgerson, CEO of Azul

Consolidated Financial Results

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

Income statement (R\$ million) ¹	2Q19	2Q18	% Δ	1H19	1H18	% Δ
OPERATING REVENUES						
Passenger	2,487.6	1,905.7	30.5%	4,922.1	4,017.5	22.5%
Cargo and other revenues	130.1	88.5	47.0%	237.6	168.6	40.9%
Total operating revenues	2,617.7	1,994.2	31.3%	5,159.7	4,186.2	23.3%
OPERATING EXPENSES						
Aircraft fuel	747.6	563.0	32.8%	1,442.8	1,140.2	26.5%
Salaries, wages and benefits	425.1	354.7	19.8%	882.7	688.5	28.2%
Depreciation and amortization	393.3	322.1	22.1%	781.9	618.4	26.4%
Landing fees	169.3	141.1	20.0%	337.4	286.0	18.0%
Traffic and customer servicing	110.1	92.7	18.8%	218.8	190.8	14.7%
Sales and marketing	108.9	77.6	40.4%	200.4	161.9	23.7%
Maintenance materials and repairs	74.7	53.8	38.8%	129.0	162.2	-20.5%
Other rent	17.6	11.2	57.2%	35.7	19.1	86.4%
Other operating expenses	231.3	178.0	29.9%	455.6	345.5	31.9%
Total operating expenses	2,277.8	1,794.2	27.0%	4,484.2	3,612.7	24.1%
Operating income	339.9	200.1	69.9%	675.5	573.4	17.8%
<i>Operating Margin</i>	<i>13.0%</i>	<i>10.0%</i>	<i>+3.0 p.p.</i>	<i>13.1%</i>	<i>13.7%</i>	<i>-0.6 p.p.</i>
FINANCIAL RESULT						
Financial income	20.6	19.9	3.7%	38.9	40.1	-3.0%
Financial expenses	(296.5)	(250.8)	18.2%	(565.6)	(481.9)	17.4%
Derivative financial instruments	42.3	300.1	-85.9%	168.4	313.6	-46.3%
Foreign currency exchange, net	191.2	(1,148.7)	n.a.	109.9	(1,192.5)	n.a.
Result from related party transactions, net	1.9	131.4	-98.6%	(51.0)	192.1	n.a.
Income before income taxes	299.4	(748.1)	n.a.	376.1	(555.1)	n.a.
Income tax and social contribution	(1.3)	0.3	n.a.	(1.7)	(1.0)	60.1%
Deferred income tax	47.4	(43.6)	n.a.	108.8	(63.0)	n.a.
Net income	345.5	(791.4)	n.a.	483.2	(619.1)	n.a.
<i>Net margin</i>	<i>13.2%</i>	<i>-39.7%</i>	<i>n.a.</i>	<i>9.4%</i>	<i>-14.8%</i>	<i>n.a.</i>
Weighted avg. of PN equivalent shares (million)	340.9	337.7	0.9%	340.1	336.8	1.0%
Fully diluted shares	344.5	345.8	-0.4%	343.5	345.3	-0.5%
Basic net income per PN² share (R\$)	1.01	(2.34)	n.a.	1.42	(1.84)	n.a.
Diluted net income per PN² share (R\$)	1.00	(2.34)	n.a.	1.41	(1.84)	n.a.
Basic net income per ADS (US\$)	0.79	(1.82)	n.a.	1.11	(1.43)	n.a.
Diluted net income per ADS (US\$)	0.78	(1.82)	n.a.	1.10	(1.43)	n.a.

¹ Adjusted for the non-recurrent aircraft sale loss of R\$226.3 million incurred in 2Q18.

² One ADS equals three preferred shares (PN).

Operating Data ¹	2Q19	2Q18	% Δ	1H19	1H18	% Δ
ASKs (million)	8,156	7,062	15.5%	16,469	14,227	15.8%
<i>Domestic</i>	6,317	5,256	20.2%	12,659	10,648	18.9%
<i>International</i>	1,840	1,806	1.9%	3,810	3,579	6.5%
RPKs (million)	6,860	5,656	21.3%	13,669	11,547	18.4%
<i>Domestic</i>	5,250	4,091	28.3%	10,441	8,448	23.6%
<i>International</i>	1,610	1,565	2.9%	3,228	3,099	4.2%
Load factor (%)	84.1%	80.1%	+4.0 p.p.	83.0%	81.2%	+1.8 p.p.
<i>Domestic</i>	83.1%	77.8%	+5.3 p.p.	82.5%	79.3%	+3.1 p.p.
<i>International</i>	87.5%	86.7%	+0.8 p.p.	84.7%	86.6%	-1.9 p.p.
Average fare (R\$)	379.7	346.1	9.7%	381.0	361.3	5.5%
Revenue passengers (thousands)	6,551	5,506	19.0%	12,919	11,121	16.2%
Block hours	117,153	105,678	10.9%	237,624	211,507	12.3%
Aircraft utilization (hours per day)	11.1	10.8	2.8%	11.1	10.8	2.8%
Departures	70,164	64,774	8.3%	140,386	128,938	8.9%
Average stage length (km)	1,013	987	2.6%	1,030	998	3.2%
End of period operating aircraft	130	121	7.4%	130	121	7.4%
Average operating fleet	127	117	8.5%	126	118	6.8%
Fuel consumption (thousands of liters)	279,023	249,125	12.0%	565,576	505,346	11.9%
Employees	12,218	11,115	9.9%	12,218	11,115	9.9%
End of period employees per aircraft	94	92	2.3%	94	92	2.3%
Yield per passenger kilometer (cents)	36.26	33.69	7.6%	36.01	34.79	3.5%
RASK (cents)	32.09	28.24	13.6%	31.33	29.42	6.5%
PRASK (cents)	30.50	26.99	13.0%	29.89	28.24	5.8%
CASK (cents)	27.93	25.41	9.9%	27.23	25.39	7.2%
CASK ex-fuel (cents)	18.76	17.43	7.6%	18.47	17.38	6.3%
Fuel cost per liter	2.68	2.26	18.6%	2.55	2.26	13.1%
Break-even load factor (%)	73.2%	72.1%	+1.1 p.p.	72.1%	70.0%	+2.1 p.p.
Average exchange rate	3.92	3.61	8.7%	3.84	3.42	12.3%
End of period exchange rate	3.83	3.86	-0.6%	3.83	3.86	-0.6%
Inflation (IPCA - LTM)	3.37%	4.39%	-1.0 p.p.	3.97%	3.54%	+0.4 p.p.
WTI (average per barrel, US\$)	62.33	67.91	-8.2%	58.62	65.40	-10.4%
Heating Oil (US\$)	198.50	205.44	-3.4%	196.01	203.00	-3.4%

¹ Adjusted for the non-recurrent aircraft sale loss of R\$226.3 million incurred in 2Q18.

Operating Revenue

In 2Q19, Azul recorded net revenues of R\$2.6 billion, 31.3% higher than the same period last year, due to a 30.5% increase in passenger revenue and a 47.0% increase in other revenue.

Passenger traffic (RPK) increased 21.3% on a capacity growth of 15.5%, representing a load factor of 84.1%, 4.0 percentage points higher than 2Q18. PRASK increased 13.0% mostly due to higher load factors combined with a 7.6% increase in yields.

Other revenue increased R\$41.6 million in 2Q19 mainly due to the 47% increase in cargo revenue compared to 2Q18. As a result, total RASK increased 13.6% during the period.

R\$ cents ¹	2Q19	2Q18	% Δ	1H19	1H18	% Δ
Operating revenue per ASK						
Passenger revenue	30.50	26.99	13.0%	29.89	28.24	5.8%
Cargo and other revenues	1.59	1.25	27.2%	1.44	1.19	21.7%
Operating revenue (RASK)	32.09	28.24	13.6%	31.33	29.42	6.5%
Operating expenses per ASK						
Aircraft fuel	9.17	7.97	15.0%	8.76	8.01	9.3%
Salaries, wages and benefits	5.21	5.02	3.8%	5.36	4.84	10.8%
Depreciation and amortization	4.82	4.56	5.7%	4.75	4.35	9.2%
Landing fees	2.08	2.00	3.9%	2.05	2.01	1.9%
Traffic and customer servicing	1.35	1.31	2.8%	1.33	1.34	-0.9%
Sales and marketing	1.33	1.10	21.5%	1.22	1.14	6.9%
Maintenance materials and repairs	0.92	0.76	20.1%	0.78	1.14	-31.3%
Other rent	0.22	0.16	36.1%	0.22	0.13	61.0%
Other operating expenses	2.84	2.52	12.5%	2.77	2.43	13.9%
Total operating expenses (CASK)	27.93	25.41	9.9%	27.23	25.39	7.2%
Operating income per ASK (RASK - CASK)	4.17	2.83	47.1%	4.10	4.03	1.8%

¹ Adjusted for the non-recurring aircraft sale loss of R\$226.3 million incurred in 2Q18.

Operating Expenses

Operating expenses totaled R\$2.3 billion, representing an increase of 27.0% over 2Q18. Cost per ASK (CASK) increased 9.9% to 27.93 cents mainly due to (i) the 18.6% increase in fuel prices, (ii) the end of a 20% payroll tax relief effective January 2019, (iii) the 8.7% average depreciation of the Brazilian real year over year. Normalizing for these factors, total CASK would have increased 0.9% mainly due to crewmember hiring and training expenses.

The breakdown of our operating expenses is as follows:

- **Aircraft fuel** increased 32.8% year over year to R\$747.6 million, mostly due to an 18.6% increase in jet fuel prices and to a 10.9% increase in block hours. On a per-ASK basis, aircraft fuel reduced 3.0% adjusted for fuel price increases, mainly due to the introduction of more fuel-efficient A320neos.
- **Salaries, wages and benefits** increased 19.8% year over year to R\$425.1 million, mostly due to our growth, as well as the end of the 20% payroll tax relief effective January 2019. Excluding the effect of the payroll tax, salaries per ASK would have decreased 9.2%.
- **Depreciation and amortization** increased 22.1% or R\$71.2 million, driven by (i) the net addition of 10 aircraft to the fleet over the last twelve months ended June 30, 2019, and (ii) a higher number of engine overhaul events. On a per-ASK basis, depreciation and amortization increased 5.7% mainly due to the addition of five aircraft in 2Q19.
- **Landing fees** increased 20.0% or R\$28.2 million in 2Q19, mostly due to the 8.3% increase in departures and an 11% price adjustment of navigation fees. Landing fees per ASK increased 3.9%, mainly due to the 11% price adjustment.
- **Traffic and customer servicing** expenses increased 18.8% or R\$17.4 million, mostly due to the 19.0% increase in the number of passengers. On a per-ASK basis, traffic and customer servicing expenses increased 2.8%.
- **Sales and marketing** increased 40.4%, or R\$31.3 million, mostly driven by (i) the 30.5% increase in passenger revenues, (ii) an increase in cargo commissions as a result of the 47.0% increase in cargo revenue, and (iii) credits recognized in 2Q18. On a per-ASK basis, sales and marketing increased 21.5%.
- **Maintenance materials and repairs** increased 38.8% or R\$20.9 million mostly due to (i) the 8.7% average depreciation of the Brazilian real against the U.S. dollar, which resulted in higher maintenance

expenses, and (ii) a higher number of maintenance events in 2Q19 compared to 2Q18. Maintenance materials and repairs per ASK increased 20.1%.

- **Other operating expenses** excluding the R\$226.3 million loss related to the sale of six E-jets incurred in 2Q18 increased 29.9% or R\$53.3 million mainly due to an increase in expenses related to training and accommodations related to our growth. On a per-ASK basis, other operating expenses increased 12.5%.

Non-Operating Results

Azul recorded a net financial loss of R\$42.4 million in 2Q19 compared to a net financial loss of R\$1,079.5 million in 2Q18.

Net financial results (R\$ million)	2Q19	2Q18	% Δ	1H19	1H18	% Δ
Financial income	20.6	19.9	3.7%	38.9	40.1	-3.0%
Financial expenses	(296.5)	(250.8)	18.2%	(565.6)	(481.9)	17.4%
Derivative financial instruments	42.3	300.1	-85.9%	168.4	313.6	-46.3%
Foreign currency exchange, net	191.2	(1,148.7)	n.a.	109.9	(1,192.5)	n.a.
Net financial results	(42.4)	(1,079.5)	-96.1%	(248.4)	(1,320.6)	-81.2%

Financial expenses increased 18.2% or R\$45.7 million, mostly due to a R\$42.8 million increase of interest expenses released to leased aircraft.

Derivative financial instruments resulted in a net gain of R\$42.3 million in 2Q19 mostly due to a fuel hedge gain recorded during the period.

As of June 30, 2019, Azul had locked in fuel contracts for approximately 40% for the next twelve months' consumption through derivative financial instruments and fixed price contracts with our main supplier.

Unrealized hedge results in 2Q19 totaled R\$35.5 million, lower than the R\$295.2 million recorded in 2Q18 in connection with our senior notes hedging structure.

Foreign currency exchange, net. Azul recorded a non-cash foreign currency gain of R\$191.2 million in 2Q19, mainly due to the 1.7% appreciation of the Brazilian real from March 31, 2019 to June 30, 2019, resulting in a decrease in loans denominated in foreign currency. With the adoption of IFRS 16, all aircraft under operating leases have been recognized in the balance sheet as a U.S. dollar denominated liability, directly affecting the foreign currency exchange line item in the event of currency fluctuation.

Results from related parties transactions, net. In 2Q19, we recorded a gain of R\$1.9 million, mostly due to the increase in fair value of our investment in TAP. Azul currently owns directly and indirectly 47.3% of TAP's economic value, consisting of a 6.1% direct equity investment and a convertible bond equivalent to 41.25% of the equity value of the Portuguese carrier.

Liquidity and Financing

Azul closed the quarter with R\$4.2 billion in cash, cash equivalents, short-term and long-term investments, and receivables, 9.7% above the R\$3.8 billion recorded in 2Q18, representing 42% of its last twelve months' revenue. The company has no restricted cash and also held security deposits and maintenance reserves totaling R\$1.5 billion as of June 30, 2019, which are not included in its cash position.

Liquidity (R\$ million)	2Q19	2Q18	% Δ	1Q19	% Δ
Cash ¹	2,806.9	2,665.5	5.3%	2,632.2	6.6%
Accounts receivable	1,405.4	1,175.7	19.5%	1,352.1	3.9%
Total Liquidity	4,212.3	3,841.2	9.7%	3,984.3	5.7%
<i>Liquidity as % of LTM adjusted revenues</i>	<i>42.0%</i>	<i>46.2%</i>	<i>-4.2 p.p.</i>	<i>42.4%</i>	<i>-0.4 p.p.</i>

¹ Includes cash and cash equivalents and short-term and long-term investments.

Compared to 2Q18, total debt adjusted for currency hedges increased R\$1.2 billion to R\$12.1 billion, mostly due to the delivery of 14 A320neos and one A330neo under operating leases replacing seven aircraft over the last twelve months.

Azul's leverage ratio measured as net debt to EBITDA was 3.1x. Excluding the five aircraft received during the quarter, leverage would have been 2.9x. As of June 30, 2019, Azul's average debt maturity excluding lease liabilities was 3.9 years with an average interest rate of 6.7%. Local and dollar-denominated obligations average interest rate was 6.8% and 5.8%, respectively. Additionally, considering currency swap agreements, 100% of the Company's non-aircraft debt was denominated in Brazilian reais at the end of the quarter.

Loans and financing (R\$ million) ¹	2Q19	2Q18	% Δ	1Q19	% Δ
Aircraft and other lease liabilities	9,584.7	8,683.1	10.4%	9,421.4	1.7%
Sublease receivables	(302.9)	(394.3)	-23.2%	(337.2)	-10.2%
Other aircraft loans and financing	663.9	427.2	55.4%	575.4	15.4%
Loans and financing	2,387.3	2,382.5	0.2%	2,462.8	-3.1%
Currency hedges	(219.1)	(230.0)	-4.8%	(253.8)	-13.7%
<i>% of non-aircraft debt in local currency</i>	<i>100.0%</i>	<i>89.5%</i>	<i>+10.5 p.p.</i>	<i>100.0%</i>	<i>+0.0 p.p.</i>
Gross debt	12,113.9	10,868.4	11.5%	11,868.6	2.1%
<i>Short term</i>	<i>1,447.5</i>	<i>1,506.7</i>	<i>-3.9%</i>	<i>1,391.9</i>	<i>4.0%</i>
<i>Long term</i>	<i>10,666.4</i>	<i>9,361.7</i>	<i>13.9%</i>	<i>10,476.7</i>	<i>1.8%</i>

¹ Considers the effect of hedges on debt, net of aircraft sublease receivables.

The table below presents additional information related to our leases as of June 30, 2019:

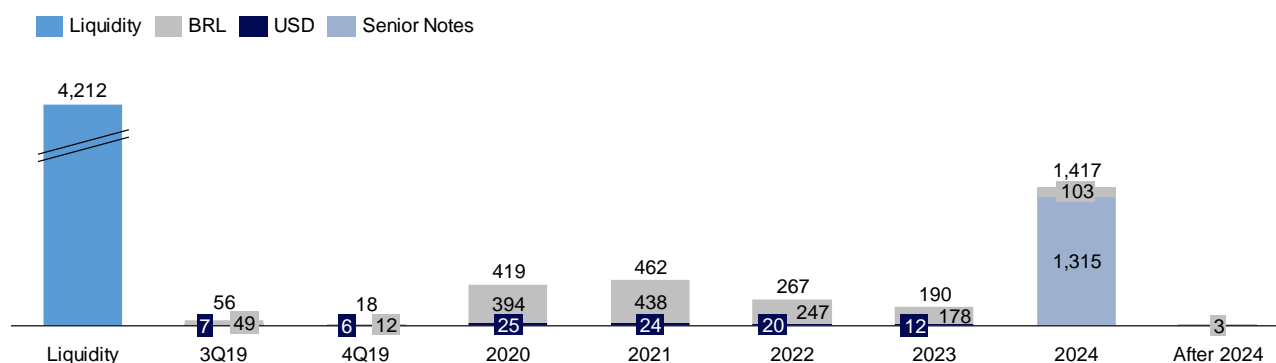
(R\$ million)	2Q19	1Q19	% Δ
Operating leases			
Payments	428.1	437.2	-2.1%
Weighted average remaining lease term	5.3	5.4	-3.1%
Weighted average discount rate	8.2%	8.2%	-0.9%
Finance leases			
Payments	53.9	61.5	-12.5%
Weighted average remaining lease term	5.3	5.8	-8.7%
Weighted average discount rate	7.3%	7.3%	0.8%

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

Key financial ratios (R\$ million)	2Q19	2Q18	% Δ	1Q19	% Δ
Cash ¹	2,806.9	2,665.5	5.3%	2,632.2	6.6%
Gross debt	12,113.9	10,868.4	11.5%	11,868.6	2.1%
Net debt	9,307.0	8,202.9	13.5%	9,236.3	0.8%
Net debt / EBITDA (LTM)	3.1	3.3	-5.0%	3.4	-6.4%

¹ Includes cash and cash equivalents and short-term and long-term investments.

Debt maturity (R\$ million)



*Adjusted for currency swaps.

Fleet and Capital Expenditures

As of June 30, 2019, Azul had a total operating fleet of 130 aircraft with an average age of 5.9 years. The Company's contractual fleet totaled 151 aircraft, of which 20 were under finance leases and 131 under operating leases. The 21 aircraft not included in our operating fleet consisted of 15 aircraft subleased to TAP, one A320neo in the process of entering service, and five aircraft being prepared to exit the fleet.

Total Contractual Fleet

Aircraft	Number of seats	2Q19	2Q18	% Δ	1Q19	% Δ
A330	242-271	7	7	0.0%	7	0.0%
A330neo	298	1	0	n.a.	0	n.a.
A320neo	174	29	15	93.3%	25	16.0%
E-Jets	106-118	72	75	-4.0%	72	0.0%
ATRs	70	40	44	-9.1%	41	-2.4%
B737 Freighter	-	2	0	n.a.	2	0.0%
Total¹		151	141	7.1%	147	2.7%
<i>Aircraft under operating leases</i>		<i>131</i>	<i>118</i>	<i>11.0%</i>	<i>127</i>	<i>3.1%</i>

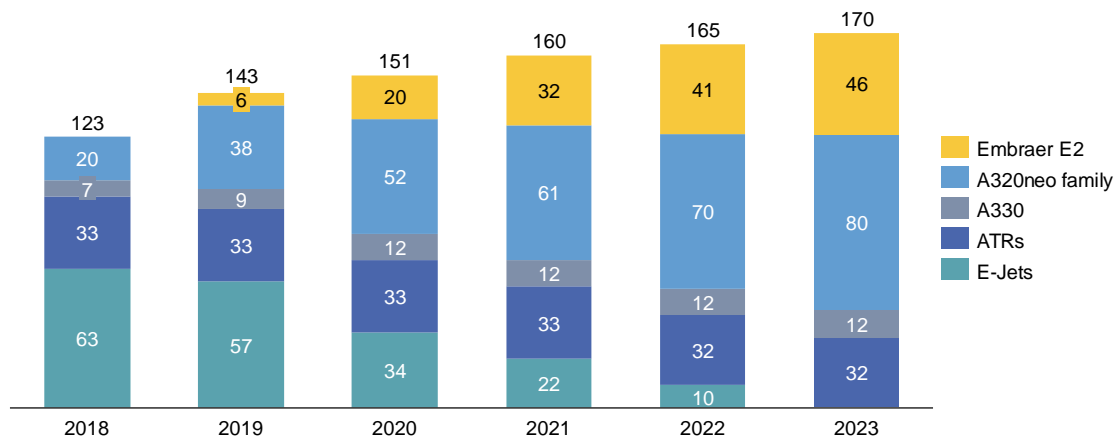
¹ Includes 15 aircraft subleased to TAP.

Total Operating Fleet

Aircraft	Number of seats	2Q19	2Q18	% Δ	1Q19	% Δ
A330	242-271	7	7	0.0%	7	0.0%
A330neo	298	1	-	n.a.	-	n.a.
A320neo	174	28	15	86.7%	24	16.7%
E-Jets	106-118	59	66	-10.6%	59	0.0%
ATRs	70	33	33	0.0%	33	0.0%
B737 Freighter	-	2	-	n.a.	2	0.0%
Total		130	121	7.4%	125	4.0%

Fleet Plan

Azul expects to end 2019 with 143 operating aircraft, including 46 next generation aircraft consisting of 38 A320neos, six Embraer E2s, and two A330neos. In 2019, approximately 42% of Azul's total capacity will be coming from next-generation aircraft.



*Considers commercial aircraft only.

Capex

Cash capital expenditures totaled R\$223.9 million in 2Q19, mostly due to the acquisition of spare parts and the capitalization of engine overhaul events, partially offset by resources received from the finance engine maintenance credit facility closed with Overseas Private Investment Corporation (OPIC).

(R\$ million)	2Q19	2Q18	% Δ	1H19	1H18	% Δ
Aircraft related	187.1	96.2	94.4%	345.5	306.6	12.7%
Maintenance and checks	77.8	118.5	-34.3%	261.4	154.3	69.4%
Pre-delivery payments	2.6	-	n.a.	19.0	-	n.a.
Other	64.8	39.7	63.2%	108.1	56.9	89.9%
Engine maintenance credit facility (OPIC)	(108.4)	-	n.a.	(108.4)	-	n.a.
Acquisition of property and equipment	223.9	254.4	-12.0%	625.6	517.9	20.8%
Net proceeds from sale of property and equipment	-	153.0	n.a.	-	198.7	n.a.
Net CAPEX	223.9	101.4	120.7%	625.6	319.2	96.0%

2019 Revised Outlook

	Previous	New	1H19A
Total ASK growth	18% to 20%	20% to 22%	15.8%
<i>Domestic</i>	16% to 18%	23% to 25%	18.9%
<i>International</i>	20% to 25%	10% to 15%	6.5%
CASK	-1% to -3%	0% to 2%	7.2%
Operating margin	18% to 20%	18% to 20%	13.1%

*Excludes non-recurring items.

New Accounting Standard – IFRS 16

Presented below are the unaudited restated quarterly income statements for 2018 in accordance with IFRS 16. These statements can be downloaded in a spreadsheet format at www.voeazul.com.br/ir

Income statement (R\$ million) ¹	1Q18	2Q18	3Q18	4Q18	2018
OPERATING REVENUES					
Passenger	2,111.8	1,905.7	2,312.0	2,340.6	8,670.1
Cargo and other revenues	80.1	88.5	103.7	114.6	386.9
Total operating revenues	2,191.9	1,994.2	2,415.7	2,455.2	9,057.1
OPERATING EXPENSES					
Aircraft fuel	577.2	563.0	737.2	766.8	2,644.3
Salaries, wages and benefits	333.8	354.7	369.9	354.6	1,413.0
Depreciation and amortization	296.3	322.1	326.4	324.4	1,269.2
Landing fees	144.9	141.1	157.2	148.9	592.1
Maintenance materials and repairs	108.4	53.8	54.9	33.0	250.1
Traffic and customer servicing	98.1	92.7	104.8	99.8	395.4
Sales and marketing	84.4	77.6	100.1	106.6	368.7
Other rent	8.0	11.2	15.6	8.2	43.0
Other operating expenses	167.5	178.0	123.9	179.5	648.9
Total operating expenses	1,818.6	1,794.2	1,990.0	2,021.8	7,624.6
Operating income	373.4	200.1	425.7	433.3	1,432.5
<i>Operating Margin</i>	<i>17.0%</i>	<i>10.0%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>15.8%</i>
FINANCIAL RESULT					
Financial income	20.2	19.9	18.5	15.9	74.5
Financial expenses	(231.1)	(250.8)	(271.1)	(283.2)	(1,036.1)
Derivative financial instruments	13.5	300.1	36.9	(52.4)	298.1
Foreign currency exchange, net	(43.7)	(1,148.7)	(329.4)	235.6	(1,286.3)
Result from related party transactions, net	60.7	131.4	101.7	87.9	381.7
Income before income taxes	193.0	(748.1)	(17.6)	437.1	(135.6)
Income tax and social contribution	(1.3)	0.3	(1.5)	(8.7)	(11.2)
Deferred income tax	(19.4)	(43.6)	(28.7)	(80.0)	(171.6)
Net income	172.3	(791.4)	(47.8)	348.4	(318.4)
<i>Net margin</i>	<i>7.9%</i>	<i>-39.7%</i>	<i>-2.0%</i>	<i>14.2%</i>	<i>-3.5%</i>

¹ Adjusted for the non-recurring aircraft sale loss of R\$226.3 million incurred in 2Q18.

Environmental, Social and Governance (“ESG”) Responsibility

Aviation is a key driver of sustainable development, bringing together people, businesses and communities. Since the beginning, Azul has engaged in activities that promote social awareness aiming to be a reference in the transformation of the individual, company and society in the Brazilian market.

Azul is the sole airline in 165 of the 220 routes it serves, and there are still several communities that are underserved or not served at all in Brazil. Each time Azul connects a new, previously isolated destination with other regions of the country, it contributes to the local development of the region providing employment, trade links and tourism.

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	1H19	1H18	% Δ
Environmental			
Fuel			
GHG (Kg of CO ₂ , million)	1,779.8	1,592.4	11.8%
Total fuel consumed per ASK (kg / ASK, million)	34.3	35.5	-3.4%
Fleet			
Average age of operating fleet	5.9	5.8	2.0%
Social			
Labor Relations			
Employee gender: (%) male	57	57	0.0%
(%) female	43	43	0.0%
Employee monthly turnover (%)	1.06	0.80	32.5%
Employees unionized (%)	100	100	0.0%
Volunteers	2,034	1,553	31.0%
Governance			
Management			
Independent directors (%)	81.8	83.3	-1.8%
Percent of board members that are women	9.1	8.3	9.1%
Director average age	49.6	43.2	14.8%
Director meeting attendance (%)	85	95	-10.5%
Board size	11	12	-8.3%
Participation of woman in leadership positions (%)	39.4	39.8	-1.1%

Conference Call Details

Thursday, August 8, 2018

12:30 pm (EST) | 1h30 pm (Brasília time)

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Replay:

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Code: 6237454#

About Azul

Azul S.A. (B3: AZUL4, NYSE: AZUL), the largest airline in Brazil by number of flight departures and cities served, offers 870 daily flights to 114 destinations. With an operating fleet of 130 aircraft and more than 11,000 crewmembers, the Company has a network of 220 non-stop routes as of June 30, 2019. In 2019, Azul was awarded best airline in Latin America by TripAdvisor Travelers' Choice and also best regional carrier in South America for the ninth consecutive time by Skytrax. In 2018, the Company was elected best airline by Kayak's Flight Hacker Guide. Azul also ranked as most on-time airline in Brazil in 2018 according to FlightStats. For more information visit www.voeazul.com.br/ir.

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Balance Sheet – IFRS (Unaudited)

(R\$ million)	June 30, 2019	June 30, 2018	March 31, 2019
Assets	17,736.0	14,698.8	16,742.1
Current assets	3,888.6	3,456.4	3,585.7
Cash and cash equivalents	1,213.0	849.0	908.4
Short-term investments	261.8	725.3	396.8
Restricted investments	-	0.5	-
Trade and other receivables	1,405.4	1,175.7	1,352.1
Sublease receivables	43.3	70.5	65.2
Inventories	229.7	171.5	224.9
Assets held for sale	-	96.6	-
Taxes recoverable	369.8	177.0	303.6
Derivative financial instruments	90.4	29.7	64.5
Prepaid expenses	122.8	65.2	152.6
Other current assets	152.5	95.5	117.6
Non-current assets	13,847.4	11,242.3	13,156.3
Long-term investments	1,332.2	1,090.7	1,327.0
Sublease receivables	259.7	323.8	272.0
Security deposits and maintenance reserves	1,477.8	1,569.4	1,540.7
Derivative financial instruments	596.9	461.7	541.9
Prepaid expenses	6.8	16.6	9.4
Other non-current assets	490.4	220.5	421.5
Right of use assets - leased aircraft and other assets	5,707.3	4,438.1	5,280.8
Right of use assets - maintenance of leased aircraft	771.6	446.6	756.9
Property and equipment	2,158.6	1,702.8	1,978.7
Intangible assets	1,046.2	972.1	1,027.3
Liabilities and equity	17,736.0	14,698.8	16,742.1
Current liabilities	5,735.1	4,761.0	5,193.4
Loans and financing	227.3	371.9	155.7
Current maturities of lease liabilities	1,279.5	1,205.3	1,301.3
Accounts payable	1,243.1	1,203.0	1,195.7
Accounts payable - forfeiting	177.1	-	215.5
Air traffic liability	2,113.1	1,469.1	1,687.8
Salaries, wages and benefits	332.8	253.8	309.8
Insurance premiums payable	9.7	7.7	19.3
Taxes payable	29.5	29.7	30.1
Federal tax installment payment program	9.7	9.7	9.7
Derivative financial instruments	74.5	41.6	56.3
Other current liabilities	238.9	169.1	212.2
Non-current liabilities	12,089.3	10,935.8	12,020.5
Loans and financing	2,823.9	2,437.8	2,882.4
Long-term obligations under lease liabilities	8,305.3	7,477.7	8,120.1
Derivative financial instruments	231.3	310.3	269.9
Deferred income taxes	254.3	184.6	254.2
Federal tax installment payment program	90.8	100.6	93.3
Provision for tax, civil and labor risk	87.9	80.5	84.0
Other non-current liabilities	295.8	344.2	316.6
Equity	(88.4)	(998.1)	(471.9)
Issued capital	2,236.6	2,204.9	2,214.8
Capital reserve	1,927.6	1,901.1	1,920.2
Treasury shares	(13.7)	(13.8)	(10.6)
Accumulated other comprehensive income (loss)	(110.8)	(178.3)	(176.7)
Accumulated losses	(4,128.1)	(4,911.9)	(4,419.7)

Cash Flow Statement – IFRS (Unaudited)

(R\$ million)	2Q19	2Q18	% Δ	1H19	1H18	% Δ
Cash flows from operating activities						
Income for the period	345.5	(1,017.6)	n.a.	483.2	(845.3)	n.a.
Total non-cash adjustments	385.7	2,284.4	-83.1%	1,230.8	2,800.6	-56.1%
Total working capital adjustments	307.8	(651.8)	n.a.	(263.8)	(1,077.7)	-75.5%
Net cash flows provided by operations	1,039.0	615.0	68.9%	1,450.2	877.5	65.3%
Income tax and social contribution paid	(0.2)	0.3	n.a.	(0.7)	-	n.a.
Interest paid	(288.4)	(238.3)	21.0%	(483.3)	(404.3)	19.5%
Net cash provided by operating activities	750.4	377.0	99.1%	966.2	473.3	104.2%
Cash flows from investing activities						
Short-term investment	136.5	(88.6)	n.a.	259.5	327.7	-20.8%
Long-term investment	-	-	n.a.	(96.2)	-	n.a.
Restricted investments	-	-	n.a.	-	5.1	n.a.
Cash received on sale of property and equipment	-	153.0	n.a.	-	198.7	n.a.
Loan granted to third parties	(51.0)	-	n.a.	(51.0)	-	n.a.
Acquisition of intangible	(33.0)	(23.1)	43.1%	(56.8)	(33.9)	67.4%
Acquisition of property and equipment	(223.9)	(254.4)	-12.0%	(625.6)	(517.9)	20.8%
Net cash (used) provided by investing activities	(171.4)	(213.1)	-19.6%	(570.1)	(20.3)	2705.1%
Cash flows from financing activities						
Loans						
Proceeds	-	98.9	n.a.	292.0	98.9	195.1%
Repayment	(20.6)	(434.3)	-95.3%	(54.1)	(493.7)	-89.0%
Debentures						
Proceeds	-	500.0	n.a.	-	500.0	n.a.
Repayment	-	(43.5)	n.a.	(40.1)	(83.6)	-52.0%
Repayment lease debt	(281.9)	(259.5)	8.6%	(594.4)	(482.7)	23.2%
Capital increase	24.5	22.9	7.0%	28.6	30.9	-7.4%
Treasury shares	(3.2)	(9.7)	-67.4%	(3.2)	(11.0)	-71.3%
Sales and leaseback	-	11.9	n.a.	14.9	11.9	25.5%
Net cash (used) provided by financing activities	(281.2)	(113.3)	148.3%	(356.4)	(429.3)	-17.0%
Exchange gain and (losses) on cash and cash equivalents	6.8	59.5	-88.6%	4.1	63.0	-93.5%
Increase (decrease) in cash and cash equivalents	304.6	110.0	176.9%	43.9	86.6	-49.4%
Cash and cash equivalents at the beginning of the period	908.4	738.9	22.9%	1,169.1	762.3	53.4%
Cash and cash equivalents at the end of the period	1,213.0	849.0	42.9%	1,213.0	849.0	42.9%

Glossary

Aircraft Utilization

Average number of block hours per day per aircraft operated.

Available Seat Kilometers (ASK)

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

Completion Factor

Percentage of accomplished flights.

Cost per ASK (CASK)

Operating expenses divided by available seat kilometers.

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

Operating expenses divided by available seat kilometers excluding fuel expenses.

EBITDA

Earnings before interest, taxes, depreciation, and amortization.

Load Factor

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

Revenue Passenger Kilometers (RPK)

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

Passenger Revenue per Available Seat Kilometer (PRASK)

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

Revenue per ASK (RASK)

Operating revenue divided by available seat kilometers.

Stage Length

The average number of kilometers flown per flight.

Trip Cost

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

Yield

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

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

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