TRANSPORTES AÉREOS PORTUGUESES, S.A.

# 2022

# MANAGEMENT REPORT AND CONSOLIDATED ACCOUNTS

A STAR ALLIANCE MEMBER

# CONSOLIDATED MANAGEMENT REPORT

# 2022

**INDEX**

## 1. GOVERNING BODIES

**Transportes Aéreos Portugueses, S.A.** ("TAP", "TAP, S.A." or "Company")

On 24 June 2021, a General Shareholders Meeting of TAP was held in order to appoint the corporate bodies of TAP for the term of office 2021-2024. The composition of the Company's governing bodies as of 31 December 2022 was the following:

**Board of the General Meeting**

| | |
|---|---|
| Chairman | António de Macedo Vitorino |
| Vice chairman | David Fernandes de Oliveira Festas |
| Company Secretary | Ana Maria Sirgado Malheiro |

**Board of Directors**

| | |
|---|---|
| Chairman | Manuel Amaral Beja* |
| Member | Ana Teresa C. P. Tavares Lehmann |
| Member | Christine Ourmières-Widener** |
| Member | Gonçalo Neves Costa Monteiro Pires |
| Member | João Pedro Conceição Duarte |
| Member | Patrício Ramos Castro |
| Member | Ramiro José Oliveira Sequeira |
| Member | Silvia Mosquera Gonzalez |
| Member | Sofia Norton dos Reis Lufinha de Mello Franco*** |

**Executive Committee**

| | |
|---|---|
| Chairman | Christine Ourmières-Widener** |
| Member | Gonçalo Neves Costa Monteiro Pires |
| Member | Ramiro José Oliveira Sequeira |
| Member | Silvia Mosquera Gonzalez |
| Member | Sofia Norton dos Reis Lufinha de Mello Franco*** |

*(*) The Company was notified in 12 of April 2023 of the written unanimous resolution of the shareholder concerning the decision of Manuel Beja resignation from the position of Chairman of the Board of Directors under the article 25 n.1 of the Statute of Public Manager by decree-law nº 71/2007 of March 27.*

*(**) The Company was notified in 12 of April 2023 of the written unanimous resolution of the shareholder concerning the decision of Christine Ourmières-Widener resignation from the position of Member of the Board of Directors, under the article 25 n.1 of the Statute of Public Manager by decree-law nº 71/2007 of March 27.*

*(***) Sofia Norton dos Reis Lufinha de Mello Franco was appointed for Member of the Board of Directors with effect from 22 September 2022, following the departure of Alexandra Margarida Vieira Reis, with effect on 28 February 2022.*

*Luís Manuel da Silva Rodrigues was elected as Chairman of the Board of Directors with effect from 14 April 2023, being also in this day, integrated as member of the Executive Committee and appointed as Chairman of the Executive Committee.*

*José Manuel Silva Rodrigues submitted his resignation as Member of the Bord of Directors, with effect on 31 January 2022.*

**Finance, Audit and Risk Committee**

| | |
|---|---|
| Chairman | Ana Teresa C. P. Tavares Lehmann |
| Member | Manuel Amaral Beja |
| Member | Christine Ourmières-Widener |
| Member | Gonçalo Neves Costa Monteiro Pires |
| Member | Patrício Ramos Castro |

**Safety and Security Committee**

| | |
|---|---|
| Chairman | Timothy Anderson |
| Member | Christine Ourmières-Widener |
| Member | Patrício Ramos Castro |

**Company Secretary**

| | |
|---|---|
| Company Secretary | Ana Maria Sirgado Malheiro |
| Deputy Company Secretary | João Carlos Pugliese Espírito Santo |

**Supervisory Board**

**Transportes Aéreos Portugueses, S.A.**

| Mandate (Start - End) | Position | Name | Appointment Doc. | Mandates held in the Company | |
|---|---|---|---|---|---|
| | | | | Number | Date of 1st appointment to the SB |
| 2021-2024 | Supervisory Board | Baker Tilly, PG & Associados, SROC, S.A, represented by Paulo Jorge Duarte Gil Galvão André | General Meeting | 3 | 13 Nov 2015 |
| | Member | José Manuel Fusco Gato* | General Meeting | 1 | 24 Nov 2021 |

*Sérgio Sambade Nunes Rodrigues submitted his resignation as Member of the Supervisory Board with effect from 7 January 2022.*

*(*) José Manuel Fusco Gato was appointed for Member of the Supervisory Board with effect from 7 January 2022, in the following Sérgio Sambade Nunes Rodrigues resignation.*

**Chartered Accountant**

| | |
|---|---|
| Permanent | António Joaquim Brochado Correia, or<br>Hugo Miguel Patrício Dias<br>on behalf of Pricewaterhousecoopers & Associados, SROC, Lda. |
| Deputy | Carlos Figueiredo Rodrigues |

**Remuneration Committee***

| | |
|---|---|
| Chairman | Tiago Aires Mateus |
| Director | Pedro Miguel Nascimento Ventura |

*(*) Luís Manuel Delicado Cabaço Martins submitted his resignation on 7 January 2022*

**State Aid Monitoring Committee**

| | |
|---|---|
| Chairman | Patrício Ramos Castro |
| Director | Christine Ourmières-Widener |

## 2. ACCOUNTING POLICIES

As disclosed in Note 2 of the notes to the consolidated financial statements of TAP, S.A., these financial statements were prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"), as permitted by the legislation in force. Nonetheless, the individual financial statements were prepared in accordance with the provisions of the Sistema de Normalização Contabilística ("SNC") issued in force on 31 December 2022.

# 3. DEVELOPMENT OF BUSINESS ACTIVITY IN 2022

## 3.1. Introduction

- 2022 was marked by the recovery from the pandemic in air transportation. Capacity, measured in ASK, of most European airlines achieved levels around 80% of pre-crisis capacity. TAP is recovering from the COVID pandemic and reached 87% of its 2019 capacity an increase of 94% compared with 2021. The first months of the first quarter saw a resurgence in COVID cases leading to increased travel restrictions, contributing to some softening in demand. Most travel restrictions were subsequently relaxed which led to a stronger demand and to an increase in load factor up to 87% in the third quarter. In the full year, TAP's load factor was 80%, on the same level as in 2019.
- TAP's revenues in 2022 came in at EUR 3,485.0 million, achieving a record level in its history, driven by increased load factors and higher yields.
- Despite significant headwinds from increasing jet fuel prices, general inflation and adverse currency movements, TAP was able to generate a positive recurring EBIT of EUR 248.8 million, an improvement of EUR 726.7 million compared to previous year, surpassing pre-crisis EBIT in 2019 by EUR 196.1 million.
- The cost development versus 2019 reflects the positive impact from TAP's transformation plan and corresponding cost reduction measures, as operating costs decreased by 1.1%. Except for fuel costs, marketing costs, depreciation and impairments, costs were reduced in all line items of the profit and loss account.
- During the year TAP continued to implement its transformation plan, namely through adjusting its capacity, reducing costs, and enhancing revenue through numerous initiatives across the Company. Significant progress was made in several areas. A further increase of cargo and mail operating revenue of 9.4% versus the prior year was achieved. The fleet transformation continued with 66% of the mid- and long-haul fleet now made up of NEO-family aircraft. Close to 1,300 contracts were renegotiated.
- Also, in the context of the transformation plan, TAP made significant progress with the committed remedies. Not only did it execute the Slot Transfer Agreement with the remedy taker easyJet in August 2022, transferring, at the same time the allocated slots for Winter 2022, but it also successfully negotiated and transferred the allocated slots for Summer 2023 in December 2022. This important step was informed to the European Commission and the discharge of the Monitoring Trustee ALCIS was approved by the European Commission once the slots transfer was fully completed.

### 3.2. Sector Environment

#### Economic Framework

| Macro Indicators % YoY | 2021 | 2022E | 2022E vs 2021 |
|---|---|---|---|
| **Real GDP Growth** | | | |
| Global | 6.0% | 3.2% | -2.8 p.p. |
| Euro Area | 5.2% | 3.1% | -2.1 p.p. |
| Portugal | 4.9% | 6.2% | 1.3 p.p. |
| North America | 5.5% | 1.8% | -3.7 p.p. |
| Latin America | 6.9% | 3.5% | -3.4 p.p. |
| Africa | 4.8% | 3.7% | -1.1 p.p. |
| Middle East | 4.0% | 5.6% | 1.6 p.p. |
| Asia-Pacific | 6.6% | 4.0% | -2.6 p.p. |
| **Trade Growth** | | | |
| Global | 9.7% | 3.5% | -6.2 p.p. |

Source: IMF (February 2023), IMF - World Economic Outlook Update (February 2023), World Trade Organization (October 2022).

In 2022, the global economy grew compared to the previous year, and it is estimated that the world GDP will increase by 3.2% (vs. an increase of 6.0% in 2021). With an anticipated 6.2% increase in GDP, Portugal's economy is estimated to grow stronger than the Euro Zone, driven by the recovery of tourism from the pandemic, in 2022.

| Exchange rate EUR 1 to | FY 2021 | 1Q 2022 | 2Q 2022 | 3Q 2022 | 4Q 2022 | FY 2022 | FY2022 vs. FY2021 |
|---|---|---|---|---|---|---|---|
| USD | 1.183 | 1.122 | 1.065 | 1.007 | 1.021 | 1.053 | -11.0% |
| BRL | 6.378 | 5.870 | 5.238 | 5.283 | 5.370 | 5.440 | -14.7% |

Source: ECB (via Bloomberg), average daily price.

During 2022, the EUR depreciated over the USD, with the average exchange rate declining by 11.0%, in comparison to 2021. With a particular poor performance in the second half of the year, the EUR/USD exchange rate reached a low of 0.9565 in the third quarter of 2022, ending the year with a 1.0666 exchange rate. Similarly, the EUR depreciated against the BRL, in 2022, with the average exchange rate decreasing by 14.7%, compared to 2021. The weak performance of the EUR during 2022 was essentially due to the War in Ukraine, which triggered an exponential increase of energy prices, and to the widening of the monetary policy gap between the Federal Reserve and the ECB.

| Oil and derivatives in USD | FY 2021 | 1Q 2022 | 2Q 2022 | 3Q 2022 | 4Q 2022 | FY 2022 | FY2022 vs. FY2021 |
|---|---|---|---|---|---|---|---|
| Brent (USD/bbl) | 70.5 | 99.5 | 112.8 | 99.1 | 88.3 | 99.9 | 41.7% |
| Jet Fuel (USD/mT) | 609.6 | 954.5 | 1,292.6 | 1,114.4 | 1,035.7 | 1,097.0 | 80.0% |

Source: Bloomberg (Brent) and Platts (Jet Fuel), average daily price.

Brent prices continued to present high levels of volatility in 2022, ranging from 76.10 USD/bbl to 127.98 USD/bbl, with the average price increasing 41.7% compared to 2021. Likewise, the average Jet Fuel price increased by 80.0% in 2022 compared to the previous year. The Russian invasion of Ukraine, as well as the uncertainty of crude oil supply/demand, were the main contributors to the rise of crude oil market price.

**Airline Sector Review**

According to the International Air Transport Association ("IATA"), the industry continued its recovery from the crisis, being closer to the reference pre-crisis year of 2019. The global performance improved and, consequently, the overall capacity of the sector (measured in ASK) for the year 2022 is estimated to be 26% below 2019 with the strongest recovery in the Americas, followed by Europe. On the other hand, the slower reopening of Asian markets has reduced the overall capacity recovery this year. Passenger traffic (measured in RPK) also continued its recovery towards pre-pandemic levels, following a similar pattern as capacity – globally, it is estimated by IATA to be 29.4% below 2019 levels for the full year 2022.

| | Capacity (ASK) % change | | | | Passenger Traffic (RPK) % change | | | |
|---|---|---|---|---|---|---|---|---|
| | vs previous year | | vs. 2019 | | vs previous year | | vs. 2019 | |
| Regions | 2020 | 2021 | 2022E | 2023F | 2020 | 2021 | 2022E | 2023F |
| **Global** | **-56.6%** | **18.7%** | **-26.1%** | **-12.9%** | **-65.8%** | **-21.8%** | **-29.4%** | **-14.5%** |
| Europe | -62.3% | 29.8% | -16.0% | -10.9% | -69.5% | 27.5% | -18.6% | -11.3% |
| North America | -50.3% | 41.1% | -6.3% | -1.1% | -65.1% | 74.7% | -8.6% | -2.8% |
| Latin America | -59.0% | 37.3% | -11.4% | -5.8% | -62.5% | 40.5% | -12.6% | -4.4% |
| Asia-Pacific | -53.8% | -6.0% | -48.9% | -24.5% | -62.0% | -12.8% | -55.7% | -29.2% |
| Africa | -62.1% | 18.5% | -31.1% | -16.1% | -68.2% | 17.0% | -32.3% | -13.7% |
| Middle East | -63.0% | 21.2% | -22.0% | -5.5% | -72.1% | 8.5% | -20.7% | -2.2% |

Source: IATA (Dec 2022)

Global passenger revenue is estimated to almost double year-on year in 2022 but still to remain 30% lower than 2019. Passenger Yield is estimated to improve by 8.4% when compared to the previous year. Passenger Load Factor is estimated to increase to 78.9%, an increase of 12 percentage points compared to 2021 and only 3.7 percentage points below 2019 (82.6%).

Cargo revenues, which were boosted by the pandemic, are estimated to decline by 1.4% in 2022 compared to previous year. CTK are estimated to decline by 1.6% compared to 2019. Revenues in 2022 are estimated to be twice as much as in 2019 (EUR 100.8bn), reflecting the significantly higher yield level, despite an estimated slowing of yield increases with 7.2% in 2022 after growth rates of 52.5% in 2020 and 24.2% in 2021. Load factors, which are significantly above pre-crisis levels (46.7% in 2019) are estimated continue to grow in 2022, increasing 5.8 percentage points year-on-year to 67.5%.

| Global Revenue<br>USD billion | 2020 | 2021 | 2022E | 2023F |
|---|---|---|---|---|
| **Passenger** | **189** | **239** | **438** | **522** |
| Yield, % YoY | -9.1% | 3.8% | 8.4% | -1.7% |
| Load Factor, % | 65.2% | 66.9% | 78.9% | 81.0% |
| RPK, % YoY | -65.8% | 21.8% | 69.4% | 21.1% |
| └ vs 2019 | | -58.3% | -29.4% | -14.5% |
| **Cargo** | **139** | **204** | **201** | **149** |
| Yield, % YoY | 52.5% | 24.2% | 7.2% | -22.6% |
| Load Factor, % | 59.5% | 61.7% | 67.5% | 68.9% |
| CTK, % YoY | -9.9% | 18.8% | -8.0% | -4.1% |
| └ vs 2019 | | 7.0% | -1.6% | 4.8% |

Source: IATA (Dec 2022).

### 3.3. Operational and Economic-Financial Performance

***Preliminary Relevant Information***

TAP's Management believes that the preparation of TAP's financial statements as of 31 December 2022 shall be made on a going concern basis, based on:

(i) the EUR 980m capital increase that took place on 27 December 2022 and restored the Company's equity position;
(ii) the generation of a positive net income already in 2022, which was expected to be the case only by 2025 in the restructuring plan;
(iii) the ability to obtain external financial resources.

There are risks and uncertainties that should be considered when analysing TAP's financial statements as at 31 December 2022, namely those referred to in section 5 (Risk Management) below and risks and uncertainties related to (i) the extension of waivers to financial covenants from financial debt creditors (ii) the outcome of any decisions taken by judicial authorities in connection with the aids granted to TAP Group should the aids be judicially challenged, and (iii) a potential recession and related effects on demand.

### Operational Performance

| TAP, S.A. Consolidated | 4Q22 | 4Q21 | Change | | FY22 | FY21 | Change | |
|---|---|---|---|---|---|---|---|---|
| | | | Value | % | | | Value | % |
| Passenger ('000) | 3,615 | 2,399 | +1,217 | +50.7% | 13,759 | 5,827 | +7,932 | +136.1% |
| RPK (million) | 9,789 | 6,456 | +3,333 | +51.6% | 36,782 | 14,917 | +21,865 | +146.6% |
| ASK (million) | 12,013 | 9,240 | +2,773 | +30.0% | 45,960 | 23,663 | +22,297 | +94.2% |
| Load Factor (%) | 81.5 | 69.9 | +12 | +16.6% | 80.0 | 63.0 | +17 | +27.0% |
| Block Hours | 89,802 | 72,114 | +17,688 | +24.5% | 344,900 | 195,636 | +149,264 | +76.3% |
| Number of Departures | 27,910 | 22,358 | +5,552 | +24.8% | 107,856 | 61,664 | +46,192 | +74.9% |
| Average Stage Length (km) | 2,155 | 2,174 | -19 | -0.9% | 2,143 | 2,147 | -4 | -0.2% |
| Active Staff (end of period) [1] | 6,988 | 6,626 | +362 | +5.5% | 6,988 | 6,626 | +362 | +5.5% |
| PRASK (EUR cents) | 7.64 | 4.96 | +2.68 | +54.0% | 6.68 | 4.51 | +2.17 | +48.2% |
| Recurring CASK (EUR cents) [2] | 7.91 | 6.41 | +1.50 | +23.3% | 7.04 | 7.89 | -0.85 | -10.7% |
| Recurring CASK ex. fuel (EUR cents) | 5.28 | 4.88 | +0.40 | +8.2% | 4.66 | 6.45 | -1.79 | -27.8% |

1) Excludes staff not placed and not active.

The year 2022 marked the recovery from the pandemic. While the first quarter saw a surge in the number of COVID cases and related travel restrictions to which TAP flexibly adapted the offered capacity, the following quarters were largely free from travel restrictions in the markets in which TAP operates. In general, this year showed a strong demand, especially in the summer. The strong ramp-up in demand came with industry wide disruptions at most European airports leading to lost baggage, delayed/cancelled flights, long queues at airport security & boarder control and long waiting times for departure slots with passengers boarded. Even with these disruptions, the number of passengers transported by TAP increased by 136.1% in 2022 compared with the previous year, which was still very much affected by the pandemic. Overall, the 13.8 million passengers transported in 2022 represent 81% of the 17.1 million passengers transported pre-crisis, in 2019.

Capacity (measured in ASK) grew by 94.2% year-on-year, progressing on its path to recovery, now representing 87% of pre-crisis capacity. Load factor improved 17 percentage points to 80.0%.

## Economic-Financial Performance

| TAP, S.A. Consolidated<br>EUR millions | 4Q22 | 4Q21 | Change<br>Value | Change<br>% | FY22 | FY21 | Change<br>Value | Change<br>% |
|---|---|---|---|---|---|---|---|---|
| **Operating Income** | **1,044.8** | **561.7** | **+483.1** | **+86.0%** | **3,485.0** | **1,388.5** | **+2,096.4** | **+151.0%** |
| Passenger | 917.8 | 458.4 | +459.3 | +100.2% | 3,072.4 | 1,067.2 | +2,005.2 | +187.9% |
| Maintenance | 56.8 | 23.2 | +33.7 | +145.2% | 132.1 | 54.2 | +77.9 | +143.6% |
| Cargo and Mail | 62.1 | 74.7 | -12.6 | -16.9% | 258.3 | 236.2 | +22.1 | +9.4% |
| Other operating income | 8.2 | 5.4 | +2.8 | +50.8% | 22.2 | 30.9 | -8.7 | -28.2% |
| **Operating Costs** | **922.1** | **1,627.2** | **-705.0** | **-43.3%** | **3,216.8** | **2,877.2** | **+339.5** | **+11.8%** |
| Aircraft fuel | 315.7 | 141.5 | +174.2 | +123.1% | 1,096.7 | 340.5 | +756.2 | >+200% |
| Traffic operating costs | 176.9 | 127.1 | +49.8 | +39.2% | 699.1 | 372.2 | +326.9 | +87.8% |
| Employee costs | 122.4 | 78.4 | +44.0 | +56.2% | 416.7 | 373.4 | +43.3 | +11.6% |
| Aircraft maintenance costs | 8.3 | 3.2 | +5.0 | +154.4% | 33.4 | 19.4 | +14.0 | +72.1% |
| Cost of materials consumed | 46.1 | 15.2 | +31.0 | >+200% | 101.9 | 30.2 | +71.7 | >+200% |
| Commercial, communication and marketing costs | 54.0 | 29.4 | +24.6 | +83.6% | 181.0 | 71.4 | +109.6 | +153.5% |
| Impair. losses in inventories, receiv. and provisions | 35.0 | 21.3 | +13.7 | +64.7% | 56.1 | 51.4 | +4.6 | +9.0% |
| Other operating expenses | 38.8 | 34.9 | +4.0 | +11.4% | 141.9 | 118.3 | +23.5 | +19.9% |
| Restructuring | 0.3 | 9.6 | -9.3 | n.m. | -3.4 | -14.2 | +10.8 | +75.9% |
| Other non-recurring items | -28.3 | 1,024.9 | -1,053.2 | -102.8% | -16.0 | 1,024.9 | -1,041.0 | -101.6% |
| Depreciation, amortisation and impairment losses | 153.0 | 141.7 | +11.2 | +7.9% | 509.5 | 489.7 | +19.8 | +4.0% |
| **EBIT (Operating Result)** | **122.7** | **-1,065.5** | **+1,188.2** | **+111.5%** | **268.2** | **-1,488.7** | **+1,756.9** | **+118.0%** |
| ***EBIT margin*** | ***11.7%*** | ***-189.7%*** | ***>+100p.p*** | ***n.m.*** | ***7.7%*** | ***-107.2%*** | ***>+100p.p*** | ***n.m.*** |
| **Recurring EBIT [1]** | **94.7** | **-30.9** | **+125.6** | **>+200%** | **248.8** | **-478.0** | **+726.7** | **+152.0%** |
| ***Recurring EBIT margin*** | ***9.1%*** | ***-5.5%*** | ***+14.6 p.p*** | ***n.m.*** | ***7.1%*** | ***-34.4%*** | ***+41.6 p.p*** | ***n.m.*** |
| Interest and similar income | 11.8 | 8.7 | +3.0 | +34.6% | 40.1 | 34.0 | +6.1 | +18.1% |
| Interest and similar expenses | -60.6 | -67.7 | +7.1 | n.m. | -261.6 | -293.6 | +32.0 | +10.9% |
| Overhedge Gains / Losses | - | - | - | n.m. | - | 8.7 | -8.7 | -100.0% |
| Net currency exchange | 25.6 | -50.2 | +75.8 | +151.0% | -12.8 | -175.5 | +162.7 | +92.7% |
| **Earnings before taxes** | **99.5** | **-1,174.6** | **+1,274.2** | **+108.5%** | **33.9** | **-1,915.1** | **+1,949.1** | **+101.8%** |
| Income tax | 56.9 | 203.1 | -146.3 | -72.0% | 31.7 | 316.0 | -284.4 | -90.0% |
| **Net income/ (loss)** | **156.4** | **-971.5** | **+1,127.9** | **+116.1%** | **65.6** | **-1,599.1** | **+1,664.7** | **+104.1%** |
| | | | | | | | | |
| **EBITDA** | **275.7** | **-923.7** | **+1,199.4** | **+129.8%** | **777.7** | **-999.0** | **+1,776.6** | **+177.8%** |
| **EBITDA margin** | ***26.4%*** | ***-164.4%*** | ***>+100p.p*** | ***n.m.*** | ***22.3%*** | ***-71.9%*** | ***+94.3 p.p*** | ***n.m.*** |
| **Recurring EBITDA [2]** | **247.7** | **110.8** | **+136.9** | **+123.5%** | **758.2** | **11.7** | **+746.5** | **>+200%** |
| **Recurring EBITDA margin** | ***23.7%*** | ***19.7%*** | ***+4.0 p.p*** | ***n.m.*** | ***21.8%*** | ***0.8%*** | ***+20.9 p.p*** | ***n.m.*** |

1) Recurring EBIT = Operating Result + Restructuring + Other non-recurring items.

2) Recurring EBITDA = Operating Result + Depreciation, amortisation, and impairment losses + Restructuring + Other non-recurring items.

TAP presented a total operating income of EUR 3,485.0 million in the full year 2022, an increase of 151.0% on the previous year, driven by higher capacity, higher yield and improving load factors. Total operating income has reached 106% of the pre-crisis level, representing TAP's highest revenues ever. The breakdown shows a strong increase in passenger revenues of 187.9% year-on-year to EUR 3,072.4 million, or 88% of the year's total operating income.

Cargo and Maintenance revenues also both contributed to the growth in total operating income. Cargo continued to perform well but with some stabilization in its revenue growth in the course of the year with an overall increase of 9.4% year-on-year to EUR 258.3 million, representing 7% of total operating income. TAP's cargo yield in 2022 declined by 2.5% compared to previous year, mostly as a result from the growing industry capacity that came with the recovery but remains significantly higher than pre-crisis (+87%). Maintenance revenues grew by EUR 77.9 million (+143.6% YoY) to EUR 132.1m, benefiting from the recovery of the aviation industry.

Total operating costs amounted to EUR 3,216.8 million in 2022, an increase of EUR 339.5 million (+11.8%) when compared to 2021. This is mainly explained by increased variable costs due to the higher level of activity and the strong increase in jet fuel prices. Compared to 2019 however, TAP was able to reduce the costs in almost all profit and loss items except for fuel, marketing, depreciation, and impairments.

From a unit cost perspective, recurring CASK excluding fuel was 27.8% below previous year, mainly on the back of a higher level of capacity, and 0.5% lower than in 2019.

Operating Result (EBIT) was positive with EUR 268.2 million representing an improvement of EUR 1,756.9 million YoY (+118.0%). When adjusted for non-recurring items and restructuring costs, recurring EBIT came in at EUR 248.8 million (+152.0% YoY), while recurring EBITDA, adjusted for effects from release of provisions due to Group restructuring registered EUR 758.2 million (+>200% YoY), resulting in a margin of 21.8%.

TAP achieved a positive Net Income of EUR 65.6 million, which represents an increase of EUR 1,664.7 million when compared to 2021, driven by the strong operational performance, the recognition of deferred tax assets related to tax losses and the implementation of an improved currency hedging policy in the context of TAP's current financial risk management strategy, aiming at reducing the volatility of impacts from currency movements on the P&L.

**Financial Position**

| TAP, S.A. Consolidado<br>EUR milhões | 31 Dec 22 | 31 Dec 21 | Change | |
|---|---|---|---|---|
| | | | Value | % |
| **Total Assets** | **5,913.9** | **4,718.1** | **+1,195.8** | **+25.3%** |
| Non-current Assets | 4,010.4 | 3,479.3 | +531.1 | +15.3% |
| Current Assets | 1,903.3 | 1,238.7 | +664.5 | +53.6% |
| **Equity** | **417.6** | **-468.1** | **+885.7** | **+189.2%** |
| **Total Liabilities** | **5,496.2** | **5,186.1** | **+310.1** | **+6.0%** |
| Non-current Liabilities | 3,297.4 | 3,440.9 | -143.5 | -4.2% |
| Current Liabilities | 2,198.9 | 1,745.3 | +453.6 | +26.0% |

The balance sheet expansion is mainly explained by additional aircraft, higher working capital balances, related to the increased level of activity and the strong performance in ticket sales as well as an improvement in the equity position on the back of the capital increase by the Portuguese State.

Following the decision of the European Commission dated 21 December 2021 which approved the TAP Group's Restructuring Plan and the granting of the restructuring aid, the two following acts were approved on 27 December 2022 by TAP's sole shareholder, the Portuguese Republic, through the Directorate General of Treasury and Finance ("DGTF"):

a) The reduction of TAP' share capital from EUR 904,327,865 to EUR 0.00, to partially cover for losses;
b) The increase of TAP's share capital from EUR 0.00 to EUR 980,000,000, fully subscribed by DGTF, through new entries in cash, as follows:
    I. EUR 294,000,000 on 27 December 2022
    II. EUR 343,000,000 on 20 December 2023
    III. EUR 343,000,000 on 20 December 2024

### Financing and Lease Liabilities

| TAP, S.A. Consolidado<br>EUR milhões | 31 Dec 22 | 31 Dec 21 | Change | |
|---|---|---|---|---|
| | | | Value | % |
| **Financial Debt** | **1,618.1** | **1,480.9** | **+137.2** | **+9.3%** |
| Bank Loans & Bonds | 908.8 | 937.2 | -28.4 | -3.0% |
| Lease liabilities with purchase option | 709.3 | 543.7 | +165.6 | +30.5% |
| **Cash and cash equivalents** | **916.1** | **812.6** | **+103.5** | **+12.7%** |
| **Net Financial Debt** | **702.0** | **668.3** | **+33.7** | **+5.0%** |
| **Lease liabilities without purchase option** | **2,038.1** | **2,118.5** | **-80.4** | **-3.8%** |

Gross financial debt, which excludes lease liabilities without purchase option, increased by EUR 137.2 million when compared to 31 December 2021, a result of the increase of lease liabilities with purchase option (+EUR 165.6 million) due to the addition of 3 A321LR aircraft and 2 engines.

Cash and cash equivalents increased EUR 103.5 million to EUR 916.1 million in the full year on the back of a strong operating cash flow and the cash inflow of the first tranche from the capital increase.

### 3.4. Network and Fleet

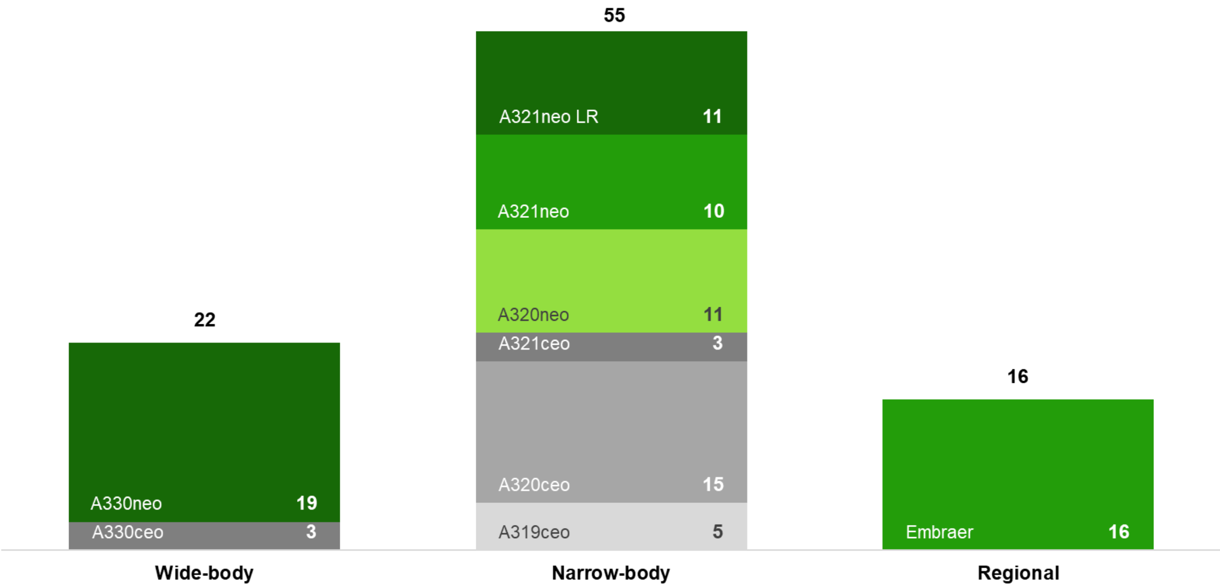
TAP remains fully committed to its strategy of developing the Lisbon hub to connect Europe and the Middle East with Africa, Brazil, and North America. While during the pandemic the network strategy was focused on maintaining the core network and directing extra capacity to mostly leisure destinations with fewer travel restrictions, TAP is now redeploying capacity to core destinations as demand recovers.

With the relaunch of Boa Vista, in the second quarter, TAP has resumed operations to all international airports in Cape Verde, and the relaunch of Caracas restored the operation in all long-haul destinations. TAP has continued to relaunch destinations over the year such as Agadir, Morocco (AGA) in the third quarter.

TAP's operating fleet, at the end of 2022, comprised a total of 93 aircraft. The year saw the addition of 3 A321LR and 3 Embraer, the extension of 2 A320 which were previously in phase-out process as well as the reduction by 1 A319 and 6 ATRs.

As a result, by the end of 2022, the share of NEO-family aircraft in TAP's mid and long-haul operating fleet amounts to 66%, underlining the Group's strategy of using more fuel-efficient aircraft, with both cost and sustainability benefits.

**Composition of TAP's operating fleet[1)] as of 31 December 2022**




1) Operating fleet may differ from total fleet, as it includes aircraft in phase-in and phase-out process.

### 3.5. Maintenance & Engineering

In 2022, Maintenance & Engineering (“M&E”) faced the challenge of supporting an operation which ramp up was stronger than originally expected and struggled due to manpower shortage, supply chain industrial problems and technical issues which Original Equipment Manufacturers (“OEMs”) were not able to solve in due time. Lisbon Airport constraints added difficulties for the M&E activity, overall reflecting on punctuality, reliability and aircraft availability figures below the targets set for the year.

Revenues with third parties performed better than anticipated and overall costs for TAP fleet maintenance remained in line with expectations. Several projects were launched during the year, expected to yield improvements by 2023, such as Inventory Management, CAMO Organization, with emphasis on Maintenance Planning and Airframe capacity increase by creating a maintenance platform alongside Hangar 6, on the TAP Campus. Also, a new strategy has been developed, focused on the retention and recruitment of manpower.

### 3.6. Cargo

In 2022, TAP Air Cargo continued its efforts to optimize its network and focused on yield management. This led to a record chargeable weight and allowed to keep yields on a comparable level to 2021, providing for record revenues in the full year.

TAP Air Cargo also continued its digital journey, having achieved the target of increasing the share of bookings through its digital platform, now representing 5% of bookings. From a business development perspective, the pharma business increased by 69% compared to previous year.

Since October TAP Air Cargo operates an A330-200 passenger aircraft which was converted to a dedicated freighter. Overall, 109 flights to 22 different destinations were operated this year.

## 4. SUBSEQUENT EVENTS

**Changes to the composition of the Governing Bodies.**

- By letter addressed to TAP, received on 20 February 2023, Mr. António de Macedo Vitorino resigned to his office as Chairman of the General Shareholders Meeting of TAP, for personal reasons, effective as of 31 March 2023.
- By letter addressed to TAP, dated 21 March 2023, Mrs. Silvia Mosquera González resigned to her office as member of the Board of Directors and member of TAP's Executive Committee. This resignation shall become effective on 23 June 2023.
- Following the publication of the Report No. 23/2023 from the General Inspection of Finance – Audit Authority regarding the resolution aiming to the dismissal of the Chairman of the Board of Directors and the Chief Executive Officer, and after the procedure for prior hearing, the sole shareholder of TAP approved, on 12 April 2023, the decision of the dismissal of the Chairman of the Board of Directors, Mr. Manuel Beja, and the Chief Executive Officer, Mrs. Christine Ourmières-Widener, pursuant to article 25(1)(b) of the Public Manager Statute ("Estatuto do Gestor Público"), approved by Decree-Law No. 71/2007, of March 27, which shall be effective on April 14, 2023.
- Also on 12 April 2023, the sole shareholder approved the election of Mr. Luís Manuel da Silva Rodrigues as the Chairman of the Board of Directors of TAP, for the remaining period of the current term of office (four-year period 2021/2024), which shall be effective on April 14, 2023. On this day, the Board of Directors of TAP decided to integrate Mr. Luís Manuel da Silva Rodrigues into the Board of Directors and to appoint him as Chief Executive Officer.

**TAP progresses on negotiations with SNPVAC, avoiding new cabin crew strike.**

- On 23 January 2023, TAP and SNPVAC reached an agreement, ratified by SNPVACs general meeting which allowed to call off the cabin crew strike and reopen the negotiation of the new Collective Labour Agreement.

**TAP implements retention program for Maintenance Technicians.**

- On 25 January 2023, TAP has closed an agreement with SITEMA and SITAVA, the unions representing the Company's Aircraft Maintenance Technicians (TMA), which strengthens and enables these specialised technicians to remain with the company.

**TAP progresses on negotiations with SPAC, avoiding new pilots' strike.**

- On 17 March 2023, TAP and SPAC reached an agreement, ratified by SPACs general meeting which allowed to call off the pilots' strike and reopen the negotiation of the new Collective Labour Agreement.

**TAP informs on the signing of the Subscription Agreement relating to SPdH**

- On 11 April 2023, was signed between TAP, the Portuguese subsidiary of Menzies Aviation and SPdH – Serviços Portugueses de Handling, S.A. ("SPdH") and its respective Insolvent Estate a Subscription Agreement, pursuant to which the parties agreed on the terms and conditions of the Insolvency Plan to be presented in the insolvency proceedings and to be submitted to SPdH's General Creditors' Meeting, with the view to recovering and revitalizing SPdH.
- The submission of the Insolvency Plan to SPdH's General Creditors' Meeting is subject to the prior obtainment of a set of approvals and authorizations, with the time limit for the obtainment of these necessary approvals and authorizations commencing on this date.
- If the process is completed successfully, without any material changes, with the obtainment of the necessary approvals and authorizations, following the approval of the insolvency plan by SPdH's General Creditors' Meeting and the ratification of the insolvency plan by the competent court, SPdH shall be capitalized by the Portuguese subsidiary of Menzies Aviation, who will then hold the majority of the respective share capital, with the remaining capital being subscribed by TAP, through the conversion of credits over SPdH, without additional capital contribution by TAP.

## 5. OUTLOOK FOR 2023

Although TAP demonstrated strong progress on its path to recovery in 2022, this year was also characterized by significant macro-economic and operational headwinds which are expected to continue into 2023 and may impact TAP's economic and financial performance.

The widely commented risk of recession is not yet visible in current booking numbers. With overall industry capacity in 2023 still expected to be below 2019 levels, management is cautiously optimistic for the year ahead and expects capacity to approach 2019 levels with stable load factors and a slight improvement in yields versus 2022.

Against this background, TAP will continue to closely monitor the demand development on a region and route basis, and adjust its capacity, network, and aircraft utilization accordingly, if required. TAP will also continue to focus on its transformation, pushing ahead on several cost reduction initiatives with a strong emphasis on renegotiating and modernizing all collective labour agreements.

Based on the published plan for the IATA summer season 2023, the number of flights will grow by c. 8% compared to the summer 2022, reaching 91% of pre-crisis level in summer 2019. This results from increased frequencies mainly to North America and Brazil and Tel Aviv and new seasonal destinations such as Palma de Mallorca and Menorca.

# 6. RISK MANAGEMENT

## 6.1. Internal Control System

The Internal Audit Department, by monitoring the internal control systems, plays an active role in the development and robustness of the risk mitigation process, monitoring its effectiveness, efficiency, adequacy, and alignment with the Company's strategic objectives, as well as in the development of new preventive and reactive internal controls, to strengthen its compliance culture.

Considering TAP's complex external environment, with a multitude of risks inherent to its activity, it is essential to implement adequate internal control and risk management systems that mitigate the Company's exposure.

Thus, internal control emerges as a tool for improving and enhancing processes, based on TAP's standards, procedures and structures, which enable the Board to manage its strategy and objectives efficiently, optimising its resources.

The internal control environment at TAP has a Top-Down philosophy, sponsored by top management, with all employees being communicated the importance of complying with the instituted procedures, in line with high standards of conduct, reflecting a commitment to ethical values, responsibilities, policies, standards and procedures.

TAP follows a risk governance model based on the 3 lines of defence concept.

Each of the various lines of defence has defined responsibilities and committees for discussion and decision, established to materialise each one at corporate level and in the various departments and business areas, in a clear manner, avoiding duplication of efforts and/or the existence of gaps and promoting cooperation and articulation between the various areas.

## 6.2. Risk management process

Organizations are constantly subject to various events that can either favour or expose them to new challenges, some of which have potential negative impacts in the most diverse areas, and can affect their business, their markets, their image, their profitability, and their asset value.

The risk management process aims to determine the events that can potentially impact the Group and prevent it from achieving its objectives, allowing, on the one hand, the different areas and, on the other hand, the Executive Committee of TAP and the Finance, Audit and Risk Committee, to monitor the main risks, their evolution over time and the measures in place to manage these risks. Its objective is thus to create and preserve value, and to safeguard the Company's assets and reputation.

The overall risk management process also serves as a basis for the risk register document and represents an important contribution to the definition of the annual audit plan.

TAP seeks to have a comprehensive view of the main risks to which it is exposed, at the strategic and commercial, financial, compliance and governance and operational levels, with defined processes to ensure their monitoring and respective proactive management.

TAP has defined a methodology that allows it to acquire an overview of its main risks, according to their materiality, quantifying their impact and assessing the probability of occurrence, identifying, whenever possible, the respective effective mitigation measures.

TAP's main risks are presented below.

### 6.3. Main risks

#### Strategic and commercial risks

Political decisions at national and international level have a strong influence on the international aviation industry, directly and indirectly affecting the airlines. The post-pandemic period was affected by the effects of the war in Ukraine, initiating a food and energy crisis, triggering problems that decades of progress had already sought to solve.

We are thus witnessing the emergence of a set of older risks, such as the rising cost of living, social unrest and geopolitical confrontation that can affect the willingness to travel, either by the lack of resources or by the instability and insecurity felt.

On the contrary, the climate changes we have been witnessing will intensify and will tend to lead to more frequent extreme weather events that will have a greater or lesser impact in all regions of the world. The aviation industry depends on weather conditions and can be affected by natural phenomena (earthquakes, volcanic eruptions, floods, etc.) leading to operational disruptions such as flight cancellations, delays, or detours.

The growth of the aviation sector is highly dependent on the global political situation and is fully correlated with the macroeconomic environment. Structural changes in demand related to pandemic and war, infrastructure constraints, the influence of the climate debate, and continued technological modernization may imply a reduction in the growth levels seen in previous periods. All these factors entail revenue risks for TAP, with influence on demand, which is continuously monitored.

In addition, these risks can result from price fluctuations, excess capacity, economic fluctuations, current market and competitive developments, potential changes in customer behaviour due to climate protection, geopolitical changes, and unforeseen global events. All these challenges are addressed in the short term through continuous capacity control and adjustment and effective revenue management, and in the long term through cost containment measures with efficiency gains as a result of internal transformation projects.

The strategic sizing and composition of TAP's fleet is a key factor in addressing the referenced risks, as it determines the available capacity and also a significant part of fixed costs and future capital expenditures. As part of the annual strategy and planning process, TAP performs a needs assessment and network development, making the necessary revision and adjustment decisions whenever justified.

These economic impacts not only affect TAP and the air transport industry, they also affect its business partners, potentially generating disruptions in the supply of goods and services. Identifying suppliers that are critical to business continuity, as well as managing the supply chain in a timely manner, are key measures to ensure the smooth running of the business.

It should also be noted that airports and air traffic control organizations, having suffered high losses due to the suspension of air traffic in the pandemic years, there is a risk that the accumulated losses will be transferred to the airlines increasing these costs significantly and permanently.

Today the aviation industry is also faced with a renewed and urgent challenge of acceptance by society, requiring it to fully embrace sustainability as part of the necessary evolution of its business and economic model. Failure to respond to emerging ESG issues, increasingly important and scrutinized by various stakeholders, may have adverse effects on investment decisions and company reputation.

TAP recognises the extreme importance of sustainability for the aviation sector, and thus, will present, with a high sense of responsibility towards its stakeholders, the Non-Financial Information Report for 2022, named TAP 2022 Sustainability Report.

**Financial risks**

To compensate for the severe financial losses that TAP faced with the Covid pandemic, and in order to ensure the necessary liquidity to continue operations, TAP received state aid, with the last tranche being received in form of a capital increase of EUR 980m on 27 December 2022. The monitoring of liquidity reserves is managed by the treasury department based on exercises to forecast future needs so that any potentially critical liquidity situation can be responded to at an early stage with appropriate measures to ensure compliance with financial and commercial obligations.

Additionally, it should also be noted that the evolution of financial markets represents opportunities and risks for TAP. Negative changes in fuel prices - inherent to TAP's business, exchange rates - exposure mostly related to international ticket sales, aircraft leasing, fuel and spare parts purchases, and interest rates - associated to loans and leasing contracts, may result in more costs and/or less revenue depending on the assumptions used for the annual planning and control exercise. TAP has, therefore, implemented measures that allow, in part, to anticipate and minimize the impacts of this volatility, either by using hedging instruments and monitoring the foreign exchange position and exposure to interest rates, or by internal procedures to control the budget execution.

**Compliance and governance risks**

TAP is present in several countries and is therefore subject to various rules and jurisdictions with different legal frameworks. In the course of its normal activity TAP may be involved in legal, administrative, criminal, labour or arbitration proceedings, related to civil liability, competition, tax, environmental, among others. Adequate provisions have been recorded to face any financial losses that may occur as a result of known legal disputes.

Additionally, it is essential to point out that protecting the privacy of its partners, whether customers, employees or suppliers, is, and always has been, an important and evident concern for TAP. Therefore, and in order to meet the requirements of the General Data Protection Regulation (GDPR), appropriate governance structures and processes have been created to identify and manage potential risks of breach of legal requirements. Customers regularly exercise their rights of access and erasure of data.

It should also be noted that despite the existence of an internal control system and its risk mitigation activities, individual breaches, investigations by public authorities and possible sanctions cannot be completely excluded. Any infractions, although properly investigated, may result in criminal proceedings for the individuals involved and may expose the Company to sanctions and reputational damage that are difficult to quantify. TAP has been defining and implementing processes to identify and prevent specific compliance risks.

**Operational risks**

The risk of accident, with the possibility of damage to people and property, is inherent to air transport, which is why the activity of airlines is highly regulated by a set of European regulations. Compliance with these regulations is governed by whether an airline is awarded an AOC (Air Operator's Certificate). The National Civil Aviation Authority performs a series of checks on the correct application of these rules, including:

- The designation of an accountable manager, accepted in advance by the ANAC;
- The appointment of managers, previously accepted by ANAC, in charge of the management and supervision of the following operational areas: flight operations, continuing airworthiness management system, education and training of flight crew, and ground operations;
- The appointment of a supervisor, previously accepted by ANAC, in charge of the supervision of air transport operations of dangerous goods;
- The implementation of a Safety Management System (SMS); and
- The implementation of a quality assurance system.

For TAP, Flight Safety is the fundamental value, essential to maintaining customer confidence and is a day-to-day imperative that determines the activity and long-term future of the air transport industry. TAP is subject to numerous controls and certifications, complying with extremely strict standards and the highest level of regulation in the sector, both at European level with the European Aviation Safety Agency (EASA) and at international level with the International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a reference within the industry and leads to a certification that must be renewed every two years.

The IOSA audits were carried out during 2022, and TAP received the IOSA Operator (IATA Operational Safety Audit) certificate, awarded by IATA, and already with a registration validity date, until November 2024, on the IOSA Registry website.

To achieve the highest possible level of Flight Safety, TAP updates and strengthens its SMS, which defines in concrete terms the conditions for the implementation of its risk management system. The SMS, which is an integral part of the organization, procedures and corporate culture, is supported by a commitment made at the highest management level, and by training and awareness programs for all employees. To cover this risk, TAP has contracted an aviation liability insurance, including hull, third-party damage, damage to passengers, baggage, cargo and mail.

The sustained implementation of uniform flight safety standards in the company is also supported by the optimization and harmonization of the IT environment in the course of safety management. Information security-related risks when operating civil aircraft are also taken into account. This concerns the on-board and ground information systems that are relevant to a flight event and the associated data exchange processes, but not only this. TAP's business processes are supported by information technology components in virtually all areas. This use inevitably entails risks to the stability of business processes and the availability, confidentiality and integrity of information and data, and such risks cannot ultimately be entirely eliminated.

The increase in international cyber-attacks is a reality. This fact is confirmed by TAP's own experience, which in 2022 was the target of a cyber-attack. TAP's internal cybersecurity systems detected unauthorised access to some computer systems, and the necessary containment mechanisms were activated, and specialists were mobilised to investigate and prevent further damage. Thanks to the quick action of the internal team, the intrusion was contained at an early stage, before causing damage to operational processes, although personal customer data was obtained and disclosed by the hackers.

At the same time that the number of cybercrimes is increasing, the digitalization of business processes at TAP is also increasing, which means that the potential effects of cyber-attacks may continue to escalate. Cyber risks are therefore a significant potential risk for TAP.

TAP monitors the IT security situation on an ongoing basis, and to this end, more and more measures have been adopted and implemented to strengthen the security of information systems, including technological tools to prevent and respond quickly to cyber-attacks, adaptation of processes to changing risk scenarios and awareness training is conducted on a regular basis.

With regard to working conditions and human capital development, it is fundamental to note that employees are TAP's most important asset. Maintaining their trust is vital to enable the Company to achieve its highest standards of performance for the benefit of customers, and the involvement of employees, the development of their talent and social stability are imperative for the long-term viability and success of the company. The measures taken in the pandemic context and to ensure compliance with the restructuring plan currently in place can result in a decline in employee engagement, motivation and commitment, resulting in various forms of social unrest that negatively impact the company's operations, profitability and image. There are also other factors that increase this risk including higher inflation rates, the desire to be compensated for concessions made during the pandemic, and a greater interest in securing a share of the economic recovery after the crisis.

Additionally, one has to take into account the shortage of workers in the aviation industry that has hit the world since the COVID-19 restrictions were relaxed. However, what appears to be a direct consequence of the pandemic, with Europe being particularly affected, is in reality a symptom of the combination of several factors that cannot be dissociated from those previously mentioned. Differences between the strategic human resource requirements, the current skills available and how they are distributed across the company, constitute a structural human resource risk for TAP.

TAP recognizes the limitations and risks to which it is exposed and the need to adapt to a faster pace of change, while seeking to preserve cohesion, fostering constructive and transparent dialogue in the workplace, and pursuing a policy based on respect and responsibility. In collective bargaining, opportunities are also identified that lie in the common interest in overcoming the crisis and its consequences.

In addition to the risks already mentioned that may impact TAP's operations - whether technological or human - it should also be noted that due to its hub-and-spoke business model, TAP depends significantly on the Humberto Delgado Airport, and all its limitations related to capacity and the only runway available are well known. The causes of disruption can be numerous and from various sources, but they are capable of causing significant disruption to the company's operations and consequently reputational and financial damage.

## APPENDIX

## I - COMPLIANCE WITH THE GUIDELINES AND LEGAL PROVISIONS APPLICABLE TO NON-FINANCIAL PUBLIC COMPANIES

For the purposes of complying with the Legal Guidelines applicable to TAP, S.A., it was followed the structure and the instructions on the 2022 financial accounts process (circular letter SAI_DGTF/2023/631 – 10/02/2023).

### 1. Management Objectives and Business and Budget Plan

TAP is exempt from presenting a Business and Budget Plan (PAO). This exemption arises from the rules of Order 682/2021 September, which states that the existence of the Restructuring Plan replaces the presentation of the annual PAO during its term.

### 2. Financial risk management

| Years | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Financial expenses (€) | 72,819,936 | 115,817,276 | 68,621,480 | 39,523,075 | 31,723,072 |
| Average financing rate (%) | 4.7% | 5.7% | 3.5% | 3.7% | 4.2% |

The financial debt (not including lease liabilities without purchase option)[1] and consequently the financial expenses have followed the growth of TAP's activity over the last 5 years. The two bond loans issued in 2019 and in particular the financing from the Portuguese State in the context of the State Aid to Covid-19 in 2020 (later converted into equity), substantially contributed to the increase of the financial expenses in 2020, having these reached their maximum in 2021.

In 2022, there was a significant decrease in the financial debt resulting from the referred equity conversion, with the average financing rate being higher than the pre-Covid period due to an increase in the average cost of debt.

### 3. Limit to the growth of indebtedness

Under the terms of Decree-Law 39-B/2020 of 16 July, as amended by article 156 of Decree-Law 53/2022 of 12 August, it is expressly provided for the non-application to TAP SA, nor to the companies directly or indirectly held by them, of article 27 of the Legal Framework of the Public Business Sector, which provides that: "public companies are obliged to comply with the applicable rules regarding indebtedness, established in this decree-law and other applicable legislation."

Notwithstanding, the change in indebtedness, calculated in accordance with the formula provided in no. 4 of article 145 of Decree-Law no. 53/2022, of 12 August (DLEO 2022), would be as follows:

[1] For the purposes of calculating financial debt and remunerated financing, lease liabilities without purchase option related to aircrafts (i.e. aircrafts in the service of TAP under operational lease) were excluded.

| Variation in indebtedness (execution) | 2022 | 2021 |
|---|---|---|
| | Amounts (€) | |
| Remunerated financing (current and non-current) [1] | 1,618,100,993 | 1,480,870,553 |
| Share capital / Statutory capital | 980,000,000 | 904,327,865 |
| New Investments in 2022 (with material expression) | n.a. | - |
| **INDEBTEDNESS VARIATION** | 8.93% | |

## 4. Evolution of the Average Payment Term (APT)

| APT | 2022 | 2021 | Change 22/21 | |
|---|---|---|---|---|
| | | | Value | % |
| Term (days) | 25 | 33 | -8 | -24% |

| Overdue debts | Amount (€) | Value of debts due according to art. 1 of DL 65-A/2011 (€) | | | |
|---|---|---|---|---|---|
| | 0-90 days | 90-120 days | 120-240 days | 240-360 days | > 360 days |
| Acq. of goods and services | 7,934,752 | 725,171 | 1,206,416 | 1,131,480 | 9,346,572 |
| Acq. of capital | 12,749,967 | - | 6,844 | - | 12,546 |
| **Total** | **20,684,719** | **725,171** | **1,213,260** | **1,131,480** | **9,359,118** |

Balances older than 90 days are mainly related to accounts under negotiation.

## 5. Diligences undertaken and the results obtained within the scope of compliance with shareholder recommendations issued at the time of the last approval of the financial statements

TAP Restructuring Plan, delivered to the European Commission in June 2021, and subsequently amended in November 2021, is a document that the Portuguese State agreed to and submitted to the European Commission.

In fact, under European and competition law, the Restructuring Plan is a document agreed between the Portuguese State and the European Commission, which is why, although the Company has made a significant contribution to its preparation, it is a Portuguese State document. For this reason, TAP cannot provide public information about it, falling this option exclusively to the Portuguese State.

Additionally, it should be noted that no recommendations were issued by the shareholder in the last approval of the financial statements.

## 6. Remuneration

### a. Governing bodies

**General Meeting**

| Mandate (Begin - End) | Position | Name | Attendance Ticket (€) | Gross Amount Paid (€)* |
|---|---|---|---|---|
| 2021-2024 | Chairperson | António Macedo Vitorino* | 1,500.00 | - |
| 2021-2024 | Vice-President | David Fernandes de Oliveira Festas | 900.00 | 630.00 |
| 2021-2024 | Company Secretary | Ana Maria Sirgado Malheiro | 700.00 | 490.00 |
| | | | | 1,120.00 |

**António Macedo Vitorino did not receive any attendance fees during 2022.*
*** Subject to the 30 % cut for the duration of the restructuring plan.*

## Board of Directors

| Mandate (Begin - End) | Position | Name | Appointment | | OPRLO or Option for the average of the last 3 years (2) | | | | No. of mandates |
|---|---|---|---|---|---|---|---|---|---|
| | | | Form (1) | Date | Yes / No | Entity of Origin | Paying Entity | Date of authorisation and form | |
| 2021-2024 | Chairperson | Manuel Beja | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | Christine Ourmières-Widener | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | Gonçalo Neves Costa Monteiro Pires | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | Silvia Mosquera Gonzalez | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | Ramiro José Oliveira Sequeira | GA | 17/09/2020 | n.a. | n.a. | n.a. | n.a. | 2 |
| 2021-2024 | Member | Sofia N. R. Lufinha de Mello Franco | GA | 22/09/2022 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | Ana Teresa C. P. Tavares Lehmann | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | João Pedro Conceição Duarte | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |
| 2021-2024 | Member | Patrício Ramos Castro | GA | 24/06/2021 | n.a. | n.a. | n.a. | n.a. | 1 |

(1) Indicate resolution (R)/GA/DUE/Order (D)
(2) Remunerations option for Entity of Origin – as provided for under no. 8 of article of EGP; indicate paying entity (O-origin/D-Destiny)

*Sofia Norton dos Reis Lufinha de Mello Franco was appointed as Member of the Board of Directors with effect from September 22, 2022, and as Member of the Executive Committee with effect from September 28, 2022, following the resignation of Alexandra Margarida Vieira Reis submitted on February 4, 2022, with effect on February 28, 2022.*

*Member José Manuel Silva Rodrigues resigned on December 29, 2021, with effect on January 31, 2022.*

*At the end of February 2022, Alexandra Reis received a compensation in the gross amount of €500,000, for the termination of her corporate and labor functions in the companies within TAP´s universe.*
*On December 28, 2022, following a decision from the Minister of Finance, the General Inspectorate for Finance ("IGF") was asked to assess the process of termination of Alexandra Reis's corporate and labor functions in said companies. On March 3, 2023, Report number 24/2023 (Proc. no. 2023/324/M6/36) was issued by IGF, regarding the "Assessment of the process relating to the termination of duties as Director of TAP Group" ("IGF Report"), ratified by the Minister of Finance under Order No. 53/2023/MF, dated of 6.03.2023.*
*IGF Report concludes that the agreement entered into February 4, 2022, by the Chairman of the Board of Directors, Manuel Beja, and by the Chief Executive Officer, Christine Ourmières-Widener, for the termination of functions of Alexandra Reis as member of the Board of Directors in the companies within TAP´s universe is void, mainly because the Public Manager Statute ("Estatuto do Gestor Público") does not provide for the possibility of "resignation by agreement", and the resignation provided in the Public Manager Statute does not entitle the right to any financial compensation. As such, the conclusion is that the compensation was paid without any legal ground and, therefore, must be returned to the Company.*
*The components of the compensation that is to be returned to the Company by Alexandra Reis are still under analysis.*

| BD member | Accumulation of roles | | | |
|---|---|---|---|---|
| | Entity | Position | Regime | Date of authorisation and form |
| Manuel Beja | TAP SGPS | Chairman BD | Public | n.a. |
| Christine Ourmières-Widener | TAP SGPS | BD Member | Public | n.a. |
| | PGA | Chairman BD | Public | n.a. |
| | TAPGer | Chairman BD | Public | n.a. |
| Gonçalo Neves Costa Monteiro Pires | TAP SGPS | BD Member | Public | n.a. |
| | PGA | BD Member | Public | n.a. |
| | TAPGer | BD Member | Public | n.a. |
| Silvia Mosquera Gonzalez | TAP SGPS | BD Member | Public | n.a. |
| | PGA | BD Member | Public | n.a. |
| | Cateringor | Chairman BD | Public | n.a. |
| Ramiro José Oliveira Sequeira | TAP SGPS | BD Member | Public | n.a. |
| | PGA | BD Member | Public | n.a. |
| Sofia N. R. Lufinha de Mello Franco | TAP SGPS | BD Member | Public | n.a. |
| | PGA | BD Member | Public | n.a. |
| Ana Teresa C. P. Tavares Lehmann | TAP SGPS | BD Member | Public | n.a. |
| João Pedro Conceição Duarte | TAP SGPS | BD Member | Public | n.a. |
| Patrício Ramos Castro | TAP SGPS | BD Member | Public | n.a. |

| BD member | EGP | | | |
|---|---|---|---|---|
| | Fixed | Classification | Gross monthly remuneration (€) | |
| | (S/N) | (A/B/C) | Monthly salary* | Representation costs** |
| Manuel Beja | n.a. | n.a. | 12,000.00 | n.a. |
| Christine Ourmières-Widener | n.a. | n.a. | 36,000.00 | n.a. |
| Gonçalo Neves Costa Monteiro Pires | n.a. | n.a. | 25,000.00 | n.a. |
| Silvia Mosquera Gonzalez | n.a. | n.a. | 25,000.00 | n.a. |
| Ramiro José Oliveira Sequeira | n.a. | n.a. | 25,000.00 | n.a. |
| Sofia N. R. Lufinha de Mello Franco | n.a. | n.a. | 25,000.00 | n.a. |
| Ana Teresa C. P. Tavares Lehmann | n.a. | n.a. | 6,000.00 | n.a. |
| João Pedro Conceição Duarte | n.a. | n.a. | 6,000.00 | n.a. |
| Patrício Ramos Castro | n.a. | n.a. | 6,000.00 | n.a. |

** Subject to the 30 % cut for the duration of the restructuring plan.*
*** In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of 16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).*

| BD member | Annual remuneration (€) | | | | |
|---|---|---|---|---|---|
| | Fixed (1) | Variable* (2) | Gross amount (3)=(1)+(2) | Remuneration reductions (4)*** | Final gross amount (5)= (3)-(4) |
| Manuel Beja | 168,000.00 | n.a. | 168,000.00 | 50,400.00 | 117,600.00 |
| Christine Ourmières-Widener | 504,000.00 | n.a. | 504,000.00 | - | 504,000.00 |
| Gonçalo Neves Costa Monteiro Pires | 350,000.00 | n.a. | 350,000.00 | 105,000.00 | 245,000.00 |
| Silvia Mosquera Gonzalez | 350,000.00 | n.a. | 350,000.00 | 105,000.00 | 245,000.00 |
| Ramiro José Oliveira Sequeira | 350,000.00 | n.a. | 350,000.00 | 105,000.00 | 245,000.00 |
| Sofia N. R. Lufinha de Mello Franco** | 350,000.00 | n.a. | 175,000.00 | 51,632.63 | 123,367.37 |
| Ana Teresa C. P. Tavares Lehmann | 84,000.00 | n.a. | 84,000.00 | 25,200.00 | 58,800.00 |
| João Pedro Conceição Duarte | 84,000.00 | n.a. | 84,000.00 | 25,200.00 | 58,800.00 |
| Patrício Ramos Castro | 84,000.00 | n.a. | 84,000.00 | 25,200.00 | 58,800.00 |
| **Total** | | | **2,149,000.00** | **492,632.63** | **1,656,367.37** |

(1) The value of the fixed remuneration corresponds to salary + representation expenses (without reductions).
(4) Reduction set forth in article 12 of Law no. 12-A/2010, of 30 June.

** The Remuneration Committee did not define a variable remuneration for 2022.*
*** Considering 6 months of remuneration.*
**** Subject to the 30 % cut for the duration of the restructuring plan.*

*The remuneration of the Board of Directors in 2022 was paid by TAP SGPS from January to October, and from November (inclusive) onwards was paid exclusively by TAP SA.*

| BD member | Social Benefits (€) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Meal allowance | | Social protection scheme | | Annual health insurance cost* | Annual life insurance cost | Other | |
| | Amount/Day | Amount paid annually | Identify | Annual charge | | | Identify | Amount |
| Manuel Beja | n.a. | n.a. | Social Security | 27,930.00 | 935.57 | 3,704.00 | n.a. | n.a. |
| Christine Ourmières-Widener | n.a. | n.a. | Social Security | 119,929.31 | 935.57 | 3,704.00 | Residence allowance | 30,000.00 |
| Gonçalo Neves Costa Monteiro Pires | n.a. | n.a. | Social Security | 58,301.58 | 935.57 | 3,704.00 | n.a. | n.a. |
| Silvia Mosquera Gonzalez | n.a. | n.a. | Social Security | 58,278.00 | 935.57 | 3,704.00 | Residence allowance and School attendance allowance | 45,000.00 |
| Ramiro José Oliveira Sequeira | n.a. | n.a. | Social Security | 58,187.50 | 935.57 | 3,704.00 | n.a. | n.a. |
| Sofia N. R. Lufinha de Mello Franco** | n.a. | n.a. | Social Security | 29,299.75 | 935.57 | 3,704.00 | n.a. | n.a. |
| Ana Teresa C. P. Tavares Lehmann | n.a. | n.a. | Social Security | 13,968.30 | n.a | n.a | n.a. | n.a. |
| João Pedro Conceição Duarte | n.a. | n.a. | Social Security | 14,039.95 | n.a | n.a | n.a. | n.a. |
| Patrício Ramos Castro | n.a. | n.a. | Social Security | 13,968.30 | n.a | n.a | n.a. | n.a. |
| **Total** | | | | **393,902.69** | **5,613.42** | **22,224.00** | **-** | **75,000.00** |

** Unit value considered in the 2022 budget, subject to adjustment in mid-2023, given that it is a Self-Insurance modality.*

*Costs with Vehicles*

Not applicable. In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of 16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).

*Annual expenditures on business travel*

Not applicable. In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of 16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).

**Supervisory Board**

| Mandate (Begin - End) | Position | Name | Mandate | | Monthly fixed remuneration (€) | No. of Mandates |
|---|---|---|---|---|---|---|
| | | | Form (1) | Date | | |
| 2021-2024 | Chairperson | Baker Tilly, PG & Associados, SROC, Lda | GA | 13/11/2015 | 4,000.00 | 3 |
| 2021-2024 | Member | José Manuel Fusco Gato | GA | 24/06/2021 | 3,500.00 | 1 |

(1) Indicate GA/DUE/Order (D)

*José Manuel Fusco Gato was appointed for Member of the Supervisory Board with effect from 7 January 2022, in the following Sérgio Sambade Nunes Rodrigues resignation.*

| Name | Annual remuneration (€) | | |
|---|---|---|---|
| | Gross (1) | Remuneration reductions (2) | Final amount (3)=(1)-(2) |
| Baker Tilly, PG & Associados, SROC, Lda | 56,000.00 | 16,800.00 | 39,200.00 |
| José Manuel Fusco Gato | 47,334.74 | 14,200.42 | 33,134.32 |
| | | | **72,334.32** |

**Chartered Accountant**

| Mandate (Begin - End) | Position | Identification of Chartered Accountant (CA) | | | Appointment CA | | | No. of years in fuction in the group | No. of years in fuction in the company |
|---|---|---|---|---|---|---|---|---|---|
| | | Name | OROC registry No. | CMVM registry No. | Form (1) | Date | Date of contract | | |
| 2021-2024 | Permanent | PricewaterhouseCoopers & Associados, SROC, Lda ("PwC") | 183 | 20161485 | DUE | 17/12/2019 | 2020 | 4 | 4 |
| 2021-2024 | Alternate Member | Carlos José Figueiredo Rodrigues | 1737 | 20161347 | DUE | 17/12/2019 | - | 4 | 4 |

(1) Indicate GA/DUE/Order (D)

*PricewaterhouseCoopers & Associados, SROC, Lda represented by António Joaquim Brochado Correia (n.º OROC 1076) and Hugo Miguel Patrício Dias (n.º OROC 1432)*

| Name CA | Annual amount of the services contract - 2022 (€) | | | Annual amout of additional services - 2022 (€) | | | |
|---|---|---|---|---|---|---|---|
| | Amount (1) | Reductions (2) | Final amount (3)=(1)-(2) | Service identification | Amount (1) | Reductions (2) | Final amount (3)=(1)-(2) |
| PricewaterhouseCoopers & Associados, SROC, Lda ("PwC") | 169,300.00 | - | 169,300.00 | Limited Review | 47,250.00 | - | 47,250.00 |
| | | | | Assurance of Reliability and Agreed Procedures | 8,870.00 | - | 8,870.00 |

### b. External Auditor

In 2022, the duties of External Auditor of TAP, S.A. were performed by PwC, registered with the Portuguese Securities Market Commission under No. 20161485, as provided in the previous chapter. Likewise, the period these duties were performed coincides with those of Statutory Auditor.

## 7. Application of the provisions of articles 32 and 33 of the Public Manager Statute (EGP)

### a. The non-use of credit cards or other payment instruments by public managers, with the purpose of carrying out expenses in the service of the company

In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of 16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).

### b. Not reimbursing public managers for any expenses that fall under the concept of personal representation expenses

In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of

16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).

### c. The value of expenses regarding communications, which include mobile phones, home phones and internet

In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of 16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).

### d. The monthly value of fuel and tolls allocated to service vehicles

In accordance with article 156 (amendment to article 2 of Decree-Law no. 39 -B/2020, of 16 July) of Decree-Law no. 53/2022 of 12 August, it does not apply to Transportes Aéreos Portugueses, S. A., nor to the companies directly or indirectly held by them, the Chapter VI (Remuneration and Pensions) of the Public Manager Statute, Decree-Law 71/2007, of 27 March (as amended by Law 64-A/2008, of 31/12, DL 8/2012, of 18/01, Rect. Nº 2/2012, of 25/01, DL nº 39/2016, of 28/07, DL nº 22-C/2021, of 22/03 and DL nº 50/2022, of 19/07).

## 8. Application of the provisions of no. 2 of article 16 of the RJSPE and of article 11 of the EGP

In accordance with the provisions of Article 16(2) of the RJSPE and Article 11 of the EGP, no undocumented or confidential expenses were incurred.

## 9. Preparation and disclosure of the report on gender remuneration

In compliance with the Council of Ministers Resolution no. 18/2014, of 8 March, TAP publishes the Report on Remuneration by Gender and makes it available on its website. This report aims to diagnose, identify, and analyse gender pay differences in the company.

The Report for the year 2021 can be checked on the company's website: www.tapairportugal.com/en.

## 10. Preparation and disclosure of the Corruption Risk Management Plan and Related Infringements and the annual Report indicating the degree of implementation of the measures listed in the Plan

TAP Group is committed to achieve a level of excellence in preventing and fighting acts that do not comply with current legislation, in particular those that may constitute the practice of crimes of corruption and related infractions, thus presenting its Prevention Plan of Risks of Corruption and Related Infringements ("PPR").

TAP Group intends that this PPR is a fundamental document in its programme of regulatory compliance, constituting a framework and an unavoidable element of the relational action between external entities and the members of the governing bodies and persons hired by the Group companies.

In accordance with the Recommendation of the Council for the Prevention of Corruption (CPC) no. 1/2009, of 1 July, published in the Diário da República no. 140, Series II, of 22 July, and in accordance with the Plan for the Prevention of Risks of Corruption and Related Infractions of the TAP Group, the annual execution report is presented, with a view to analysing the implementation of the preventive measures mentioned in the this Plan during the year 2022.

This report will be sent to the members of the Government responsible for the supervision of the TAP Group, to the inspection services of the supervising governmental area and to MENAC, as well as disclosed to the Group's employees. It constitutes a systematisation of the adopted measures and practices, thus contributing to their better internalisation and application.

## 11. Public procurement

TAP S.A. is not considered to be a contracting entity under the provisions of the Public Procurement Code, as per Article 2 of Decree-Law 18/2008, of 29 January, in its current wording, given its pursuit of a corporate object with commercial purposes and operating in a competitive market. This allows TAP S.A. to operate in the market and contract with greater flexibility similar to its private sector competitors.

## 12. Company registration in the National System of Public Purchases (SNCP)

TAP S.A. is not registered in the SNCP, as it is not considered to be a contracting entity under the provisions of the Public Procurement Code, pursuant to Article 2 of Decree-Law 18/2008 of 29 January, as amended, given that its corporate purpose is for commercial purposes, and it operates in a competitive market. This allows TAP S.A. to operate in the market and contract with greater flexibility similar to its private sector competitors.

## 13. Measures to optimise the operating expenditure structure provided for in article 144 of DLEO 2022

As it is under a Restructuring Plan, TAP considers to be excluded from complying with these measures as they are set out.

It should be noted that for the same reason, the Company was exempted from presenting the PAO 2022, which under the terms of Order 682/2021 - SET, of 29 July, included the preparation of a cost reduction plan for 2022.

## 14. Principle of State Treasury Unity (article 28 of Decree-Law no. 133/2013, of 3 October, article 136 of LOE 2022 and article 102 of DLEO 2022)

| ICGP | 1st Quarter € | 2nd Quarter € | 3rd Quarter € | 4th Quarter € |
|---|---|---|---|---|
| Availabilities | 699,884,134 | 78,172,560 | 37,780,451 | 1,867,719 |
| Financial Applications | - | 640,000,000 | 600,000,000 | 592,041,333 |
| **Total** | **699,884,134** | **718,172,560** | **637,780,451** | **593,909,053** |

| Commercial banks | 1st Quarter € | 2nd Quarter € | 3rd Quarter € | 4th Quarter € |
|---|---|---|---|---|
| **Total** | **87,449,773** | **171,581,142** | **137,218,095** | **322,102,388** |
| *Interests received* [1] | *28,001* | *243,122* | *1,041,909* | *2,281,136* |

[1] It was considered interests resulting from financial investmenst and deposits. Interests on deposits include positive and negative interets

For the 2021-2022 period, TAP was granted partial exemption from compliance with the State Treasury Unit by the following IGCP (Treasury and Public Debt Management Agency) orders:

- SCG Order No. 230, dated 20 December 2021, for the following services:
    - Receipts and Payments in currencies other than Euro
    - Accounts of TAP Representations in foreign countries
    - Foreign currency purchases and sales
    - Receipts and Payments in Euros:
        - Payments to non-national beneficiaries
        - Receipts from public entities with the requirement of an account with NIF of the respective country
        - Receipts from entities with additional transfer costs to Portugal
        - Payments to passengers with no obligation to indicate NIF
    - Bank Guarantees / Pledged Deposits, when it is not possible to replace them with IGCP pledged deposits
    - Prepaid Cards
    - Direct Debits (creditor side)
    - Processing of MBWay Receipts
    - Securities custody
    - Transport and handling of valuables
    - Emergency Fund in Euros / Credit Cards Emergency Fund
    - Payments with ATM reference (exemption for the year 2021)
    - POS cash receipts
    - Receipts in cash and cheques outside National Territory
    - Operational and financial leasing and financing
    - Jet fuel hedging
    - Pledging Bank Balances (when the authority does not authorise the change of bank account)
    - Contracts entered into, for receipts and payments, until change to IGCP accounts is feasible

    - Urgent payments without IGCP account balances
- SCG clarification Order No 86, 30 May 2022, for the following services:
    - Receipts and payments in currencies other than Euro, AOA and MZM | term deposits in currencies other than those mentioned in the Order
    - Receipts with an ATM reference
- SCG Order No. 85 of 3 June 2022, for the following services:
    - Receipts through virtual APTs (Automatic Payment Terminals)
    - Receipts through physical APTs in National Territory
    - Receipts through ATM reference
    - Foreign currency investments and derivatives transactions for hedging purposes and to meet future commitments

## 15. Disclosure of the recommendations addressed to the company resulting from Audits conducted by the Tribunal de Contas (Court of Auditors) in the last three years

No recommendations were made by the Court of Auditors addressed to the company in the last three years, as no audit was conducted by the Court of Auditors.

## 16. Equality Plan

TAP recognises that Diversity and Inclusion is a fundamental issue for the Group, with clearly defined priorities that promote the recognition of TAP as an inclusive and differentiating company in this area. In this sense, TAP's Diversity and Inclusion Policy aims to demonstrate that inclusion, as protection of diversity, is part of TAP's essence, history, and culture.

The Diversity and Inclusion Policy plan can be checked on the company's website: www.tapairportugal.com/en.

## 17. Non-financial reporting

The company prepares its Sustainability Report and Corporate Governance Report autonomously, meeting the requirements for non-financial information set out in the Commercial Companies Code.

## 18. Information to be included in the State Business Sector (SEE) website

As per guidelines received, TAP will report through SISEE (Sistema de Informação do Setor Empresarial do Estado), by 30 April, deadline pre-agreed with DGTF, the elements relating to the year 2022.

TAP is also available to provide any other information that may be necessary within the ESS monitoring.

## Appendix 2

| Compliance with Legal Guidelines - 2022 | Compliance Y/N/N.A. | Quantification/Identification | Justification / Report Reference |
|---|---|---|---|
| **Management objectives** | **N.A.** | | See point 1 |
| **Financial risk management** | **Y** | 4.7% | See point 2 |
| **Limit to the growth of indebtedness** | **N.A.** | 8.93% | See point 3 |
| **Evolution of the Average Payment Term** | **Y** | -8 days | See point 4 |
| **Disclosure of overdue debts** | **Y** | 12,429,029 € | See point 4 |
| **Shareholder recommendations issued on last approval of the financial statements** | **N.A.** | | See point 5 |
| **Reserves issued in the last CLC** | **N.A.** | | |
| **Remuneration** | | | |
| Board - reductions in remunerations in force in 2022 | Y | 492,633 € | See point 6 |
| Inspection (SB/CA) - reductions in remunerations in force in 2022 | Y | 31,000 € | See point 6 |
| External Auditor - reductions in remunerations in force in 2022 | N.A. | | |
| **EGP - article no. 32 and 33** | | | |
| Non-use of credit cards | N.A. | | See point 7 |
| No reimbursment of personal representation expenses | N.A. | | See point 7 |
| Maximum amount for communication expenses | N.A. | | See point 7 |
| Maximum monthly amount for fuel and tolls allocated to the service vehicles | N.A. | | See point 7 |
| **No undocumented or confidential expenses - no. 2 of article 16 of the RJSPE and of article 11 of the EGP** | **Y** | | See point 8 |
| **Promoting salary equality between women and men - no. 2 of RCM no. 18/2014** | | | |
| Preparation and disclosure of the report on remunerations paid to women and men | Y | www.tapairportugal.com/pt | See point 9 |
| **Preparation and disclosure of the annual report on corruption prevention** | **Y** | | See point 10 |
| **Public procurement** | | | |
| Enforcement of public procurement rules by the Company | N.A. | | See point 11 |
| Enforcement of public procurement rules by the Subsidiary Companies | N.A. | | See point 11 |
| Contracts submitted for Cour of Auditors prior validation | N.A. | | See point 11 |
| **Company registration in the National System of Public Purchases** | N.A. | | See point 12 |
| **Public companiess operating expenses** | N.A. | | See point 13 |
| **Principle of State Treasury Unity (article 28 of Decree-Law no. 133/2013)** | | | |
| Availabilities and applications centralised at IGCP | Y | 64.8% | See point 14 |
| Availabilities and applications centralised at Commercial banks | Y | 322,102,388 € | See point 14 |
| Interests earned in non-compliance with UTE and paid to the State | N.A. | | See point 14 |
| **Audits by the Court of Auditors** | N.A. | | See point 15 |
| **Preparation of the equality plan as per article 7 of Law 62/2017, of 1 August** | Y | www.tapairportugal.com/pt | See point 16 |
| **Presentation of the non-financial statement** | Y | | See point 17 |

## II – CORPORATE STRUCTURE OF TAP, S.A. (CONSOLIDATED ACCOUNTS)

At 31 December 2022, TAP owned 100% of the subsidiary TAP Logistics Solutions, S.A., incorporated on 30 December 2019 to operate in the cargo and mail sector. Accordingly, the financial statements of this company were included by the full consolidation method in the consolidated financial statements of TAP, S.A. as at 31 December 2022 and its comparable previous period.

## III – CORPORATE GOVERNANCE

### 1. Qualified shareholdings in the Company as of 31 December 2022

| Shareholders with Qualified Holdings | Capital/Voting Rights (%) | Number of Shares |
|---|---|---|
| **<u>Direct Shareholders:</u>** | | |
| • Portuguese Republic, through the Directorate General of Treasury and Finance ("*Direção-Geral do Tesouro e Finanças*") | 100% | 196,000,000 |
| **<u>Indirect Shareholders</u>:** | | |
| ▪ Not applicable | | |

### 2. Indication of the number of securities issued by Transportes Aéreos Portugueses, S.A. and by companies with which it is in a relation of control or group, held by governing bodies and all the acquisitions, encumbrance or transmissions during the considered period.

- Not applicable

### 3. Identification of any shareholders holding special rights and a description of such rights

*Article 29-H, paragraph 1, sub-paragraph d) of the Portuguese Securities Code*

Nothing to declare.

### 4. Possible restrictions on voting rights, such as limitations on the exercise of voting rights depending on the ownership of a number or percentage of shares, time limits imposed for the exercise of voting rights, or systems for separating the financial rights attached to securities from the ownership of the securities

*Article 29-H, paragraph 1, sub-paragraph f) of the Portuguese Securities Code*

Pursuant to article 9, paragraph 2 of the articles of association of the Company, each 100 (one hundred) shares correspond to 1 (one) vote at the Shareholders' General Meeting. Shareholders holding less than 100 (one hundred) shares of the Company may group together with other shareholders in order to meet the necessary conditions for the joint exercise of the voting right.

Apart from this limitation on voting rights based on the number of shares of the Company, there are no restrictions or limitations on voting rights, nor any systems whereby the financial rights attached to securities remain separate from the ownership of the securities.

Pursuant to article 9, paragraph 3 of the articles of association of the Company, to obtain the right to vote, the respective shares must be registered in the name of the respective holders in the Company's share registry book at least 15 (fifteen) days before the date set for the Shareholders' General Meeting.

Shareholders may be represented at the Shareholders' General Meeting pursuant to the applicable law. In accordance with article 9, paragraph 4 of the articles of association of the Company, shareholders may be represented at the Shareholders' General Meeting by sending a letter addressed to the Chairman of the Shareholders' General Meeting before the beginning of the respective meeting.

Postal voting is allowed under the terms of Article 9, paragraph 10 of the Company's articles of association, and shareholders may exercise their voting right by post by means of a letter delivered by hand to the Chairman of the Board of the Shareholders' General Meeting or sent by registered mail with acknowledgement of receipt to the Company's registered office at least 3 (three) business days prior to the date of the Shareholders' General Meeting, unless a longer period is established in the Shareholders' General Meeting notice.

Lastly, as set out in article 9, paragraph 11 of the articles of association of the Company, electronic voting is permitted, in accordance with the authenticity requirements that shall be defined in the notice convening the meeting by the Chairman of the Shareholders' General Meeting.

## 5. Rules governing the appointment and replacement of members of the management body and amendments to the articles of association

*Article 29-H, paragraph 1, sub-paragraph h) of the Portuguese Securities Code*

The Board of Directors of the Company is composed by a minimum of 5 (five) and maximum of 11 (eleven) members. The members of the Board of Directors, including its chairman, are elected at a Shareholders' General Meeting, exercising their duties for a period of 4 (four) years, renewable according to the law.

Pursuant to article 14, paragraph 2 of the articles of association of the Company, the Board of Directors may delegate, within the limits established by law, day-to-day management of the Company to one or more appointed board members or an Executive Committee. The Board of Directors has appointed an Executive Committee formed of 5 (five) members, including its Chairman.

With regard to the absence and replacement of directors, article 13, paragraph 3 of the Company's articles of association states that the absence of a director from more than 4 (four) consecutive meetings or 6 (six) interspersed meetings of the Board of Directors, without reason that is accepted by the other members of the Board of Directors, leads to the situation of definitive absence. If a director is deemed to be definitively absent, he/she must be replaced in accordance with the terms of the applicable legislation, namely in accordance with the provisions of Articles 393 et seq. of the Portuguese Companies Code. Pursuant to article 13, no. 6 of the Company's Articles of Association, when a director is replaced by co-option or appointment by the Company's Supervisory Board, it must be submitted for ratification at the first general meeting following the replacement, with the new director's term of office expiring at the end of the term for which the other directors were elected.

Pursuant to article 10, paragraph 2 of the Company's Articles of Association, the Shareholders' General Meeting may only adopt resolutions, on first call, provided that shareholders holding shares representing at least 51% (fifty-one per cent) of the Company's share capital are present or represented. Pursuant to article 10, paragraph 4 of the Company's articles of association, any resolutions of the Shareholders' General Meeting on any amendments to the articles of association of the Company must be approved by a qualified majority of two-thirds of the votes cast. However, when the resolution is adopted at a Shareholders' General Meeting held on second call, where shareholders holding at least half of the share capital of the Company and with voting rights are present or duly represented, any resolutions to amend the Company's articles of association can be approved by a simple majority of the votes cast.

## 6. Powers of the management body, especially regarding resolutions for share capital increases

*Article 29-H, paragraph 1, sub-paragraph i) of the Portuguese Securities Code*

The Board of Directors manages the Company's business and affairs and may decide on any matter relating to its management while abiding by the resolutions adopted by the Shareholders' General Meeting whenever required by law or by the articles of association.

Article 14 of the Company's articles of association grants the following powers to the Board of Directors:

a) Manage the Company's activities;

b) Manage the corporate business and perform all acts relating to the corporate purpose which do not fall within the powers attributed to the other corporate bodies of the Company;

c) Acquire, dispose of or encumber rights or movable and immovable property and shareholdings, pursuant to the law;

d) Enter into loan agreements on the national or foreign financial market;

e) Decide on the issuance of bonds or other securities, within the limits annually set by the Shareholders' General Meeting (as per section f) of article 11 of the Company's articles of association);

f) Represent the Company in court and out of court, as plaintiff and defendant, with the power to withdraw, transact and confess in any legal proceedings, as well as to enter into arbitration agreements;

g) Establish the technical and administrative organization of the Company and the rules of its internal functioning;

h) Appoint agents with the powers deemed appropriate;

i) Exercise any other powers that may be conferred by law or by the General Meeting.

Pursuant to the Company's articles of association, the Board of Directors determines the dates or frequency of its meetings. It must meet at least once every quarter and whenever convened by the Chairman, at his/her own initiative and, in his/her absence or impediment, by the substitute or at the request of two directors or at the request of the supervisory body.

The Board of Directors may not take decisions unless the majority of its members are present or represented, except in cases of urgency, recognised as such by the Chairman or by his/her substitute in the case of absence or impediment, in which case the votes may be cast by post.

The decisions of the Board of Directors are taken by majority vote of its members, and abstentions are not counted.

On 28 June 2021, the Board of Directors decided to establish an Executive Committee for the 2021-2024 four-year period, and also approved its regulations.

The day-to-day management of the Company was delegated to the Executive Committee, in accordance with the provisions of paragraphs 3 and 4 of article 407 of the Portuguese Companies Code and paragraphs 2 and 3 of article 13 of the Company's articles of association, which includes, in particular, and within the framework of the general policies approved by the Board of Directors, the following acts:

1. Preparation of the proposed business plan and budget - including the investment plan and the corresponding financing sources - and the respective quarterly execution reports, both to be submitted to the Board of Directors for approval in terms and frequency consistent with the applicable legal framework, namely Decree-Law no. 133/2013, of 3 October (as subsequently amended, hereinafter "DL 133/2013"), having in mind the instructions for the elaboration of such proposals as well as the preparation of updates or revisions to the business plan and budget, which shall also be submitted to the Board of Directors for prior approval, including the assumption of such updates or revisions;

2. Preparation of the new proposed list of flight destinations, on an annual basis, and any significant changes occurring to this list, for prior approval by the Board of Directors;

3. Preparation of the proposal for the long-term fleet plan, on an annual basis, and any significant changes that occur in this plan, for prior approval by the Board of Directors;

4. Subject to the conditions set out in number 5 below, conducting the financial, operational, administrative and human resources management of the Company in accordance with the business plan and budget, as updated and/or revised. With respect to commitments/expenses/agreements/transactions expressly provided for in and pursuant to the annual business plan and budget (as updated and revised), the Executive Committee may, provide that always in compliance with the applicable law, namely DL 133/2013, conduct the management

of the Company within the following limits, which shall be considered as limits per transaction, including when the transaction in question corresponds to a multi-year contract:

a) Commitments for financial investments or other capital expenditures of the Company and/or its subsidiaries with an amount up to EUR 15 million;

b) Operating expenses commitments of the Company and/or its subsidiaries under the following terms:

   i. Expenses with flight operations, namely fuel and handling contracts, which do not exceed EUR 300 million;

   ii. All other flight operational contracts (such as, but not limited to, catering, ATC and other contracts of similar scope) with an amount up to EUR 30 million;

   iii. Maintenance and Engineering expenses up to EUR 50 million;

   iv. Corporate expenses (marketing and sales, technology, payment solutions and other expenses of similar scope) with an amount up to EUR 15 million, except for strategic consulting services, whose limit shall be up to EUR 1 million;

c) Investments relating to aircraft fleet or operating expenses of the Company and/or its subsidiaries with an amount of up to EUR 50 million;

d) Financial instruments and financing of the Company and/or its subsidiaries, such as, but not limited to, debt and hedging instruments, with a maturity of less than one year and with an amount of up to EUR 100 million (excluding, in any case, the provision of any type of guarantees by the Company or its subsidiaries);

e) Proposals regarding all financing instruments of the Company and/or its subsidiaries (i) with a term of less than one year and an amount exceeding EUR 100 million or (ii) with a term of one or more years, to be submitted for prior approval by the Board of Directors;

f) Hedging instruments within the following limits: (i) portfolio of jet fuel derivatives, swap options and simple combinations thereof, up to 500,000 metric tons or a value of up to USD 400 million (ii) expected average monthly hedging activity up to 80,000 metric tons

g) Acquisition, encumbrance, assumption, disposal and/or sale of assets of the Company and/or its subsidiaries up to EUR 5 million;

h) Without prejudice to the legal requirements under DL 133/2013, proposals for investment and/or disposal of shares of incorporated companies and/or the incorporation of new companies, and/or changes in the shareholder structure of the business group to which the Company belongs, to be submitted for prior approval of the Board of Directors;

i) Proposals for transactions with related parties within the scope of article 397 of the Portuguese Companies Code to be submitted for the prior approval of the Board of Directors; with the exception of transactions with subsidiaries of the Company, which shall not be subject to the prior approval of the Board of Directors;

j) Negotiating and signing contracts to which the Company or its subsidiaries are a party, which are not covered by the nature of contracts described in the paragraphs above (namely partnerships or joint venture contracts), in the amount, or configuring obligations, of up to EUR 15 million;

k) Opening bank accounts, negotiating financial conditions with banks, making payments, deposits or withdrawing money from the Company's bank accounts, in accordance with all other delegated powers.

5. The powers granted to the Executive Committee, pursuant to number 4 above, shall at all times be in compliance with the requirements set forth in the applicable legislation and shall be subject to compliance with the provisions of DL 133/2013, namely, that:

   a) The Executive Committee may not:

      i. Provide any guarantee for the benefit of another entity, regardless of whether there is any equity interest in the beneficiary;

      ii. Enter into any agreement or transaction, nor execute any legal act resulting in actual or contingent financial responsibilities for the Company that exceed the annual budget or that are not foreseen in the investment plan approved by the shareholder;

      iii. Enter into any agreement or execute any legal act that results in obligations for the Company that exceed 5% of the Company's net assets (unless expressly provided for in the annual business plan and budget); and

      iv. Approve any investment or transaction, which is not foreseen in the annual business plan and budget;

   b) Any agreement, act or transaction with a financial impact exceeding the Company's net assets by 1% must be approved by the executive member of the Board of Directors appointed by the representative of the government responsible for finance. In the absence of such approval, the matter must be submitted to the Company's General Shareholders' Meeting for approval.

6. Management of the institutional relationship with employees and external entities, including representing the Company before all Courts, namely, civil, criminal, administrative, labour and tax, in all instances, appointing counsel when necessary or convenient, filing petitions, requests, appeals, oppositions, counterclaims, presenting evidence and filing both ordinary and extraordinary appeals; negotiating and revoking petitions in any Court, whether civil, criminal, administrative, labour or tax, with the most extensive powers, on behalf of the Company;

7. Proposals of new collective labour agreements and major structural changes to labour contracts, to be submitted to the Board of Directors for prior approval;

8. In emergency situations, when people's lives and the security of assets are at risk, the Executive Committee shall make all necessary and appropriate efforts, with the responsibility of informing the Board of Directors on the justifications and all measures taken as soon as possible.

9. Opening and closing of representations, agencies, offices and other forms of local representation of the Company abroad

The Executive Committee shall meet whenever it is convened by its Chairman or by two of its members. Those meetings shall occur at least once a month, with the possibility of establishing a monthly or annual meeting schedule.

The Executive Committee may not deliberate unless the majority of its members are present or represented. Any member of the Executive Committee may be represented at meetings by another member of the Executive Committee by means of written communication addressed to the President.

The decisions of the Executive Committee are taken by a simple majority of votes. The Chairman has a casting vote in the case of a tie.

Lastly, with regard to increases in the Company's share capital, although article 456 of the Portuguese Companies Code establishes that the articles of association may authorize the management body to approve capital increases through cash contributions, the Company's articles of association do not confer such powers on the Board of Directors.

## 7. Core information of the internal control and risk management systems implemented in the Company regarding the financial information disclosure process

*Article 29-H, paragraph 1, sub-paragraph l) of the Portuguese Securities Code*

The Board of Directors is responsible for ensuring disclosure of accurate financial information that truthfully reflects the financial situation of the Company at any given moment, in compliance with the applicable legislation and regulations.

As regards the quality of the financial information that is publicly disclosed, it results from a financial reporting process that is ensured by the central services areas, subject to the TAP Group's procedures and internal control system and monitored by the TAP Group's Board of Directors and TAP’s Finance, Audit and Risk Committee. In particular, in relation to the annual and half-yearly accounts, the documents are sent to the Board of Directors that approves them before they are published.

In addition, the Supervisory Board is responsible for monitoring the adequacy of the Board of Directors’ process for preparing and disclosing financial information.

## 8. Specialized committees within the management body

Within the scope of TAP's governance model, it is also worthy of mention the existence of specialized committees - the Finance, Audit and Risk Committee, created by the Board of Directors on August 27, 2021.

## IV - STATEMENT ISSUED IN ACCORDANCE WITH ARTICLE 29-G OF THE PORTUGUESE SECURITIES CODE

In accordance and for the purposes of article 29-G, number 1 c) of the Portuguese Securities Code, the members of the Board of Directors of Transportes Aéreos Portugueses, S.A. identified below declare that, to the best of their knowledge, the management report, the consolidated annual accounts, the legal accounts certificate ("*certificação legal de contas*") and other accounting documents required for the approval of the annual accounts have been prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, financial position and results of the Company and the companies included in the consolidation perimeter, and that the management report faithfully describes the important events that occurred in such period and the impact on the respective financial statements, as well as a description of the main risks and uncertainties that the Company and the companies included in the consolidation perimeter face.

Lisbon, 27 April 2023

**BOARD OF DIRECTORS**

Luís Manuel da Silva Rodrigues
*Chairman of the Board of Directors and Chairman of the Executive Committee*

Gonçalo Neves Costa Monteiro Pires
*Member of the Board of Directors and Member of the Executive Committee*

Ramiro José Oliveira Sequeira
*Member of the Board of Directors and Member of the Executive Committee*

Silvia Mosquera Gonzalez
*Member of the Board of Directors and Member of the Executive Committee*

Sofia Norton dos Reis Lufinha de Mello Franco
*Member of the Board of Directors and Member of the Executive Committee*

Ana Teresa C. P. Tavares Lehmann
*Member of the Board of Directors*

Patrício Ramos Castro
*Member of the Board of Directors*

João Pedro Conceição Duarte
*Member of the Board of Directors*

## V – GLOSSARY

**ANAC:** National civil aviation authority (“Autoridade Nacional da Aviação Civil”)

**ASK:** Available seat kilometer; total number of seats available for sale multiplied by the number of kilometers flown.

**Hub:** Term used to designate the operational base of an airline in which arrivals and departures are coordinated in order to reduce transit time to the maximum extent.

**IATA:** International Air Transport Association.

***Load Factor*:** Total number of revenue passenger-kilometers (RPK) divided by the total number of available seat-kilometers (ASK).

**RPK:** Revenue passenger kilometer; total number of passengers multiplied by the number of kilometers flown.

**Yield:** Passenger income divided by total number of revenue passenger kilometers (RPK), adjusted for stage length.

**YoY:** Year-over-year.

## VI – CONSOLIDATED NON-FINANCIAL INFORMATION

Consolidated non-financial information is not included in this report and will be presented in a separate report.

## VII – CONSOLIDATED FINANCIAL STATEMENTS

**TRANSPORTES AÉREOS PORTUGUESES, S.A.**

CONSOLIDATED FINANCIAL STATEMENTS

2022

# INDEX OF THE FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Amount stated in euros | Notes | 2022 | 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 4 | 3,077,640,026 | 2,955,068,050 |
| Investment Properties | 5 | 1,690,000 | 1,615,899 |
| Intagible assets | 6 | 23,290,174 | 23,475,789 |
| Financial holdings | | - | 172,310 |
| Other financial assets | 8 | 488,720 | 488,725 |
| Other non current assets | 13 | 17,828,667 | 22,903,458 |
| Deferred tax assets | 9 | 447,429,851 | 363,523,138 |
| Other receivables | 10 | 442,009,852 | 112,077,476 |
| | | **4,010,377,290** | **3,479,324,845** |
| **Current Assets** | | | |
| Inventories | 11 | 66,384,228 | 56,556,807 |
| Other receivables | 10 | 875,555,361 | 347,681,592 |
| Income tax receivable | 12 | 435,046 | - |
| Other current assets | 13 | 44,803,368 | 21,920,877 |
| Cash and cash equivalents | 14 | 916,077,051 | 812,578,316 |
| | | **1,903,255,054** | **1,238,737,592** |
| Non-current assets held for sale | 7 | 225,000 | - |
| **Total Assets** | | **5,913,857,344** | **4,718,062,437** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share Capital | 15 | 980,000,000 | 904,327,865 |
| Supplementary capital contributions | 16 | - | - |
| Legal reserves | 16 | 8,300,000 | 8,300,000 |
| Hedge reserves | 16 | (5,741,822) | 184,106 |
| Other reserves | 16 | (76,722,347) | (200,588) |
| Other variations in equity | 16 | (28,118,831) | - |
| Retained earnings | 16 | (525,689,915) | 218,425,483 |
| Net income/(loss) for the year | | 65,597,418 | (1,599,110,889) |
| **Total equity** | | **417,624,503** | **(468,074,023)** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 9 | 44,000,690 | 34,022,773 |
| Post-employment benefits obligations | 17 | 108,083,418 | 89,282,130 |
| Provisions | 18 | 282,879,191 | 312,912,748 |
| Restructuring provision | 18 | 15,072,695 | 37,012,455 |
| Borrowings | 19 | 551,973,017 | 795,737,240 |
| Lease liabilities with purchase option | 19 | 634,660,114 | 488,921,489 |
| Lease liabilities without purchase option | 19 | 1,660,710,136 | 1,682,965,393 |
| | | **3,297,379,261** | **3,440,854,228** |
| **Current Liabilities** | | | |
| Borrowings | 19 | 356,826,415 | 141,456,908 |
| Lease liabilities with purchase option | 19 | 74,641,447 | 54,754,917 |
| Lease liabilities without purchase option | 19 | 377,402,908 | 435,572,934 |
| Other payables | 20 | 584,355,883 | 406,153,858 |
| Income tax payable | 12 | 19,326 | 104,803 |
| Other current liabilities | 21 | 67,827,868 | 63,677,145 |
| Liabilities from unused flight documents | 22 | 737,779,733 | 643,561,667 |
| | | **2,198,853,580** | **1,745,282,232** |
| **Total liabilities** | | **5,496,232,841** | **5,186,136,460** |
| | | | |
| **Total equity and liabilities** | | **5,913,857,344** | **4,718,062,437** |

These notes are an integral part of the consolidated statement of financial position as of 31 December 2022.

## CONSOLIDATED INCOME STATEMENT

| Amounts stated in euros | Notes | 2022 | 2021 |
|---|---|---|---|
| Operating Income | | | |
| Revenue | | | |
| Passenger | 24 | 3,072,352,122 | 1,067,193,102 |
| Maintenance | 24 | 132,072,002 | 54,207,466 |
| Cargo and mail | 24 | 258,345,803 | 236,236,180 |
| Gains and losses in associates | | (172,310) | - |
| Other operating income | 24 and 25 | 22,369,869 | 30,905,744 |
| | | **3,484,967,486** | **1,388,542,492** |
| Operating costs | | | |
| Aircraft fuel | 26 | (1,096,653,890) | (340,478,438) |
| Traffic operating costs | 26 | (699,071,630) | (372,176,563) |
| Aircraft maintenance costs | 26 | (33,439,503) | (19,429,846) |
| Cost of materials consumed | 26 | (101,898,211) | (30,169,492) |
| Comercial, communication and marketing costs | 26 | (181,011,788) | (71,418,381) |
| Employee costs | 27 | (416,731,490) | (373,397,884) |
| Impairment losses in receivables | 28 | (7,626,917) | (22,886,590) |
| Impairment losses in inventories | 28 | 5,131,380 | (12,490,935) |
| Provisions | 28 | (53,572,415) | (16,041,875) |
| Other operating expenses | 29 | (141,862,803) | (118,324,211) |
| Restructuring | 30 | 3,433,344 | 14,246,279 |
| Other non recurrent items | 31 | 16,012,173 | (1,024,940,014) |
| Depreciation, amortisation and impairment losses | 32 | (509,458,500) | (489,705,211) |
| **Operating income/(loss)** | | **268,217,236** | **(1,488,670,669)** |
| Interests and similar income | 33 | 40,088,548 | 33,952,821 |
| Interests and similar expenses | 33 | (261,589,548) | (293,608,645) |
| Overhedge gains / losses | 33 | - | 8,677,082 |
| Net currency exchange | 33 | (12,771,764) | (175,473,763) |
| **Net income/(loss) before income tax** | | **33,944,472** | **(1,915,123,174)** |
| Income tax for the year | 34 | 31,652,946 | 316,012,285 |
| **Net income/(loss) for the year** | | **65,597,418** | **(1,599,110,889)** |
| Net income/(loss) attributable to owners of TAP SA | | **65,597,418** | **(1,599,110,889)** |
| Net income/(loss) attributable to non-controlling interests | | **-** | **-** |
| **Results per share** | | | |
| Basic and diluted earnings per share | 35 | 0.4 | (25.7) |

The notes are an integral part of the consolidated income statement as of 31 December 2022.

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

| Amounts stated in euros | Notes | 2022 | 2021 |
|---|---|---|---|
| **Net income/(loss) for the year** | | **65,597,418** | **(1,599,110,889)** |
| **Items that may be reclassified to income statement:** | | | |
| Gains and losses in derivate financial instruments - cash flow hedge | 10 and 20 | (116,042,677) | 29,247,212 |
| Deferred tax on derivative financial instruments - cash flow hedge | 9 | 33,594,990 | (6,141,915) |
| **Items that will not be reclassified to income statement:** | | | |
| Remeasurements of defined benefit plans | 17 | (30,125,986) | 7,371,490 |
| Deferred tax on remeasurements | 9 | 8,444,553 | (1,731,976) |
| Other impacts | 18 | (27,650,941) | - |
| **Other comprehensive income/(loss) net of tax** | | **(131,780,061)** | **28,744,811** |
| **Comprehensive income/(loss) for the year** | | **(66,182,643)** | **(1,570,366,078)** |
| Attributable to: | | | |
| Owners of TAP SA | | (66,182,643) | (1,570,366,078) |
| Non-controlling interests | | - | - |
| | | **(66,182,643)** | **(1,570,366,078)** |

The notes are an integral part of the consolidated comprehensive income statement as of 31 December 2022.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Amounts stated in euros | Notes | Share Capital | Supplementary capital contributions | Legal reserves | Hedge reserves | Other reserves | Other variations in equity | Retained earnings | Net income/(loss) for the year | Subtotal | Non-controlling interests (Note 16) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity as of 1 January 2021** | | **41,500,000** | **154,353,400** | **8,300,000** | **(22,921,191)** | **(200,588)** | **-** | **(105,028,018)** | **(1,230,255,776)** | **(1,154,252,173)** | **-** | **(1,154,252,173)** |
| Application of net income/(loss) of the year 2020 | | - | - | - | - | - | - | (1,230,255,776) | 1,230,255,776 | - | - | - |
| Capital increases | 15 | 862,827,865 | (154,353,400) | - | - | - | - | 1,548,069,763 | - | 2,256,544,228 | - | 2,256,544,228 |
| Remeasurement* | 9 and 17 | - | - | - | - | - | - | 5,639,514 | - | 5,639,514 | - | 5,639,514 |
| Fair value of derivative financial instruments* | 9 and 23 | - | - | - | 23,105,297 | - | - | - | - | 23,105,297 | - | 23,105,297 |
| Net income/(loss) for the year | | - | - | - | - | - | - | - | (1,599,110,889) | (1,599,110,889) | - | (1,599,110,889) |
| **Equity as of 31 December 2021** | | **904,327,865** | **-** | **8,300,000** | **184,106** | **(200,588)** | **-** | **218,425,483** | **(1,599,110,889)** | **(468,074,023)** | **-** | **(468,074,023)** |
| Application of net income/(loss) of the year 2021 | | - | - | - | - | - | - | (1,599,110,889) | 1,599,110,889 | - | - | - |
| Capital increases and decreases | 15 | 75,672,135 | - | - | - | - | (28,118,831) | 904,327,865 | - | 951,881,169 | - | 951,881,169 |
| Remeasurement* | 9 and 17 | - | - | - | - | - | - | (21,681,433) | - | (21,681,433) | - | (21,681,433) |
| Fair value of derivative financial instruments* | 9 and 23 | - | - | - | (5,925,928) | - | - | - | - | (5,925,928) | - | (5,925,928) |
| Derivatives of foreing exchange risk hedging* | 9 and 33 | - | - | - | - | (76,521,759) | - | - | - | (76,521,759) | - | (76,521,759) |
| Other impacts | 18 | - | - | - | - | - | - | (27,650,941) | - | (27,650,941) | - | (27,650,941) |
| Net income/(loss) for the year | | - | - | - | - | - | - | - | 65,597,418 | 65,597,418 | - | 65,597,418 |
| **Equity as of 31 December 2022** | | **980,000,000** | **-** | **8,300,000** | **(5,741,822)** | **(76,722,347)** | **(28,118,831)** | **(525,689,915)** | **65,597,418** | **417,624,503** | **-** | **417,624,503** |

*Net deferred tax amounts, where applicable.

These notes are an integral part of the consolidated statement of changes in equity as of 31 December 2022.

## CONSOLIDATED CASH FLOW STATEMENT

| Amounts stated in euros | Notes | 2022 | 2021 |
|---|---|---|---|
| **Operating activities:** | | | |
| Receipts from customers | | 3,760,672,112 | 1,433,020,096 |
| Payments to suppliers | | (2,558,512,644) | (1,070,343,039) |
| Payments to employees | | (404,805,435) | (406,984,633) |
| Payments of low value and short-term leases | | (5,974,037) | (5,652,803) |
| Cash generated from operations | | **791,379,996** | **(49,960,379)** |
| Income tax (payment)/receipt | | (159,554) | (2,102) |
| Other receipts/payments relating to operating activities | | (17,396,278) | 21,346,783 |
| **Cash flow from operating activities (1)** | | **773,824,164** | **(28,615,698)** |
| **Receipts from:** | | | |
| **Financial investments** | | | |
| Other financial assets | 4, 8, 10 and 18 | 58,296,607 | 28,033,167 |
| Tangible fixed assets | | - | 38,650,099 |
| Loans granted | | 913,833,404 | 883,424,333 |
| Interests and similar income | | 37,576,749 | 35,024,720 |
| | | **1,009,706,760** | **985,132,319** |
| **Payments relating to:** | | | |
| Other financial assets | 4, 8, 10 and 18 | (117,296,912) | (100,832,594) |
| Tangible fixed assets | | (145,217,788) | (57,076,651) |
| Intangible assets | | (2,967,110) | (5,380,649) |
| Loans granted | | (985,262,222) | (930,777,737) |
| | | **(1,250,744,032)** | **(1,094,067,631)** |
| **Cash flow from investment activities (2)** | | **(241,037,272)** | **(108,935,312)** |
| **Financing activities:** | | | |
| **Receipts from:** | | | |
| Capital increases | 15 | 294,000,000 | 998,000,000 |
| | | **294,000,000** | **998,000,000** |
| **Payments relating to:** | | | |
| Borrowings | 19 | (34,177,161) | (16,444,966) |
| Lease liabilities with purchase option | 19 | (62,825,243) | (34,369,217) |
| Lease liabilities without purchase option | 19 | (540,994,575) | (443,587,346) |
| Interests and similar costs | 19 | (78,661,627) | (61,388,640) |
| Overhedge fuel derivatives | 23 | - | (11,586,309) |
| | | **(716,658,606)** | **(567,376,478)** |
| **Cash flow from financing activities (3)** | | **(422,658,606)** | **430,623,522** |
| **Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)** | | 110,128,286 | 293,072,512 |
| Effects of currency exchange differences | | (6,629,551) | 749,197 |
| **Cash and cash equivalents at the beginning of the year** | 14 | 812,578,316 | 518,756,607 |
| **Cash and cash equivalents at the end of the year** | 14 | **916,077,051** | **812,578,316** |

These notes are an integral part of the consolidated cash flow statement as of 31 December 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Introduction

Transportes Aéreos Portugueses, S.A. ("TAP S.A." or "Company") essentially operates public air transport services for passengers, freight and mail, as well as the provision of services and the performance of commercial, industrial and financial operations relating directly or indirectly to such operations.

On 30 December 2019, TAP S.A. established TAP Logistics Solutions, S.A. ("TAP Logistics"; TAP S.A. and TAP Logistics together are called "TAP S.A. Group" or “Group”). Consequently, TAP S.A. presents consolidated financial statements in accordance with Decree-Law No 158/2009 of 13 July (as amended).

TAP S.A. Group provides services in Portugal (Mainland and Autonomous Regions), Europe, Africa, North America, South America and the Middle East. TAP S.A. Group has 19 offices in foreign countries and 3 in Portugal.

**Headquarters** Edifício 25, Lisbon Airport, 1700-008 Lisbon
**Share Capital** EUR 980,000,000 (of which EUR 294,000,000 have been realized)
**Tax identification number** 500 278 725

The Company is affiliated with IATA - International Air Transport Association, among other associations in the industry.

Following the outbreak of the COVID-19 pandemic, and like most companies operating in the aviation sector, all the TAP Group companies (for this purpose, the “TAP Group” means TAP S.A. and its subsidiaries, as well as TAP SGPS and its subsidiaries) have, since March 2020, suffered a significant reduction in its activity as a result of a sharp drop in demand, resulting in large operating losses. These losses were mainly due to travel restrictions imposed by Portuguese State and many other TAP S.A. destination countries to limit the spread of COVID-19.

To address the impact of COVID-19, the TAP Group adopted a set of measures in 2020 to control and reduce costs, including the suspension or postponement of non-critical investments, renegotiation of contracts and payment deadlines, reduction of incidental expenses, the suspension hiring new workers and promotions, and the implementation of temporary unpaid leave programmes.

On 9 June 2020, the Portuguese State notified the European Commission of its intention to grant a state aid in the form of a loan to TAP S.A.'s sole shareholder, TAP SGPS, amounting to EUR 1.2 billion. The aim of this support was to provide sufficient resources so that TAP SGPS could meet the immediate liquidity needs of the TAP Group, and particularly TAP.S.A., in order to implement a long-term business viability plan.

On 10 June 2020, the European Commission announced its decision to approve the state aid to the TAP Group, as it understood that it was compatible with European Union rules on state aid.

Following the aforementioned decision of the European Commission, the Portuguese State granted an interest-bearing loan in favour of the TAP Group in the amount of EUR 1.2 billion, formalized through the signing, on 17 July 2020, of a financing agreement between the Portuguese Republic, TAP S.A., TAP SGPS and Portugália, as well as a complementary agreement thereto between the aforementioned parties to the financing agreement, Atlantic Gateway and Parpública – “Financing Agreement”).

Regarding the above mentioned remunerated loan by the Portuguese State in the amount of EUR 1.2 billion, the first tranche, of EUR 250 million, was received on 17 July 2020, the second tranche of EUR 224 million, was received on 30 July 2020, the third tranche of EUR 25 million, was received on 31 August 2020, the fourth tranche of EUR 79.6 million was received on 30 September 2020, the fifth tranche of EUR 92 million was received on 5 November 2020, the sixth tranche of EUR 171.4 million was received on 21 December 2020 and the last tranche of EUR 357.9 million was received on 30 December 2020.

To ensure that the TAP Group's obligations were met as a result of the loan granted by the Portuguese State, a financial pledge was granted over all the shares representing the share capital of TAP S.A. and Portugália – Companhia Portuguesa de Transportes Aéreos, S.A. in favour of the Portuguese state, which in the event of execution will have an impact on the share structure of TAP S.A..

Following the verification of several preceding conditions under the operations described above, the following occurred on 2 October 2020:

(i) The acquisition by the Portuguese state, through the Treasury and Finance Directorate-General, of shares, economic rights and a portion of the incidental benefits held by Atlantic Gateway in TAP SGPS, with the Portuguese state having effective control over 72.5% of TAP SGPS' share capital, the same percentage of economic rights in TAP SGPS and some of the incidental benefits realised by Atlantic Gateway in TAP SGPS; and

(ii) The reduction of the share held by HPGB in Atlantic Gateway, against the receipt of shares representing 22.5% of the share capital and voting rights of TAP SGPS and some of the incidental benefits realised by Atlantic Gateway in TAP SGPS, with Atlantic Gateway no longer a shareholder of TAP SGPS and HPGB holding a direct share in TAP SGPS.

In this context, as of that date TAP SGPS changed to the following share structure:

- Parpública owning 750,000 ordinary shares, representing 50% of the share capital and voting rights of TAP SGPS;

- The Portuguese state, through the Treasury and Finance Directorate-General, owning 337,500 ordinary shares, representing 22.5% of the share capital, voting rights and economic rights of TAP SGPS;

- HPGB owning 337,500 ordinary shares representing 22.5% of the share capital, voting rights and economic rights of TAP SGPS;

- A number of shareholders jointly hold 75,000 ordinary shares, representing 5% of the share capital, voting rights and economic rights of TAP SGPS.

On 24 May 2021 the Portuguese State, through the General Directorate of Treasury and Finance ("DGTF"), carried out a capital increase in TAP S.A. in the amount of EUR 462 million.

Following that capital increase, the shareholder structure changed to the following:

- The Portuguese Republic, through the General Directorate of Treasury and Finance, holding 91.8% of the shares representing the share capital and voting rights;
- TAP SGPS holding 8.2% of the shares representing the share capital and voting rights.

On 31 August 2021, the repayment date of the Financing Agreement was extended from 1 September 2021 to 31 December 2021, in the event of non-adoption of a final decision by the European Commission on the restructuring aid to the TAP Group until that date.

Following the approvals by the European Commission on 21 December 2021 of State aid for (i) the restructuring of TAP Group and (ii) for the compensation of losses suffered by TAP S.A. as a result of the COVID-19 pandemic, on 30 December 2021, the following corporate transaction ("2021 Operations") were approved at the Extraordinary General Meeting of TAP S.A. and submitted to the Lisbon Commercial Registry Office for registration:

- The increase in the share capital of TAP S.A. from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary payments, in the total amount of EUR 154,353,400;
- The reduction of its share capital to EUR 0.00, for partial coverage of losses;

- ✈ The increase in its share capital from EUR 0.00 to EUR 1,794,544,230, fully subscribed by the Portuguese Republic, through the DGTF, with the amount of EUR 1,258,544,230 being paid exclusively through contributions in kind, by converting credits from the Portuguese Republic on TAP S.A. (which represents the value of the remunerated loan plus interest accrued up to the date of conversion), and the amount of EUR 536,000,000, realized through cash entries;
- ✈ The reduction of its share capital from EUR 1,794,544,230 to EUR 904,327,865, to partially cover losses.

As a result of the 2021 Operations, the share capital of TAP S.A. increased to EUR 904,327,865, represented by 180,865,573 shares, with a nominal unit value of EUR 5.00, and the Portuguese Republic as its sole and direct shareholder, through the Directorate-General for the Treasury and Finance.

Also within the framework of the decision of the European Commission dated 21 December 2021 which approved the TAP Group's Restructuring Plan and the granting of restructuring aid, under the terms of which, it was foreseen to grant a tranche of the said aid until the end of the fiscal year 2022, on 27 December 2022, the following corporate transactions ("2022 Operations") were approved by means of a written decision by the sole shareholder of TAP S.A.:

a) The reduction of the share capital of TAP S.A. from EUR 904,327,865 to EUR 0.00, for partial coverage of losses;

b) b) The increase in its share capital from EUR 0.00 to EUR 980,000,000, fully subscribed by the Portuguese Republic, through the Directorate-General for Treasury and Finance, to be carried out by new contributions in cash, as follows:

   i) EUR 294,000,000 on 27 December 2022;
   ii) EUR 343,000,000 on 20 December 2023;
   iii) EUR 343,000,000 on 20 December 2024.

As a result of the 2022 Operations described above, since that date the share capital of TAP S.A. amounts to EUR 980,000,000, represented by 196,000,000 shares, with a nominal unit value of EYR 5.00, of which EUR 294,000,000 have been realized. TAP S.A. maintains the Portuguese Republic as the sole direct shareholder and beneficial owner, through the Directorate-General for the Treasury and Finance

The consolidated financial statements for the year ended 31 December 2022, approved at the Board of Directors meeting of 27 April 2023 and subject to the approval of the General Meeting, were prepared for presentation to multiple stakeholders.

The members of the Board of Directors who sign this report declare that, to the best of their knowledge, the information contained herein was prepared in accordance with the applicable Accounting Standards, giving a true and appropriate image of the assets and liabilities of the financial situation and results of the Group.

**Ongoing Restructuring Plan for the TAP Group - State Aid**

Following the European Commission's decision of 10 June 2020 that authorized the granting of State Aid to the sole shareholder of TAP S.A. as of that date, TAP SGPS, in the form of a loan, in the amount of EUR 1.2 billion ("Decision of the European Commission"), and the Financing Contract which concluded the granting of the State aid to the TAP Group, it was foreseen the for the repayment date of the loan granted to the TAP Group, initially set at 10 December 2020, to be extended if the Portuguese State submitted a Restructuring Plan for the TAP Group ("Restructuring Plan" or "Plan") to the European Commission by that date, within 6 (six) months from the date of the European Commission Decision..

In this context, the Portuguese State submitted to the European Commission, on 10 December 2020, a draft Restructuring Plan with regard to its discussion and approval.

As part of the preparation of the Restructuring Plan that involves the key areas of the TAP Group, a steering committee was created and a strategic consultant was hired to assist the TAP Group in the elaboration of the Plan.

The Restructuring Plan incorporated a significant transformation of TAP S.A. operation in order to guarantee economic viability in 2023 and sustainability in 2025. This restructuring includes measures to improve operational efficiency, a resizing of the fleet and a reduction in expenses with personal.

The Restructuring Plan project presented to the European Commission has the purpose of ensuring the survival and sustainability of the TAP Group, the maintenance of approximately 7 thousand direct jobs, as well as the preservation of the whole eco-system of TAP Group suppliers, ensuring that it continues to contribute to the Portuguese economy.

This Restructuring Plan project is based on four pillars: (i) focus on the core business, (ii) capacity adjustment (fleet dimensioning and network optimization); (iii) optimization of operating costs (lease negotiation, review of third party costs and adjustment of labor costs); and (iv) revenue improvement (passenger revenues and other revenues). All these initiatives seek to achieve a balanced cash flow and, consequently, to balance the Group's capital structure.

In terms of the optimization of operational costs, EUR 1.3 billion were expected to arise from fleet-related negotiations, as well as 200 to EUR 225 million per year in negotiations with other operational suppliers of the TAP Group. From the labor costs perspective, it was foreseen to redimension the TAP Group's operations, through, among others, the implementation of voluntary measures, such as rescissions by mutual agreement, part-time work and long-term unpaid leave, without prejudice to other additional mechanisms, besides a reduction in the salaries of the Group's employees**.**

These adjustments to capacity, fleet and the workforce would ensure that the TAP Group, and in particular TAP S.A., would be large enough to respond to the activity resumption, while preserving its leadership of the Lisbon hub and its strategy of connecting Europe, the Americas and Africa.

As a part of the work related to the process of preparing the Restructuring Plan, a Resolution of the Council of Ministers was approved on 22 December 2020 at a meeting of the Council of Ministers declaring TAP S.A. (as well as Portugália and Cateringpor - Catering de Portugal, S.A. ) in a difficult economic situation, attributing to that declaration the effects provided for in the applicable legislation, specifically the reduction of working conditions and the non-application or suspension, total or partial, of the clauses of the applicable company agreements or collective regulatory instruments, with the establishment of the respective substitute regime (Resolution of the Council of Ministers no. 3/2021, of 22 December 2020, regulated by Order no. 818-A/2021, of 14 January 2021). The status of difficult economic situation attributed to TAP S.A. (as well as Portugália and Cateringpor – Catering de Portugal, S.A.) was renewed by Council of Ministers Resolution No. 185/2021, of December 29, effective until 31 December 2022, and again renewed by Council of Ministers nº 138/2022, of December 28, with effect until 31 December 2023.

In accordance with this determination, in December 2020, a joint negotiation process was developed, between unions, Administration and the Portuguese Government, with the purpose of setting the so-called "Emergency Agreements", seeking to find a consensual solution on a path to enable the recovery and restructuring of TAP S.A.. This process ended favorably, with all unions representing a vast majority of TAP S.A. workers ratifying the negotiated emergency agreements (“Emergency Agreements”). The Emergency Agreements came into force on 1 March 2021, allowing, without harming the metrics proposed under the Restructuring Plan, the protection of a greater number of jobs, when compared to the substitute regime. The non-unionized employees of TAP S.A. benefited from a substitute regime, in everything equal to the Emergency Agreements in force in their professional group.

In parallel, between February and June 2021, TAP S.A. developed a set of labour measures for voluntary adherence of its employees, which include mutually agreed terminations, early retirement, pre-retirement, part-time work and unpaid leave. As a result of these voluntary measures, the initial target of resizing the Restructuring Plan could be adjusted downwards and allowed the number of workers eligible for unilateral measures to be reduced to 124 workers, that is, adjusted by about 94% compared to the number initial forecast and imposed by the Restructuring Plan. The continuation of the execution of the Restructuring Plan led, on 8 July 2021, that TAP started a collective dismissal procedure involving these 124 workers, which followed its procedures in accordance with an indicative timetable.

With these measures, TAP S.A. obtained the commitment of several unions, getting closer to the labor cost targets included in the Restructuring Plan.

TAP S.A. continued to offer conditions similar to those offered in the voluntary phases for workers who choose to reconsider their previous decision not to adhere to the voluntary measures, as well as maintain the possibility of candidacy for the remaining vacancies in Portugália and others in TAP S.A. that emerged according to the Company's needs, having these initiatives reduced the number of workers to 62 with unilateral departures in the process of collective dismissal.

In the context of State aid to TAP S.A., approved by the European Commission by decision of 23 April 2021, as compensation for COVID-19 damage verified during the period from 19 March to 30 June 2020, as already mentioned , a capital increase of TAP S.A. was carried out on 24 May 2021, through a cash contribution in the amount of EUR 462,000,000, by the Portuguese Republic, through the Directorate-General for the Treasury and Finance, and the subscription, by it, of 92,400,000 new ordinary shares representing the Company's share capital, with a nominal unit value of EUR 5.00. Following the said capital increase, the share capital of TAP S.A. was increased from EUR 41,500,000 to EUR 503,500,000, with the Portuguese Republic, through the Directorate-General for the Treasury and Finance, having a shareholding representing around 92% of TAP S.A., with the remaining around 8% of the share capital of TAP S.A. being held directly by TAP SGPS. As mentioned above, this shareholder structure was maintained until 30 December 2021, the date on which the Portuguese Republic became the sole shareholder of TAP S.A..

Following interactions with the European Commission over the months, on 10 June 2021, the Portuguese State updated the Restructuring Plan initially submitted on 10 December 2020, having notified the European Commission of a EUR 3.2 billion restructuring aid, with the objective of financing a restructuring plan for TAP SGPS, which establishes a package of measures to rationalize TAP's operations and to reduce costs.

On 16 July 2021, the European Commission approved the following two autonomous decisions:

(i) Re-approval of EUR 1.2 billion rescue aid

The European Commission decided to re-approve the EUR 1.2 billion emergency loan to TAP SGPS, which it had previously approved by decision of 10 June 2020, specifying the rationale for the approval of the aid (related to the situation of the TAP Group and its shareholders in June 2020), as required under the judgment of the General Court of the European Union of 19 May 2021 (case T465/20), which annulled the initial emergency aid decision, while suspending the effects of the cancellation until the adoption of a new decision by the European Commission.

Therefore, this new decision of the European Commission confirms the previous decision of this authority of 10 June 2020, which considered that the said rescue aid of EUR 1.2 billion was compatible with the internal market under Article 107(3)(c) of the Treaty on the Functioning of the European Union and in accordance with the requirements of the European Commission Guidelines on State aid for rescuing and restructuring non-financial firms in difficulty.

(ii) TAP Group Restructuring Plan

The European Commission has decided to initiate an in-depth investigation procedure to further assess the compliance of the proposed Restructuring Plan and the corresponding aid with the conditions set out in the European Commission's Guidelines on State aid for rescuing and restructuring non-financial companies in difficulty.

Following the interactions with the European Commission that took place after the date of the aforementioned decision of the European Commission, namely with regard to obtaining additional information, on 16 November 2021, the Portuguese State updated the Restructuring Plan submitted on 10 June 2021, which presents an update of the financial projections / sensitivity analysis for the restructuring period (until the year 2025), as well as the inclusion of the years 2026 and 2027, which incorporated the most recent perspectives of the air transport flow, as well as the price of jet fuel and the inflation rate, which generated an estimated increase in revenues and costs for the restructuring period until 2025, with no significant variations in terms of operating results.

This update of the TAP Group Restructuring Plan, including additionally the years 2026 and 2027, was approved by the Board of Directors of TAP SGPS and TAP S.A. on 3 November 2021.

Based on an in-depth investigation by the European Commission and the observations of interested parties and the Portuguese State, the European Commission approved the TAP Group Restructuring Plan on 21 December 2021 (“Approved Restructuring Plan”), within the framework of the European Union rules on state aids, which is intended to be in force until 31 December 2025 and is currently being implemented.

More specifically, the European Commission evaluated the Restructuring Plan, which sets out a package of measures to rationalize the operations of the TAP Group and reduce costs. The plan provides for a division of activities in i) TAP S.A. airlines and Portugália (which will be supported and restructured) and ii) perimeter of non-core assets to be sold or liquidated during the restructuring, namely Groundforce, TAP ME Brasil and Cateringpor. In addition, TAP S.A. made available 18 slots per day at Lisbon airport to a competing company. The European Commission considers to be relevant that the transfer of the slots does not compromise the viability of TAP S.A..

From the perspective of adjusting its capacity, the Restructuring Plan presented to the European Commission aims to adjust the TAP Group fleet to 99 aircraft, a number of aircraft greater than the 75 aircraft that constituted its fleet in 2015.

Based on the above, the European Commission concluded that the restructuring aid complies with the rules of the European Union, having considered that the Approved Restructuring Plan presents itself as realistic, coherent and credible, in order to achieve the objective of ensuring the viability medium/long term and solve the TAP Group's liquidity and insolvency problems.

State support approved by the European Commission amounts to a total value of EUR 3.2 billion, detailed as follows:

- ✈ EUR 2.55 billion related to restructuring support measures to allow the return to viability of TAP S.A. Group, including the conversion of the emergency loan of EUR 1.2 billion into equity;

- ✈ EUR 640 million aid as compensation for COVID-19 damage incurred during the years 2020 and 2021 between 1 July 2020 and 30 June 2021.

### 1.1. COVID-19 pandemic impact

The World Health Organization declared, on 11 March 2020, the existence of a Pandemic related to the new coronavirus disease (COVID-19), as a result of which it was established, in the markets where the Group operates, a set of exceptional measures relating to the epidemiological situation of COVID-19 with the imposition of additional restrictions on economic activity in these markets, which were gradually lifted in 2021 and 2022.

#### 1.1.1 Impact on operational indicators

The evolution of the main operational indicators for the financial year 2022 compared with 2021, 2020 and 2019 is detailed as follows:

| Operational indicators | 2022 | 2021 | 2020 | 2019 | Variation vs 2021 | | Variation vs 2020 | | Variation vs 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Value | % | Value | % | Value | % |
| Passenger (000) | 13,759 | 5,827 | 4,657 | 17,052 | 7,932 | +136.1% | 9,102 | +195.4% | (3,293) | -19.3% |
| RPK (million) | 36,782 | 14,917 | 11,876 | 42,065 | 21,865 | +146.6% | 24,906 | +209.7% | (5,283) | -12.6% |
| ASK (million) | 45,960 | 23,663 | 18,376 | 52,527 | 22,297 | +94.2% | 27,584 | +150.1% | (6,567) | -12.5% |
| *Load Factor* | 80.0% | 63.0% | 64.6% | 80.1% | +17.00p.p. | n.a. | +15.40p.p. | n.a. | -0.10p.p. | n.a. |
| *Block Hours* | 344,900 | 195,636 | 147,213 | 409,522 | 149,264 | +76.3% | 197,687 | +134.3% | (64,622) | -15.8% |
| Number of Departures | 107,856 | 61,664 | 47,900 | 136,705 | 46,192 | +74.9% | 59,956 | +125.2% | (28,849) | -21.1% |
| Average Stage Length (km) | 2,143 | 2,147 | 2,044 | 1,956 | (4) | -0.2% | 99 | +4.8% | 187 | +9.6% |
| Staff (end of period) | 6,988 | 6,626 | 8,106 | 9,006 | 362 | +5.5% | (1,118) | -13.8% | (2,018) | -22.4% |

After the decrease in activity observed from March 2020 as a result of the COVID-19 pandemic, having been significantly affected by the containment measures adopted by national and international authorities, which were reflected in a sharp drop in demand and led the Group to reduce its operational capacity, resulting in a deterioration of activity over that period, in 2022 the activity of the Group and the industry is in a recovery phase, essentially due to the increase in vaccination rates against COVID-19 and the reduction of the restrictions to travel.

In 2022, the number of passengers transported increased by 136.1%, the capacity (measured in ASKs) increased by 94.2%, and demand for passenger traffic (expressed in RPKs) increased by 146.6%, when compared to 2021, resulting in an improvement of the load factor of 17.0.p.p..

### 1.1.2 Impact on financial indicators

The evolution of the main financial indicators for the year ending 31 December 2022 compared with the years ending 31 December 2021, 2020 and 2019 is detailed as follows:

| Financial indicators | 2022 | 2021 | 2020 | 2019 | Variation vs 2021 | | Variation vs 2020 | | Variation vs 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Value | % | Value | % | Value | % |
| **Income statement data** | | | | | | | | | | |
| Operating income | 3,484,967,486 | 1,388,542,492 | 1,060,184,366 | 3,298,753,526 | 2,096,424,994 | +151.0% | 2,424,783,120 | +228.7% | 186,213,960 | +5.6% |
| Ticket revenue | 3,072,352,122 | 1,067,193,102 | 848,373,665 | 2,914,005,095 | 2,005,159,020 | +187.9% | 2,223,978,457 | +262.1% | 158,347,027 | +5.4% |
| EBITDA * | 777,675,736 | (998,965,458) | (380,090,410) | 522,926,690 | 1,776,641,194 | n.a. | 1,157,766,146 | n.a. | 254,749,046 | n.a. |
| *EBITDA Margin* | *22.3%* | *-71.9%* | *-35.9%* | *15.9%* | +94.3p.p. | n.a. | +58.2p.p. | n.a. | +6.5p.p. | n.a. |
| Recurring EBITDA ** | 758,230,219 | 11,728,277 | (273,724,683) | 528,410,885 | 746,501,942 | n.a. | 1,031,954,902 | n.a. | 229,819,334 | n.a. |
| *Recurring EBITDA Margin* | *21.8%* | *0.8%* | *-25.8%* | *16.0%* | +20.9p.p. | n.a. | +47.6p.p. | n.a. | +5.7p.p. | n.a. |
| Operational result (EBIT) | 268,217,236 | (1,488,670,669) | (964,762,471) | 47,181,525 | 1,756,887,905 | n.a. | 1,232,979,707 | n.a. | 221,035,711 | n.a. |
| *EBIT margin* | *7.7%* | *-107.2%* | *-91.0%* | *1.4%* | +114.9p.p. | n.a. | +98.7p.p. | n.a. | +6.3p.p. | n.a. |
| **Cash flow statement data** | | | | | | | | | | |
| Cash flow from operating activity | 773,824,164 | (28,615,698) | (312,914,301) | 337,083,803 | 802,439,862 | -2804.2% | 1,086,738,465 | -347.3% | 436,740,361 | +129.6% |
| Cash flow from investment activities | (241,037,272) | (108,935,312) | (165,140,557) | (134,701,648) | (132,101,960) | +121.3% | (75,896,715) | +46.0% | (106,335,624) | +78.9% |
| Cash flow from financing activities | (422,658,606) | 430,623,522 | 572,919,100 | 15,805,992 | (853,282,128) | -198.2% | (995,577,706) | -173.8% | (438,464,598) | -2774.0% |

| Financial position data | 2022 | 2021 | 2020 | 2019 | Variation vs 2021 | | Variation vs 2020 | | Variation vs 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Value | % | Value | % | Value | % |
| Total assets | 5,913,857,344 | 4,718,062,437 | 4,957,101,564 | 5,152,800,895 | 1,195,794,907 | +25.3% | 956,755,780 | +19.3% | 761,056,449 | +14.8% |
| Total liabilities | 5,496,232,841 | 5,186,136,460 | 6,111,353,737 | 5,018,263,972 | 310,096,381 | +6.0% | (615,120,896) | -10.1% | 477,968,869 | +9.5% |
| Total equity | 417,624,503 | (468,074,023) | (1,154,252,173) | 134,536,923 | 885,698,526 | -189.2% | 1,571,876,676 | -136.2% | 283,087,580 | +210.4% |

* EBITDA = Operating Income + Depreciation, amortisation and impairment losses.

** Recurring EBITDA = EBITDA – Restructuring – Other non recurrent items

The financial performance in 2022 compared to 2021 recorded an increase in total operating income by 151.0% and passenger revenue by 187.9%. EBITDA presented a positive amount of EUR 777.7 million (increase of EUR 1,776.6 million compared to 2021) and the Operating Result (EBIT) presented a positive amount of EUR 268.2 million (increase of EUR 1,756.9 million compared to 2021).

Regarding the variation presented in the consolidated statement of cash flows, there is a positive variation of EUR 802.4 million in operating cash flows, resulting essentially from the increase in the Group's sold revenue compared to 2021. Investment cash flows recorded a negative variation of EUR 132.1 million as a result, among others, of pre-delivery payments and major maintenance (Note 4). Concerning financing cash flows, the negative variation of EUR 853.2 million is essentially due to the reduction in the amount of capital increases carried out by the Portuguese State in 2022 compared to 2021 (see Introductory Note).

### 1.1.3 Impact on key estimates

The impact of the COVID-19 pandemic and of the approval of TAP Group Restructuring Plan by the European Commission on the main estimations made by the board of directors, is shown in detail below.

It is the understanding of the Board of Directors that the best estimate, as of 31 December 2022, is reflected in the projections included in the Approved Restructuring Plan, which were approved by the Board of Directors of TAP SGPS and TAP S.A. on 26 May 2021, updated by the Board of Directors on 3 November 2021 and submitted to the European Commission, concerning the years 2026 and 2027.

These estimates should be contextualized within the scope of the Approved Restructuring Plan, which establishes all revenue and cost assumptions including network and fleet. If reality differs significantly from this plan, namely in terms of fleet, service and sales, or if the Group does not successfully implement its current fleet, routes and cost efficiencies plan, the Group's results may be negatively impacted in the future, which may lead to significant changes in the estimates to be used.

Regarding the year ended 31 December 2022, it should be noted that there was a significantly positive deviation between actual operating performance and that estimated in the Approved Restructuring Plan.

**Restructuring provision (Note 18)**

In the scope of the ongoing Restructuring Plan, some measures related with organizational restructuring and operational efficiency have been defined, among which is included the reduction of the number of workers (in order) to assure the financial and economic sustainability of the Group.

Following the restructuring process related with the Group's workers, included to the Restructuring Plan approved by the board of directors on 2 December 2020, and the subsequent communications made by TAP' Group's board of directors to the Group's workers, it has been set in motion a process of enrolment for voluntary measures that comprise the mutually agreed termination of the labor contract, the worker's early retirement, worker's anticipated retirement, reduced time work regime and leaves without compensation, and submission of work applications to Portugália.

During the month of June 2021, with the adhesion to the voluntary measures made available, the redimensioning of the number of employees went from 2,000 workers, foreseen, to 124 workers, representing a reduction of 94%. These workers are divided into the following professional groups:

- 35 pilots
- 28 cabin crew
- 38 maintenance & engineering workers
- 23 headquarters workers

In the second semester of 2021, the Company allowed some of its employees to take part in other voluntary termination measures. From the 124 employees:

- 40 adhered to terminations by mutual agreement
- 12 were transferred to Portugália with termination by mutual agreement of 50%
- 10 did not integrate any measure, nor were considered for dismissal (this situation was possible due to the various changes in management positions and accordingly to the needs)

Therefore, from the 124 employees, 62 employees were in a situation of collective dismissal, broken down as follows:

- 20 pilots
- 16 cabin crew
- 14 maintenance & engineering workers
- 12 headquarters workers

Consequently, as of 31 December 2022, and taking into account the best estimate of the Board of Directors regarding the conclusion of the negotiation processes in progress and the payments already made, the Group revised the provision for expenses to support with the restructuring, to be concluded in 2023, for the amount of approximately EUR 15.1 million, which refers to the estimate of processes to be concluded and future payments already agreed.

**Other provisions (Note 18)**

The Group records provisions for various contingencies and the Board of Directors regularly assesses the criteria used to measure them.

As of 31 December 2021, the Group constituted a provision in the amount of EUR 140.3 million, corresponding to the estimate of additional charges that TAP S.A. expected to incur in connection with the ongoing corporate reorganization.

Following the Approved Restructuring Plan, the Board of Directors of TAP SGPS approved on 29 December 2021 the closure of operations of its subsidiary TAP ME Brasil with the objective of its liquidation. On that same date, and also taking into account the foreseen in the Approved Restructuring Plan, TAP S.A. assumed the responsibility of financing TAP SGPS to face contingencies and liabilities that could result from the liquidation process, namely those resulting from legal proceedings, restructuring and taxes. During the year ended 31 December 2022, payments were made in the amount of EUR 26.7 million to be reduced to the provision, with the remaining amount previously provisioned being reversed, due to changes in estimates that occurred in the year 2022, within the scope of the liquidation operations of TAP ME Brasil, and the revocation of the assumption of responsibility by TAP S.A. on the liquidation operations of TAP ME Brasil, considering the substantial change in the form of corporate restructuring in progress of the TAP Group, foreseen on the present date, with an impact on the financial position of TAP SGPS (Note 31).

**Current assets impairment losses (Notes 10,11 and 28)**

The Group records provisions for impairment losses on some current assets, and the Board regularly evaluates the criteria used to measure them.

As a result of the approval by the European Commission on 21 December 2021 of the Restructuring Plan and the shareholder change that took place in TAP S.A. in 2021, the Board of Directors identified the need to record impairment losses regarding certain balances. As of 31 December 2022 the Group had recorded accumulated impairment losses regarding: (i) the balance receivable from TAP SGPS, in the amount of EUR 993.0 million (EUR 884.7 million as of 31 December 2021); (ii) accounts receivable from SPdH in the amount of EUR 10.7 million (EUR 10.7 million as of 31 December 2021), given the insolvency situation of that entity; (iii) other accounts receivable in the amount of EUR 87.1 million (EUR 76.8 million as of 31 December 2021) (Note 10); (iv) balances receivable from TAP ME Brasil in the amount of EUR 30.4 million (EUR 17.1 million in customers and EUR 13.3 million in other debtors) (EUR 25.8 million as of 31 December 2021) arising from the liquidation process in progress at the Brazilian subsidiary of TAP SGPS (Note 8); and (v) inventories amounting to EUR 23.8 million (EUR 26.4 million as of 31 December 2021) (Note 9), resulting from the reduction in rotation and the expectation of using some items used in the repair of its own and third-party fleet.

**Non-current asset impairment losses – Air fleet (Note 4)**

As of 31 December 2021, the total of non-current consolidated assets related with the air fleet, subject to impairment testing in accordance with IAS 36 in the case impairment indications exist, amount to EUR 2,988 million.

The World Health Organization's declaration of a pandemic resulted in limitations on mobility, plus the economic and social effects of the pandemic itself, resulting in a sharp decline in the Group's activities, and the Board of Directors understood that there was a need to review the impairment tests of non-current assets related to the air fleet, similar to the one carried out as of 31 December 2021.

The recoverable amount of certain assets is calculated considering discounted cash flows models, which require the utilization of estimates and assumptions which rely on economic and market projections, namely concerning cash-flows associated with the operational activity of the Group, exchange rates, growth rates in perpetuity and discount rates used in the respective model.

Consequently, and taking into account the Approved Restructuring Plan and the approval by the Board of Directors of the financial projections for the fiscal years 2023-2027 on 3 November 2021, comprising a group of assumptions related with medium and long term evolution of the air fleet, level of activity and operational performance, inserted into the current scenario and its impacts on the civil aviation activity, that was the basis for the air transport tangible and intangible assets impairment assessment made by the Board of Directors as of 31 December 2022, despite the positive deviation between the actual results and the forecast in the Approved Restructuring Plan.

It is the understanding of the Group's Board of Directors that the best estimate, as of 31 December 2022, is reflected in the projections embedded in the impairment test carried out.

It should be noted that any unfavorable deviations in the coming years between the actual cash flows and those estimated in the Approved Restructuring Plan may have significant impacts on the calculation of the recoverable value of said assets and consequently significantly affect the financial and economic position of the Group.

**Deferred Taxes (Note 9)**

The Group recognizes deferred taxes under IAS 12 by recording deferred tax assets on tax losses whenever their recoverability in legal terms can be assessed.

As a result of the COVID-19 pandemic, in June 2020 a number of amendments to tax legislation were adopted within the framework of the Economic and Social Stabilization Plan, in particular with regard to the period of limitations and deduction percentage of the tax losses generated in 2020 and 2021, and the increase of the period of limitations for another two years with regard to tax losses generated before 2020.

Following the change in the shareholder structure of TAP S.A. in May 2021 which determined TAP S.A.'s exit from the Special Taxation Regime for Groups of Companies ("RETGS"), the tax losses generated in 2018, 2019 and 2020 are no longer subject to deduction in the sphere of TAP S.A., and consequently, deferred tax assets were derecognized for tax losses relating to 2018 and 2019 in the amount of EUR 56.6 million in the year ended 31 December 2021.

The State Budget approved for fiscal year 2023, terminated the time limitation for reporting tax losses and reduced the annual limit for deduction of taxable income from 70% to 65%, with these changes applying to the deduction of losses from taxable income for periods of taxation beginning on or after 1 January 2023, as well as tax losses calculated in tax periods prior to 1 January 2023, which deduction period is still in progress. The increase in the percentage of deduction of tax losses generated in 2020 and 2021 is maintained.

Based on the Approved Restructuring Plan, as of 31 December 2022, the Group has recorded deferred tax assets on reported tax losses for the years 2015, 2021 and 2022, corresponding to deferred taxes in the amount of EUR 160.2 million, and for which there is a prospect of recovery of said amount, taking into account the projections of future taxable profits to generate fiscal results in the period 2023 – 2025, as included in the Approved Restructuring Plan and in the profit projections approved by the Board of Directors in the sensitivity analysis presented to the European Commission in November 2021 for the period 2026 - 2027. For the remaining periods, a linearization of the fiscal results was assumed.

Considering the aforementioned assumptions, the recovery of deferred tax assets recorded as of 31 December 2022 is expected over a period of between 11 and 13 years, given different sensitivity scenarios.

For the purposes of analyzing the recoverability of deferred taxes, a haircut/increasing risk premium factor arising from the time horizon (7.36%/year) was applied.

It should be noted that any unfavourable deviations between the actual results and those estimated in the Approved Restructuring Plan may significantly alter the value of the Group's deferred tax assets.

**1.1.4 Going concern**

The Board of Directors of the Group understands that the consolidated financial statements of TAP S.A. Group as of 31 December 2022 must be prepared using the principle of continuity, based on the Approved Restructuring Plan (Introductory Note) which foresees a gradual growth of the activity, combined with a strategy to reduce the fleet, operating costs and of investment, having been obtained in the year ended on 31 December 2022 positive operating and net results higher than those estimated in the Approved Restructuring Plan.

Additionally, as of 31 December 2022, the Group has a cash position of EUR 916 million resulting from the approved State aid measures and the positive operating cash flows for the year 2022 in the amount of EUR 773.8 million, with a share capital increase being subscribed and not carried out within the scope of the Approved Restructuring Plan by the sole shareholder in the amount of EUR 686 million, which payment in two tranches is scheduled for 2023 and 2024 (Introductory Note).

Considering the above, the Board of Directors is convinced that the continuity of the Group's operations and liquidity are assured, based on the funding of estimated cash needs, as of this date, for a period of twelve months.

## 2 Summary of key accounting policies

The main accounting policies applied in drawing up these financial statements are described below.

### 2.1. Preparation Base

These financial statements relate to the year ended 31 December 2022 and were prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS" – previously called International Accounting Standards – "IAS") issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), effective on 1 January 2022. From now on, all of those standards and interpretations will be generically called 'IFRS'.

The consolidated financial statements have been prepared on a going concern basis (Note 1.1.4), from the books and accounting records of the Group, and under the historical cost convention, except for derivative financial instruments and investment properties, which are stated at fair value.

In the preparation of the financial statements in accordance with IFRS, the Board of Directors has used critical estimates, assumptions, and judgments that impact on the value of assets and liabilities and the recognition of income and expenses for each reporting period. Although these estimates are based on the best information available at the time of preparing the financial statements, the current and future outcomes may differ from these estimates. The key assertions involving a higher level of judgment or complexity, or the most significant assumptions and estimates for the preparation of such financial statements, are published in Note 2.33.

The figures shown, unless otherwise indicated, are expressed in Euro.

**New standards, changes to standards and interpretations as mandated on 31 December 2022**

The new standards, interpretations, and changes to existing standards identified below, which became effective on 1 January 2021, are as follows:

| Description | Changes | Effective date |
|---|---|---|
| **1. New Standards, Amendments to Standards Effective 1 January 2022** | | |
| • IFRS 16 – Income Bonuses Related to COVID-19 after 30 June 2021 | Extension of the period of application of the exemption in the accounting of bonuses granted by lessors related to COVID-19, as modifications, until 30 June 2022 | 1 April 2021 |
| • IAS 16 – Income obtained before commissioning | Prohibition of deducting the income obtained from the sale of items produced during the testing phase, at the cost of acquisition of tangible assets | 1 January 2022 |
| • IAS 37 – Onerous contracts – costs of complying with a contract | Clarification on the nature of the expenses to consider in determining whether a contract has become onerous | 1 January 2022 |
| • IFRS 3 – References to conceptual structure | Update to the references to the Conceptual Framework and clarification on the recording of provisions and contingent liabilities within the scope of a concentration of business activities | 1 January 2022 |
| • Improvement Cycle 2018 – 2020 | Specific and specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 | 1 January 2022 |

| | | |
|---|---|---|
| **2. Standards (new and amended) that become effective on or after 1 January 2023, already endorsed by the EU** | | |
| • IAS 1 – Disclosure of accounting policies | Requirement to disclose material accounting policies rather than significant accounting policies | 1 January 2023 |
| • IAS 8 – Disclosure of accounting estimates | Definition of accounting estimate. Clarification on the distinction between changes in accounting policies and changes in accounting estimates | 1 January 2023 |
| • IFRS 17 – Insurance contracts | New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features | 1 January 2023 |
| • IFRS 17 – Insurance contracts (amendments) | Inclusion of amendments to IFRS 17 in areas such as: i) scope of application; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and un-recognition; vi) the presentation of the Statement | 1 January 2023 |

| | | |
|---|---|---|
| | of Financial Position; vii) recognition and measurement of financial statements; and viii) disclosures | |

| **3. Standards (new and amended) that become effective on or after 1 January 2023, not yet endorsed by the EU** | | |
|---|---|---|
| • IAS 1 – Presentation of financial statements – Classification of liabilities | Classification of a liability as current or non-current, depending on an entity's right to defer payment. New definition of "settlement" of a liability | 1 January 2023 |
| • IAS 12 – Deferred tax related to assets and liabilities associated with a single transaction | Deferred tax recognition requirement on the registration of assets under right of use / lease liability and provisions for dismantling / related asset, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, as they are not relevant for tax purposes | 1 January 2023 |
| • IFRS 17 – Initial application of IFRS 17 and IFRS 9 – Comparative Information | This amendment makes it possible to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts in the comparative information presented, in the application of IFRS 17 for the first time. This amendment allows the application of an overlay in the classification of a financial asset for which the entity does not update the comparative information of IFRS 9. | 1 January 2023 |

The new and changed standards referred to above in point 1, which became effective on 1 January 2022, did not impact the financial statements of the Group for the financial year ending 31 December 2022. It is not estimated that the new and amended standards referred in points 2 and 3 will have relevant impact in the financial statements of the Group.

### 2.2. Comparability of financial statements

The financial statements of 31 December 2022, presented for comparative purposes, are fully comparable.

### 2.3. Consolidation perimeter

**Subsidiaries**

Subsidiaries are the entities over which the Group has control.

The Board of Directors considers that there is control over an entity when the Group is exposed and/or has the right, as a result of its involvement, to the return of the entity's activities and is able to affect that return through existing control over that entity, in particular when it directly or indirectly holds more than half of the voting rights.

The existence and effect of possible voting rights that are currently exercisable or convertible are taken into consideration when the Group evaluates whether it has control over another entity.

The participation of third parties in their equity and net income is shown separately in the consolidated statement of financial position and in the consolidated statement of income, respectively, under the heading "Non-controlling interests". Entities included in the consolidation perimeter are detailed below:

| Name | Head office | Object | % Equity |
|---|---|---|---|
| TAP Logistics Solutions, S.A. | Lisbon | Postal services and collection and transportation of documents, cargo and other goods. | 100% |

Costs directly associated with acquisitions (consulting services, legal advice, administrative expenses, etc.) are recorded in the Group's consolidated financial statements as expenses for the year in which the acquisition took place, as recognised in the consolidated income statement.

Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of uncontrolled interests. The excess of acquisition cost over the fair value of the Group's share, the identifiable assets and liabilities acquired, is recorded as goodwill.

Investments in subsidiaries where the Group has control are fully consolidated from the date the Group takes control of its financial and operational activities until the moment the control no longer exists.

If the acquisition cost is less than the fair value of the acquired subsidiary's net assets (negative goodwill), the difference is recognised directly in the consolidated income statement.

Internal transactions, balances, unrealised gains on transactions, and dividends distributed among Group companies are discarded. Unrealized losses are also eliminated, unless the transaction reveals evidence of impairment on a transferred asset.

When, at the time of acquisition of control, the Group already has a previously acquired share, the fair value of that share goes to determining goodwill or negative goodwill.

When the acquisition of control is less than 100%, in applying the purchase method, non-controlling interests can be measured at fair value or in the proportion of the fair value of the assets and liabilities acquired, and that option is defined for each transaction.

Subsequent transactions in the sale or acquisition of non-controlling interest, which do not imply change in control, do not result in the recognition of gains, losses, or goodwill, and any difference is determined between the transaction value and the book value of the traded equity recognised.

The equity and net income corresponding to the participation of third parties in the subsidiary companies are shown separately in the consolidated statement of financial position and in the of consolidated profit statement, respectively, under the heading of uncontrolled interests. The losses and gains applicable to the interests they do not control are attributable to them.

Any contingent amount to be transferred by the Group is recognised at fair value at the date of acquisition. Any subsequent remeasurements do not affect goodwill balances unless performed within 12 months after the date of acquisition.

Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.4. Segment reporting

As recommended in IFRS 8, the Group presents operating segments based on internally produced management information. In fact, operating segments are reported consistently with the internal management information model, provided to the Group's chief operational decision maker, who is responsible for allocating resources to the segment and evaluating its performance, as well as for strategic decision-making. The Group does not present segmental assets and liabilities, since this information is not presented to the chief operational decision maker.

Two operational segments were identified: air transportation and maintenance and engineering. The activities aggregated in "Others" do not qualify to be reported separately.

Segment reporting accounting policies are consistently used in the Group. All inter-segment revenues are priced at market prices and eliminated in consolidation. Information regarding identified segments is provided in Note 24.

## 2.5. Currency conversion

### Functional and presentation currency

The details included in the financial statements of each of the entities in the Group are measured using the currency of the economic environment in which the entity operates (functional currency). Consolidated financial statements are presented in EUR, with the EUR being the functional currency of TAP S.A. and the Group's display currency.

### Balances and transactions in foreign currency

Transactions in currencies other than the EUR are translated into the functional currency using the exchange rates at the date of transactions. Foreign exchange gains or losses resulting from the payment/receipt of transactions, and the conversion, by the exchange rate, at the reporting date, of monetary assets and liabilities denominated in foreign currency, are recognised in the consolidated income statement under the net exchange rate financial differences item.

The exchange rates used to translate consolidated financial statements expressed in a currency other than the EUR or to update balances expressed in foreign currency on 31 December 2022 and 2021 were as follows:

| | | | Average Rate | |
|---|---|---|---|---|
| Currency | 2022 | 2021 | 2022 | 2021 |
| USD | 1.067 | 1.133 | 1.065 | 1.182 |
| CHF | 0.985 | 1.033 | 1.014 | 1.080 |
| GBP | 0.887 | 0.840 | 0.848 | 0.858 |
| BRL | 5.639 | 6.310 | 5.498 | 6.379 |
| AOA | 537.566 | 635.751 | 505.653 | 722.254 |

## 2.6. Tangible fixed assets

Tangible fixed assets, namely buildings and land, acquired until 1 January 2004 (date of transition to IFRS), are recorded at cost, or cost reassessed in accordance with generally accepted accounting principles in Portugal up to that date, minus accumulated depreciation and impairment losses.

Additionally, at the transition date, TAP S.A. applied the exception set forth in IFRS 1 – First-time Application of the International Financial Reporting Standards, by which the fair value of some categories of assets, reported at transition date (January 1, 2004), can be considered as deemed cost.

With effect from 1 January 2004, assets belonging to the category of buildings of TAP S.A. were revalued to their fair value at that date. The fair value of these tangible fixed assets was determined by an on-balance-sheet evaluation study by an independent expert entity, which also determined the remaining useful life of those assets at the transitional date.

Tangible fixed assets, acquired after the transition date, are presented at cost minus depreciation and impairment losses. Acquisition cost includes all expenditure directly attributable to the acquisition of the assets.

Subsequent costs, including fleet renewals and structural maintenance, are included in the cost of acquiring the asset whenever it is likely that future economic benefits will flow to the Group. Other current maintenance charges are recognised as an expense for the period in which they are incurred.

Depreciation is calculated on the acquisition cost, using the straight-line method by twelfths, at rates that best reflect their estimated useful life, as follows:

| | Years of useful life | Residual value |
|---|---|---|
| Buildings and other constructions | 20-50 | - |
| Basic equipment: | | |
| Flight equipment: | | |
| Aircraft | 20 | 0-5% |
| Aircraft under financial leasing | 20 | 0-5% |
| Spare engines and spare parts | 20 | 5% |
| Spare engines under financial leasing | 20 | 5% |
| Other flight equipment | 7-20 | 0-5% |
| Transport equipment | 4-10 | - |
| Tools | 8-20 | 0-5% |
| Administrative equipment | 5-16 | - |
| Other tangible fixed assets | 10 | - |

Residual asset values and their useful lives are reviewed and adjusted prospectively, if necessary, on the reporting date (Note 4). If the carrying amount is greater than the recoverable value of the asset, it is readjusted to the estimated recoverable value by recording impairment losses (Note 2.9.).

Gains or losses arising from write-downs or disposals are determined by the difference between the proceeds of disposals less transaction costs and the carrying amount of the assets and are recognised in the consolidated income statement as other operating income or costs.

For right of use please refer to Note 2.24.

## 2.7. Investment properties

Investment properties are properties (land, buildings or parts of buildings) held for the purpose of increasing capital, earning rent, or both. Investment properties were valued at fair value at the date of transition to IFRS and then valued according to the fair value model, which is applied to all assets classified as investment property.

The fair value of investment properties is determined on the basis of assessments by external appraisers taking into account the conditions of use or best use, depending on whether they are rented or not.

## 2.8. Intangible assets

Intangible assets essentially include software to support the activity, recorded at acquisition cost minus amortisations and impairment losses, according to the straight-line method, for a period ranging from 3 to 10 years.

The amounts capitalized under the caption "Computer programs" refer to amounts paid to external entities for the development and parameterization of information systems to support the activity, not including the capitalization of internal costs.

## 2.9. Non-financial asset impairment

Non-financial assets, which have no defined useful life, are not subject to depreciation or amortisation, but are subject to annual impairment tests. Assets subject to amortisation/depreciation are revised for impairment whenever events or changes in circumstances indicate that the value at which they are carried may not be recoverable.

Where the recoverable value determined is less than the book value of the assets, the Group records the respective loss due to impairment.

An impairment loss is recognised by the amount of excess of the asset's carrying amount over its recoverable value. The recoverable amount is the greater of the fair value of an asset, less costs for sale, and its value in use.

For impairment testing, assets are grouped at the lowest level at which cash flows (units that generate cash flows to which the asset belongs) can be identified separately, when it cannot be identified individually for each asset.

The reversal of impairment losses, recognised in previous years, is recorded when it is concluded that recognised impairment losses no longer exist or have decreased.

The reversal of impairment losses is recognised in the consolidated income statement under the heading "Depreciations, amortisations and impairment losses". However, the impairment loss is reversed up to the limit of the amount that would have been recognised (net of amortisation or depreciation) had the impairment loss not been recorded in previous years.

## 2.10. Financial assets

### Classification

The Group classifies its financial assets according to their characteristics and business model that it has defined to manage the receipt of contractual cash flows. Classification is determined at the time of initial recognition of financial assets.

Financial assets and liabilities are offset, their amounts being reported as net in the consolidated statement of financial position, only when: i) there is a legally enforceable and non-opposable right to offset such amounts, and ii) when there is an intention to settle on a net basis, or when the asset is realised at the same time as the liability is settled. The legal right to offset exists when it is exercised at all times, during the normal course of the activity, and is not contingent upon the occurrence of future events or cases of default, insolvency or bankruptcy of the entity.

All purchases and disposals of these investments are recognised at the time of signing their purchase and sale contracts, regardless of the date of financial settlement.

✈ **Debt instruments**

A financial asset is measured at amortised cost if (i) it is held to receive the contractual cash flows; and (ii) the underlying contractual cash flows represent only the payment of principal and interest. The assets in this category are initially recognised at their fair value and subsequently measured at their amortised cost.

A financial asset is measured at fair value by other comprehensive income if (i) the purpose inherent in the business model used is achieved either by receiving the contractual cash flows or by selling the financial assets; and (ii) the underlying contractual cash flows represent only principal and interest payments. The assets in this category are initial and subsequently measured at their fair value, with changes in fair value recorded in other comprehensive income except for the recognition of impairment losses, interest and exchange rate gains or losses, values that are recorded directly in the consolidated income statement.

When the financial asset is derecognised, the cumulative gain or loss on another comprehensive income is reclassified to a result of the period.

Financial assets that do not qualify for the above-mentioned situations are classified and measured at fair value through profit or loss, a residual category under IFRS 9.

✈ **Equity instruments**

Equity instruments are always measured at fair value. Equity instruments held for trading are measured at fair value by profit or loss. For all other equity instruments, the Group may choose to show changes in their fair value in other comprehensive income on initial recognition, instrument by instrument.

When the Group opts to do so, all changes in fair value except dividends that configure return on investment are recognised in other comprehensive income. In this case, on the date of derecognition of the asset, the cumulative gain or loss is not recognised in income for the period and is then transferred to retained earnings.

**Impairment of financial assets**

IFRS 9 establishes an impairment model based on "expected losses", according to which the estimate of impairment is assessed from the initial recognition, taking into account the assessment of credit risk.

✈ **Other accounts receivable**

The Group uses the simplified approach set out in IFRS 9 to calculate and recognise impairment losses on client contract assets. Expected losses up to maturity are recorded, based on experience of actual losses over a period that has been considered statistically relevant and representative of the specific characteristics of the underlying credit risk, adjusted for forward-looking information.

The adjustment for impairment losses is posted against income for the period, under "Impairment losses in receivables".

✈ **Other financial assets**

The Group considers that all debt instruments measured at amortised cost have zero credit risk.

If a financial instrument's credit risk has not increased significantly since its initial recognition, the Group recognises a cumulative impairment equal to the loss expectation estimated to occur within the next 12 months.

If credit risk has risen significantly, the Group recognises an accumulated impairment equal to the expected loss that is estimated to occur until the respective maturity of the asset.
Any impairment loss on these financial assets is recognised in the income statement for the period under "Impairment losses in receivables".

**Derecognition of financial assets and financial liabilities**

The Group only derecognises financial assets when the contractual rights to cash flows have expired or have been transferred, and the Group has substantially transferred all risks and benefits arising from the ownership of the asset.

Financial liabilities (or part of financial liabilities) are derecognised when, and only when, the obligations specified in the contracts are satisfied, canceled or expired. A substantial modification to the terms of an existing financial liability, or part thereof, should be accounted for as extinguishing the original financial liability and recognizing a new financial liability.

### 2.11. Derivatives

The Group uses derivatives to manage the financial and operational risks to which it is subject. Where the expectations of interest rate and jet fuel price developments justify this, the Group seeks to employ operations to protect against adverse movements, using derivative instruments such as interest rate swaps ("IRS") and jet fuel swaps.

In the selection of derivative financial instruments, the economic aspects of these instruments are necessarily assessed. Derivatives are recorded in the financial position statement at their fair value.

To the extent that they are considered effective hedges, changes in the fair value of cash flow hedges are initially recorded in other comprehensive income for the period to which they relate and subsequently in operating profit or loss ("Aircraft fuel"), for jet fuel instruments, and net financial results ("Interest and similar income/expenses") for interest rate instruments, at their settlement date. The ineffective part of the hedge is recorded in net operating profit or loss or financial results, depending on the nature of the derivative at the time it occurs.

Therefore, and in net terms, the expenses associated with the hedged finance are offset by the rate inherent in the contracted cover operation. Gains or losses arising from early termination of this type of instrument, which is only allowed under certain circumstances, are recognised in profit or loss when the hedged operation also affects income.

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash flow method and option pricing models, in accordance with generally accepted market assumptions. The fair value of derivative financial instruments is essentially included in other accounts receivable and other accounts payable.

**Hedge accounting**

Derivatives, used for hedging purposes, may be classified as hedging if they meet all of the following conditions:

- At the start date of the transaction the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument and the assessment of the hedging effectiveness;
- The hedging relationship is aligned with the risk management strategy and management goals;
- The hedging effectiveness can be measured reliably at the start date of the transaction and throughout the life of the operation;
- There is an economic relationship (50%) between the hedged item and the hedging instrument; and
- Variation risk is not primarily a function of credit risk.

As of 1 January 2022, the Group designated in a hedging relationship the exchange rate risk associated with highly probable forecasted sales which fare is determined in USD, using as hedging instruments a portion of aircraft lease liabilities denominated in USD, according to the amounts and dates of future cash flows from expected sales and lease liabilities. It is expected that there is an economic relationship between (i) the hedging instrument, which exposure is to EUR/USD, namely lease payments in USD, and (ii) the hedged item, which exposure is to EUR/USD, namely denominated sales in USD. Thus, when the hedged item varies in one direction, the hedging instrument will vary in the opposite direction.

**2.12. Assets and liabilities at fair value**

Fair value measurements and related disclosures are based on a fair value hierarchy. The hierarchy categorises entries used in evaluation techniques into three levels.

Level 1 inputs are prices quoted in active markets for identical assets or liabilities, which the Group can access on the balance sheet date.

Level 2 inputs are inputs other than the listed market prices included in level 1, which are directly or indirectly observable for the asset or liability.

Level 3 inputs are not observable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, allowing for situations where there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which may include the entity’s own data.

### 2.13. Income tax

Income tax includes current tax and deferred tax. Current income tax is determined on the basis of net income, adjusted in accordance with the tax legislation in force at the reporting date.

Deferred tax liabilities are recorded based on the temporary differences between the book values of assets and liabilities and their tax base. Deferred tax assets are recognised whenever there is a reasonable probability that future tax will be generated, or if there are deferred tax liabilities they can be offset against. Deferred tax assets are reviewed periodically and diminished whenever they are likely not to be used.

The income tax rate expected to be in force in the period in which the temporary differences will be reversed is used in calculating the deferred tax.

Deferred tax is recorded as an expense or income for the fiscal year, unless it is due to amounts recorded directly in equity, in which case deferred tax is also recorded under the same heading, i.e. amounts to be included in current and deferred tax, resulting from transactions and events recognised in reserves, are recorded directly under those same headings, not affecting the net profit for the financial year. Thus, the impact of tax rate changes is also recognised in net income, except for items recognised directly in equity, in which case that impact is also recognised directly in equity.

The recording of the tax impacts of the transactions carried out by the Group corresponds to management's understanding of the tax treatment applicable in the light of the legislation issued. In situations where there is an interpretation and this is questioned by the Tax Authorities, management reviews the interpretation, evaluating the probability (above or below 50%) that the adopted tax treatment will be accepted and consequently determines the most probable or expected value of tax assets or liabilities to be recorded.

### 2.14. Inventories

Goods and raw, subsidiary and consumable materials are valued at the lower of the acquisition cost and the net realisable value. Acquisition cost includes expenses incurred up to the arrival of the goods at the warehouse, using the weighted average cost as a cost method.

The inventories held relate essentially to parts for maintaining engines and aircraft components. Recovered material refers essentially to equipment and spare parts to be used in aircraft and engines and is valued at cost.

The net realisable value is the estimated sales price minus the estimated finishing and marketing costs. The difference between cost and net realisable value, if lower, is recorded under “Impairment in accounts receivable and inventories”.

### 2.15. Customers and other accounts receivable

Customer balances and other current accounts receivable are initially accounted for at the agreed consideration value unless they have a significant financing component, in which case they are accounted for at fair value. The Group holds current customer and other receivable balances for the purpose of recovering them, so that they are subsequently measured at amortised cost deducted by impairment losses (Note 10).

Impairment losses are recorded based on the experience of actual losses over a period that has been considered statistically relevant and representative of the specific characteristics of the underlying credit risk, adjusted for forward-looking information.

### 2.16. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments with an initial maturity of up to 3 months that can be immediately mobilised without significant risk of value fluctuations. For the purposes of the consolidated cash flow statement, this item also includes bank overdrafts, which are shown in the consolidated statement of financial position under current liabilities under the heading of interest-bearing liabilities.

### 2.17. Share capital

Ordinary shares are classified in shareholder equity (Note 15).

Expenses directly attributable to the issuance of new shares or other equity instruments are presented as a deduction, after tax, from the amount received following the issue.

Expenses directly attributable to the issuance of new shares or options for the purchase of a business are included in the acquisition cost as part of the purchase amount.

## 2.18. Interest-bearing liabilities

Interest-bearing liabilities and lease liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently presented at amortised cost. Any difference between receipts (net of transaction costs) and the amount refunded is recognised in the consolidated income statement over the debt period using the effective interest rate method.

Interest-bearing liabilities and lease liabilities with option to purchase are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated financial position (Note 19).

## 2.19. Borrowing costs on loans

Borrowing costs for generic and specific loans, directly related to the acquisition, construction (if the construction or development period exceeds one year) or production of fixed assets that take a substantial period of time to be completed, are capitalised, and form part of the cost of the asset.

Capitalisation of these costs begins after the start of the preparation for constructing or developing the asset and is terminated after the start of use or when the execution of the project in question is suspended or substantially completed.

Other financial charges are recognised as expenses when incurred.

## 2.20. Provisions

Provisions are recognised where the Group has a legal, contractual or constructive obligation as a result of past events, and it is likely that outflows and/or resources will become necessary to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions for ongoing legal proceedings are made according to the risk assessments by the Group and its legal advisers, based on historical success rates, by nature of the case and the likelihood of an unfavourable outcome for the Group.

The Group recognises a provision for restructuring costs when the general criteria for recognising provisions are met, in particular when there is a detailed formal plan for restructuring and a valid expectation has been created for those affected that it will carry out the restructuring by beginning to implement that plan or by announcing its main characteristics to those affected by it. Underlying expenses are recognised in the consolidated income statement under “Restructuring”.

Provisions for future operating losses are not recognised. Provisions are revised at the reporting date and adjusted to reflect the best estimate at that date (Note 18).

The costs of aircraft restorations performed immediately prior to return to the *lessor* at the end of the lease (defined as *redelivery* for the purposes of IFRS 16) are recognised as a provision, provided that they can be reliably estimated. Additionally, an asset component is recognised in the right-of-use asset that is depreciated by the linear method across the lease term.

### 2.21. Post-employment employee benefits

The Group has committed to paying its employees cash benefits in the form of supplementary pensions, early retirement benefits, health care and retirement bonuses. The Group has set up autonomous pension funds as a way of financing some of its liabilities for these payments.

In order to estimate its liability for the benefit plans defined above, the Group periodically obtains actuarial calculations of the liabilities determined according to the "Projected Unit Credit Method".

Remeasurements resulting from differences in assumptions used for calculating liabilities and what actually occurred (as well as changes made to them and the difference between the expected return on fund assets and the actual return) are recognised when incurred directly in the consolidated statement of the entire income.

Liabilities, recognised under the heading "Pensions and other post-employment benefits" in the consolidated statement of financial position, represent the present value of bonds with defined benefit plans, minus the fair value of the fund assets.

Plans that are overfinanced are recorded as an asset when there is express permission for their compensation with future employers' contributions, or if the repayment of that financial surplus is expressly authorised or permitted.

Gains and losses, generated by cutting or settling a defined benefit pension plan, are recognised in income for the year when the cut or settlement occurs. A cut occurs when there is a material reduction in the number of employees.

Expenses for past liabilities resulting from the implementation of a new plan or accruals of assigned benefits are immediately recognised in Group results. The increase in spending on past services resulting from early retirement (retirement before the employee reaches the retirement age) or plan changes is recognised in the income statement when it is incurred.

Contributions made under the defined contribution plans are recorded as expenses in the consolidated income statement at the time they are due. According to these plans, in the event that the fund does not have sufficient assets to pay all employees the benefits related to the services provided this year and in previous years, the sponsor does not have a legal or constructive obligation to make additional contributions.

### 2.22. Other accounts payable

Supplier balances and other current amounts payable are initially recorded at fair value and subsequently measured at amortised cost (Note 20).

### 2.23. Grants

State grants are only recognised after there is certainty that the Group will meet the conditions for them and that the grants will be received.

Operating grants, received for the purpose of compensating the Group for costs incurred, are recorded systematically in the consolidated income statement during the periods when the expenses that those grants are intended to offset are recognised.

Investment grants, received for the purpose of compensating the Group for investments in tangible/intangible assets, are included under the heading “Other accounts payable” and are recognised in income over the estimated lifetime of its subsidised asset by deducting from the value of depreciations/amortisations.

### 2.24. Leases

The Group evaluates whether a contract is or contains a lease at the start of the contract. The Group recognises a right-of-use asset and its lease liability for all lease contracts under which it is a lessee, except for short-term leases (defined as leases of 12 months or less) and low-value asset leases (such as tablets and personal computers, small office furniture and telephones).

For such leases, the Group recognises lease payments as an operating expense linearly over the lease term, unless another systematic basis is more representative of the pattern of time during which the economic benefits of the leased assets are generated.

Lease liabilities are initially measured by the present value of payments not made on the date each lease takes effect, discounted based on the implicit rate of the lease. If that rate cannot be readily determined, the Group uses its incremental financing rate.

Lease payments included in the measurement of lease liabilities include:

- Fixed lease payments (including in-substance fixed payments), minus any receivable incentives associated with the lease;
- Variable payments that depend on an index or rate, measured initially based on the index or rate at the start date of the contract;
- Amounts relating to residual value guarantees that are expected to be paid;
- The price of exercising any purchase options, if the lessee reasonably believes that its exercise is certain; and
- Payments for early cancellation of the lease if the contract term reflects the exercise of an option to terminate the contract early.

Lease liabilities are shown on two separate lines in the consolidated statement of financial position under the headings “Lease liabilities with option to purchase” and “Lease liabilities without option to purchase”.

Lease liability is measured subsequently with increases that reflect past due interest on the liability and reductions that reflect payments made.

The Group remeasures the leasing liability (and makes an adjustment corresponding to the related right-of-use asset) whenever:

i) The lease term changes or a significant event or change in circumstances occurs, resulting in a change in the evaluation of exercising a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments, using a revised discount rate.

ii) Lease payments are changed due to changes in an index or rate or there is a change in the expectation of payment of a guaranteed residual value. In such cases the lease liability is remeasured, discounting revised lease payments using an unchanged discount rate (unless in circumstances where changes in payments result from a change in the variable interest rate, in which case a revised discount rate is used).

A lease contract is modified and the modification of the lease is not accounted for as a separate lease, in which case the lease liability is remeasured based on the modified term of the modified lease, discounting the revised lease payments using a revised discount rate on the effective date of the modification. As a result of renegotiations on lease contracts without option to purchase, the Group has reviewed the discount rate applicable to these leases.

Right-of-use assets include initial measurement of the corresponding liabilities, payments made before or on the day of the start of the lease, minus the incentives received, plus any initial direct costs. They are subsequently measured at cost, minus accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation to spend on dismantling and removing a leased asset, restoring its location, or restoring the underlying asset to the condition required by the lease terms and conditions, a provision is recognised and measured in accordance with IAS 37. To the extent that expenses are related to a right-of-use asset, expenses will be included in the related right-of-use asset.

Right-of-use assets are depreciated for the shortest period between the lease term and the life of the underlying asset. If a lease transfers the underlying asset's ownership or the right-of-use asset's value reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the life of the underlying asset. Depreciation starts on the start date of the lease. Right-of-use assets are shown in the statement of financial position under “Tangible fixed assets”.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Tangible fixed assets” policy.

Variable-value leases that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. Their payments are recognised as being spent in the period in which the event or condition that determines the occurrence of such payments occurs, and are included under the heading “Other expenses” (Note 29) in the consolidated income statement.

IFRS 16 allows the lessee to not separate non-lease components and to account for any associated lease and non-lease components as a single contract. The Group did not use this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the contractual consideration for each lease component based on the price, independent of the lease component, and on the price independent of the non-lease components.

### 2.25. Dividend distribution

The distribution of dividends to holders of capital is recognised as a liability in the Group's financial statements in the financial year in which the dividends are approved by the shareholder until they are settled.

## 2.26. Revenue

The Group recognises revenue in accordance with the core principle introduced by IFRS 15, i.e. to reflect the transfer of contracted goods and services to customers, in an amount corresponding to the consideration that the entity expects to receive in return for the delivery of those goods or services, based on a 5-stage model, namely: (i) identifying a contract with a customer; (ii) identifying performance obligations; (iii) determining a transaction price; (iv) allocating the transaction price to performance obligations and (v) recognising revenue when or as the entity meets a performance obligation.

The value of the sale of passenger and cargo transport Is, at the time of sale, recorded as a liability under the heading “Unused flight documents”. When the transport takes place or the ticket expires, the value of the sale is transferred from this line to income for the financial year or to an account payable depending on whether the transport was: (i) by the Group or the ticket expired without right to refund; (ii) by another air carrier or the ticket expired with right to refund, respectively, for an amount generally different from that recorded at the time of the sale. Periodic checks are carried out on the balance of the unused flight documents item in order to correct the balances of tickets sold in order to verify those which have already been used or whose coupons have lost their validity and cannot therefore be used or refunded.

Commitments, allocated to third parties by the Group on the sale of tickets, are deferred and recorded as expenses in the financial year according to the year-to-year accruals of their respective transport revenues.

The Group recognises revenue from maintenance contracts according to the *cost-to-cost* method (also called the percentage of completion method), which is defined as the ratio of spending on each contract to a given date to the estimated spending to complete it. Differences obtained between the amounts resulting from applying the percentage of completion method to the total estimated revenue and the amounts already invoiced are recorded in the accounts receivable as creditor accruals (Note 10). In addition, the Group Board of Directors believes that the *cost-to-cost* method is the most appropriate method for measuring the degree to which performance obligations are met in maintenance contracts.

When total spending for an agreement is likely to exceed total revenue, the expected loss is recognised immediately as an expense. Please note that maintenance contracts typically have a duration of less than 3 months.

In the frequent flyer programme “TAP Miles&Go” (formerly “TAP Victoria”), the Group follows the procedure of allocating miles to customers participating in the loyalty programme under defined conditions and on the basis of the flights taken, which can then be used to book flights under preferential conditions, in particular at reduced rates.

At the time of selling a ticket, the Group considers that it has a separate performance obligation corresponding to the Miles&Go programme points allocated. Based on the history of miles allocated but unused and unexpired at the end of each financial year, adjusted to the estimate of unused miles expiring, and the assigned unit value, the Group recognises the estimated deferred revenue as being equal to the allocation of miles. The value of the miles is determined using the stand-alone price, which is based on the average equivalent value of the ticket, considering the miles redemption history. The revenue is thus recognised when miles are used or expire, usually three years after the date of issue, not considering the impact of the extension of the miles' validity in 2020 (see Note 1.1.3).

Revenue is recognised net of indirect taxes, discounts and other costs incurred in delivering it.

### 2.27. Accruals and deferrals

The Group's companies record their income and expenses as they are generated according to the principle of accrual-based accounting, regardless of when they are received or paid.

Differences between the amounts received and paid and the corresponding income and expenses are recorded in the other accounts receivable, other current assets, other accounts payable, or other current liabilities.

### 2.28. Contingent assets and liabilities

Contingent liabilities, in which the possibility of an outflow of funds affecting future economic benefits is only possible, are not recognised in the consolidated financial statements and are disclosed in the Notes unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not disclosed.

Provisions are recognised for liabilities that meet the conditions in Note 2.20.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the annex when a future economic benefit is likely to exist.

### 2.29. Non-recurring items

In accordance with the provisions of paragraphs 85 and 86 in IAS 1, non-recurring items reflect unusual income and expenses that should be reported separately from the usual income statement lines, given their magnitude and relevance to understanding Group operations. The Group seeks to display an underlying performance measure that is not impacted by relevant non-recurring items. Items classified as non-recurring include significant or unusual events not directly related to the operating activity, in particular events intrinsic to its business, aviation activity, as described in Notes 30 and 31.

### 2.30. Non-current assets held for sale

Non-current assets are classified as non-current assets held for sale when their book value is intended to be recovered mainly through a sale transaction rather than continued use and there is a decision by the Board of Directors with the consequent definition of the price and buyer demand, which makes it possible to classify the sale transaction as highly probable within a period of up to 12 months.

These assets are measured at the lower of net book value and fair value deducted by selling costs, on the date of classification as held for sale. Assets with a defined useful life are no longer depreciated/amortized from the date of classification as held for sale, until the date of sale.

### 2.31. Consolidated cash flow statement

The consolidated cash flow statement is prepared in accordance with IAS 7 using the direct method. The Group classifies under “Cash and cash equivalents” those investments maturing in less than three months and for which the risk of changing value is insignificant. For the purposes of the consolidated cash flow statement, the cash and cash equivalents item also includes bank overdrafts included in the consolidated statement of financial position under “Current interest-bearing liabilities”.

Cash flows are classified in the consolidated cash flow statement, depending on their nature, in (1) operating activities, (2) investment activities, and (3) financing activities.

Operating activities mainly include customer receipts and payments to suppliers and staff. They also include net indirect tax payments, income tax payments and payments relating to retirement benefits.

Cash flows covered in investment activities include, but are not limited to, the acquisition and disposal of financial investments, dividends received from associated companies, and receipts and payments from the purchase and sale of intangible and tangible assets.

Cash flows related to financing activities include, but are not limited to, payments and receipts in respect of loans obtained, lease contracts, interest and related expenses, the acquisition of own shares and payment of dividends.

Lease payments are shown in the cash flow statement as follows:

i) Lease payments representing cash payments from the principal portion of the lease liabilities are shown as cash flows arising from financing activities;

ii) Lease payments representing the interest portion are also shown as cash flows arising from financing activities; and

iii) Lease payments that have not been included in the measurement of lease liabilities, including variable payments, short-term leases, and low-value asset leases, are displayed as operating cash flows.

**2.32. Subsequent events**

Events that occur after the reporting date that provide additional information about conditions that existed at that time are reflected in the consolidated financial statements.
Events that occur after the reporting date that provide information about conditions that occur after that date are reported, if material, in the notes to the consolidated financial statements.

**2.33. Estimates and judgements**

Preparing the financial statements requires that the Group's management make judgments and estimates that affect the amounts of income, expenses, assets, liabilities, and disclosures at the reporting date.

These estimates are determined by the judgements of TAP S.A. management, based on: (i) the best information and knowledge of present events and, in some cases, reports by independent experts and (ii) the actions that the Group believes it can take in the future. However, at the time of completing the transactions, their results may differ from these estimates. As set out in IAS 8, changes to these estimates that occur after the date of the financial statements are corrected in income prospectively. As a result of COVID-19 pandemic some of these estimates were materially affected as described in Note 1.1.3.

Estimates and assumptions that present a significant risk of material adjustment to the book value of assets and liabilities for the following period are shown below:

✈ **Deferred taxes (Notes 1.1.3 and 9)**

The Group recognises net income tax on the basis of the results of transactions settled in accordance with the tax legislation in force. In accordance with IAS 12, the Group recognises deferred tax assets and liabilities based on the difference between the book value and the tax bases of the assets and liabilities. The Group periodically analyses the recoverability of deferred tax assets based on the projection of the future taxable profit and the estimated period to roll back the time differences.

✈ **Post-employment benefits (Note 17)**

The present value of liabilities on retirement benefits is calculated on the basis of actuarial methodologies, which use certain assumptions. Any changes to those assumptions will have an impact on the book value of these liabilities. The main demographic and financial assumptions used in calculating retirement benefit liabilities are described in Note 17. The Group's policy is to periodically review the main demographic and financial assumptions.

✈ **Recognition of provisions and impairments (Notes 1.1.3, 10, 11, and 18)**

The Group has a number of ongoing legal cases for which, based on the opinion of its legal advisers, it makes a judgment as to whether provision should be made for such contingencies.
Impaired accounts receivable (Note 10) are calculated based on the estimated credit risk for each customer profile and their financial situation.

Inventory impairments are calculated based on criteria considering the nature, purpose of use, age, and rotation of materials.

✈ **Customer loyalty programme (Notes 2.26 and 21)**

The performance obligations associated with the attribution of miles to members of the "TAP Miles&Go" program are measured, based on historical information on the number of miles awarded and not used or expired at the end of each financial year, adjusted by the estimated number of miles to expire without use, and the "stand-alone price", corresponding to the equivalent average value of the ticket, considering the mileage redemption history. Changes in the assumptions used by the Group, in calculating this estimate, may have a significant impact on the financial statements.

Changing the percentage of miles to expire by 10% would result in an impact on results of EUR 5,289 thousand and changing the stand-alone price by 10% would result in an impact on results of EUR 3,237 thousand.

✈ **Unused flight documents (Note 22)**

This item includes the amount of tickets sold to customers which flight have not taken place as of the reporting date and issued vouchers that have not been used as of the reporting date.

The Group carries out a periodic analysis of the balance of this caption, in order to correct the values of tickets sold and issued vouchers which coupons are no longer valid. Estimating the amount of these coupons, which cannot be exchanged or refunded, requires judgment by the Board of Directors, therefore, changes in the assumptions used by the Group, in calculating this estimate, may have a significant impact on the Group's consolidated financial statements.

Considering the impact of the COVID-19 pandemic, Management revised the policy for the use of pending flight documents, namely regarding the possibility of rescheduling tickets without additional costs and the reimbursement of voucher tickets with an extended validity period. As of 31 December 2022, from a prudence perspective, and taking into account the various legislation in force in the several markets in which the Group operates, no percentage of revenue associated with vouchers issued in the years of COVID-19 and expired on 31 December 2022 was recognized, with the exception of the Portuguese market.

Had the Group recognized revenue on all issued and expired vouchers, the Group's results would have had a positive impact of around EUR 35.9 million.

- ✈ **Useful life and residual value of tangible fixed assets (Note 4)**

The determination of the useful lives of assets, the determination of the residual value and the depreciation method to be applied, are essential in determining the depreciations to be recognised in the consolidated income statement for each period.

These parameters are defined according to the Board of Directors' best judgment for the assets in question, and also taking into account practices adopted by industry companies at international level.

- ✈ **Lease liabilities with and without purchase option (Notes 4 and 19)**

The Group recognises the right to use lease assets and liabilities with and without a purchase option (rent falling due on lease contracts) where the contract provides the right to control the use of an identifiable asset for a certain period in exchange for a consideration. To check whether there is control over the use of an identifiable asset, the Group evaluates whether: (i) the contract involves the use of an identifiable asset; (ii) it is entitled to substantially obtain all economic benefits from the use of the asset during the lease period; and (iii) has the right to control the use of the asset. The analysis of the lease contracts, in particular the cancellation and renewal options provided for in the contracts and the determination of the incremental rate of funding to be applied for each portfolio of leases identified, requires that the Group use judgements.

The Group determines the useful life of these assets based on the non-cancellable lease period and reviews their periods of use whenever there are changes to the lease contracts that modify the non-cancellable lease period.

✈ **Redelivery provision (Notes 4 and 18)**

The TAP S.A. Group is responsible for maintenance costs for aircraft operated under leases without option to purchase. These are derived from legal and constructive contractual obligations regarding the condition of the aircraft when returned to the lessor. In order to meet these obligations, the Group will normally have to undertake structural maintenance during the lease period. The TAP S.A. Group specialises in this responsibility on the basis of the actual use of the aircraft, such as hours or cycles flown. In measuring this responsibility, several assumptions are considered, the most relevant of which are: (i) the use (flight hours, cycles etc.) and condition of the aircraft, (ii) the expected costs of structural maintenance interventions at the time they are expected to occur, and (iii) the discount rate used.

The key assumptions are reviewed periodically, taking into account available information, and there may be circumstances that significantly change this estimate, such as renegotiating aircraft redelivery conditions, significantly changing the use of the aircraft and their navigability conditions, renegotiating leasing contracts, and changes in the cost of such structural maintenance. The estimated future cost of the structural maintenance of aircraft requires judgement by the Board of Directors, so changes in the assumptions used by the Group in the calculation of this estimate may have a significant impact on the consolidated financial statements.

✈ **Recoverability of tangible and intangible fixed assets (Notes 1.1.3 and 4)**

In accordance with IAS 36, annual impairment tests should be performed or whenever there is strong evidence that non-current assets may be impaired.

The Group will review on an annual basis the assumptions underlying the judgement of whether or not there has been an impairment. The assumptions used have been reviewed in the light of the macroeconomic environment, the indicators in the sector and the strategic assumptions of the Approved Restructuring Plan.

Given the uncertainty about the net book value recovery value of tangible and intangible fixed assets, as they are based on the best information available to date, changes in assumptions could result in impacts on determining the level of impairment and, consequently, on results.

✈ **Restructuring provision (Notes 1.1.3 and 30)**

Based on the ongoing Restructuring Plan, the Group made available to its employees a set of voluntary measures, which include terminations by mutual agreement, early retirements, pre-retirements, part-time work, unpaid leave and transfers to Portugália, with the objective of ensuring the metrics of the operational balance of the Restructuring Plan.

Considering the significant adherence by the Group's employees to these voluntary measures, combined with a final phase of resizing, the Group recorded a provision for charges to be incurred with the defined restructuring measures, based on the best information available to date, taking into account the target universe of employees and the measures applicable to each one.

✈ **Exchange rate hedging (Notes 16 and 33)**

In accordance with the financial risk management policy, as of 1 January 2022, the Group designated in a hedging relationship the exchange rate risk associated with highly probable forecast sales whose tariff is determined in USD, using as hedging instruments a portion of aircraft lease liabilities denominated in USD, according to the amounts and dates of future cash flows from forecast sales and lease liabilities.

It is considered that the future transaction is highly probable since the Group's objective is to cover the risk of variation in cash flows with the sale of tickets, which fare is determined in USD, resulting from the development of its activity. Historically, with the exception of the pandemic period, more than 50% of sales have been made in geographies where the USD is used to determine the fare.

For the purpose of determining the highly probable sales estimate, a time horizon of 6 years was considered, based on the Approved Restructuring Plan.

As of 31 December 2022, the determined coverage percentage amounts to 73%, with a 5% change in this percentage having an impact of approximately EUR 7 million on the Group's financial results.

## 3 Financial risk management policies

Risk management is conducted at the strategic level by the Group and constantly monitored by the management bodies. The guidelines set and decisions taken in the field of risk management are key elements in the Group's position on the external threats posed by the markets and the economic and financial environment. Given the multitude of possible scenarios and developments, the Group's risk management strategy incorporates elements of flexibility and discretion that allow timely adaptation to change in the context in which it operates.

The Group's activities are exposed to a variety of financial risk factors, including effects of market price changes, such as fuel price risk and CO2 emission allowances, as well as exchange rate risk, interest rate risk, credit risk, and liquidity risk.

The Group’s risk management is managed and monitored by the Executive Board and the Board of Directors and executed by the relevant management areas of the Group, particularly, concerning financial risk management instruments, including fuel-derived, interest rate and exchange rate operations, by the Corporate Finance department, following the guidelines and policies defined and disclosed, as well as specific instructions issued.

During 2022, the effects of the COVID-19 pandemic on the Group's economic and financial position were still felt, particularly at the beginning of the year, nevertheless it was the armed conflict in Ukraine that had the most material impact on the rise in costs with fuels.

✈ **Market risk**

Following the largest shock in the history of aviation with the COVID-19 pandemic crisis, and after it became endemic, in 2022 the industry recovered consistently and is expected to continue this trajectory in the coming years. However, given all the uncertainty that the current macroeconomic environment and that the developments in the industry itself bring with it, it is expected that global RPK will only fully recover 2019 levels in 2024.

Despite the significant recovery in activity compared to 2021, another event placed constraints on the aviation industry in 2022: the invasion of Ukraine by Russia led to the closure of Ukrainian airspace, putting an end to movements by air of around 3.3% of total passenger air traffic in Europe, and 0.8% of total world traffic, while traffic between Russia and the rest of Europe affected 5.7% of passenger traffic and 1.3% of traffic total worldwide, with reference to air traffic recorded in 2021 (Source: IATA – Global Outlook for Air Transport – June 2022). Although the Group's operations were not affected, other airlines saw their activity significantly restricted, with flights being rerouted or cancelled. The most impacted markets were Europe-Asia and Asia-North America.

The war in Ukraine triggered not only a costly humanitarian crisis, but also economic damage that contributed to a significant slowdown in global growth in 2022 and a rise in inflation. Representing together almost 3.7% of the world's GDP (Source: The World Bank), Russia and Ukraine are major exporters of energy, precious metals, cereals and other commodities and, therefore, the disruptions in supply from these markets, along with all the geopolitical instability associated with them, they contributed to the worsening of inflation, putting pressure on operating costs and increasing the price of airline tickets.

Additionally, in some markets, namely in Europe, the labour shortage and strikes throughout 2022 created short-term challenges for costs and operations, forcing airlines to reduce their offer for summer season due to lack of airport capacity across Europe.

In the European market, competition is based on: (i) price, namely depending on the route and type of customer (leisure or business) and (ii) business models and route networks that airlines use to adjust their services to customer needs. This differentiated product incorporates elements such as reliability, regularity, punctuality, schedule diversity, flight frequency, equipment comfort, product quality and quality of the flight experience.

Given the sharp contraction in demand for airline tickets during the Covid-19 period, the Group has continuously adapted its network and its capacity on different routes in order to be more profitable. With the end of the restrictions, the Group tried to stabilize its network but still with some seasonal destinations and progressively increased its activity, focusing on destinations that had since reopened and based on the Lisbon hub. Thus, compared to 2019, the Group has already shown higher revenues in its main markets, namely in South America (+22.0%) and North America (+29.7%) and for Europe revenue is still below the reference period (-15.2%).

Regarding the characteristics of the aircrafts, namely the level of comfort, modernity, technological advances, economy of use, low consumption, low noise, low emissions and flexibility in terms of flight autonomy, the renewal of the Group's fleet, presenting itself as a of the newest fleets in Europe, is a key competitive advantage. During 2022, the company received several aircraft, 3 new generation Airbus A321neo LR aircraft, 2 Airbus 320ceo family aircraft and 3 Embraer aircraft, leaving 9 aircraft (1 A319ceo and 8 ATR).

These changes must be contextualized in the Approved Restructuring Plan, which establishes all revenue and cost assumptions, including network and fleet costs. If reality differs significantly from this plan, namely in terms of fleet, service and sales, or if the Group does not successfully implement its current fleet plan, the Group’s revenues and results may be negatively impacted in the future.

- **Fuel price risk**

Fuel is one of the main costs borne by the Company, with strong exposure to fluctuations in its price, which is usually reduced by contracting price hedging derivatives. In order to accommodate the new post-pandemic reality with the greater need for operational flexibility, unexpected reductions in demand and significant changes in fuel prices, the Board of Directors revised the policy for contracting jet fuel derivatives.

During 2022, the spot price of jet fuel rose significantly in line with the recovery and reopening of the main global economies, but above all it was heavily impacted by the war in Ukraine, which triggered a very significant rise in Brent and jet fuel prices. Thus, jet fuel prices rose from a low of USD 702.75 per tonne in January 2022 to a high of USD 1,447.25 per tonne in June 2022. As a result of this price fluctuation and growth, there was an increase of around 40% compared to the closing price of 31 December 2021.

The fair value of jet fuel derivatives as of 31 December 2022, presents an unfavorable position of EUR 7.3 million, with no derivatives in an overhedge situation as of that date. During the year ended 31 December 2022, the contracting of jet fuel derivatives allowed the reduction of fuel expenses in the amount of EUR 89.4 million (Note 26).

Any sharp variations in the price of jet fuel after 31 December 2022 could have a significant impact on the Group's results.

Based on the jet fuel price hedging positions held on 7 March 2023 and assuming (i) a EUR/USD exchange rate of 1.055 and (ii) the jet fuel forward curve as of that date, as a base scenario, a 10% increase in the price of jet fuel would increase the expected value of the fuel cost item for the year 2023 by 4.9%.

The Group is currently subject to changes in the prices of CO2 emission allowances, which are acquired every year to comply with European Union ("EU ETS") regulations for offsetting these emissions and, more recently, also in the United Kingdom. ("UK ETS"). During 2022, the prices of licenses eligible for the "EU ETS" fluctuated between EUR 57.93 and EUR 97.59 per license, and those for licenses eligible for the "UK ETS" between GBP 66.27 and 96.15 GBP, per license. In the long term, the industry's environmental commitment to the carbon neutrality of its activity by 2050 - the first commitment of its kind at industry level - represents another relevant challenge, as it requires a global economic model that is sustainable, inclusive and prosperous, certainly implying additional investment efforts and/or an increase in operating expenses.

✈ **Exchange rate risk**

The Group acquires a significant part of goods and services from third parties in USD, assuming a set of liabilities in USD with lease agreements (Note 19). On the other hand, the Group has some assets in foreign currency, namely accounts receivable from its revenues that are generated in currencies other than the EUR (essentially USD and BRL).

During 2022, the EUR depreciated by 6.1% and 11.3% against the USD and the BRL, respectively.

With the outbreak of war in Ukraine and its implications globally, but in Europe in particular, the recovery of the region's economies was, to some extent, called into question, largely due to the potential for energy shortages due to of the disruption of gas and oil supplies from Russia. This framework came to place strong limitations on the ECB's ability to increase interest rates as fast as the US Federal Reserve, despite the record inflation that has been verified, thus widening the rate differential (highest in Europe) and having as a consequence the parity of the EUR against the USD in part of the second half of 2022.

The North American market represented, at the end of 2022, almost 18% of the total ticket sales, although it was at the beginning of the year with restrictions. The strategy continues to focus on this market, as expansion in the North Atlantic continues to be an element of the commercial strategy and a relevant source of diversification, not only in economic terms, but also in exchange rate terms.

The Group's various foreign exchange costs are responsible for the significant imbalance in its foreign exchange balance, which is in deficit against the USD. In general terms, the Group's cost items are, for the most part, dependent on the EUR and the USD, with the remaining currencies, with the exception of BRL, having a reduced expression. The USD is the reference currency in the aviation sector and covers inputs as important and diverse as fuel, aircraft leasing, maintenance materials and services, aviation insurance, shipping and airport fees in many of the geographic areas in which the Group operates. In the specific case of fuel, even in contracts subject to invoicing and settlement in EUR, namely in the Portuguese market, the calculation of amounts to be charged is indexed, and established by reference, to the quotation of the USD against the EUR, with the cost of fuel constituting an almost full exposure to the USD, except certain commercial fees and commissions.

Also, in the case of leases and wet leases, the market is denominated in USD, from monthly rents, maintenance reserves and guarantee deposits. Aircraft maintenance is another source of exposure to the USD that is not always passed on to the end customer in terms of billing in that currency. The various materials used in the Group's fleet are also, for the most part, purchased in USD. At a strictly financial level, given that some of the Group's loans are denominated in USD, the respective interest and capital repayments also represent additional liabilities and exposure to the US currency. At the end of 2022, approximately 66% of the Group's interest-bearing financial debt was denominated in USD, against 65% at the end of 2021.

Exposure to the USD also has a long-term dimension resulting from the responsibilities assumed with the purchase of aircraft in the current framework of investments contracted with Airbus (Note 36). The order for aircraft signed with this manufacturer, to be delivered over the next few years, translates into medium and long-term exposure to the USD, of a very significant value, but also means, in the short term, an effort to annual investment of high amounts, in USD, as advances paid to the manufacturer.

After devaluing over 40% in the last 5 years, during 2022, the BRL was one of the best performing currencies globally. A spiral of growth in commodity prices and one of the highest interest rates in the world contributed to the strong appreciation of the BRL. It should be noted that Brazil's exposure to the Russian economy is limited, the most significant impact of this war having been conditioning the import of fertilizers. Thus, exports, the current account and the currency of Brazil benefited from the rise in the prices of the main commodities, such as oil, sugar, soybeans and iron ore, boosting exports to record levels. On the other hand, with the continued increase in inflation, there was a progressive rise in the SELIC rate, which was set at 13.75% on 31 December 2022, representing an increase of 450 basis points since the beginning of the year. With interest rates at this level, Brazil has become an attractive economy for money markets in 2022. In prospective terms, it is expected that the BRL will reverse the trend seen in 2022, devaluing during 2023.

Another market with a relevant currency expression in the Group's revenues is the Angolan market, although only a portion of this market's revenues is denominated in AOA. At the end of 2022, assets denominated in AOA represented less than 1% of total cash and its equivalents denominated in foreign currency.

The Group’s exposure to exchange rate risk, as of 31 December 2022 and 2021, based on the Group’s financial position, financial assets and liabilities in currencies converted to Euros at the reporting date, is as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **USD** | **BRL** | **AOA** | **OTHER** | **TOTAL** |
| **ASSETS** | | | | | |
| Cash and cash equivalents (Note 14) | 262,818,301 | 25,682,435 | 12,473,332 | 18,152,581 | 319,126,649 |
| Other financial assets (Note 8) | 455,915 | - | - | - | 455,915 |
| Receivables - customers (Note 10) | 45,538,814 | 202,115,251 | 4,272,575 | 17,118,919 | 269,045,559 |
| Receivables - other (Note 10) | 209,857,457 | 10,328,288 | 955,688 | 10,958,540 | 232,099,973 |
| | **518,670,487** | **238,125,974** | **17,701,595** | **46,230,040** | **820,728,096** |
| **LIABILITIES** | | | | | |
| Borrowing and lease liabilities with purchase option (Note 19) | 531,388,782 | - | - | 1,214 | 531,389,996 |
| Lease liabilities without purchase option (Note 19) | 1,865,415,182 | - | - | - | 1,865,415,182 |
| Payables - suppliers (Note 20) | 10,581,074 | 4,937,881 | 1,042,024 | 6,419,812 | 22,980,791 |
| Payables - other (Note 20) | 30,026,096 | 9,654,382 | 5,558,536 | 9,282,612 | 54,521,626 |
| | **2,437,411,134** | **14,592,263** | **6,600,560** | **15,703,638** | **2,474,307,595** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **USD** | **BRL** | **AOA** | **OTHER** | **TOTAL** |
| **ASSETS** | | | | | |
| Cash and cash equivalents (Note 14) | 12,138,715 | 8,324,217 | 5,667,594 | 18,321,863 | 44,452,389 |
| Other financial assets (Note 8) | 455,915 | - | - | - | 455,915 |
| Receivables - customers (Note 10) | 42,523,333 | 79,542,547 | 649,558 | 16,781,422 | 139,496,860 |
| Receivables - other (Note 10) | 160,121,476 | (24,099) | 28,797 | 9,753,015 | 169,879,189 |
| | **215,239,439** | **87,842,665** | **6,345,949** | **44,856,300** | **354,284,353** |
| **LIABILITIES** | | | | | |
| Borrowing and lease liabilities with purchase option (Note 19) | 410,954,442 | - | - | (673,762) | 410,280,680 |
| Lease liabilities without purchase option (Note 19) | 1,923,733,085 | - | - | - | 1,923,733,085 |
| Payables - suppliers (Note 20) | 27,370,102 | (979,042) | 2,006,495 | 6,062,966 | 34,460,521 |
| Payables - other (Note 20) | 23,735,166 | 3,020,147 | 1,182,393 | 3,358,215 | 31,295,921 |
| | **2,385,792,795** | **2,041,105** | **3,188,888** | **8,747,419** | **2,399,770,207** |

In 2022, net foreign exchange losses of EUR 121.3 million were recorded, of which, EUR 12.7 million in the consolidated income statement (Note 33), including mainly the negative effect related to the impact of the appreciation of the USD on the liabilities recorded, namely future rents related to aircraft leasing. As mentioned in Note 2.33, as of 1 January 2022, the Group designated in a hedging relationship the exchange rate risk associated with highly probable forecast sales whose tariff is determined in USD, using as hedging instruments a portion of the lease liabilities of aircraft denominated in USD, according to the amounts and dates of future cash flows from forecast sales and lease liabilities. The impact of the exchange rate update on covered sales in the amount of EUR 108.5 million was recorded under Other reserves (Note 16).

Exchange rate market volatility may significantly affect the measurement of the Group's assets and liabilities and significantly impact the amounts of foreign-currency receipts and payments.

As of 31 December 2022, a (positive or negative) variation of 10% of all exchange rates referring to the EUR would result in an impact on the Group's equity of approximately EUR 166 million (2021: EUR 205 million).

### ✈ Interest rate risk

In years prior to 2022, the Group carried out three issues of bonds at fixed rates, therefore a very significant part of its debt is not exposed to interest rate variations. Nevertheless, and even with regard to variable-rate debt, the risk has not materialized significantly in recent years given the prolonged period of negative interest rates, which has been observed in the Euro Zone, and interest rates also close to zero in the US.

Recently, the outbreak of the geopolitical conflict in Ukraine culminated in a worsening of inflation rates – given the risk of an energy crisis, particularly in Europe –, putting even more pressure on central banks to carry out monetary containment policies by increasing interest rates – something that had already begun to be seen at the end of 2021, but which intensified during 2022. At the end of the year the Euribor (12-month) stood at 3.291% (vs -0.501% in 2021).

The future impacts of an increase in the general level of interest rates (EURIBOR) will be relevant for the Company, but essentially regarding debt amounts to be contracted in the future. Interest rates are also an aggravating cost factor in leasing, transactions in which, as a rule, the level of long-term interest rates is reflected in the aircraft's rent.

As of 31 December 2022 and 2021, financial liabilities subject to the risk of interest rate variation are summarised as follows:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | < 1 year | 1 - 2 years | 3 - 5 years | 6 - 10 years | > 10 years | Total |
| **Variable Rate** | | | | | | |
| Borrowings | 44,770,080 | 43,348,248 | 96,526,389 | 34,477,561 | - | 219,122,278 |
| Lease liabilities with purchase option | 19,728,546 | 19,829,103 | 56,457,089 | 26,102,226 | 10,440,890 | 132,557,854 |
| | **64,498,626** | **63,177,351** | **152,983,478** | **60,579,787** | **10,440,890** | **351,680,132** |
| **Fixed Rate** | | | | | | |
| Borrowings | 312,056,334 | 374,803,282 | 2,817,535 | - | - | 689,677,151 |
| Lease liabilities with purchase option | 54,912,901 | 55,517,267 | 161,302,347 | 291,549,154 | 13,462,035 | 576,743,704 |
| | **366,969,235** | **430,320,549** | **164,119,882** | **291,549,154** | **13,462,035** | **1,266,420,855** |
| **Total** | **431,467,861** | **493,497,900** | **317,103,360** | **352,128,941** | **23,902,925** | **1,618,100,987** |
| **% fixed rate** | **85%** | **87%** | **52%** | **83%** | **56%** | **78%** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | < 1 year | 1 - 2 years | 3 - 5 years | 6 - 10 years | > 10 years | Total |
| **Variable Rate** | | | | | | |
| Borrowings | 21,902,234 | 43,043,678 | 130,469,194 | 43,744,749 | - | 239,159,855 |
| Lease liabilities with purchase option | 14,127,714 | 14,264,771 | 54,980,395 | - | - | 83,372,880 |
| | **36,029,948** | **57,308,449** | **185,449,589** | **43,744,749** | **-** | **322,532,735** |
| **Fixed Rate** | | | | | | |
| Borrowings | 119,554,672 | 201,099,958 | 377,379,667 | - | - | 698,034,297 |
| Lease liabilities with purchase option | 40,627,205 | 40,568,974 | 126,613,628 | 248,687,827 | 3,805,888 | 460,303,522 |
| | **160,181,877** | **241,668,932** | **503,993,295** | **248,687,827** | **3,805,888** | **1,158,337,819** |
| **Total** | **196,211,825** | **298,977,381** | **689,442,884** | **292,432,576** | **3,805,888** | **1,480,870,554** |
| **% fixed rate** | **82%** | **81%** | **73%** | **85%** | **100%** | **78%** |

It should be noted that the disclosure of financial liabilities traded at fixed interest rates is only presented in the tables above for the purposes of reconciliation with the financial statements, as they are not subject to change.

The Group uses the sensitivity analysis technique which measures estimated changes in output, an immediate increase or decrease in market interest rates, and all other constant variables. This analysis is for illustrative purposes only, since in practice market rates rarely change in isolation.

Sensitivity analysis is based on the following assumptions:

- ✈ Changes in market interest rates affect the interest income or expenses of variable financial instruments;
- ✈ Changes in market interest rates only affect interest income or expenses, in relation to financial instruments with fixed interest rates, if they are recognised at fair value.

Under these assumptions and also considering: (i) theoretical assumptions of interest rate and EUR/USD exchange rate and (ii) that the intra-annual amortization rhythm is linear for the purpose of calculating future interest (simplifying assumption), a 1% increase or decrease in market interest rates, for all currencies in which the Group has variable rate loans, as of 31 December 2022, would result in a decrease or increase in the amount of interest due by approximately , EUR 11.8 million (2021: EUR 11 million).

As a result of the approval of the Restructuring Plan by the European Commission, in April 2022, the credit ratings of TAP S.A. were revised upwards, with Standard & Poor's upgrading from B- to B+ (stable outlook) and Moody's Investors Service upgrading from Caa2 to B3 (stable outlook).

Note 19 presents the detail of the interest-bearing debt.

### ✈ Liquidity risk

The Group's liquidity risk is a combination of factors resulting from operations, existing financing and the respective debt service, negotiation conditions for new operations, foreign exchange losses or gains and investment activities, when significant. The Group must ensure an annual debt service which, although duly planned and distributed over time, wights in the treasury and must be regularly evaluated in the light of developments in the year. Possible dysfunctions in the financial markets, such as those that occurred during the sovereign debt crisis, or market shocks in terms of current expenditures or income, such as those arising from the COVID-19 pandemic, condition, with greater or lesser intensity, treasury, liquidity, economic and financial balance and the prosperity of the Group.

Following the approved State aid and compensation for COVID-19 damages and consequent capital injections carried out during the years 2020, 2021 and 2022, as well as the recovery of activity throughout 2022, the Group achieved adequate liquidity levels throughout of 2022, ending the year with EUR 916.1 million, an amount that already reflects the capital injection of EUR 294 million. This capital injection represents 30% of the capital increase of EUR 980 million subscribed on 28 December 2022, an amount arising from the Restructuring Plan. The remaining tranches worth EUR 343 million each (35%) will be paid in December 2023 and December 2024 (Introductory Note).

In the table below, covering capital and interest, theoretical assumptions were made for market interest rates and EUR/USD exchange rates. The liabilities are the amounts payable within the specified time limits, including the estimate of all contractual cash flows with amortisation and undiscounted interest, until the end of the life of the loans. A simplifying assumption for the straight-line intra-annual depreciation rate for future interest calculation was considered:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | < 1 year | 1 - 2 years | 3 - 5 years | 6 - 10 years | > 10 years | Total |
| Other payables | 584,355,883 | - | - | - | - | 584,355,883 |
| Borrow ings | 400,401,107 | 438,616,087 | 110,671,433 | 37,710,920 | - | 987,399,547 |
| Lease liabilities w ith purchase option | 108,907,073 | 107,846,901 | 289,945,889 | 359,145,910 | 24,966,315 | 890,812,088 |
| Lease liabilities w ithout purchase option | 377,402,908 | 335,853,145 | 682,505,356 | 607,246,852 | 35,104,783 | 2,038,113,044 |
| **Total** | **1,471,066,971** | **882,316,133** | **1,083,122,678** | **1,004,103,682** | **60,071,098** | **4,500,680,562** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | < 1 year | 1 - 2 years | 3 - 5 years | 6 - 10 years | > 10 years | Total |
| Other payables | 406,153,856 | - | - | - | - | 406,153,856 |
| Borrow ings | 193,076,356 | 282,317,389 | 536,277,645 | 48,549,712 | - | 1,060,221,102 |
| Lease liabilities w ith purchase option | 79,908,660 | 79,027,985 | 236,247,420 | 281,608,135 | 3,880,779 | 680,672,979 |
| Lease liabilities w ithout purchase option | 435,572,934 | 325,595,955 | 633,116,824 | 647,442,684 | 76,809,930 | 2,118,538,327 |
| **Total** | **1,114,711,806** | **686,941,329** | **1,405,641,889** | **977,600,531** | **80,690,709** | **4,265,586,264** |

### ✈ Credit risk

The following table shows items relating to the Group's assets as of 31 December 2022 and 2021, as well as accounts receivable balances, which reflect the maximum credit risk on those same dates:

| | 2022 | 2021 |
|---|---|---|
| **Non-current assets** | | |
| Other financial assets (Note 8) | 488,720 | 488,725 |
| Other receivables (Note 10) | 442,009,852 | 112,077,476 |
| **Current assets** | | |
| Cash and cash equivalents (Note 14) | 916,077,051 | 812,578,316 |
| Other receivables (Note 10) | 875,555,361 | 347,681,592 |
| | **2,234,130,984** | **1,272,826,109** |

The Group applies the simplified approach in IFRS 9 to measure expected credit losses, which uses an expected loss expectation for all accounts receivable. To measure expected credit losses, the accounts receivable has been grouped based on common credit risk characteristics and maturity. Expected loss rates are based on the payment profiles of the sales and services provided over a period of 36 months prior to 31 December 2022 and the corresponding historical credit losses incurred during this period. As a result of the analysis carried out and given that a substantial part of the Group's revenue is received in advance, the expected rate of credit loss is very low, and thus the resulting impact is immaterial.

Of the total value of customer accounts receivable, airline and travel agent balances, as identified in Note 10, are settled mainly through the IATA Billing and Settlement Plan ("BSP") and IATA Clearing House ("ICH") systems, which substantially minimises the Group's credit risk.

Regarding the balances receivable from related entities, the credit impairment is assessed against the following criteria: (i) whether the receivable balance is due immediately ("*on demand*"); (ii) whether the receivable balance is low-risk; or (iii) whether the term is less than 12 months. In cases where the receivable value is due immediately and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered to be zero. In cases where the receivable balance is not due immediately, the related entity's credit risk is assessed, and if this is "low" or if the term is less than 12 months, then the Group only evaluates the likelihood of a default occurring for the cash flows due in the next 12 months.

In 2021, an impairment was recorded for amounts receivable from related entities in the amount of EUR 902 million, which essentially concerns the balance receivable from TAP SGPS in the amount of EUR 884.7 million. In 2022, this impairment was increased by EUR 108.4 million (EUR 72.6 million related to new loans granted to TAP SGPS in 2022 and EUR 35.8 million arising from the change in perspective regarding the settlement of amounts related to corporate transactions of TAP SGPS subsidiaries, under the terms of the Approved Restructuring Plan). For all other situations and types of balances receivable, the Group applies the general approach of the impairment model.

As part of its business, Group advanced payments to Airbus for the acquisition of new aircraft and entered into lease liabilities without purchase option contracts for the acquisition of aircraft in which it pays the lessors maintenance reserves and security deposits. In analysing the credit losses for these amounts, the Group considers the financial position of the counterparties and all transactions it has in progress with them.

In addition to short- and long-term financial and cash management, strict monitoring of customer positions and the impact of the economic crisis on their credit quality has also been adopted in the context of managing current assets, for example, it has been possible to limit the worsening of adjustments to a value that is not significant for the size of the activity.

As of 31 December 2022, the Group's exposure by credit rating to cash and cash equivalents, whose counterparties are financial institutions, is detailed as follows:

| Rating notation | 2022 |
|---|---|
| A1 | 139,118 |
| A2 | 53,978 |
| A3 | 280,123,576 |
| B3 | 7,730,554 |
| BAA1 | 193 |
| BAA2 | 594,568,732 |
| BAA3 | 32,280 |
| BA1 | 42,739 |
| BA2 | 9,458,693 |
| No rating assigned | 23,927,188 |
| | **916,077,051** |

## ✈ Capital management

In general terms, the Group's objective in relation to capital management, which is a broader concept than the capital revealed on the face of the consolidated statement of financial position, is to maintain a balanced capital structure, with the contracting of debt being analyzed periodically through the weighting of factors such as the cost of financing, the maturity profile of the financing and the existing debt and cash needs.

As a result of the COVID-19 pandemic, capital management was significantly altered, starting to depend largely on State Aid obtained. The changes to equity items made in 2021 and 2022 were aimed at strengthening the capital structure.

Regarding the current and non-current interest-bearing liabilities, there was a decrease of around 3% compared to 2021, given that the loans were being amortized without having contracted new loans of this type. Regarding the financial liability related to leases, it increased by around 3% due to new financing contracted.

The Group's debt has a rigorous accounting measure, which can be analyzed and measured in a more comprehensive and substantial way, encompassing aggregates which behavior is, in some respects, similar to financing. This is the case of leases, especially of aircraft, as a result of IFRS 16. The increase in the set of charges for leased aircraft without a purchase option corresponds to an increase in significant future liabilities, insofar as they are medium-term and long term contracts, which are similar to the phased payment of debt, although without risk of residual value of the asset at the end of the respective lease. In addition to fleet renewal (under lease), it will be relevant for risk management, and in terms of return on invested capital, the future increase in debt that may occur, in the coming years, in the form of financing, or in the form of a lease.

# 4 Tangible fixed assets

During the years ended 31 December 2022 and 2021, the movement under the item Property, plant and equipment item, as well as the respective accumulated depreciations and impairment losses, was as follows:

| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Tools and utensils | Administrative equipment | Other tangible fixed assets | Other assets in progress | Advances to suppliers of tangible assets | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Acquisition Cost** | | | | | | | | | | | |
| **1 January 2021** | **41,125,597** | **157,071,512** | **1,343,303,282** | **2,254,240** | **30,020,806** | **52,810,126** | **12,892,438** | **22,143,192** | **61,643,461** | **2,976,707,505** | **4,699,972,159** |
| Acquisitions | - | 297,441 | 134,325,415 | 42,331 | 640,009 | 232,638 | 326,938 | 2,931,175 | 45,007,563 | 214,526,311 | 398,329,821 |
| Disposals | - | - | (289,924,589) | (66,250) | (563,517) | (215,005) | (211,729) | - | - | - | (290,981,090) |
| Regularisation, transfer and write-off | - | 2,571,257 | (8,790,432) | (16,316) | (70,266) | (132,939) | (25,369) | (5,655,242) | (1,074) | 122,806,281 | 110,685,900 |
| **31 December 2021** | **41,125,597** | **159,940,210** | **1,178,913,676** | **2,214,005** | **30,027,032** | **52,694,820** | **12,982,278** | **19,419,125** | **106,649,950** | **3,314,040,097** | **4,918,006,790** |
| Acquisitions | - | 134,323 | 247,142,359 | 22,735 | 1,558,706 | 1,001,461 | 128,483 | 10,240,550 | 40,953,413 | 260,658,752 | 561,840,782 |
| Disposals | - | - | (9,710,459) | (68,799) | (3,382) | (5,053) | - | - | - | - | (9,787,693) |
| Regularisation, transfer and write-off | - | - | (3,558,367) | (92,421) | (24,369) | (458,456) | (543) | (3,631,605) | (1,373,243) | 62,221,482 | 53,082,478 |
| **31 December 2022** | **41,125,597** | **160,074,533** | **1,412,787,209** | **2,075,520** | **31,557,987** | **53,232,772** | **13,110,218** | **26,028,070** | **146,230,120** | **3,636,920,331** | **5,523,142,357** |
| | | | | | | | | | | | |
| **Accumulated deprec. and impairment losses** | | | | | | | | | | | |
| **1 January 2021** | **-** | **89,720,277** | **733,470,139** | **2,172,889** | **18,244,882** | **50,179,594** | **11,498,492** | **-** | **-** | **850,427,299** | **1,755,713,572** |
| Depreciations (Note 32) | - | 5,610,824 | 58,290,362 | 64,074 | 803,052 | 728,589 | 264,293 | - | - | 401,666,532 | 467,427,726 |
| Impairment losses (Note 32) | - | - | 5,686,331 | - | 1,623,663 | - | - | - | 3,271,940 | - | 10,581,934 |
| Disposals | - | - | (255,433,287) | (64,507) | (501,464) | (71,034) | (28,732) | - | - | - | (256,099,024) |
| Regularisation, transfer and write-off | - | - | (11,175,808) | (16,316) | (61,934) | (134,103) | (25,367) | - | (3,271,940) | - | (14,685,468) |
| **31 December 2021** | **-** | **95,331,101** | **530,837,737** | **2,156,140** | **20,108,199** | **50,703,046** | **11,708,686** | **-** | **-** | **1,252,093,831** | **1,962,938,740** |
| Depreciations (Note 32) | - | 5,700,811 | 60,562,371 | 16,894 | 863,443 | 1,752,557 | 245,904 | - | - | 429,341,572 | 498,483,552 |
| Impairment losses (Note 32) | - | - | (438,751) | - | (86,047) | 923 | - | - | - | - | (523,875) |
| Disposals | - | - | (8,555,618) | (68,799) | (950) | (4,206) | - | - | - | - | (8,629,573) |
| Regularisation, transfer and write-off | - | - | (6,190,724) | (92,421) | (24,369) | (458,456) | (543) | - | - | - | (6,766,513) |
| **31 December 2022** | **-** | **101,031,912** | **576,215,015** | **2,011,814** | **20,860,276** | **51,993,864** | **11,954,047** | **-** | **-** | **1,681,435,403** | **2,445,502,331** |
| | | | | | | | | | | | |
| **Carrying amount as of 31 December 2021** | **41,125,597** | **64,609,109** | **648,075,939** | **57,865** | **9,918,833** | **1,991,774** | **1,273,592** | **19,419,125** | **106,649,950** | **2,061,946,266** | **2,955,068,050** |
| **Carrying amount as of 31 December 2022** | **41,125,597** | **59,042,621** | **836,572,194** | **63,706** | **10,697,711** | **1,238,908** | **1,156,171** | **26,028,070** | **146,230,120** | **1,955,484,928** | **3,077,640,026** |

As of 31 December 2022 and 2021, the "Right of use" item had the following composition:

| | Buildings and other constructions | Aircraft and engine leases | ACMI | Redelivery and Maintenance | Transport equipment | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **1 January 2021** | **1,832,381** | **2,221,869,734** | **415,625,688** | **336,604,346** | **775,356** | **2,976,707,505** |
| Acquisitions | - | 85,812,604 | - | 128,713,707 | - | 214,526,311 |
| Regularisation, transfer and write-off | - | 3,623,020 | 136,997,556 | (17,814,295) | - | 122,806,281 |
| **31 December 2021** | **1,832,381** | **2,311,305,358** | **552,623,244** | **447,503,758** | **775,356** | **3,314,040,097** |
| Acquisitions | - | - | 82,084,924 | 178,573,828 | - | 260,658,752 |
| Regularisation, transfer and write-off | - | 24,033,397 | 65,676,722 | (27,488,637) | - | 62,221,482 |
| **31 December 2022** | **1,832,381** | **2,335,338,755** | **700,384,890** | **598,588,949** | **775,356** | **3,636,920,331** |
| | | | | | | |
| **Accumulated depreciations** | | | | | | |
| **1 January 2021** | **1,424,510** | **405,011,517** | **265,528,423** | **177,930,058** | **532,791** | **850,427,299** |
| Depreciations (Note 32) | 407,871 | 213,446,051 | 95,952,226 | 91,663,364 | 197,020 | 401,666,532 |
| **31 December 2021** | **1,832,381** | **618,457,568** | **361,480,649** | **269,593,422** | **729,811** | **1,252,093,831** |
| Depreciations (Note 32) | - | 204,827,227 | 108,157,628 | 116,311,583 | 45,134 | 429,341,572 |
| **31 December 2022** | **1,832,381** | **823,284,795** | **469,638,277** | **385,905,005** | **774,945** | **1,681,435,403** |
| | | | | | | |
| **Carrying amount as of 31 December 2021** | **-** | **1,692,847,790** | **191,142,595** | **177,910,336** | **45,545** | **2,061,946,266** |
| **Carrying amount as at 31 December 2022** | **-** | **1,512,053,960** | **230,746,613** | **212,683,944** | **411** | **1,955,484,928** |

Land and buildings and other constructions of the headquarters were transferred to TAP S.A.'s property under Decree-Law 351/89 of 13 October.

To guarantee payment of the amounts due under a loan agreement with a national institution in the amount of EUR 75 million, a mortgage was placed on one of the TAP S.A. urban properties, consisting of twenty-nine office buildings, construction material workshops and others, located at Lisbon Airport. In addition, a second mortgage for funding in the amount of EUR 25 million was contracted in February 2020. As of 31 December 2022, the amount of the loan agreement was approximately EUR 82.9 million.

The main movements during the financial year ending 31 December 2022 were as follows:

- The additions of basic equipment in the amount of EUR 247,142 thousand relate mainly to: (i) acquisition of three aircraft amounting to EUR 202,483 thousand, (ii) acquisition of two Leap engines in the amount of EUR 31,856 thousand, and (iii) capitalization of aircraft structural maintenance expenses in the amount of EUR 8,278 thousand;

- The sale of basic equipment with a net value of EUR 1,155 thousand, essentially refers to the sale of spare parts;

- The additions to the Right of use caption include, essentially: (i) seven new lease contracts without a purchase option (6 aircraft contracts under the ACMI regime and 1 reactor contract under the ACMI regime) in the amount of EUR 79,557 thousand; (ii) capitalization of major maintenance expenses in the amount of EUR 97,766 thousand; and (iii) increase in the redelivery provision and capitalization of expenses with non-recoverable maintenance reserves in the amount of EUR 80,808 thousand;

- Additionally, the regularizations, transfers and write-offs under the heading Right of use include, essentially, the increase resulting from renegotiations of contracts with lessors in the amount of EUR

89,710 thousand and the review of the redelivery provision, which resulted in a reduction in the amount of EUR 27,489 thousand;

- ✈ Additions of other assets in progress in the amount of EUR 10,240 thousand refer essentially to expenses with major maintenance in progress in the amount of EUR 9,631 thousand;

- ✈ Increase of advanced payments in the amount of EUR 40,953 thousand essentially concern pre-delivery payments.

The main movements during the financial year ending 31 December 2021 were as follows:

- ✈ The additions of basic equipment in the amount of EUR 134,325 thousand refer mainly to: (i) acquisition of two aircraft in the amount of EUR 117,715 thousand, (ii) capitalization of aircraft structural maintenance expenses in the amount of EUR 7,807 thousand, and (iii) acquisition of aircraft assistance equipment in the amount of EUR 6,486 thousand (mostly, this equipment concerned a contract with SPdH – Serviços Portugueses de Handling, S.A. for the acquisition of assets in the total amount of EUR 6,970 thousand and subsequent lease to SPdH );

- ✈ The sale of basic equipment with a net value of EUR 34,491 thousand, essentially refers to the sale of eight aircraft (six A319 and two A320), which generated a gain in the amount of EUR 11,477 thousand and the sale of aircraft assistance equipment purchased a few months earlier which generated a gain of EUR 794 thousand;

- ✈ The additions recorded in the caption "Right of use", which essentially include: (i) six new lease contracts without a purchase option in the amount of EUR 77,115 thousand; (ii) increase in expenses with major maintenance capitalized in the amount of EUR 52,942 thousand, (iii) increase in the provision for redelivery and the capitalization of expenses with non-recoverable maintenance reserves in the amount of EUR 75,772 thousand;

- ✈ Right of use regularisation, transfer and write-off relate to, essentially, (i) the result of renegotiation of lease terms, which generated an increase in the caption amounting to EUR 141,524 thousand and (ii) the review of redelivery provision which led to a decrease in the amount of EUR 17,814 thousand;

- ✈ Additions of other assets in progress in the amount of EUR 2,931 thousand refer essentially to expenses with major maintenance in progress in the amount of EUR 2,780 thousand;

- ✈ Increase of advanced payments in the amount of EUR 45,008 thousand essentially concern pre-delivery payments;

- ✈ The impairment losses recorded include EUR 6,016 thousand concerning obsolete spare parts and tools.

Depreciation of property, plant and equipment is recognised in full under the item "Depreciations, amortisations and impairment losses" in the income statement (Note 32).

As of 31 December 2022 and 2021, the "Basic equipment" (own assets) item had the following composition:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Accumulated depreciation and impairment | Carrying amount | Acquisition cost | Accumulated depreciation and impairment | Carrying amount |
| Flight equipment | | | | | | |
| Aircraft | 87,379,725 | (53,447,730) | 33,931,995 | 88,158,127 | (48,650,858) | 39,507,269 |
| Reserve engines | 2,969,113 | (2,363,028) | 606,085 | 2,969,113 | (2,319,949) | 649,164 |
| Spare parts | 93,726,371 | (59,195,101) | 34,531,270 | 104,330,465 | (68,628,122) | 35,702,343 |
| | 184,075,209 | (115,005,859) | 69,069,350 | 195,457,705 | (119,598,929) | 75,858,776 |
| Flight equipment under | | | | | | |
| Leases with purcahse option | | | | | | |
| Aircraft | 997,291,599 | (365,416,605) | 631,874,994 | 783,983,286 | (322,947,180) | 461,036,106 |
| Reserve engines | 140,915,377 | (23,094,884) | 117,820,493 | 109,059,662 | (17,194,713) | 91,864,949 |
| | 1,138,206,976 | (388,511,489) | 749,695,487 | 893,042,948 | (340,141,893) | 552,901,055 |
| Machinery and equipment | 90,505,024 | (72,697,667) | 17,807,357 | 90,413,023 | (71,096,915) | 19,316,108 |
| | **1,412,787,209** | **(576,215,015)** | **836,572,194** | **1,178,913,676** | **(530,837,737)** | **648,075,939** |

As of 31 December 2022 and 2021, the Group's operating air fleet is broken down as follows:

| | 2022 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Owned by TAP Group** | **Lease liabilities with purchase option** | **Lease liabilities without purchase option** | **ACMI** | **Total** | **Owned by TAP Group** | **Lease liabilities with purchase option** | **Lease liabilities without purchase option** | **ACMI** | **Total** |
| Airbus A330 | - | - | 3 | - | **3** | - | - | 3 | - | **3** |
| Airbus A330 NEO | - | 3 | 16 | - | **19** | - | 3 | 16 | - | **19** |
| Airbus A319 | - | 3 | 2 | - | **5** | - | 3 | 4 | - | **7** |
| Airbus A320 | - | 3 | 12 | - | **15** | - | 3 | 12 | - | **15** |
| Airbus A320 NEO | - | - | 11 | - | **11** | - | - | 11 | - | **11** |
| Airbus A321 | - | 2 | 1 | - | **3** | - | 2 | 1 | - | **3** |
| Airbus A321 NEO | - | - | 10 | - | **10** | - | - | 10 | - | **10** |
| Airbus A321 NEO LR | - | 5 | 6 | - | **11** | - | 2 | 6 | - | **8** |
| Embraer 190 | - | - | - | 10 | **10** | - | - | - | 9 | **9** |
| Embraer 195 | - | - | - | 6 | **6** | - | - | - | 4 | **4** |
| ATR 72 | - | - | - | - | **-** | - | - | - | 8 | **8** |
| | **-** | **16** | **61** | **16** | **93** | **-** | **13** | **63** | **21** | **97** |

The Group ended the financial year 2022 with a fleet of 93 aircraft. In the course of 2022, 3 new generation Airbus aircraft (3 A321neo LR) entered into operation, 3 aircraft entered in ACMI regime (1 Embraer 190 and 2 Embraer 195) and 2 A319 and 8 ATR went out of operation (4 of which are in phase-out process and 2 in the process of operator transition).

Thus, from the fleet at the end of 2022, 91 aircraft were available for commercial passenger operations and 2 were allocated exclusively to cargo operations. At the end of 2022, 56% of the medium and long-haul operational fleet consisted of NEO family aircraft.

As of 31 December 2022, 3 aircraft from the Embraer fleet, 2 E190s and 1 E195, were in the phase-in process.

## Impairment

As of 31 December 2022, as a result of existing impairment indicators in non-current assets related to air transport in previous years, following the reduction in activity during the COVID-19 pandemic, combined with the increase in interest rates and of the cost of aviation fuel occurred in 2022, an impairment analysis was carried out on the respective assets.

For this purpose, the recoverable value of those assets was determined using discounted cash flow models for the subsequent 5-year period 2023-2027, based on the projections included in the Approved Restructuring Plan and using a discount rate in line with the risk inherent in the business as of 31 December 2022.

It is the understanding of the Board of Directors that the best estimate, as of 31 December 2022, is reflected in the projections included in the impairment test carried out, notwithstanding the positive deviation verified in the operating performance for the year 2022 between the real and as provided for in the Approved Restructuring Plan.

As of 31 December 2022, TAP S.A. calculated the recoverable amount of air transport assets, essentially arising from the fleet, in the amount of EUR 2,988 million, by determining the value in use allocated to the cash-generating unit defined (Air Transport of the Group), according to the discounted cash flow method, considering in the respective impairment test the estimated impacts, to this date, related to the COVID-19 pandemic.

The main assumptions used, for the purposes of the impairment test, were as follows:

| | 2022 | 2021 |
|---|---|---|
| Discont rate (WACC)* | 9.1% | 8.4% |
| Revenue CAGR** | 0.9% | 0.9% |
| Growth in perpetuity (g) | 2.0% | 2.0% |
| Income tax rate | 29.5% | 29.5% |

* Discount rate net of taxes

** Average growth rate of turnover.

The Approved Restructuring Plan was based on four axis: (i) focus on core business; (ii) capacity adjustment (fleet sizing and network optimization); (iii) optimization of operating costs (negotiation of leases, revision of costs with third parties and adjustment of labor costs); and (iv) revenue improvement (by optimizing the network, passenger revenues and other revenues).

As for fuel expenses, the Approved Restructuring Plan foresees a progressive decrease from 2023 onwards, with the price of 2026 aligned with that of 2019 and an estimate of lower consumption per Block hour due to the phase-in of the NEO fleet, which is more efficient.

With regard to passenger demand, projections updated at that date by entities of reference in the sector were used, namely the projections of the International Air Transport Association (IATA), considering their greater adequacy to the operational reality of TAP S.A., with a business model based on connecting flights and long-haul operations. With these projections, and due to the effect of the COVID-19 pandemic, the Approved Restructuring Plan estimated that the activity numbers for 2019 would only be reached again in 2025, estimating a gradual growth between the years 2023 to 2026 as expected by the Marketplace. See Note 1.

The Board of Directors, supported by the discounted cash flows considered in the Approved Restructuring Plan, at the rate considered applicable, concluded that, as of 31 December 2022, the book value of the assets allocated to the air transport activity, does not exceed its recoverable amount.

A change in the main assumptions used in calculating the recoverable amount would have the impacts presented in the table below:

| | Base Scenario | Increase on WACC by 0.5 pp | Decrease of g by 0.5 pp | Joint effect (WACC + g) |
|---|---|---|---|---|
| Discount rate | 9.1% | 9.6% | 9.1% | 9.6% |
| Growth in perpetuity (g) | 2.0% | 2.0% | 1.5% | 1.5% |
| Sensitivity analysis conclusions | No impairment | No impairment | No impairment | No impairment |

Based on the assumptions considered in the Approved Restructuring Plan, the following sensitivity analyzes are also presented:

Scenario 1 – Slower recovery in demand (from -4% to -9% of passengers for the years 2023 to 2027), which is estimated in the Restructuring Plan more conservatively than the baseline of the IATA projections referred above;

Scenario 2 – Increase in the price of jet fuel (+ 5% to +10%);

Scenario 3 – Evolution of operational yield / profitability (-2% to -5%);

Scenario 4 – More pessimistic scenario, considering the occurrence of the three variables with more stressed parameters, described above.

| | Base Scenario | Scenario 1 (-% Passengers) | Scenario 2 (+5% +10% Fuel) | Scenario 3 (-2% -5% Yield) | Scenario 4 (Worst case scenario) |
|---|---|---|---|---|---|
| Discount rate | 9.1% | 9.1% | 9.1% | 9.1% | 9.1% |
| Growth in perpetuity (g) | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Sensitivity analysis conclusions | No impairment | Impairment | No impairment | No impairment | Impairment |

It should be noted that the sensitivity scenarios presented above were not considered by the Board of Directors as the base scenario in the Approved Restructuring Plan, considering that the assumptions in question are not estimated as probable, based on the operational strategy defined in the Approved Restructuring Plan, and the macroeconomic market estimates known to date.

It should also be noted that the operating results obtained by the Group in 2022 significantly exceeded the forecast for that same year in the Approved Restructuring Plan.

The uncertainty resulting from the War in Ukraine does not allow for the determination of the possible impacts on the Group's activity in the coming years, considering that, similarly to what occurred during the 2022 financial year, the main effect on the date of approval of the financial statements may arise from the price of jet fuel, for which the Group is negotiating hedging derivative financial instruments to set the price of a portion of the fuel needed for its operation similar to the hedging derivative instruments it has been contracting (Note 3).

## 5 Investment properties

During the years ending 31 December 2022 and 2021, the movement in the investment properties caption was as follows:

| | 2022 | 2021 |
|---|---|---|
| **Opening Value** | **1,615,899** | **1,543,825** |
| Transfers (Note 7) | (225,000) | - |
| Fair value adjustments (Note 25) | 299,101 | 72,074 |
| **Closing Balance** | **1,690,000** | **1,615,899** |

In 2022, the amount of EUR 225,000 related to two fractions of a building was transferred to the caption Non-current assets held for sale (Note 7), following the signature of a promissory purchase and sale agreement with a third-party.

## 6 Intangible assets

During the years ended 31 December 2022 and 2021, “Intangible assets” roll-forward was as follows:

| | Industrial property and other rights | Computer programmes | Assets in progress | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance as of 1 January 2021** | **11,951,704** | **51,844,645** | **3,197,316** | **66,993,665** |
| Acquisitions | - | 7,706,964 | 2,592,312 | **10,299,276** |
| Regularization, transfer and write-off | - | 1,683,875 | (1,683,875) | **-** |
| **Balance as of 31 December 2021** | **11,951,704** | **61,235,484** | **4,105,753** | **77,292,941** |
| Acquisitions | - | 6,787,303 | 4,525,905 | **11,313,208** |
| Regularization, transfer and write-off | - | 72,500 | (72,500) | **-** |
| **Balance as of 31 December 2022** | **11,951,704** | **68,095,287** | **8,559,158** | **88,606,149** |
| | | | | |
| **Accumulated amort. and impairment losses** | | | | |
| **Balance as of 1 January 2021** | **11,951,704** | **30,169,897** | **-** | **42,121,601** |
| Amortisations and impairment losses (Note 32) | - | 11,695,551 | - | 11,695,551 |
| **Balance as of 31 December 2021** | **11,951,704** | **41,865,448** | **-** | **53,817,152** |
| Amortisations and impairment losses (Note 32) | - | 11,498,823 | - | 11,498,823 |
| **Balance as of 31 December 2022** | **11,951,704** | **53,364,271** | **-** | **65,315,975** |
| | | | | |
| **Carrying amount as of 31 December 2021** | **-** | **19,370,036** | **4,105,753** | **23,475,789** |
| **Carrying amount as of 31 December 2022** | **-** | **14,731,016** | **8,559,158** | **23,290,174** |

The main movements during the financial year ending 31 December 2022 were as follows:

- The increase in the item Computer programs in the amount of EUR 6,787 thousand essentially refers to software licensing contracts;

- The increase in the item Assets in progress in the amount of EUR 4,526 thousand refers to several development and implementation projects in progress, concerning support software in the areas of operations, sales and maintenance.

## 7 Non-current assets held for sale

The balance recorded as of December 31, 2022 concerns two fractions of a commercial building owned by the Group (Note 5). The agreed sale price, less disposal costs, is greater than the carrying amount of the assets.

## 8 Other financial assets

As of 31 December 2022 and 2021, the other financial assets item had the following composition:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Bank deposits in Guinea Bissau | - | 1,671,909 | - | 1,738,465 |
| SITA Group Foundation | - | 455,915 | - | 455,915 |
| Other | - | 47,363 | - | 47,368 |
| | **-** | **2,175,187** | **-** | **2,241,748** |
| Impairment losses | - | (1,686,467) | - | (1,753,023) |
| | **-** | **488,720** | **-** | **488,725** |

The amount presented for SITA Group Foundation mainly relates to 519,778 certificates (unquoted shares) in that company, which was founded by the *Société International de Télécommunications Aéronautiques* (SITA).

## 9 Deferred tax assets and liabilities

As of 31 December 2022 and 2021, the tax rate used in Portugal for calculating deferred tax assets relating to reportable tax losses was 21%. For the remaining temporary differences, the rate used was 21% and 29.5%, depending on the estimated year of realization.

Tax relief, as it is a collection deduction, is considered to be 100% recoverable. In some cases, its full acceptance is also subject to the approval of the authorities granting such tax benefits. The deferred taxes arising from tax benefits are recorded when the authorities granting these tax benefits have approved them.

The main natures of temporary differences between accounting and taxable amounts as of 31 December 2022 and 2021, the corresponding deferred tax assets and liabilities and the respective effect on the results for the years ended 31 December 2022 and 2021 are as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Opening balance | Effect in results (Note 34) | Effect in other comprehensive income | Closing balance |
| **Deferred tax assets** | | | | |
| Tax losses carried forward | 134,137,162 | 26,034,101 | - | 160,171,263 |
| Post-employment benefits obligations | 27,365,034 | (3,666,543) | 8,444,553 | 32,143,044 |
| Impairment losses in inventories | 7,784,490 | (3,247,137) | - | 4,537,353 |
| Impairment losses of receivables | 186,612,370 | 40,612,677 | - | 227,225,047 |
| Tax benefits | 1,150,497 | - | - | 1,150,497 |
| Other provisions and adjustments not accepted for tax purposes | 4,698,737 | 14,651,413 | - | 19,350,150 |
| Impairment losses in fixed assets | 1,774,848 | (448,658) | - | 1,326,190 |
| Derivative financial instruments | - | - | 1,526,307 | 1,526,307 |
| | **363,523,138** | **73,935,853** | **9,970,860** | **447,429,851** |
| **Deferred tax liabilities** | | | | |
| Revaluation of tangible fixed assets | 15,604,548 | (1,376,924) | - | 14,227,624 |
| Derivative financial instruments | 48,940 | - | (48,940) | - |
| Adjustments from IFRS 16 and IFRS 9 | 18,369,285 | 43,423,524 | (32,019,743) | 29,773,066 |
| | **34,022,773** | **42,046,600** | **(32,068,683)** | **44,000,690** |
| | **329,500,365** | **31,889,253** | **42,039,543** | **403,429,161** |

| | 2021 | | | |
|---|---|---|---|---|
| | Opening balance | Effect in results (Note 34) | Effect in other comprehensive income | Closing balance |
| **Deferred tax assets** | | | | |
| Tax losses carried forward | 76,902,007 | 57,235,155 | - | 134,137,162 |
| Post-employment benefits obligations | 32,308,940 | (3,211,930) | (1,731,976) | 27,365,034 |
| Impairment losses in inventories | 6,264,906 | 1,519,584 | - | 7,784,490 |
| Impairment losses of receivables | 6,929,807 | 179,682,563 | - | 186,612,370 |
| Tax benefits | 456,670 | 693,827 | - | 1,150,497 |
| Other provisions and adjustments not accepted for tax purposes | 115,613 | 4,583,124 | - | 4,698,737 |
| Impairment losses in fixed assets | - | 1,774,848 | - | 1,774,848 |
| Derivative financial instruments | 6,092,975 | - | (6,092,975) | - |
| | **129,070,918** | **242,277,171** | **(7,824,951)** | **363,523,138** |
| **Deferred tax liabilities** | | | | |
| Revaluation of tangible fixed assets | 17,134,632 | (1,530,084) | - | 15,604,548 |
| Derivative financial instruments | - | - | 48,940 | 48,940 |
| Ajustments due the adoption of IFRS 16 | 90,890,946 | (72,521,661) | - | 18,369,285 |
| | **108,025,578** | **(74,051,745)** | **48,940** | **34,022,773** |
| | **21,045,340** | **316,328,916** | **(7,873,891)** | **329,500,365** |

## ✈ Reportable tax losses

The 2023 State Budget, approved in 2022, put an end to the time limit for reporting tax losses and reduced the annual limit for deduction of taxable income from 70% to 65%, with these changes applying to the deduction of losses from taxable income of tax periods beginning on or after 1 January 2023, as well as tax losses calculated in tax periods prior to that date, which deduction period is still in progress. The economic and social stabilization program published in 2020 established an increase in the percentage of deduction of tax losses generated in 2020 and 2021 by ten percentage points, maintaining this increase with the approval of the 2023 State Budget.

Following the aforementioned amendment, the Group considers that there is a greater probability of realizing the deferred tax assets (Note 34).

The Group considers that the reportable tax losses generated in 2015, 2011 and 2022, through their use to reduce future taxable income (calculated on the basis of the individual financial statements of TAP S.A., prepared in accordance with the Portuguese GAAP) considering the projections of future taxable income, based on the projections of future taxable income to generate taxable income in the period 2023 – 2025, as included in the Approved Restructuring Plan and on the taxable income projections approved by the Board of Directors of the TAP Group in the sensitivity analysis presented to the European Commission in November 2021 for the period 2026 – 2027, having a linearization of fiscal results for the remaining periods been carried out.

Considering the aforementioned assumptions, the recovery of deferred tax assets recorded as of 31 December 2022 is expected over a period between 11 and 13 years, given different sensitivity scenarios.

For the purposes of analyzing the recoverability of deferred taxes, a haircut/risk premium factor arising from the time horizon (7.36%/year) was applied.

It should be noted that, despite the Group having exercised its legitimate right of challenge, no deferred tax assets were recorded related to the tax losses carried forward resulting from the securitisation operation in the years 2014 and 2015 amounting to EUR 99 million, currently under dispute in a tax court.

The change in the shareholder structure of TAP S.A. in May 2021 (Note 15), determined the exit of TAP S.A. from the Special Taxation Regime for Groups of Companies (“RETGS”) of TAP SGPS. Consequently, the tax losses calculated in 2018, 2019 and 2020 are no longer subject to deduction in the sphere of TAP S.A., having been derecognized in 2021 deferred tax assets for tax losses for the years 2018 and 2019 in the amount of EUR 56.6 million.

The detail of tax losses as of 31 December 2022 is as follows:

| | **Without securitization** | **Securitized** | **Total** | **Deadline for deduction *** |
|---|---|---|---|---|
| 2014 | - | 31,071,827 | 31,071,827 | No deadline |
| 2015 | 96,780,011 | 67,927,000 | 164,707,011 | No deadline |
| 2021 | 549,225,430 | - | 549,225,430 | No deadline |
| 2022 (estimation) | 116,714,860 | - | 116,714,860 | No deadline |
| | **762,720,301** | **98,998,827** | **861,719,128** | |

*According to FY 2023 State Budget

## 10 Other accounts receivable

As of 31 December 2022 and 2021, the detail of the other receivables item is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Customers | 435,338,029 | - | 275,737,564 | - |
| Security deposits of lease contracts | 7,266,337 | 35,430,579 | 7,942,181 | 48,654,070 |
| Recoverable maintenance reserves | 19,861,307 | 64,700,421 | - | 62,315,215 |
| Advances to suppliers | 27,676,618 | - | 15,234,138 | - |
| Accrued income | 37,886,855 | - | 13,889,002 | - |
| Other debtors | 1,462,227,516 | 343,800,240 | 1,032,803,970 | 3,029,579 |
| | **1,990,256,662** | **443,931,240** | **1,345,606,855** | **113,998,864** |
| Receivables impairment losses | (1,114,701,301) | (1,921,388) | (997,925,263) | (1,921,388) |
| | **875,555,361** | **442,009,852** | **347,681,592** | **112,077,476** |

There are no differences between the book values and fair value for the periods in question.

### ✈ Customers

As of 31 December 2022 and 2021, Customers item is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Private entities | 271,863,914 | 148,734,668 |
| Doubtful customers | 60,845,174 | 60,518,807 |
| Travel agency | 42,401,776 | 25,466,540 |
| Related parties (Note 38) | 19,299,760 | 17,055,898 |
| Airline companies | 17,478,206 | 19,129,075 |
| Other | 23,449,199 | 4,832,576 |
| | **435,338,029** | **275,737,564** |
| Impairment | (90,018,096) | (88,937,364) |
| | **345,319,933** | **186,800,200** |

The variation in this item essentially consists of the effect of the resumption of the activity in the year ended 31 December 2022.

As of 31 December 2022, the heading Private Entities includes a balance referring to a retention made by the credit card entity Elavon, in the amount of USD 42 million, approximately EUR 30 million (in 2021 the value of the retention amounted to USD 60 million, about EUR 53 million). In 2022, an amount of EUR 9.5 million was received, with the remaining amount of the retention being received in early 2023.

The receivable balances from travel agencies and airline companies are primarily settled through IATA Billing and Settlement Plan (BSP) and IATA Clearing House (ICH), which does not fully cover the bankruptcy risks of Travel Agencies and Aviation Companies.

### ✈ Security deposits of lease contracts

Security deposits are paid under lease contracts without purchase for aircraft and engines, and will be recovered, without interest, when such aircraft and engines are returned to the lessors. In addition, as of 31 December 2022, the expenses to be recognised item includes an amount of EUR 19.7 million related to the financial discount of these receivables, to be recognized in the period of the related lease agreements (Note 13).

### ✈ Recoverable maintenance reserves

The recoverable maintenance reserves item refers to maintenance reserves paid on lease contracts with no option to purchase, which will be carried out during the contract period.

### ✈ Advances to suppliers

As of 31 December 2022 and 2021, the "Advances to suppliers" item is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Related parties (Note 38) | 575,390 | 516,432 |
| Others | 27,101,228 | 14,717,706 |
| | **27,676,618** | **15,234,138** |

The item "Others" includes advances to suppliers of a several natures, namely airport management entities and insurance companies.

### ✈ Accrued income

As of 31 December 2022 and 2021, "Accrued income" item is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Work for aviation companies | 27,739,776 | 10,070,865 |
| Related parties (Note 38) | 1,046,291 | 1,899,181 |
| Airport facilities - incentives | 364,477 | 201,067 |
| Other | 8,736,311 | 1,717,889 |
| | **37,886,855** | **13,889,002** |

The increase in the balance of the Work for aviation companies item, results from the resumption in the second half of 2022 of the maintenance activity of third-party aircraft and reactors.

As of 31 December 2022, the balance of the caption "Others" essentially concerns credit notes receivable from suppliers and interest on bank deposits.

## ✈ Other debtors

As of 31 December 2022 and 2021, the other debtors item is detailed as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Current** | **Non-current** | **Current** | **Non-current** |
| Related parties (Note 38) | 1,048,023,603 | 17,223,370 | 948,181,025 | - |
| Unrealized share capital (Notes 15 and 38) | 333,540,088 | 324,341,080 | - | - |
| Deposits and guarantees | 30,350,635 | - | 21,512,320 | - |
| Employees | 18,238,492 | - | 14,531,539 | - |
| Interline and other invoicing | 12,644,195 | - | 18,978,784 | - |
| Doubtful accounts | 7,608,261 | - | 4,285,131 | - |
| Representations VAT | 6,014,767 | - | 3,322,126 | - |
| Advances related to lease contracts | - | - | 6,309,157 | - |
| Jet fuel derivatives (Note 23) | - | - | 233,046 | - |
| Other | 5,807,475 | 2,235,790 | 15,450,842 | 3,029,579 |
| | **1,462,227,516** | **343,800,240** | **1,032,803,970** | **3,029,579** |
| Impairment | (1,024,683,205) | (1,921,388) | (908,987,899) | (1,921,388) |
| | **437,544,311** | **341,878,852** | **123,816,071** | **1,108,191** |

As mentioned in the Introductory Note, on 27 December 2022 the sole shareholder subscribed a capital increase of EUR 980 million, with EUR 686 million remaining to be paid as of that date, which is expected to be realized in two tranches of equal amounts in 2023 and 2024. The balance of the capital increase to be carried out, financially updated, is recorded under current and non-current subscribed and unrealized capital, in the amounts of EUR 334 million and EUR 324 million, respectively.

As of 31 December 2022, the caption other debtors – related entities – includes an amount of EUR 993 million receivable from TAP SGPS, for which there is an accumulated impairment of the same amount, which arises from its management of financial holdings at TAP ME Brasil, SPdH and Portugália and also includes the amount of EUR 42 million to be received from Portugália (EUR 24.7 million in current assets and EUR 17.2 million in non-current assets), related to the rebilling of maintenance reserves paid by Portugália to its lessores.

## ✈ Impairment losses on current receivables

The movement that occurred under the impairment losses on receivables item during the years ended 31 December 2022 and 2021 was as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Clients | Others | Clients | Others |
| **Opening balance** | 88,937,364 | 908,987,899 | 80,535,448 | 10,845,462 |
| Increases (Notes 18, 28 and 31) | 4,771,382 | 114,895,991 | 9,781,832 | 898,287,753 |
| Reversals (Note 28) | (440,362) | (8,876) | (454,914) | (56,263) |
| Utilization | (4,160,888) | (79,954) | (925,002) | (89,053) |
| Exchange (Note 33) | 910,600 | 888,145 | - | - |
| **Closing balance** | **90,018,096** | **1,024,683,205** | **88,937,364** | **908,987,899** |

During the 2022 financial year, impairment losses on accounts receivable from TAP SGPS were reinforced by EUR 108.4 million (Note 31), EUR 72.6 million related to new loans granted to TAP SGPS in 2022 (of which EUR 23.5 million concern the financing of the liquidation of the operations of TAP ME Brasil and which were already provisioned as at 31 December 2021 - Note 18) and EUR 35.8 million arising from the change of perspective regarding the way of settlement of amounts related to corporate transactions of TAP SGPS subsidiaries, under the terms of the Approved Restructuring Plan.

As a result of the analysis of the recoverability of accounts receivable, in 2021 were recorded (i) impairment losses in the amount of EUR 884.7 million relating to the accounts receivable from TAP SGPS arising from the approval of the Approved Restructuring Plan (Note 1.1.3), (ii) impairment losses in the amount of EUR 10.7 million on an account receivable from SPdH, essentially referring to the disposal of aircraft assistance equipment previously acquired from SPdH itself in March 2021 and (iii) impairment losses amounting to approximately EUR 6.8 million in accounts receivable from TAP ME Brasil.

The details of accumulated impairment losses referring to related parties are disclosed in Note 38.

## 11 Inventories

The caption “Inventories” as of 31 December 2022 and 2021 is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Raw materials and consumables | 81,765,085 | 82,944,908 |
| Inventory impairment losses | (15,380,857) | (26,388,101) |
| | **66,384,228** | **56,556,807** |

Raw materials and consumables refer to technical material for use in the maintenance and repair of own aircraft and in works for other airlines.

The movement that occurred under the impairment losses on receivables item for the years ended 31 December 2022 and 2021 is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| **Opening balance** | 26,388,101 | 21,236,969 |
| Increases (Note 28) | 91,378 | 12,498,098 |
| Decreases (Note 28) | (5,222,758) | (7,163) |
| Utilization | (5,875,864) | (7,339,803) |
| **Closing balance** | **15,380,857** | **26,388,101** |

The impairment reduction recorded during the year ended 31 December 2022 is essentially due to the increase in inventory rotation, following the increase in the Group's activity in 2022.

The amounts recorded as utilizations during the years ended 31 December 2022 and 2021, mainly concern materials sold and/or scrapped for which impairment losses had been recorded in previous years.

The increase in impairments during the year ended 31 December 2021 relates mainly to items referring to fleets in phase-out or with low rotation, namely in the A330 and A320Family fleets, connected with the low consumption of materials as a result of the COVID-19 pandemic.

## 12 Income tax receivables / payables

As of 31 December 2022 and 2021, the balance concerning income tax receivables or payables is detailed as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current assets | Current liabilities | Current assets | Current liabilities |
| **State and Other Public Entities** | | | | |
| Other | - | (19,326) | - | (19,327) |
| Withholding taxes | 656,061 | - | - | 28,410 |
| Current income tax (Note 34) | (221,015) | - | - | (113,886) |
| | **435,046** | **(19,326)** | **-** | **(104,803)** |
| | **435,046** | **(19,326)** | **-** | **(104,803)** |

## 13 Other current and non-current assets

Other current and non-current assets as of 31 December 2022 and 2021 are detailed as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Deferred costs | 37,288,455 | 17,828,667 | 19,313,229 | 22,903,458 |
| State and other public entities | 7,514,913 | - | 2,607,648 | - |
| | **44,803,368** | **17,828,667** | **21,920,877** | **22,903,458** |

### ✈ Deferred costs

As of 31 December 2022 and 2021, the caption “Deferred costs” is detailed as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Security deposits (Note 10) | 1,909,687 | 17,828,667 | - | 22,903,458 |
| Related Parties (Note 38) | 272,178 | - | 1,023,737 | - |
| Commissions | 27,667,870 | - | 13,667,982 | - |
| Specialized work | 1,506,087 | - | - | - |
| Rental costs | 286,879 | - | 295,000 | - |
| Other | 5,645,754 | - | 4,326,510 | - |
| | **37,288,455** | **17,828,667** | **19,313,229** | **22,903,458** |

As of 31 December 2022 and 2021, commissions relate to amounts paid to agents for tickets sold, but not yet flown and not expired. Their variation is mainly due to the resumption of the activity in 2022.

- **State and other public entities**

As of 31 December 2022 and 2021, the balances of this caption are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| VAT | 5,925,109 | 1,845,986 |
| Other | 1,589,804 | 761,662 |
| | **7,514,913** | **2,607,648** |

As of 31 December 2022 and 2021, the VAT balance refers to requests for refunds, not yet received.

## 14 Cash and cash equivalents

As of 31 December 2022 and 2021, the detail of cash and cash equivalents is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Bank deposits available on demand | 82,248,411 | 48,256,116 |
| Term deposits | 833,698,030 | 764,104,851 |
| Other deposits | 65,000 | 176,000 |
| Cash | 65,610 | 41,349 |
| **Cash and cash equivalents** | **916,077,051** | **812,578,316** |

## 15 Capital

The variation in this caption is justified by the following impacts:

On 24 May 2021, the Portuguese State, through the Directorate-General for the Treasury and Finance, carried out a capital increase in TAP S.A. in the amount of EUR 462 million.

In this context, the shareholder structure of TAP S.A. changed to the following:

- The Portuguese Republic, through the Directorate-General for the Treasury and Finance, holding 91.8% of the shares representing share capital and voting rights; and
- TAP SGPS holding 8.2% of the shares representing the share capital and voting rights of TAP S.A..

Following the approvals by the European Commission of State aid for (i) the restructuring of the TAP Group and (ii) for the compensation of losses suffered by TAP S.A. as a result of the COVID-19 pandemic, on 30

December 2021, the following corporate operations were approved at the Extraordinary General Meeting of TAP S.A. and submitted to the Lisbon Commercial Registry Office for registration:

- The increase in the share capital of TAP S.A. from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary payments, in the total amount of EUR 154,353,400;
- The reduction of its share capital to EUR 0, for partial coverage of losses;
- The increase in its share capital from EUR 0 to EUR 1,794,544,230, fully subscribed by the Portuguese Republic, through the Directorate-General for the Treasury and Finance, with the amount of EUR 1,258,544,230 being paid exclusively through contributions in kind, by converting credits from the Portuguese Republic on TAP S.A., and the amount of EUR 536,000,000, realized through cash entries;
- The reduction of its share capital from EUR 1,794,544,230 to EUR 904,327,865, to partially cover losses.

Due to the operations described above, TAP S.A. now has the Portuguese Republic as its sole and direct shareholder, through the Directorate-General for Treasury and Finance, with no material change in the control exercised over TAP S.A., as the Portuguese Republic was already the beneficial owner of TAP S.A.

Still following the decision of the European Commission dated 21 December 2021 which approved the TAP Group's Restructuring Plan and the granting of restructuring aid, under the terms of which it was foreseen to grant a tranche of the said aid until the end of the fiscal year 2022, on 27 December 2022, the following corporate transactions were approved by means of a written decision by the sole shareholder of TAP S.A.:

- The reduction of the share capital of TAP S.A. from EUR 904,327,865 to EUR 0.00, for partial coverage of losses;
- The increase in its share capital from EUR 0.00 to EUR 980,000,000, fully subscribed by the Portuguese Republic, through the Directorate-General for Treasury and Finance, to be carried out by new contributions in cash.

As a result of the 2022 Operations described above, the share capital of TAP S.A. amounts to EUR 980,000,000, represented by 196,000,000 shares, with a nominal unit value of EUR 5.00, of which EUR 294,000,000 have been paid up. TAP S.A. maintains the Portuguese Republic as the sole direct shareholder and effective beneficiary, through the Directorate-General for Treasury and Finance.

## 16 Supplementary capital contributions and reserves

**Supplementary capital contributions**

Following the Shareholders General Meeting resolution on 13 November 2015, the shareholder to date, TAP SGPS has made a fully realised cash entry of EUR 29,542,000 in the form of supplementary capital contributions. Additionally, on December 11, 2015, by a unanimous written resolution, supplementary capital contributions were approved, in the total amount of EUR 124,811,400, whose cash entry also took place in December.

On 30 December 2021, the Extraordinary General Meeting of TAP S.A. approved the increase in the share capital of TAP S.A. from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary payments, in the total amount of EUR 154,353,400 (Note 15).

**Reserves**

✈ **Legal reserve**

Commercial legislation provides that at least 5% of the annual net income must be earmarked for strengthening the legal reserve until it represents at least 20% of the capital.

This reserve is not distributable except in the event of the liquidation of the Group, however, it may be incorporated into the capital or used to absorb losses after the other reserves have been exhausted.

Following the capital increases occur in 2021 and 2022, as of 31 December 2022 the legal reserve is not yet fully constituted.

✈ **Fair value reserves**

As of 31 December 2022, the negative amount of EUR 5,741,822, presented under the "Fair value reserves" item, is the fair value of financial instruments classified as hedging amounting to EUR 7,268,129, net of deferred taxes amounting to EUR 1,526,307 (Notes 9 and 20).

✈ **Other reserves**

During the year ended 31 December 2022, the Group recorded under "Other reserves" the amount of EUR 76,521,759, net of deferred tax in the amount of EUR 32,019,743 (Notes 9 and 33), referring to exchange losses net amounts arising from the exchange rate update of lease liabilities in USD, for which a hedging ratio was defined with highly probable forecast sales which fare is determined in USD, with reference to 1 January 2022 (Note 2.33).

This item also includes a reserve set up in 2010 resulting from the merger by incorporation of Air Portugal Tours, S.A. in the amount of EUR 200,588.

**Other variations in equity**

The balance recorded under the caption as of 31 December 2022 in the amount of EUR 28.1 million concerns the financial discount effect on accounts receivable in December 2023 and December 2024 from the sole shareholder, relating to the capital increase subscribed on 27 December 2022 and not realized yet (Note 10).

**Retained earnings**

The item “Retained earnings” corresponds to the net income of previous years, as per the decisions made at the General Meetings. In addition, changes resulting from the application of International Financial Reporting Standards for the first time, as well as gains or losses from remeasurements of post-employment benefits, net of tax and adjustments arising from the adoption of IFRS 16, are recorded under this item.

On 27 December 2022 and 30 December 2021, the Extraordinary General Meeting of TAP S.A. approved share capital reductions in the amounts of EUR 904,327,865 and EUR 1,548,069,765, respectively, to partially cover losses (Note 15).

## 17 Pensions and other post-employment benefits

As mentioned in Note 2.21, TAP S.A. is responsible for paying post-employment benefits to retired, pre-retired, and still active employees.

### ✈ Retirement pension supplements and early retirement instalments (VIVA)

According to current rules at the Group, this guarantees employees hired before 31 May 1993 the difference between the pension, for age or disability, allocated by Social Security, and a minimum amount guaranteed by the Group. This amount corresponds to a fixed percentage of part of the salary (basic salary + annuities), at the retirement date, for each year in the Group’s service, up to a maximum of 20 years, as follows:

- Flight deck crew (pilots and flight technicians) – 3.2% per year of service;
- Ground staff and cabin crew – 4% per year of service.

In addition, the Group has undertaken to pay early retirement pensions, whose value is fixed so that the respective net value receivable in situations of early retirement ranges from 75% to 100% of the net value that the employees received when active on the date of early retirement.

In October 2008, the Labour Agreement TAP S.A. with the Civil Aviation Pilots Union ("SPAC") was amended, with the following main changes:

- Pilots recruited before 31 May 2007: the pension plan includes the seniority bonus guaranteed by the State (of 15% or 10%, according to the start date of the contributory career) and the possibility of an additional bonus (up to 25% or 30%) as an option for the beneficiary upon retirement (this additional bonus will be paid by the Group);

- Pilots recruited after 1 June 2007: the pension plan consists of a defined contribution scheme of 7.5% of the base remuneration effectively earned (14 times a year), of which 80% is paid by the Group. This plan is guaranteed by contracts of participation in open pension funds managed by Banco Português de Investimento ("BPI"). The participation contracts and their management are optional to SPAC, as established in the collective regulations.

The Group has recorded all its liabilities related to past services for the payment of pension supplements and early retirement benefits relative to the defined benefit plan.

The measurement of liabilities took into consideration that, under the terms of the collective regulations establishing the aforementioned pension plan, the total pension guaranteed by the Group, i.e. the social security pension and pension supplement will never exceed the base monthly remuneration, net of personal income tax (IRS) and Social Security payments during employment. This requirement is not applicable because it is not enshrined in the collective regulations governing the technical flight crew, for which the limit does not exist and the pensionable salary is the basic salary of the salary scale, plus the financial year salary and seniority.

In order to cover the liabilities related to the defined benefit plan, the Group concluded a contract to join the VIVA open pension fund. As of 2011, the cost related to retirement pension supplements, constituted since 1998, is assumed by this participation. Annual expenditure on pensions is determined in accordance with the actuarial study, reviewed and adjusted annually according to the updating of salaries and the evolution of the participant group. Costs relating to retirement supplements constituted by December 1997, early retirement instalments and the portion of pilot retirement supplements, which exceeds the limit referred to in the preceding paragraph, are assumed directly by TAP S.A. and covered by a specific provision.

✈ **Retirement Bonus – PNT**

The Company Agreement concluded between TAP S.A. and SPAC establishes that TAP S.A. undertakes to pay to pilots recruited before 31 May 2007, in addition to a pension scheme, a one-off retirement bonus to every pilot upon retirement due to old age, which is funded by the capital accumulated in a collective insurance policy constituted by TAP S.A. on behalf of the pilots. The main conditions of the collective retirement policy agreed with the insurance company, describing this Retirement Benefits Plan for Pilots, are as follows:

- Admission conditions: pilots who are still in active service;
- Standard retirement age: 65 years;
- Guarantees: each participant is entitled, upon the retirement date, to an amount equal to 16 times the last declared monthly wage.

The Benefit Plan is funded through an insurance policy that is reinforced by contributions (premiums) paid by the Group and by income obtained from investments made by the insurance company in an Autonomous Fund which supports this type of insurance.

In October 2008, the agreement between TAP S.A. and SPAC was amended, with the main changes being as follows:

- Pilots recruited before 31 May 2007: the one-off retirement bonus is maintained, but will only be paid if, on the retirement date, the person is entitled to the full pension, with the possibility of increasing the capital for every additional year of service after the full pension age has been reached;

- Pilots recruited after 1 June 2007: there is no entitlement to a retirement bonus.

✈ **Healthcare**

The Group ensures that both pre-retired and early-retired employees, below the age of 65, are awarded with a healthcare plan providing access to medical care at reduced prices. In addition, the Group provides its retired employees with access to medical services from UCS – Cuidados Integrados de Saúde, S.A. (“UCS”), as a freely granted benefit, for which they pay a portion of the cost of each clinical service with the remainder being paid by TAP S.A.

The Group considers that although it provides its former employees with access to the health care services of UCS, this is not an obligation but rather a freely granted benefit that, therefore, does not constitute a liability to provide any healthcare for workers after they leave employment at the Group. Therefore, as of this date, the Company assumes no liability regarding the provision of health care services for pre-retired, early-retired and retired employees. As at 31 December 2022, the provision recorded covers all liabilities for medical acts with pre-retired, early-retired and retired persons, having the said liability been determined based on an actuarial study calculated by an independent entity.

**Assumptions used in the evaluation of liabilities**

The Group liabilities Group were calculated through actuarial studies reported as of 31 December 2022 and 2021, prepared by independent entities, using the "Projected Unit Credit Method" and essentially based on the following financial and demographic assumptions:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Portugal VIVA | Portugal Jubileu | Portugal VIVA | Portugal Jubileu |
| Mortality table | TV 88/90 | TV 88/90 | TV 88/90 | TV 88/90 |
| Disability table | EKV1980 | EKV1980 | EKV1980 | EKV1980 |
| Discount rate | 3.50% | 3.50% | 0.75% | 0.75% |
| Fund yield rate | 3.50% | 2.00% | 0.75% | 1.00% |
| Growth rate | | | | |
| Wages | [0%(até 2024)-1,5%(2024+)] | [0%(até 2024)-1,5%(2024+)] | [0%(até 2024)-1,5%(2024+)] | [0%(até 2024)-1,5%(2024+)] |
| Pensions | 1.00% | 1.00% | 1.00% | 1.00% |
| Salaries (Social Security) | 3.70% | -- | 1.50% | -- |
| Trend of medical costs | 1.50% | -- | 1.50% | -- |
| Regular retirement age | 65 | 65 | 65 | 65 |

The Group periodically reviews actuarial assumptions whenever relevant events occur, based on information from the financial markets and information on the universe of beneficiaries covered by the plans. On 31 December 2022, the VIVA and Jubileu discount rate increased to 3.50%, due to the variation in the 2022 risk-free interest rates. The salary growth rate is based on the best estimate at the time, taking into account the Group's ongoing Restructuring Plan.

Liabilities as of 31 December 2022 and 2021 are detailed as follows:

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | Brasil Representation | England Representation | Total |
| Liabilities from past services | | | | | | | |
| - Active employees | 192,663 | 59,384,309 | - | 59,779,842 | 525,706 | - | 119,882,520 |
| - Early retirement | 125,617 | 2,861,925 | 237,394 | - | - | - | 3,224,936 |
| - Retired | 13,200,670 | 22,762,018 | 2,283,971 | - | - | 27,516,264 | 65,762,923 |
| Fair value of the fund | (12,216,494) | - | - | (40,667,788) | (386,415) | (28,392,320) | (81,663,017) |
| **Defit/(surplus)** | **1,302,456** | **85,008,252** | **2,521,365** | **19,112,054** | **139,291** | **(876,056)** | **107,207,362** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Liabilities from past services | | | | | | |
| - Active employees | 1,123,071 | 5,587,283 | - | 89,212,919 | - | 95,923,273 |
| - Early retirement | 101,613 | 8,191,930 | 412,468 | - | - | 8,706,011 |
| - Retired | 10,945,948 | 24,615,743 | 2,649,744 | - | 33,246,064 | 71,457,499 |
| Fair value of the fund | (15,032,652) | - | - | (38,525,937) | (33,297,234) | (86,855,823) |
| **Defit/(surplus)** | **(2,862,020)** | **38,394,956** | **3,062,212** | **50,686,982** | **(51,170)** | **89,230,960** |

The best estimate of contribution to pension benefit plans for the subsequent year amounts to approximately EUR 6 million.

As of 31 December 2022 and 2021, the Group's defined benefit plans in Portugal (excluding the Representations in England and Brazil) covered 1,286 and 1,302 active beneficiaries, respectively. The total number of retired and pre-retired employees entitled to a retirement pension supplement as of 31 December 2022 and 2021 was 510 and 534 beneficiaries, respectively.

As of 31 December 2022 and 2021, the average maturity of liabilities for the defined benefit plans “VIVA Fund” and “Jubileu Bonus” is 10 years and 15 years, respectively.

**Sensitivity analyses**

✈ **Annual discount rate**

An increase (decrease) of 0.25% in the annual discount rate of the defined benefit plans “VIVA Fund” and “Jubileu Bonus” would correspond to the following impacts on the Group’s liabilities as of 31 December 2022 and 2021:

| 2022 | Rate | VIVA Plan* | Jubileu Bonus |
|---|---|---|---|
| **Annual discount rate of pensions** | 3.50% | 98,527,202 | 59,779,842 |
| 0.25% increase in the discount rate | 3,75% | 97,644,329 | 57,954,498 |
| 0.25% decrease in the discount rate | 3,25% | 99,446,324 | 61,680,258 |

* Includes "VIVA Fund" and "VIVA Pensions"

| 2021 | Rate | VIVA Plan* | Jubileu Bonus |
|---|---|---|---|
| **Annual discount rate of pensions** | 0.75% | 50,565,588 | 89,212,919 |
| 0.25% increase in the discount rate | 1.00% | 49,484,822 | 86,238,083 |
| 0.25% decrease in the discount rate | 0.50% | 51,696,467 | 92,323,269 |

* Includes "VIVA Fund" and "VIVA Pensions"

✈ **Healthcare cost growth rate**

If the growth rate of medical care costs increases or decreases by one percentage point, the respective impact on the Group’s liabilities as of 31 December 2022 and 2021 is as follows:

| | Rate | 2022 | 2021 |
|---|---|---|---|
| **Annual growth rate of medical costs** | 1.50% | 2,521,365 | 3,062,212 |
| 1% increase in the growth rate of medical costs | 2.50% | 2,690,814 | 3,304,734 |
| 1% decrease in the growth rate of medical costs | 0.50% | 2,369,381 | 2,847,905 |

✈ **Pension growth rate**

If the pension growth rate increase or decreases by 0.25 percentage points, the respective impact on the Group’s liabilities as of 31 December 2022 and 2021 is as follows:

| | Rate | 2022 | 2021 |
|---|---|---|---|
| **Growth rate of VIVA Plan* pension** | 1.00% | 98,527,202 | 50,565,588 |
| 0.25% increase in the Pension growth rate | 1.25% | 99,452,681 | 51,511,448 |
| 0.25% decrease in the Pension growth rate | 0.75% | 97,631,252 | 49,651,818 |

* Includes "VIVA Pensions" and "VIVA Fund"

## Evolution of liabilities from past services

The evolution of liabilities for past services, reflected in the statement of financial position, during the years ended 31 December 2022 and 2021, is as follows:

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | Brasil Representation | England Representation | Total |
| Liabilities at the beginning of the year | 12,170,632 | 38,394,956 | 3,062,212 | 89,212,919 | - | 33,246,064 | 176,086,783 |
| Currency translation differences | - | - | - | - | (348,547) | (1,748,649) | (2,097,196) |
| Tranfers | - | - | - | - | 956,587 | - | 956,587 |
| Values recorded through profit or loss for the year: | | | | | | | |
| Current services | 65,949 | - | - | 2,676,865 | - | - | 2,742,814 |
| Net interest | 91,281 | 501,730 | 11,483 | 623,438 | (82,334) | (3,981,151) | (2,835,553) |
| Actuarial gain and losses | 2,560,047 | 56,144,713 | (552,330) | (28,136,669) | - | - | 30,015,761 |
| Benefits paid | (1,368,959) | (10,033,147) | - | (4,596,711) | - | - | (15,998,817) |
| **Liabilities at the end of the year** | **13,518,950** | **85,008,252** | **2,521,365** | **59,779,842** | **525,706** | **27,516,264** | **188,870,379** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Liabilities at the beginning of the year | 12,820,006 | 45,931,110 | 3,207,957 | 99,759,690 | 31,073,490 | 192,792,253 |
| Currency translation differences | - | - | - | - | 2,088,949 | 2,088,949 |
| Values recorded through profit or loss for the year: | | | | | | |
| Current services | 61,962 | (2,031,488) | - | 4,577,625 | - | 2,608,099 |
| Net interest | 96,150 | 344,483 | 12,029 | 689,732 | 83,625 | 1,226,019 |
| Restructuring - early retirement (Note 30) | - | - | - | (2,455,530) | - | (2,455,530) |
| Actuarial gain and losses | 29,263 | 1,348,311 | (157,774) | (8,403,830) | - | (7,184,030) |
| Benefits paid | (836,749) | (7,197,460) | - | (4,954,768) | - | (12,988,977) |
| **Liabilities at the end of the year** | **12,170,632** | **38,394,956** | **3,062,212** | **89,212,919** | **33,246,064** | **176,086,783** |

The transfers in the amount of EUR 957 thousand related to the Brasil Representation, refer to liabilities with the employees of that representation, which were previously recorded under the caption Other accounts payable.

## Evolution of funds allocated to pensions benefit schemes

During the year ending 31 December 2022 and 2021, the evolution of the assets of the funds was as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | VIVA Fund | Jubileu Bonus | Brazil Representation | England Representation | Total |
| Opening balance | 15,032,652 | 38,525,937 | - | 33,297,234 | 86,855,823 |
| Transfers | - | - | 32,110 | - | 32,110 |
| Contributions in the year | - | 6,000,000 | 389,744 | - | 6,389,744 |
| Net interest | (1,447,199) | 848,786 | - | (3,153,574) | (3,751,987) |
| Benefits paid | (1,368,959) | (4,596,710) | - | - | (5,965,669) |
| Return of plan assets (excluding net interest) | - | (110,225) | - | - | (110,225) |
| Exchange variation | - | - | (35,439) | (1,751,340) | (1,786,779) |
| **Closing Balance** | **12,216,494** | **40,667,788** | **386,415** | **28,392,320** | **81,663,017** |

| | 2021 | | | |
|---|---|---|---|---|
| | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Opening balance | 15,234,853 | 36,914,250 | 31,121,319 | 83,270,422 |
| Contributions in the year | - | 6,000,000 | - | 6,000,000 |
| Net interest | 634,548 | 378,995 | 3,344 | 1,016,887 |
| Benefits paid | (836,749) | (4,954,768) | - | (5,791,517) |
| Return of plan assets (excluding net interest) | - | 187,460 | - | 187,460 |
| Exchange variation | - | - | 2,172,571 | 2,172,571 |
| **Closing Balance** | **15,032,652** | **38,525,937** | **33,297,234** | **86,855,823** |

The composition of the funds and their category of amounts included as of 31 December 2022 and 2021 is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Shares | 3,204,713 | - | 3,667,388 | 6,872,101 |
| Bonds | 4,466,272 | 37,983,714 | 1,557,676 | 44,007,662 |
| Public debt | 3,517,713 | - | - | 3,517,713 |
| Real estate | 461,668 | - | - | 461,668 |
| Liquidity | 566,128 | 2,684,074 | 574,361 | 3,824,563 |
| Other current investments | - | - | 22,592,895 | 22,592,895 |
| | **12,216,494** | **40,667,788** | **28,392,320** | **81,276,602** |

| | 2021 | | | |
|---|---|---|---|---|
| | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Shares | 4,180,850 | - | 4,300,947 | 8,481,797 |
| Bonds | 5,544,297 | 35,675,018 | 1,826,772 | 43,046,087 |
| Public debt | 4,346,533 | - | - | 4,346,533 |
| Real estate | 483,322 | 231,156 | - | 714,478 |
| Liquidity | 477,650 | 2,619,764 | 673,585 | 3,770,999 |
| Other current investments | - | - | 26,495,930 | 26,495,930 |
| | **15,032,652** | **38,525,937** | **33,297,234** | **86,855,823** |

### Expenses related to pensions and other post-employment benefits

The expenses relating to pensions and other post-employment benefits are detailed as follows:

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | Brasil Representation | England Representation | Total |
| Current Services | 65,949 | - | - | 2,676,865 | - | - | 2,742,814 |
| Net interest | 1,538,480 | 501,730 | 11,483 | (225,348) | (82,334) | (827,577) | 916,434 |
| **Total (Note 27)** | **1,604,429** | **501,730** | **11,483** | **2,451,517** | **(82,334)** | **(827,577)** | **3,659,248** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Current Services | 61,962 | (2,031,488) | - | 4,577,625 | - | 2,608,099 |
| Net interest | (538,398) | 344,483 | 12,029 | 310,737 | 80,281 | 209,132 |
| **Sub-total (note 27)** | **(476,436)** | **(1,687,005)** | **12,029** | **4,888,362** | **80,281** | **2,817,231** |
| Restructuring - early retirement (Note 30) | - | - | - | (2,455,530) | - | (2,455,530) |
| **Total** | **(476,436)** | **(1,687,005)** | **12,029** | **2,432,832** | **80,281** | **361,701** |

As mentioned, Group pilots recruited after 1 June 2007 benefit from a defined contribution plan. During the year ending 31 December 2022, expenses related to on post-employment benefits were recognised in the amount of EUR 2,257 thousand (2021: EUR 2,489 thousand), relating to contributions made during the year in favour of its employees (Note 27).

Expenditures on pensions and other post-employment benefits during the fiscal years ended 31 December 2022 and 2021 are recorded under the employee costs heading (Note 27).

### Remeasurement gains/losses

The remeasurement gains/losses related to post-employment benefit plans are detailed as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | Total |
| **Remeasurements** | | | | | |
| Return of assets, excluding amounts included in net income | - | - | - | 110,225 | 110,225 |
| | **-** | **-** | **-** | **110,225** | **110,225** |
| (Gains)/losses due to changes in financial assumptions | (3,887,565) | (8,219,138) | (520,941) | (25,932,004) | (38,559,648) |
| (Gains)/losses due to experience | 6,447,612 | 64,363,851 | (31,389) | (2,204,665) | 68,575,409 |
| | **2,560,047** | **56,144,713** | **(552,330)** | **(28,136,669)** | **30,015,761** |
| **Total remeasurements** | **2,560,047** | **56,144,713** | **(552,330)** | **(28,026,444)** | **30,125,986** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | Total |
| **Remeasurements** | | | | | |
| Return of assets, excluding amounts included in net income | - | - | - | (187,460) | (187,460) |
| | **-** | **-** | **-** | **(187,460)** | **(187,460)** |
| (Gains)/losses due to changes in financial assumptions | - | - | - | (4,003,695) | (4,003,695) |
| (Gains)/losses due to experience | 29,263 | 1,348,311 | (157,774) | (4,400,135) | (3,180,335) |
| | **29,263** | **1,348,311** | **(157,774)** | **(8,403,830)** | **(7,184,030)** |
| **Total remeasurements** | **29,263** | **1,348,311** | **(157,774)** | **(8,591,290)** | **(7,371,490)** |

The actuarial gains recognized in 2022 relating to changes in financial assumptions, in the total amount of EUR 38,560 thousand, are essentially due to the change in the discount rate from 0.75% to 3.50%.

The experience losses recognized in 2022 are essentially due to the review of assumptions for calculating pensions to be borne by Social Security (wage growth rate for calculating the reference remuneration of the Social Security pension and monetary correction rate), with the aim of based on the deviations that occurred in 2022 in the transition from assets to pensioners.

The actuarial gains/losses were recognised directly in the Group's other comprehensive income.

## 18 Provisions

During the years ended 31 December 2022 and 2021, the item "Provisions" had the following movement:

| | Provision for legal claims (Note 28) | Other (Notes 28 and 31) | Redelivery costs (Note 4) | Restructuring provision (Note 30) | Total |
|---|---|---|---|---|---|
| **1 January 2021** | **10,552,767** | **10,801,908** | **87,616,623** | **93,197,493** | **202,168,791** |
| Increases | 13,379,254 | 145,265,810 | 65,378,855 | 8,569,897 | 232,593,816 |
| Reversals | - | (2,334,992) | (10,964,710) | (20,370,251) | (33,669,953) |
| Uses | - | (6,106,506) | (13,885,070) | (44,384,684) | (64,376,260) |
| Exchanges and interests | - | - | 13,208,809 | - | 13,208,809 |
| **31 December 2021** | **23,932,021** | **147,626,220** | **141,354,507** | **37,012,455** | **349,925,203** |
| Increases | 58,340,451 | 38,692,641 | 79,142,563 | 533,379 | 176,709,034 |
| Reversals | - | (117,395,883) | (21,453,446) | (3,970,837) | (142,820,166) |
| Utilization | (29,703,306) | (29,366,203) | (19,546,304) | (18,502,302) | (97,118,115) |
| Exchange and interests | - | - | 11,255,930 | - | 11,255,930 |
| **31 December 2022** | **52,569,166** | **39,556,775** | **190,753,250** | **15,072,695** | **297,951,886** |

### ✈ Provision for ongoing legal processes

Provisions for ongoing legal processes are recorded in accordance with the risk assessments carried out by the Group and its legal advisors, based on historical success rates by nature of legal action and probability of unfavourable outcomes for the Group. As of 31 December 2022, the existing provision of EUR 52.6 million is intended to deal with various legal proceedings brought against the Group in Portugal and abroad.

During the 2022 financial year, there was an increase and use of the provision of around EUR 28 million under the agreement signed with the unions.

✈ **Others**

As of 31 December 2021, a provision of EUR 7.0 million was recorded for compensations to passengers whose claims are being processed by the Group. As of 31 December 2022, this provision amounts to EUR 25.3 million.

Additionally, as of 31 December 2021, a provision in the amount of EUR 140.3 million was constituted referring to the estimated charges that TAP S.A. would support related to the corporate reorganization of the subsidiaries of the TAP SGPS Group, resulting from the approval of the Restructuring Plan by the European Commission on December 21, 2021 (Note 31). This provision referred to the estimated charges assumed by TAP S.A. within the scope of financing the liquidation process of TAP ME Brasil. During the year ended 31 December 2022, payments were made in the amount of EUR 26.7 million reduced to the provision, with the remaining amount being reversed, arising from changes in estimates that occurred in the year 2022, within the scope of the liquidation operations of TAP ME Brasil, and the revocation of the assumption of responsibility by TAP S.A. on the evolution of the liquidation operations of TAP ME Brasil, considering the substantial change in the form of corporate restructuring in progress of the TAP Group, foreseen on the present date, with an impact on the financial position of TAP SGPS (Note 31).

✈ **Redelivery costs**

Increases in the redelivery provision are recognised against the asset under the right of use and are then subject to depreciation. The increase recognised against 31 December 2021 is the result of the update of the redelivery estimate performed as of 31 December 2022, considering the best information available on that date.

✈ **Provision for restructuring**

Within the scope of the ongoing Restructuring Plan, organizational restructuring and operational efficiency measures were defined, including a reduction in the number of employees, in order to guarantee the financial and economic sustainability of the Group.

As of 31 December 2022, and taking into account the payments already made, the Group revised the provision for costs to be incurred with the restructuring, to be concluded in 2023, to the amount of approximately EUR 15.1 million, the which refers to the estimate of processes to be completed and future payments already agreed.

## 19 Borrowings and Lease liabilities with and without purchase option

As of 31 December 2022 and 2021, Borrowings and lease liabilities with and with no option to purchase are detailed as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Bank loans | 47,069,960 | 179,131,596 | 31,380,257 | 225,782,394 |
| Interest accrued | 1,949,117 | - | 1,335,092 | - |
| Initial expenses | (792,265) | (608,280) | (1,173,334) | (1,276,500) |
| **Remunerated bank debt** | **48,226,812** | **178,523,316** | **31,542,015** | **224,505,894** |
| | | | | |
| Bonds | 315,617,699 | 375,000,000 | 118,410,509 | 575,000,000 |
| Interest accrued | 2,476,143 | - | 2,526,020 | - |
| Initial expenses | (9,494,239) | (1,550,299) | (11,021,636) | (3,768,654) |
| **Bond issuance** | **308,599,603** | **373,449,701** | **109,914,893** | **571,231,346** |
| | | | | |
| Lease liabilities with purchase option | 72,947,743 | 636,032,784 | 53,537,660 | 490,781,631 |
| Interest accrued | 2,216,767 | - | 1,874,106 | - |
| Initial expenses | (523,063) | (1,372,670) | (656,849) | (1,860,142) |
| **Lease liabilities with purchase option** | **74,641,447** | **634,660,114** | **54,754,917** | **488,921,489** |
| | | | | |
| **Lease liabilities without purchase option** | **377,402,908** | **1,660,710,136** | **435,572,934** | **1,682,965,393** |
| | | | | |
| **Total borrowings and lease liabilities** | **808,870,770** | **2,847,343,267** | **631,784,759** | **2,967,624,122** |

### ✈ Net debt

As of 31 December 2022 and 2021, net debt is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| **Borrowings except Lease liabilities without purchase option** | | |
| Non-Current | 1,186,633,131 | 1,284,658,729 |
| Current | 431,467,862 | 196,211,825 |
| | **1,618,100,993** | **1,480,870,554** |
| **Cash and Cash Equivalents (Note 14)** | | |
| Cash | 65,610 | 41,349 |
| Bank deposits available on demand | 82,248,411 | 48,256,116 |
| Other deposits | 833,763,030 | 764,280,851 |
| | **916,077,051** | **812,578,316** |
| **Net debt** | **702,023,942** | **668,292,238** |

As of 31 December 2022 and 2021, the interest-bearing debt and leasing liabilities with a purchase option, by maturity and by type of interest rate, is broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| **Variable rate** | | |
| Up to 1 year | 64,498,627 | 36,029,948 |
| 1 to 2 years | 63,177,352 | 57,308,449 |
| 2 to 3 years | 63,975,846 | 58,186,097 |
| Over 3 years | 160,028,310 | 171,008,241 |
| | **351,680,135** | **322,532,735** |
| **Fixed rate** | | |
| Up to 1 year | 366,969,235 | 160,181,877 |
| 1 to 2 years | 430,320,549 | 241,668,932 |
| 2 to 3 years | 59,253,663 | 417,050,807 |
| Over 3 years | 409,877,411 | 339,436,203 |
| | **1,266,420,858** | **1,158,337,819** |
| | **1,618,100,993** | **1,480,870,554** |

### ✈ State Support

On 17 July 2020, the Group obtained an interest-bearing loan from the Portuguese State in the amount of EUR 1.2 billion, distributed in 7 tranches until 30 December 2020 (see Introductory Note). On 30 December 2021, this loan was converted into capital (Note 15).

### ✈ Bank loans

This caption includes EUR 136 million relating to financing with a syndicate of banks. In accordance with the conditions established in the Share Purchase Agreement, complemented with the TAP Group debt Restructuring and Monitoring agreement, referred to in Note 1, on 30 June 2017, the bank debt was restructured, with the main changes related with the maturities and conditions of the financing, namely the interest rate and applicable spread.

Additionally, this item includes two loans from a national credit institution, in the amount of EUR 82.9 million, and a loan with a Luxembourgish financial institution in the amount of EUR 2.1 million.

This heading also includes a loan obtained from Apple Bank in the total amount of EUR 5.5 million.

### ✈ Bond loans

TAP S.A. issued a bond issue by private offer, fully subscribed on 14 January 2019, in the amount of EUR 137.2 million and maturing in 2034. Compliance with payment of the subscribed amount and the respective interest benefits from a bank guarantee depository set up by the issuer for a specific purpose (shown in the

Financial Position as a deduction from gross financial debt) and additional guarantees on contractual rights that do not affect any asset recognized in the Group's financial position.

TAP S.A. made a public offer of 4-year bonds with a fixed interest rate of 4.375% per *annum*, in the amount of EUR 200 million, called “TAP 2019-2023” Bonds. The issuance, financial and physical settlement of the transaction, as well as the admission to trading of the bonds, took place on 24 June 2019 on Euronext Lisbon.

In December 2019, TAP S.A. also carried out an offer of 5-year bonds, with a fixed interest rate of 5.625% per annum, in the amount of EUR 375 million, called “TAP 2019-2024 Bonds”. The issuance, financial and physical settlement of the transaction, as well as the admission to trading of the bonds, took place on 2 December 2019.

As of 31 December 2022 and 2021, all bond loans are denominated in EUR.

### ✈ Lease liabilities with purchase option

As of 31 December 2022 and 2021, leasing liabilities with option to purchase (plus interest expense minus initial charges) essentially relate to aircraft and engines.

Leases with purchase option are denominated in the following currencies:

| | **2022** | **2021** |
|---|---|---|
| Lease liabilities in EUR | 183,777,055 | 139,439,418 |
| Lease liabilities in USD | 525,524,506 | 404,236,988 |
| | **709,301,561** | **543,676,406** |

As of 31 December 2022 and 2021, lease liabilities with purchase option, by maturity, are broken down as follows:

| | **2022** | **2021** |
|---|---|---|
| Up to 1 year | 74,641,447 | 54,754,917 |
| 1 to 2 years | 75,346,370 | 54,833,745 |
| 2 to 3 years | 78,399,467 | 57,082,339 |
| 3 to 4 years | 84,557,879 | 59,417,553 |
| 4 to 5 years | 54,802,089 | 65,094,130 |
| More than 5 years | 341,554,309 | 252,493,722 |
| | **709,301,561** | **543,676,406** |

### ✈ Lease liabilities without purchase option

The Lease liabilities without purchase option item refers essentially to the Company’s non-cancellable payments under lease contracts, which vary in duration up to 14 years and may be extended at the express wish of the contracting parties, which are recognised in the statement of financial position from 1 January 2019 with the adoption of IFRS 16.

As of 31 December 2021, there are 61 aircraft, 6 engines on lease agreements without purchase option and 19 aircraft under ACMI (as per Note 4).

As of 31 December 2022 and 2021, leasing liabilities without purchase option per maturity are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Up to 1 year | 377,402,908 | 435,572,934 |
| 1 to 2 years | 335,853,145 | 325,595,955 |
| 2 to 3 years | 266,398,937 | 247,457,716 |
| 3 to 4 years | 225,377,533 | 202,203,875 |
| 4 to 5 years | 190,728,886 | 183,455,233 |
| Over 5 years | 642,351,635 | 724,252,614 |
| | **2,038,113,044** | **2,118,538,327** |

Liabilities without purchase option are determined mainly in USD.

### ✈ Financial Covenants

The financial covenants contained in the leasing and financing contracts are the usual in operations of these natures, including provisions such as the obligation to maintain activity as an air operator, commitments to periodically provide available financial information, as well as, in the specific case of leasing without purchase option, obligations of an operational nature regarding registration with official entities, information regarding leased aircraft, strict compliance with all regulations, and procedures defined by the authorities, among others.

Additionally, commitments were assumed to monitor the financial performance of the TAP Group, through the analysis and compliance with certain ratios related to the TAP Group, namely, equity, EBITDAR, Net Debt/EBITDAR and non-recurring net financial debt. guaranteed and minimum amount of cash and unrestricted cash equivalents. These ratios are intended to monitor the financial situation of the TAP Group and assess its ability to guarantee debt service.

Due to the COVID-19 pandemic and the consequent deterioration of EBITDAR with the drop of the activity since 2020, the Group has breached certain financial covenants, namely those relating to the maintenance of Equity and compliance with the Adjusted Net Debt/EBITDAR ratio as set out in certain financing.

Regarding the financing with a syndicate of Portuguese Banks in the outstanding amount of EUR 136 million as of 31 December 2022, the financial covenants that refer to the financial statements as of this date are higher than the contractually agreed limits. However, its non-compliance does not generate the possibility of early repayment. Additionally, as of the date of approval of these financial statements, it is expected to obtain a waiver regarding the non-compliance of its covenants within the allowed period.

Regarding the issuance of bonds by private offer placed with foreign institutional investors in the amount of EUR 111.6 million as of 31 December 2022, the financial covenant of the Adjusted Net Debt/EBITDAR ratio, which has the financial statements as a reference on this date is complied with, in previous years this covenant presented values higher than the agreed contractual limit, and until the date of 31 December 2022, the respective waiver had not been obtained. In view of the above, on 31 December 2022 the Group classified this debt as a current liability. On the date of approval of these financial statements, the Group is in negotiations to obtain a waiver for the aforementioned defaults.

Regarding the public offer of 4-year bonds called "TAP 2019-2023" Bonds in the amount of EUR 200 million, on 19 July 2021 authorization was obtained for non-compliance with the financial covenant of the Adjusted Net Debt/EBITDAR ratio until the bond maturity.

### ✈ Reconciliation of finance cash flows

The evolution of borrowings and lease liabilities and their reconciliation to the consolidated statement of cash flows is as follows:

| | Remunerated bank debt and Bonds | Leases with purchase option | Leases without purchase option | Total |
|---|---|---|---|---|
| **1 January 2021** | **2,151,809,254** | **438,578,991** | **2,038,640,352** | **4,629,028,597** |
| Payments | (56,462,323) | (55,740,491) | (443,587,346) | (555,790,160) |
| Conversion in Equity (Note 15) | (1,258,544,230) | - | - | (1,258,544,230) |
| New lease agreements | - | 107,245,066 | 218,783,591 | 326,028,657 |
| Exchange variation | 75,700 | 16,779,698 | 144,991,258 | 161,846,656 |
| Interest cost (Note 33) | 92,600,310 | 23,216,966 | 155,566,103 | 271,383,379 |
| Other | 7,715,437 | 13,596,176 | 4,144,369 | 25,455,982 |
| **31 December 2021** | **937,194,148** | **543,676,406** | **2,118,538,327** | **3,599,408,881** |
| Payments | (79,973,284) | (95,690,747) | (540,994,575) | (716,658,606) |
| New lease agreements | - | 197,911,472 | 173,878,741 | 371,790,213 |
| Exchange variation | 387,928 | 30,125,487 | 118,872,443 | 149,385,858 |
| Interest cost (Note 33) | 40,186,054 | 32,633,882 | 163,144,410 | 235,964,346 |
| Other | 11,004,586 | 645,061 | 4,673,699 | 16,323,346 |
| **31 December 2022** | **908,799,432** | **709,301,561** | **2,038,113,044** | **3,656,214,037** |

The amounts considered as "Other" refer essentially to the impact of the recognizing of the effective interest rate.

## 20 Other accounts payable

As of 31 December 2022 and 2021 the detail of “Other payables” item is as follows:

| | 2022 | 2021 |
|---|---|---|
| Accrued expenses | 254,928,036 | 179,861,141 |
| Suppliers | 175,832,888 | 104,447,082 |
| *Swaps jet fuel* (Note 23) | 7,268,129 | - |
| Advances from customers | 430,709 | 558,381 |
| Other | 145,896,121 | 121,287,254 |
| | **584,355,883** | **406,153,858** |

### ✈ Accrued expenses

As of 31 December 2022 and 2021, the expense accruals item is broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| Remunerations to be settled | 104,552,030 | 79,853,278 |
| Aircraft fuels and licenses and CO2 emissions | 57,867,650 | 40,293,659 |
| Special sales charge | 13,270,706 | 4,901,111 |
| Navigation fees | 12,901,322 | 11,615,008 |
| Insurance to be settled | 7,859,515 | 7,017,426 |
| Commissions | 6,573,531 | 606,039 |
| Specialized work | 5,769,493 | 5,722,832 |
| Related parties (Note 38) | 4,655,586 | 4,106,281 |
| Handling services | 1,914,147 | 3,416,098 |
| Other accrued expenses | 39,564,056 | 22,329,409 |
| | **254,928,036** | **179,861,141** |

The increase in aircraft fuel and licenses and CO2 emission is explained, essentially, by the resumption of activity in 2022 and by the increase in the price of fuel and CO2 licenses.

The special charges for sales activities refer to commissions attributed to agents based on the revenue flown over the period obtained through this channel.

The increase in remuneration to be settled compared to 31 December 2021 is essentially due to the partial reinstatement of salary cuts and the granting of additional per diem allowances to flight staff.

The increase seen in the heading of other cost increases is essentially due to the resumption of activity in 2022 and the consequent increase in the contracting of external services.

### ✈ Suppliers

As of 31 December 2022 and 2021, the Suppliers item shows the following composition:

| | 2022 | 2021 |
|---|---|---|
| Suppliers - pending invoices | 124,438,672 | 69,693,896 |
| Suppliers - current account | 39,604,411 | 16,624,650 |
| Suppliers - related parties (Note 38) | 11,789,805 | 18,128,536 |
| | **175,832,888** | **104,447,082** |

The variation in this caption is essentially the result of the increase in the contracting of the supply of services following the resumption of the operational activity in 2022.

### ✈ Others

As of 31 December 2022 and 2021, the Others item is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Taxes and fees | 123,256,377 | 96,336,660 |
| Fixed assets suppliers | 2,045,037 | 3,537,233 |
| Compensation for accidents at work | 1,053,886 | 867,873 |
| Personal | 856,526 | 431,614 |
| Related Parties (Note 38) | 16,090 | 28,377 |
| Other | 18,668,205 | 20,085,497 |
| | **145,896,121** | **121,287,254** |

The heading Taxes and fees payable essentially refers to amounts payable to various entities, related to fees charged to customers on tickets issued. The variation compared to 31 December 2021 is essentially due to the increase in ticket sales following the increase of the activity in 2022.

## 21 Other current liabilities

As of 31 December 2022 and 2021, the other current liabilities item mainly relates to:

| | 2022 | 2021 |
|---|---|---|
| Deferred income | 37,488,272 | 41,340,328 |
| State | 30,339,596 | 22,336,817 |
| | **67,827,868** | **63,677,145** |

### ✈ Deferred income

As of 31 December 2022 and 2021, the deferred income line is broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| Customer loyalty program | 34,441,348 | 41,001,381 |
| Related Parties (Note 38) | 309,914 | 337,425 |
| Other deferred income | 2,737,010 | 1,522 |
| | **37,488,272** | **41,340,328** |

In the scope of the application of IFRS 15 – Revenue from contracts with customers, in the assignment of air miles to customers participating in the loyalty program called “TAP Miles&Go”, a contractual obligation is recognised based on the unit value of the air mile. The variation in this item is mainly related to the increased use of air miles in comparison with 2021.

### ✈ State

As of 31 December 2022 and 2021, this item’s balances are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Personnel income tax | 10,655,797 | 9,099,305 |
| Social Security | 19,185,755 | 12,456,617 |
| Others | 498,044 | 780,895 |
| | **30,339,596** | **22,336,817** |

The variation in the balance payable to Social Security is essentially due to the settlement of balances with that entity within the lay-off regime.

## 22 Unused flight tickets

As of 31 December 2022 and 2021, the item for the Group’s liabilities relating to unused flight tickets issued and unused was as follows:

| | 2022 | 2021 |
|---|---|---|
| Passengers | 675,156,645 | 438,687,424 |
| *Voucher* | 61,144,315 | 203,982,238 |
| Cargo | 1,478,773 | 892,005 |
| | **737,779,733** | **643,561,667** |

The increase in the balance of the item compared to 31 December 2021 is essentially due to the increase in operating activity. It should also be noted that the amount recorded under the pending flight heading includes vouchers issued for canceled flights.

## 23 Derivatives

As of 31 December 2022 and 2021, the Group had negotiated financial derivatives relating to jet fuel swaps.

The Group's risk hedge policy includes a risk statistical tool and market fundamental analysis to support the delimitation of the level of coverage of expected consumption. The factors evaluated by the statistical tool include, in particular, market volatility, the bookings curve, the behavior of future prices and the risk of over-hedge. The hedging policy aims to cover levels of estimated jet fuel consumption for the following 12 months, and may cover your position for periods of up to 24 months. The war in Ukraine, the economic environment, with the forecast by some analysts of a possible recession, both in Europe and in the United States of America, the adjustment of economic and financial policies by countries, the shortage of reserves and the lack of investments in recent years, justify the uncertainty in forecasts of market evolution and their volatility and the need to monitor and adjust hedging strategies.

For contracts in which it is possible to ensure compliance with the requirements of hedge accounting, it is recorded a negative amount of EUR 5.7 million (net of deferred tax in the amount of EUR 1.5 million– Note 9) referring to the fair value of the derivatives still outstanding at that date (EUR 0.2 million positive as of 31 December 2021).

As of 31 December 2022, the Group had contracted derivatives on 6% of the estimated consumption of jet fuel in the following months, which market value at that date was negative by EUR 7.3 million (Note 20) and with maturities between January and September 2023.

## 24 Segment Reporting

The following operational segments have been identified: air transport and maintenance. The results of each segment correspond to those directly attributable to them and those that can be reasonably assigned to them. The activities aggregated in “Others” do not qualify to be reported separately.

Financial information by business segments for the years ended 31 December 2022 and 2021 is as follows:

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Air Transport | Maintenance and engeneering | Other | Total | Air Transport | Maintenance and engeneering | Other | Total |
| Operating Income | 3,340,706,058 | 135,566,081 | 8,695,347 | 3,484,967,486 | 1,319,875,550 | 57,149,593 | 11,517,349 | 1,388,542,492 |
| Operating results | 250,632,985 | 23,481,852 | (5,897,601) | 268,217,236 | (510,184,936) | (19,155,759) | (959,329,974) | (1,488,670,669) |
| External net financial results | (237,859,044) | 3,586,280 | - | (234,272,764) | (422,595,726) | (3,856,779) | - | (426,452,505) |
| Income tax | 42,613,895 | (14,014,406) | 3,053,457 | 31,652,946 | 175,520,859 | 3,291,178 | 137,200,248 | 316,012,285 |
| **Net Income** | **55,387,836** | **13,053,726** | **(2,844,144)** | **65,597,418** | **(757,259,803)** | **(19,721,360)** | **(822,129,726)** | **(1,599,110,889)** |

The Group does not present segmental assets and liabilities, considering that this information is not presented to the person primarily responsible for making operational decisions.

The Operating income, excluding gains and losses in associates, for the year ending 31 December 2022 and 2021 is as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Passenger | Maintenance | Cargo and Mail | Other | Total |
| Revenue | | | | | |
| Sales | - | 1,924,591 | - | 702,710 | 2,627,301 |
| Services provided | 3,072,352,122 | 130,147,411 | 258,345,803 | 8,397,280 | 3,469,242,616 |
| Other income | - | - | - | 13,269,879 | 13,269,879 |
| | **3,072,352,122** | **132,072,002** | **258,345,803** | **22,369,869** | **3,485,139,796** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Passenger | Maintenance | Cargo and Mail | Other | Total |
| Revenue | | | | | |
| Sales | - | 2,221,703 | - | 355,294 | 2,576,997 |
| Services provided | 1,067,193,102 | 51,985,763 | 236,236,180 | 6,686,522 | 1,362,101,567 |
| Other income | - | - | - | 23,863,928 | 23,863,928 |
| | **1,067,193,102** | **54,207,466** | **236,236,180** | **30,905,744** | **1,388,542,492** |

The sales and services provided by geographical area in the fiscal years ending 31 December 2022 and 2021 are as follows:

| | 2022 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Air Transport | Maintenance | Cargo and Mail | Other | Total | Air Transport | Maintenance | Cargo and Mail | Other | Total |
| Mainland and islands | 195,986,457 | 22,253,743 | 7,687,845 | 6,109,487 | 232,037,532 | 103,568,059 | 17,937,053 | 5,592,901 | 5,555,028 | 132,653,041 |
| Europe | 1,023,694,937 | 108,338,337 | 12,729,048 | 1,943,006 | 1,146,705,328 | 370,067,740 | 27,133,415 | 10,103,355 | 966,034 | 408,270,544 |
| South Atlantic | 876,397,510 | 380,344 | 135,306,281 | 410,725 | 1,012,494,860 | 203,017,839 | 7,865,841 | 142,598,773 | 157,355 | 353,639,808 |
| North Atlantic | 557,736,823 | 568,936 | 65,859,189 | 321,386 | 624,486,334 | 198,985,223 | 884,194 | 50,531,208 | 161,045 | 250,561,670 |
| Mid Atlantic | 35,373,011 | - | 8,111,681 | 23,934 | 43,508,626 | 2,033,811 | - | 9,175,893 | 889 | 11,210,593 |
| Africa | 360,986,517 | 339,784 | 27,803,903 | 275,036 | 389,405,240 | 186,911,848 | 101,885 | 17,481,428 | 198,706 | 204,693,867 |
| Other | 22,176,867 | 190,858 | 847,856 | 16,416 | 23,231,997 | 2,608,582 | 285,078 | 752,622 | 2,759 | 3,649,041 |
| | **3,072,352,122** | **132,072,002** | **258,345,803** | **9,099,990** | **3,471,869,917** | **1,067,193,102** | **54,207,466** | **236,236,180** | **7,041,816** | **1,364,678,564** |

## 25 Other income

For the years ending 31 December 2022 and 2021, the “Other income” caption is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Gains from tangible fixed assets (Note 4) | 684,250 | 12,647,962 |
| Shared Services | 8,397,280 | 6,686,522 |
| Rents and Subleases | 2,659,174 | 5,339,272 |
| Recovered warehouse material | 2,100,908 | 1,575,881 |
| Operating government grants | 229,488 | 1,616,589 |
| Publicity | 196,702 | 103,232 |
| Fair value (Note 5) | 299,101 | 72,074 |
| Commissions | - | 4,368 |
| Other supplementary income | 7,802,966 | 2,859,844 |
| | **22,369,869** | **30,905,744** |

In 2021, the amount recorded as gains from tangible fixed assets mainly refers to the sale of eight aircraft (Note 4).

In the year ended 31 December 2022, the caption of other supplementary income essentially includes gains from refunds of maintenance reserves by leasing companies, upon redelivery of the respective aircraft, previously considered as unrecoverable, in the amount of EUR 3.2 million, and gains from the sale of various materials in the amount of EUR 2.9 million.

## 26 Expenses by nature

During the financial years 2022 and 2021, operational expenditure by nature is as follows:

| | 2022 | 2021 |
|---|---|---|
| Traffic operating costs | 699,071,630 | 372,176,563 |
| Aircraft fuel | 1,096,653,890 | 340,478,438 |
| Comercial, communication and marketing costs | 181,011,788 | 71,418,381 |
| Cost of materials consumed | 101,898,211 | 30,169,492 |
| Aircraft maintenance costs | 33,439,503 | 19,429,846 |
| | **2,112,075,022** | **833,672,720** |

### ✈ Traffic operating costs

In the fiscal years ended 31 December 2022 and 2021, the “Traffic operating costs” item is as follows:

| | 2022 | 2021 |
|---|---|---|
| Handling services | 181,924,915 | 105,825,645 |
| Navigation fees | 140,210,783 | 72,499,814 |
| Landing charges | 94,048,491 | 57,470,446 |
| In-flight expenses | 82,495,699 | 41,584,799 |
| Operational irregularities | 67,281,534 | 25,810,931 |
| Facilities at airports | 36,512,483 | 8,051,456 |
| Baggage, cargo and mail charges | 23,030,446 | 19,464,765 |
| Air traffic control charges | 26,880,158 | 14,173,049 |
| Accommodation and meals during stopovers | 26,764,904 | 14,484,352 |
| Ground costs related to executive class passengers | 9,141,288 | 2,862,496 |
| Aircraft charters | 6,716,892 | 6,979,184 |
| Other traffic operating costs | 4,064,037 | 2,969,626 |
| | **699,071,630** | **372,176,563** |

The increase in most items is essentially the result of the increase in activity at TAP S.A. in 2022 compared to 2021.

### ✈ Aircraft fuel

For the years ending 31 December 2022 and 2021, the “Aircraft fuel” item is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Aircraft fuel | | |
| Consumption | 1,144,017,355 | 332,038,942 |
| Jet fuel hedge | (89,412,768) | (10,985,626) |
| Derivative contracts commissions | 3,378,637 | - |
| CO2 emission licenses | 38,670,666 | 19,425,122 |
| | **1,096,653,890** | **340,478,438** |

The increase in aircraft fuel expenses is due to the combined effect of the increase in quantities consumed and the increase in the average price of fuel.

The increase in expenses with CO2 emission licenses is mainly due to the increase in consumption resulting from the resumption of activity.

The variation in jet fuel derivatives is due to the significant increase in the price and consumption of jet fuel in 2022 compared to 2021.

### ✈ Commercial, marketing and communication costs

The “Commercial, marketing and communication costs” item for the financial years ending 31 December 2022 and 2021 contains the following composition:

| | 2022 | 2021 |
|---|---|---|
| Commissions | 60,578,340 | 22,572,339 |
| Booking fees | 58,387,354 | 24,611,984 |
| Publicity | 20,083,769 | 9,500,320 |
| Special sales charges - air transport | 32,561,816 | 9,886,413 |
| Specialised w ork | 9,123,092 | 4,780,081 |
| Other comercial, communication and marketing expenses | 277,417 | 67,244 |
| | **181,011,788** | **71,418,381** |

The increase in most items is essentially the result of the increase in activity at TAP S.A. in 2022 compared to 2021.

### ✈ Cost of materials consumed

In the fiscal years ending 31 December 2022 and 2021, the “Cost of materials consumed” item is as follows:

| | 2022 | 2021 |
|---|---|---|
| Sold and consumed inventories | 81,335,176 | 24,912,671 |
| Maintenance subcontracting for third parties flight equipme | 20,563,035 | 5,256,821 |
| | **101,898,211** | **30,169,492** |

The increase in most items is essentially the result of the increase in activity at TAP S.A. in 2022 compared to 2021.

### ✈ Aircraft maintenance costs

In the fiscal years ending 31 December 2022 and 2021, the “Aircraft maintenance costs” item is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Maintenance subcontracting of TAP flight equipment | 21,307,829 | 10,802,116 |
| Consumed inventories | 12,131,674 | 8,627,730 |
| | **33,439,503** | **19,429,846** |

The aircraft maintenance costs caption refers to recurring maintenance expenses, including line maintenance, of the TAP S.A. fleet. The variation verified is a consequence of the resumption of air transport activity and, consequently, of aircraft maintenance.

## 27 Employee costs

The “Employee costs” item for the years ending 31 December 2022 and 2021 has the following detail:

| | 2022 | 2021 |
|---|---|---|
| Fixed remuneration | 230,989,942 | 218,006,813 |
| Variable remuneration | 82,192,824 | 44,128,238 |
| Social security contributions | 67,323,043 | 66,338,766 |
| Insurance | 9,248,372 | 14,719,591 |
| Social action costs | 8,470,276 | 9,153,042 |
| Post-employment benefits (Note 17) | 5,915,791 | 5,306,199 |
| Work accident insurance | 4,913,450 | 7,877,299 |
| Meals allowance | 4,484,490 | 4,751,034 |
| Uniform and work clothes | 1,374,565 | 789,244 |
| Training and recruitment | 701,721 | 1,413,308 |
| Other expenses with employees | 1,117,016 | 914,350 |
| | **416,731,490** | **373,397,884** |

The increase observed in 2022 compared to 2021 in the Employee costs item is essentially due to the increase in activity and the review of the salary cuts agreed with employees within the scope of the Restructuring Plan.

The remuneration attributed to the Governing Bodies, in 2022 and 2021, was as follows:

| | 2022 | 2021 |
|---|---|---|
| Remunerations | | |
| Employees | 416,240,698 | 373,382,798 |
| Statutory Bodies (*) | 490,792 | 15,086 |
| | **416,731,490** | **373,397,884** |

(*) Until October 2022, this item exclusively included remuneration for the Supervisory Board, with the remaining corporate bodies being remunerated at TAP SGPS. Since November 2022, its remuneration is assured by TAP S.A..

During fiscal years 2022 and 2021 the average number of employees serving the Group was 7,109 and 7,188, respectively:

| | 2022 | 2021 |
|---|---|---|
| **Head office** | | |
| Cabin Crew employees | 2,651 | 2,517 |
| Maintenance and engineering employees | 1,438 | 1,558 |
| Ground employees | 1,516 | 1,503 |
| Technical flight employees | 1,227 | 1,287 |
| **Representations** | | |
| Brazil | 79 | 90 |
| USA | 32 | 38 |
| Spain | 31 | 34 |
| France | 18 | 20 |
| Angola | 19 | 21 |
| Germany | 11 | 18 |
| Italy | 20 | 23 |
| UK/Ireland | 13 | 20 |
| Venezuela | 7 | 7 |
| Switzerland | 4 | 4 |
| Other | 43 | 48 |
| | **7,109** | **7,188** |

## 28 Impairment losses in inventories, receivables and provisions

In the fiscal years ending 31 December 2022 and 2021, the “Impairment losses in inventories, receivables and provisions” had the following detail:

| | 2022 | 2021 |
|---|---|---|
| Inventory impairment (Note 11) | (5,131,380) | 12,490,935 |
| Receivables impairment (Note 10) | 7,626,917 | 22,886,590 |
| Provisions (Nota 18) | 53,572,415 | 16,041,875 |
| | **56,067,952** | **51,419,400** |

## 29 Other expenses

The caption “Other expenses” in the financial years ending 31 December 2022 and 2021, had the following detail:

| | 2022 | 2021 |
|---|---|---|
| Specialised work and subcontracts | 81,031,526 | 71,141,579 |
| Rents | 17,738,528 | 11,891,700 |
| Comunication | 7,953,464 | 5,960,403 |
| Conservation and repair of other assets | 7,291,671 | 6,091,538 |
| Insurance | 6,533,756 | 3,938,314 |
| Transportation | 3,935,301 | 2,580,196 |
| Electricity | 3,233,128 | 1,557,804 |
| Surveillance and security | 2,497,201 | 3,069,059 |
| Cleaning, hygiene and comfort | 2,130,182 | 2,393,035 |
| Taxes | 1,783,041 | 777,213 |
| Penalties | 1,663,071 | 242,713 |
| Travel costs | 1,477,082 | 666,365 |
| Books and technical documentation | 1,453,756 | 1,446,945 |
| Fraudulent use of credit cards | 438,097 | 696,377 |
| Fees | 82,304 | 451,471 |
| Other operating expenses | 2,620,695 | 5,419,499 |
| | **141,862,803** | **118,324,211** |

The increase in the heading Specialized work and subcontracts is essentially due to the increase in TAP S.A. operating activity.

In 2022, the heading Rents includes short-term leasing contracts essentially relating to real estate and software in the amount of EUR 9.5 million and engines in the amount of EUR 6.1 million.

## 30 Restructuring

The restructuring item for the financial years ending 31 December 2022 and 2021 had the following detail:

| | 2022 | 2021 |
|---|---|---|
| Restructuring provision (Note 18) | 3,437,458 | 11,800,354 |
| Employee indemnities | (4,114) | (9,605) |
| Restructuring - Cuts (Note 17) | - | 2,455,530 |
| | **3,433,344** | **14,246,279** |

The positive impacts recorded in 2022 and 2021 in the amounts of EUR 3.4 million and EUR 11.8 million, respectively, in the provision for restructuring, result from the joint effect of the reduction in the number of employees covered by the measures of the Restructuring Plan and the updating of the amount earned by each employee upon departure compared to the estimate.

The item “Restructurin – Cuts” refers to gains from the departure of employees from the post-employment benefit plan by adhering to the voluntary measures included in the Restructuring Plan.

## 31 Other non-recurring items

The item Other non-recurring items, for the years ending 31 December 2022 and 2021, presents the following detail:

| | 2022 | 2021 |
|---|---|---|
| TAP Group corporate restructuring | (28,676,979) | 1,024,940,014 |
| Losses related with cyber attack | 12,664,806 | - |
| | **(16,012,173)** | **1,024,940,014** |

Considering the projections included in the Approved Restructuring Plan and consequent ongoing corporate reorganization of the TAP Group resulting from that approval, in 2021 the Board of Directors recorded impairment losses on accounts receivable from TAP SGPS in the amount of EUR 884.7 million and the recording of a provision in the amount of EUR 140.3 million referring to the estimate of additional charges to be borne by TAP S.A. related to said corporate reorganization, including those resulting from the liquidation process of TAP ME Brasil (Note 1.1.3).

In the year ended 31 December 2022, following the changes regarding the foreseen form of the corporate restructuring of the TAP Group (Notes 10 and 18), this caption includes the gain with the reduction of the provision for charges arising from the liquidation process of TAP ME Brasil in the amount of EUR 113.6 million (Note 18) and the reinforcement of impairment losses on accounts receivable from TAP SGPS in the amount of EUR 84.9 million (Note 10).

Considering their framework and nature, these situations were considered by the Board of Directors as non-recurring in the context of these financial statements.

## 32 Depreciation, amortization and impairment losses

In the fiscal years ending 31 December 2022 and 2021, the item depreciation, amortisation and impairment losses is broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| **Depreciation of Tangible Fixed Assets (Note 4)** | | |
| Buildings and other constructions | 5,700,811 | 5,610,824 |
| Basic equipment | 60,562,371 | 58,290,362 |
| Transport equipment | 16,894 | 64,074 |
| Tools and utensils | 863,443 | 803,052 |
| Administrative equipment | 1,752,557 | 728,589 |
| Other tangible fixed assets | 245,904 | 264,293 |
| | **69,141,980** | **65,761,194** |
| **Depreciation of Right-of-use (Note 4)** | | |
| Buildings and other constructions | - | 407,871 |
| Basic equipment | 429,296,438 | 401,061,641 |
| Transport equipment | 45,134 | 197,020 |
| | **429,341,572** | **401,666,532** |
| **Amortization of Intangible Assets (Note 6)** | | |
| Computer Programs | 11,498,823 | 11,695,551 |
| | **11,498,823** | **11,695,551** |
| **Impairment losses in tangible assets (Note 4)** | | |
| Basic equipment | (438,751) | 5,686,331 |
| Tools and utensils | (86,047) | 1,623,663 |
| Administrative equipment | 923 | - |
| Advanced payments | - | 3,271,940 |
| | **(523,875)** | **10,581,934** |
| **Total** | **509,458,500** | **489,705,211** |

In the year ended 31 December 2022, extraordinary depreciations were recorded arising from the increase in the estimated redelivery costs related to the phase-out work of 6 ATR aircraft which ACMI contracts ended during 2022, in the amount of EUR 26.4 million.

Considering the start of phase-out work on 2 ATR aircraft under the ACMI regime in January 2022, unforeseen depreciations were recorded in the year ended 31 December 2021 resulting from losses in their recoverability, in the amount of EUR 4,451 thousand, decomposed between depreciation of rents, maintenance, maintenance reserves and redelivery.

In 2021, impairment losses were recorded in Basic equipment and Tools and utensils in the amount of EUR 7,310 thousand, referring to spare parts and obsolete tools.

## 33 Financial results

The financial results item for the year ending 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expenses | (40,186,054) | (92,600,310) |
| Lease interests related with contracts with purchase option | (32,633,882) | (23,216,966) |
| Lease interests related with contracts without purchase option | (179,674,206) | (164,390,448) |
| Other financial expenses | (9,095,406) | (13,400,921) |
| **Interests and similar expenses** | **(261,589,548)** | **(293,608,645)** |
| | | |
| Interest income | 40,088,548 | 33,952,821 |
| **Interests and similar income** | **40,088,548** | **33,952,821** |
| | | |
| Net foreign exchange differences | (12,771,764) | (175,473,763) |
| **Net currency exchange** | **(12,771,764)** | **(175,473,763)** |
| | | |
| Overhedge cost (Note 23) | - | 8,677,082 |
| **Overhedge cost** | **-** | **8,677,082** |
| | | |
| **Total** | **(234,272,764)** | **(426,452,505)** |

The appreciation of the USD against the EUR during the year ended 31 December 2022, generated losses resulting from the exchange rate adjustment of lease liabilities with and without purchase option in the amount of EUR 149.4 million. However, the net exchange rate losses arising from the exchange rate variation verified during 2022 of the lease liabilities in USD for which a hedging relationship was defined from 1 January 2022 with the highly probable forecasted sales, which fare is determined in USD, were recorded under the caption of other reserves in other comprehensive income in the amount of EUR 108.5 million (Notes 2.33 and 16). Consequently, the amount recorded in the consolidated income statement corresponds to the portion not covered by the exchange rate hedging.

The unfavourable exchange differences recorded in the year ended 31 December 2021 were essentially due to the appreciation of the USD against the EUR. The negative impact of this update referring to lease liabilities, with and without a purchase option, in 2021 amounts to EUR 163,941 thousand.

The decrease in interest paid in 2022 compared to 2021 is essentially due to the reduction in the global debt, namely resulting from the conversion of the State support loan into capital on 30 December 2021 (Note 15).

## 34 Income tax

The income tax item for the years ended 31 December 2022 and 2021 is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Deferred taxes (Note 9) | 31,889,253 | 316,328,916 |
| Current taxes (Note 12) | (221,015) | (113,886) |
| Differences from prior years tax estimates | (15,292) | (202,745) |
| | **31,652,946** | **316,012,285** |

The tax assessment is calculated in the sphere of individual accounts of TAP S.A. prepared in accordance with Portuguese GAAP (SNC).

The income tax rate reconciliation in the fiscal years ending 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net income/(loss) before income tax | 33,944,472 | (1,915,123,174) |
| Nominal tax rate | 21.0% | 21.0% |
| Expected tax | (7,128,339) | 402,175,867 |
| Permanent differences | (27,051) | (11,146,295) |
| Temporary differences with no deferred tax | 23,853,091 | (43,408,519) |
| Income tax rate differences | (13,951,212) | 25,286,067 |
| Exit from "RETGS" (Note 9) | - | (56,578,204) |
| Autonomous taxation | (221,015) | (113,886) |
| Differences from tax estimates for the previous year | (15,292) | (202,745) |
| Deferred tax assets related with prior years | 23,643,736 | - |
| Taxable equity variations | 5,499,028 | - |
| | **31,652,946** | **316,012,285** |
| Effective tax rate | 93% | (17%) |

As a result of the termination of the time limit for the deduction of tax losses carried forward (Note 9), in 2022 deferred tax assets amounting to EUR 23.6 million were recorded on temporary differences from previous years for which, as of 31 December 2021 no deferred tax asset was recognized considering there were no prospects of their realization in view of existing future taxable income projections, namely: (i) the restructuring provision (Note 18) in the amount of EUR 7.8 million and ii) part of the impairment recorded as of 31 December 2021 on the account receivable from TAP SGPS in the amount of EUR 15.9 million (Note 10).

In 2022, temporary differences without associated deferred tax relate to the reversal of the provision for charges with the ongoing corporate reorganization of the TAP SGPS Group (Note 31), for which the respective deferred tax was not recorded in 2021.

It should be added that, considering the year expected for the realization of temporary differences for which deferred taxes were previously recorded, a tax rate of 29.5% was considered, with the exception of deferred taxes referring to reportable tax losses, impairment of accounts receivable from TAP ME Brasil and TAP

SGPS and other provisions, for which was considered a tax rate of 21%. The impact of the rate difference is presented in the tax rate reconciliation in the line income tax rate differences.

## 35 Earnings per share

There are no convertible financial instruments on the shares of TAP S.A., therefore, there is no dilution of earnings. The detail of earnings per share for the fiscal years ending 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net income/(loss) for the year | 65,597,418 | (1,599,110,889) |
| Weighted average number of shares | 180,989,966 | 62,200,000 |
| Basic and diluted earnings per share | 0.4 | (25.7) |

## 36 Commitments

The aircraft purchase agreement with Airbus S.A.S. ("Airbus") for the acquisition of 53 aircraft (39 A320 NEO Family and 14 A330 NEO), initially expected to be received between 2018 and 2025, was subject to renegotiation with the purpose to defer the delivery of some of the aircraft considering the impacts of the COVID pandemic -19 in the commercial aviation sector. The 2 A330NEO aircraft not delivered to date were subject to replanning from 2022 to 2024, having recently been subject to renegotiation again, in order to defer delivery to the last quarter of 2025 (A339 #11) and second quarter of 2026 (A339 # 12). Regarding the A320NEO Family aircraft, 13 aircraft initially scheduled for delivery in the 2021-2022 period were subject to replanning for 2025-2027 during 2020, following actions to mitigate the impact of the COVID-19 pandemic. In 2022, 7 A320NEO Family aircraft were subject to a new readjustment in the expected delivery dates. Of these 7 aircraft, 2 (A320NEO #32 and #34) are currently expected to be delivered in the first and second quarters of 2028, with this update regarding the change in the aircraft delivery dates being formalized through an agreement between TAP S.A. and AIB in the form of Amendment #11 to the A320 purchase agreement. In this same document, it was agreed to convert the aircraft ranking #30 to an A320N (initially the aircraft was expected to be an A321LR). This acquisition contract stems from the novation to TAP S.A. of the acquisition contract previously negotiated and signed between Airbus and DGN Corporation.

Due to the commitments assumed in the contract with Airbus, referring to the future entry of aircraft, in 2021 a total of USD 53.3 million was paid in pre-delivery payments. Already in 2022, a total amount of USD 58.2 million in pre-delivery payments was paid, an amount that is already in line with the changes in the delivery dates of the 7 aircraft mentioned above. Pre-delivery payments are planned for the A330NEO fleet until 2025 and for the A320NEO fleet until 2027, with a phased payment of USD 66.4 million during 2023 regarding the A320NEO fleet.

Additionally, there is a contract in force with Rolls-Royce that includes maintenance support for all the TRENT 7000 reactors that equip the A330 NEO aircraft.

A contract is also in place with CFM International Inc., S.A. relating to the acquisition of 83 LEAP-A1 reactors, including 5 reserve reactors, which will equip and serve the new fleet of A320NEO Family aircraft. It should be noted that these reactors will be purchased directly by Airbus, except the reserve reactors. Regarding the reserve reactors that will be acquired directly from CFM and that of the 5 foreseen, all have already been duly delivered, the last one having been acquired in October 2022.

## 37 Contingencies

As of 31 December 2022 and 2021, the Group had no contingent assets. The contingent liabilities were as follows:

| | 2022 | 2021 |
|---|---|---|
| Tax contingencies | 42,876 | 494,207 |
| Civil contingencies | 18,541,675 | 11,030,695 |
| Regulatory contingencies | 401,021 | 2,334,446 |
| **Total** | **18,985,572** | **13,859,348** |

Contingencies include essentially cases brought by customers regarding operational irregularities. The Group, supported by the opinion of its legal advisors, considers that an unfavourable outcome in these cases is unlikely.

### Guarantees provided

As of 31 December 2022 and 2021, the Group's guarantees are broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| **Bank guarantees provided by Head Office** | | |
| Aircrafts | 40,574,124 | 38,221,763 |
| Fuel | 1,532,908 | 882,924 |
| Airports | 1,305,928 | 1,019,875 |
| Labour Court | 450,962 | 450,962 |
| Other | 4,200,574 | 4,641,556 |
| **Bank guarantees provided by Representations** | 2,358,311 | 2,261,785 |
| | **50,422,807** | **47,478,865** |

## 38 Related parties

During the year of 2021, as disclosed in the Introductory Note, the shareholder structure of TAP S.A. suffered changes, with an impact on the identification of related parties.

As of 31 December 2022, the related parties identified are the following:

| | |
|---|---|
| Aeropar | TAP ME Brasil |
| Cateringpor | TAP SGPS |
| Estado Português | TAPGER |
| Portugália | UCS |
| SPdH - Serviços Portugueses de Handling, S.A. | |

Within the scope of the identification of related parties, for the purposes of financial reporting, the members of the Board of Directors and other Governing Bodies were also assessed as related parties. See Management Report.

The balances and transactions with related entities as of 31 December 2022 and 2021 are as follows:

## ✈ Balances

**2022 - Assets**

| | Customers (Note 10) | Advances to suppliers (Note 10) | Accrued income (Note 10) | Deferred expenses (Note 13) | Right-of-use assets | Unrealized share capital non-current (Note 10) | Other receivables non-current (Note 10) | Unrealized share capital current (Note 10) | Other receivables current (Note 10) | Recoverable maintenance reserves (Note 10) | Impairment on accounts receivable (Note 10) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Portuguese State | - | - | - | - | - | 324,341,080 | - | 333,540,088 | - | - | - | **657,881,168** |
| TAP SGPS | 32,584 | - | 885 | - | - | - | - | - | 993,416,334 | - | (993,045,579) | **404,224** |
| PGA | 451,304 | - | 1,045,406 | - | 240,025,053 | - | 17,223,370 | - | 25,035,617 | - | - | **283,780,750** |
| SPdH | 2,187,281 | - | - | - | - | - | - | - | 16,121,505 | - | (10,773,100) | **7,535,686** |
| TAP ME Brasil | 16,590,768 | 574,390 | - | 272,178 | - | - | - | - | 13,256,265 | - | (30,398,318) | **295,283** |
| Cateringpor | 37,823 | - | - | - | - | - | - | - | 146,737 | - | - | **184,560** |
| UCS | - | 1,000 | - | - | - | - | - | - | 47,145 | - | - | **48,145** |
| | **19,299,760** | **575,390** | **1,046,291** | **272,178** | **240,025,053** | **324,341,080** | **17,223,370** | **333,540,088** | **1,048,023,603** | **-** | **(1,034,216,997)** | **950,129,816** |

**2021 - Assets**

| | Customers (Note 10) | Advances to suppliers (Note 10) | Accrued income (Note 10) | Deferred expenses (Note 13) | Right-of-use assets | Other receivables current (Note 10) | Recoverable maintenance reserves (Note 10) | Impairment on accounts receivable (Note 10) | Total |
|---|---|---|---|---|---|---|---|---|---|
| TAP SGPS | 17 | - | 885 | - | - | 921,540,227 | - | (884,671,817) | **36,869,312** |
| PGA | 274,994 | - | 850,961 | - | 187,329,516 | 229,080 | 7,953,186 | - | **196,637,737** |
| SPdH | 791,075 | - | - | - | - | 15,415,106 | - | (10,773,100) | **5,433,081** |
| TAP ME Brasil | 15,603,355 | 515,432 | - | 1,023,737 | - | 9,257,851 | - | (25,669,547) | **730,828** |
| Cateringpor | 341,128 | - | 1,047,335 | - | - | 1,667,512 | - | - | **3,055,975** |
| UCS | 45,329 | 1,000 | - | - | - | 71,249 | - | - | **117,578** |
| | **17,055,898** | **516,432** | **1,899,181** | **1,023,737** | **187,329,516** | **948,181,025** | **7,953,186** | **(921,114,464)** | **242,844,511** |

**2022 - Liabilities**

| | Suppliers (Note 20) | Accrued expenses (Note 20) | Deferred income (Note 21) | Lease liabilities without purchase option non-current (Note 19) | Lease liabilities without purchase option current (Note 19) | Other payables current (Note 20) | Total |
|---|---|---|---|---|---|---|---|
| TAP SGPS | (1,625,940) | - | - | - | - | - | **(1,625,940)** |
| PGA | (3,607,180) | - | (20,144) | (127,797,388) | (80,013,076) | 344 | **(211,437,444)** |
| SPdH | (4,359,001) | (2,020,004) | (82,203) | - | - | 3,798 | **(6,457,410)** |
| TAP ME Brasil | (1,821) | (21,282) | - | - | - | - | **(23,103)** |
| Cateringpor | (2,195,863) | (2,541,736) | (207,567) | - | - | - | **(4,945,166)** |
| UCS | - | (72,564) | - | - | - | (20,232) | **(92,796)** |
| | **(11,789,805)** | **(4,655,586)** | **(309,914)** | **(127,797,388)** | **(80,013,076)** | **(16,090)** | **(224,581,859)** |

| | 2021 - Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Suppliers (Note 20) | Accrued expenses (Note 20) | Deferred income (Note 21) | Lease liabilities without purchase option non-current (Note 19) | Lease liabilities without purchase option current (Note 19) | Other payables current (Note 20) | Total |
| TAP SGPS | (59,635) | - | - | - | - | (412) | **(60,047)** |
| PGA | (9,715,176) | (56,084) | (20,144) | (100,306,207) | (110,739,906) | 344 | **(220,837,173)** |
| SPdH | (4,430,291) | (1,760,080) | (81,794) | - | - | 4,065 | **(6,268,100)** |
| TAP ME Brasil | 305,588 | (12,678) | - | - | - | - | **292,910** |
| Cateringpor | (4,069,068) | (2,135,080) | (206,504) | - | - | - | **(6,410,652)** |
| UCS | (159,954) | (142,359) | (28,983) | - | - | (32,374) | **(363,670)** |
| | **(18,128,536)** | **(4,106,281)** | **(337,425)** | **(100,306,207)** | **(110,739,906)** | **(28,377)** | **(233,646,732)** |

As of 31 December 2022, the balance of current lease liabilities owed to Portugália is deducted from advances made by TAP S.A. during the second half of 2022, in the amount of EUR 48 million.

### ✈ Transactions

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Operating income | Operating expenses | Depreciation right-of-use | Interest income | Interest expenses | Total |
| TAP SGPS | 4,160 | (1,872,009) | - | 36,228,919 | - | 34,361,070 |
| PGA | 3,210,357 | (16,874,970) | (95,522,472) | - | (14,862,510) | (124,049,595) |
| SPdH | 6,247,584 | (88,743,524) | - | - | - | (82,495,940) |
| TAP ME Brasil | 96,664 | (1,020,877) | - | - | - | (924,213) |
| Cateringpor | 1,612,107 | (43,326,935) | - | - | - | (41,714,828) |
| UCS | 662,049 | (4,115,695) | - | - | - | (3,453,646) |
| | **11,832,921** | **(155,954,010)** | **(95,522,472)** | **36,228,919** | **(14,862,510)** | **(218,277,152)** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Operating income | Operating expenses | Depreciation right-of-use | Interest income | Interest expenses | Total |
| Portuguese State | - | - | - | - | (47,718,792) | (47,718,792) |
| TAP SGPS | - | (601,194) | - | 33,712,447 | - | 33,111,253 |
| PGA | 3,739,151 | (12,473,119) | (71,899,280) | - | (12,098,409) | (92,731,657) |
| SPdH | 6,919,275 | (54,836,212) | - | - | - | (47,916,937) |
| TAP ME Brasil | 61,166 | (2,051,761) | - | - | - | (1,990,595) |
| Cateringpor | 1,678,831 | (25,121,272) | - | - | - | (23,442,441) |
| UCS | 830,875 | (4,776,419) | - | - | - | (3,945,544) |
| Barraqueiro Group | 2,523 | (479) | - | - | - | 2,044 |
| | **13,231,821** | **(99,860,456)** | **(71,899,280)** | **33,712,447** | **(59,817,201)** | **(184,632,669)** |

Operating expenses with SPdH refer to ground handling services provided by SPdH to support aircraft, passengers, luggage, cargo and mail.

These transactions are carried out under terms and conditions similar to those practiced in commercial agreements usually celebrated with other airlines.

## 39 Financial assets and liabilities

The accounting policy described in Note 2.10 was applied according to the categories shown below:

| | 2022 | | | |
|---|---|---|---|---|
| | Financial assets and liabilities at amortised cost | Financial assets and liabilities at fair value through other comprehensive income | Financial assets and liabilities out of IFRS 9 scope | Total |
| **Assets** | | | | |
| Other financial assets | 488,720 | - | - | 488,720 |
| Other receivables | 1,279,678,358 | - | 37,886,855 | 1,317,565,213 |
| Cash and cash equivalents | 916,077,051 | - | - | 916,077,051 |
| **Total Assets** | **2,196,244,129** | **-** | **37,886,855** | **2,234,130,984** |
| **Liabilities** | | | | |
| Borrowings | (908,799,432) | - | - | (908,799,432) |
| Lease liabilities with purchase option | - | - | (709,301,561) | (709,301,561) |
| Lease liabilities without purchase option | - | - | (2,038,113,044) | (2,038,113,044) |
| Other payables | (576,657,045) | (7,268,129) | (430,709) | (584,355,883) |
| **Total Liabilities** | **(1,485,456,477)** | **(7,268,129)** | **(2,747,845,314)** | **(4,240,569,920)** |

| | 2021 | | | |
|---|---|---|---|---|
| | Financial assets and liabilities at amortised cost | Financial assets and liabilities at fair value through other comprehensive income | Financial assets and liabilities out of IFRS 9 scope | Total |
| **Assets** | | | | |
| Other financial assets | 488,725 | - | - | 488,725 |
| Other receivables | 445,637,020 | 233,046 | 13,889,002 | 459,759,068 |
| Cash and cash equivalents | 812,578,316 | - | - | 812,578,316 |
| **Total Assets** | **1,258,704,061** | **233,046** | **13,889,002** | **1,272,826,109** |
| **Liabillities** | | | | |
| Borrowings | (937,194,148) | - | - | (937,194,148) |
| Lease liabilities with purchase option | - | - | (543,676,406) | (543,676,406) |
| Lease liabilities without purchase option | - | - | (2,118,538,327) | (2,118,538,327) |
| Other payables | (405,595,477) | - | (558,381) | (406,153,858) |
| **Total Liabilities** | **(1,342,789,625)** | **-** | **(2,662,773,114)** | **(4,005,562,739)** |

The following tables present the assets and liabilities measured at fair value as of 31 December 2022 and 2021, according to the following fair value hierarchical levels established in IFRS 13:

| | 2022 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| **Non-financial assets** | | | |
| Investment Properties | - | 1,690,000 | - |
| **Financial liability** | | | |
| Derivate financial instruments | - | (7,268,129) | - |

| | 2021 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| **Non-financial assets** | | | |
| Investment Properties | - | 1,615,899 | - |
| **Financial liability** | | | |
| Derivate financial instruments | - | - | - |

**Level 1**: the fair value of financial instruments is based on prices available on active, liquid markets at the date of the financial position;

**Level 2**: the fair value of financial instruments is not determined based on active market prices, but rather through valuation models. The main inputs of these models are observable on the market; and

**Level 3**: the fair value of financial instruments is not determined based on active market prices, but rather through valuation models, whose main inputs are not observable on the market.

**Derivative financial instruments**

The fair value of derivative financial instruments is recorded under Other payables when negative and under Other receivables when positive.

During 2022 and 2021, the variation in the fair value of derivative financial instruments was recognized in equity or results, taking into account the over hedge situation verified in 2020 resulting from the reduction in activity caused by the pandemic COVID-19 (Notes 16 and 33).

The breakdown of the derivative financial instruments fair value is detailed in Note 23.

## 40 Statutory audit of accounts

During the years ended 31 December 2022 and 2021, the fees for the services provided by the Statutory Auditor and by other entities belonging to the same network, are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Audit and statutory audit | 169,300 | 133,250 |
| Limited Review Services | 47,250 | 45,000 |
| Reliability assurance services and agreed upon procec | 8,870 | 194,500 |
| | **225,420** | **372,750** |

The Limited Review services were performed with reference to the month of June 2022 and 2021.

Reliability assurance services concern the validation of financial information and financial ratios within the scope of financing contracts.

In 2021, it also includes services concerning the validation of expenses/payments within the scope of State aid and subsidies requested from the European Union.

## 41 Subsequent events

**Agreements with unions**

- ✈ On 23 January 2023, TAP S.A. and SNPVAC concluded an agreement that was approved by the General Assembly of Associates and allowed to cancel a cabin crew strike and reopening the negotiation of the new Collective Work Agreement.

- ✈ On 25 25 January 2023, TAP S.A. signed an agreement with SITEMA and SITAVA, unions that represent the Company's Aircraft Maintenance Technicians (TMA), which reinforces and makes possible the permanence of these specialized technicians in the Company.

- ✈ On 17 March 2023, TAP S.A. and SPAC concluded an agreement that was approved by the General Assembly of Associates and allowed to cancel a pilots' strike and reopening the negotiation of the new Collective Work Agreement.

**Composition of the governing bodies**

- ✈ By letter addressed to TAP S.A., received on 20 February 2023, Mr. António de Macedo Vitorino resigned as Chairman of the Board of the General Meeting of TAP S.A., for personal reasons, with effect from 31 March 2023.

- ✈ The member of the Board of Directors and member of the Executive Committee of TAP S.A., Silvia Mosquera González, presented her resignation from these positions on 21 March 2023, in a letter addressed to the Company. This decision will produce effects from 23 June 2023.

- ✈ Following the publication of Report No. 24/2023 by the General Inspectorate of Finance – Audit Authority ("IGF") on the assessment of the process relating to the termination of duties as Director of the TAP Group, and after holding the respective prior hearing, the sole shareholder of TAP S.A. decided on 12 April 2023 to approve the resignation of the Chairman of the Board of Directors, Dr. Manuel Beja, and the President of the Executive Committee, Eng. Christine Ourmières-Widener, pursuant to paragraph b) of paragraph 1 of article 25 of the Public Manager Statute, approved by Decree-Law no. 71/2007 , of March 27, producing effects from 14 April 2023.

- ✈ Also on 21 April 2023, the sole shareholder of TAP S.A. decided to elect Dr. Luís Manuel da Silva Rodrigues as Chairman of the Board of Directors of TAP S.A., to exercise functions for the remaining period of the current mandate of 2021/2024, with the designation taking effect on 14 April 2023. On this day, the Board of Directors of TAP S.A. decided to integrate Dr. Luís Manuel da Silva Rodrigues on the Executive Committee and designate him as President of the Executive Committee.

**Subscription Agreement relating to SPdH**

On 11 April 2023, a Subscription Agreement was signed between TAP S.A., the Portuguese subsidiary of MENZIES AVIATION, SPdH and its respective Insolvent Estate, under which the parties agreed on the essential terms and conditions of the Recovery Plan to be presented in the insolvency proceedings of SPdH, with a view to the recovery and revitalization of SPdH.

The submission of the Reorganization Plan to the SPdH Creditors' Meeting is subject to prior obtaining a set of approvals and authorizations, starting on this date, the period for such obtaining.

If the process of obtaining the necessary approvals and authorizations is successfully completed, without material changes, and after approval of the insolvency plan by the Assembly of Creditors of SPdH and ratification of the insolvency plan by the competent court, SPdH shall be capitalized by the subsidiary MENZIES AVIATION, which now holds the majority of the respective share capital, with the remaining capital being subscribed by TAP S.A., through the conversion of credits over SPdH, with no additional capital contribution by the Company.

## 42 Note added for translation

The accompanying consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies, the Portuguese version prevails.

**CERTIFIED ACCOUNTANT**

Ana Maria Fragueiro Navarro

**BOARD OF DIRECTORS**

Luís Manuel da Silva Rodrigues
Chairman and President of the Executive Commission

Ana Teresa C. P. Tavares Lehmann
Director

Gonçalo Neves Costa Monteiro Pires
Director

João Pedro Conceição Duarte
Director

Patrício Ramos Castro
Director

Silvia Mosquera Gonzalez
Director

Sofia Norton dos Reis Lufinha de Mello Franco
Director

Ramiro José Oliveira Sequeira
Director

## *Statutory Audit Report and Auditors' Report*
***(Free translation from the original in Portuguese)***

### *Report on the audit of the consolidated financial statements*

#### *Opinion*

We have audited the accompanying consolidated financial statements of Transportes Aéreos Portugueses, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2022 (which shows total assets of Euros 5,913,857 thousand and total shareholders' equity of Euros 417,625 thousand including a net profit of Euros 65,597 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Transportes Aéreos Portugueses, S.A. as at December 31, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Emphasis*

We draw attention to the disclosure in note 1 of the accompanying notes to the consolidated financial statements, namely regarding the approval of the TAP Group's Restructuring Plan by the European Commission, on December 21, 2021, within the scope of the State aid to the Group ("Approved Restructuring Plan"), and the consequent future monitoring by the European Commission as to its compliance and on the respective impacts on the future financial position and operational activity of TAP SA Group.

Our opinion is not modified in respect of this matter.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| ***Revenue recognition with air transport, including liabilities from unused flight documents*** | |
| *Disclosures related to revenue with air transport are presented in notes, 2.26, 2.33 ,22 and 24 of the consolidated financial statements.*<br><br>As of December 31,2022, the operating income amounts to Euros 3,485 million, which mainly corresponds, to passenger transportation. As disclosed in note 2.26 of the consolidated financial statements, when the sale is made, the amount is recorded as a liability in the caption Liabilities from unused flight documents, which, as at December 31, 2022, amounts to Euros 738 million, being the respective revenue recognized when the transport is carried out or the ticket expires, which in this case are considered the commercial conditions and respective estimate regarding the likelihood of the passenger to request the reimbursement or claim the issuance of a new ticket.<br><br>As disclosed in notes 2.26 and 2.33 of the consolidated financial statements, the caption Liabilities from unused flight documents, refers to the balance of flights not carried out until that date, corresponding to an obligation to provide the service in the future or an obligation to refund the ticket value, as defined in the contractual terms.<br><br>The Board of Directors carries out periodic analysis of the caption Liabilities from unused flight documents, in order to evaluate if the tickets were already used or have expired. | Our audit procedures included, among others, the understanding and evaluation of the several information technology systems related to the revenue recognition of passenger transportation, the identification and evaluation of the operational effectiveness of the Group’s internal control framework related to the IT systems management process, having for this purpose used our specialists in audit of IT systems, as well as the evaluation of the respective key controls that insure the correct, complete and timely revenue recognition of passenger transportation.<br><br>We performed specific substantive tests on revenue recognition of passenger transportation and on the balance of Liabilities from unused flight documents, namely the reconciliation of information extracted from several support systems to the accounting records, validation, on a sample basis, of the several inputs considered in the unused flight documents listing and analysis of bank reconciliations. We also carried out analytical review procedures for the various categories of passenger transport revenue, namely fares, taxes and commissions.<br><br>We also evaluated the percentage of valid and unused tickets whose respective revenue was recognized, based on the normalized historical records of non-refunded or non-reissued flight documents.<br><br>We reviewed the adequacy of the disclosures presented in the consolidated financial |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| Given the amounts involved and the degree of judgment inherent to the revenue recognition, this matter was considered a key matter for the purposes of our audit. | statements, based on the applicable accounting standards and factors considered relevant. |
| ***Estimates related to fleet maintenance and redelivery*** | |
| *Disclosures related to fleet maintenance and redelivery are presented in notes 2.6, 2.20, 2.33, 4, 10 and 18 of the consolidated financial statements.*<br><br>As disclosed in note 2.33 of the consolidated financial statements, the estimates for fleet maintenance and redelivery works require the Group to determine several significant assumptions based on forecasts with a significant level of judgement, namely, the use and condition of the aircraft, intervention costs, contractual conditions and possible renegotiations of the lease agreements. These estimates impact the accounting records of the maintenances performed immediately before the return of aircraft under lease without purchase option agreements, designated by redelivery works, which as of December 31, 2022, amounts to Euros 191 million, as well as the determination of the useful life of the structural maintenance and the recoverability of the maintenance reserves delivered to the lessors.<br><br>The expenses for redelivery works are recognized as provisions, against the respective right-of-use asset, which is depreciated on a straight-line basis over the lease term.<br><br>Regarding structural maintenances, which increase the useful life of the related assets, these are capitalized and recognized as a complement to the right-of-use assets and are subsequently depreciated until the new maintenance event. The estimated period until the next maintenance is defined based on the Group's best judgment and it is reassessed at each year end. The timeline for the structural maintenances for the aircrafts under lease | We performed several audit procedures to evaluate the reasonableness of the maintenance and redelivery works estimates for the fleet, namely the understanding and assessment of the internal control processes and procedures followed by the Group for the establishment of these estimates.<br><br>We obtained the data supporting to the calculation of the maintenance and redelivery works estimates and evaluated the reasonableness of the assumptions considered, as well as its reasonableness with the estimates embedded in the Approved Restructuring Plan. We inquired the internal technicians of the maintenance department and the Board of Directors on the reasonableness of the assumptions and verified the adequacy of the calculations performed.<br><br>We assessed the different intervention periods considered in the estimates, given the specific characteristics of each aircraft, as well as the estimated costs to be incurred in the future and the reasonability of the discount rate used, based on the conditions that are contractually defined, as well as the information provided by internal engineers with expertise in this matter.<br><br>We also verified the historical consistency of the maintenance estimates compared to the events that have occurred and the reasonableness of the evolution of the maintenance and redelivery works estimates as of December 31, 2022, compared to the previous period.<br><br>We reviewed the adequacy of the disclosures presented in the consolidated financial |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| without purchase option agreements, as well as the estimate for the respective expenses, also influence the recoverability of the maintenance reserves delivered to the lessors, which are recovered by performing the referred maintenance.<br><br>Given the amounts involved and the degree of judgment inherent to the assumptions considered in the estimate for maintenance and redelivery works, this matter was considered a key matter for the purposes of our audit. | statements, based on the applicable accounting standards and factors considered relevant. |
| ***Recoverability of tangible and intangible assets related with air transport***<br><br>*Disclosures related to tangible and intangible assets related with air transport in notes 1.1.3, 2.9, 2.33 and 4 and of the consolidated financial statements.*<br><br>As at December 31, 2022, tangible and intangible assets related with air transport presented in the consolidated financial statements amounts to Euros 2,988 million.<br><br>In accordance with IAS 36 – Impairment of assets, and as disclosed in the notes of the consolidated financial statements, the Group performs impairment testes on tangible and intangible assets related with air transport whenever there are facts or circumstances that may indicate that the net book value may not be recoverable.<br><br>The recoverable amount of the mentioned assets is determined based on discounted cash flow models, which require the use of estimates and assumptions defined by the Board of Directors, based on economic and market projections, namely cash flows associated with the Group's operating activity, exchange rates, perpetuity growth rates and discount rates.<br><br>As disclosed in notes 1.1.3 and 4 of the consolidated financial statements, on December 21, 2021 the European Commission approved the | The audit procedures included, among others, the assessment of the adequacy of the impairment model used by the Board of Directors and the mathematical accuracy of the calculations.<br><br>We assessed the reasonableness of the estimates and judgments made by the Board of Directors, underlying the relevant assumptions used in the impairment test model and respective sensitivity analyses.<br><br>We performed a reconciliation between the future cash flow projections and the Approved Restructuring Plan. We also assessed the reasonableness of the cash-generating unit definition, on which the impairment test was performed.<br><br>We inquired the Management about the adequacy of the assumptions that have greater sensitivity in determining the value in use, namely the revenues growth and EBITDA margin. An analysis of the adequacy of the discount rate and the perpetuity growth rate was also performed, using the peer's information and other information available in the market. Sensitivity analyses were also carried out on the main assumptions in order to determine the level of variations that, individually or collectively, could lead to impairment losses on the assets tested. |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| Restructuring Plan of TAP Group for the years 2020-2025, which includes the projections of the Board of Directors of TAP SA presented on June 10, 2021 and updated on November 3, 2021, which additionally include the years 2026 and 2027, based on medium and long term assumptions related to the evolution of the fleet and level of activity and operational performance, considering the uncertainty associated to that date, regarding the future evolution of the COVID-19 pandemic and its impacts on the air transport activity. The assumptions embedded in the Approved Restructuring Plan were the basis of the analysis of the recoverability of tangible and intangible fixed assets of air transport carried out by the Board of Directors, despite the positive deviation verified in the operational performance of 2022 compared to that estimated in the Approved Restructuring Plan.<br><br>As also disclosed in note 1.1.3 of the consolidated financial statements, it should be noted that any unfavourable future variations between the actual cash flows and those estimated in the Approved Restructuring Plan may lead to relevant impacts on the calculation of the recoverable value of those assets and consequently significantly affect the Group's financial and economic position.<br><br>Given the amounts involved, the complexity of the valuation models, the assumptions used and the degree of judgment and subjectivity inherent, this matter was considered a key matter for the purposes of our audit. | The procedures described above, carried out to assess the reasonableness of the assumptions and methodology associated with the impairment model used by the Group, were performed with the support of our team of specialists.<br><br>We also reviewed the adequacy of the disclosures presented in the consolidated financial statements, in particular those related to the estimates and assumptions that present higher sensitivity in determining the recoverable amount based on value in use, based on the applicable accounting standards and factors considered relevant. |
| ***Recoverability of deferred tax assets*** | |
| *Disclosures related to the recoverability of deferred tax assets presented in notes 1.1.3, 2.13, 2.33, 9 and 34 of the consolidated financial statements.*<br><br>In the consolidated statement of financial position as of December 31, 2022, deferred tax assets amount to Euros 447 million, of which (i) Euros 160 million relates to tax losses generated in | The audit procedures performed included, among others, the evaluation of the adequacy of the model of analysis of the recoverability of deferred tax assets, approved by the Board of Directors, the reasonability of the methodology used and the mathematical re-execution of the calculations.<br><br>We performed the reconciliation between the pre-tax results used in the respective model with (i) |

| Key Audit Matter | Summary of the Audit Approach |
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| 2015, 2021 and 2022 (ii) Euros 227 million relates to impairment losses on receivables, mainly arising from the balance with TAP SGPS.<br><br>As disclosed in notes 1.1.3 and 9 of the consolidated financial statements, the recoverability of deferred tax assets was assessed based on projections of future taxable income and the value of deferred tax liabilities as of December 31, 2022, considering additionally the Law nº 24-D/2022, of December 30, 2022, regarding the elimination of the time limitation for the reporting of tax losses.<br><br>In accordance with IAS 12 - Income Taxes, deferred tax assets are recognized based on the Board of Directors expectation regarding their future recoverability, based on the ability to generate future taxable income.<br><br>The estimate of recovery of the referred deferred tax assets was based on the projection of income before taxes embedded in the Approved Restructuring Plan, despite the positive deviation of the amount of tax losses in 2022 compared to the estimated on the referred Plan, which includes the projections of the Board of Directors presented on June 10, 2021 and updated on November 3, 2021, adjusted for the respective tax effects, also considering that the separate financial statements of the Company are prepared in accordance with the generally accepted accounting principles in Portugal (SNC).<br><br>As also disclosed in note 1.1.3 of the consolidated financial statements, it should be noted that any unfavourable future variations between the actual cash flows and those estimated in the Approved Restructuring Plan may lead to relevant impacts on the calculation of the recoverable value of those assets and consequently significantly affect the Group's financial and economic position.<br><br>Given the amounts involved, the assumptions used and the degree of judgment and subjectivity | the Approved Restructuring Plan for the years 2022 to 2025, (ii) the projections updated by the Board of Directors on November 3, 2021 and submitted to the European Commission for the years 2026 and 2027, and (iii) the linearization of these results for the years after 2027, based on the application of a haircut/ risk premium factor increasing due to the time horizon.<br><br>We have evaluated the estimates and judgments made by the Board of Directors underlying the relevant assumptions used in the model, namely periods used and the related haircut/ risk premium factor, pre-tax results in the projection periods and tax adjustments that contribute to the determination of the estimated future taxable income.<br><br>The procedures above, carried out to evaluate the reasonableness of the tax assumptions associated to the model used by the Group, were performed with the support of our team of specialists.<br><br>We reviewed the adequacy of the disclosures presented in the consolidated financial statements, based on the applicable accounting standards and factors considered relevant. |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| inherent, this matter was considered a key matter for the purposes of our audit. | |
| ***Adoption of currency hedge accounting*** | |
| *Disclosures related to the adoption of currency hedge accounting presented in notes 2.11, 2.33, 16 and 33 of the consolidated financial statements.*<br><br>As disclosed in note 2.11 of the consolidated financial statements, in the 2022, with reference to January 1, 2022, the Group has designated a hedging relationship for the currency exchange risk associated with highly probable forecasted sales for which the fare is determined in USD, using as hedging instruments a portion of the aircraft lease liabilities denominated in USD, according to the amounts and dates of future cash flows of estimated sales and lease liabilities.<br><br>As far as this hedge is considered effective, the currency exchange resulting from the translation of the lease liabilities denominated in USD are initially recorded under the caption other reserves, in other comprehensive income. The ineffective part of the hedge is recorded in the results.<br><br>In the year 2022, the appreciation of the USD compared to the Euro generated losses, resulting from the currency translation of lease liabilities, with and without a purchase option, in the amount of Euros 149 million, of which Euros 109 million were recorded in other comprehensive income, based on the above.<br><br>Given the amounts involved and the degree of judgment associated with the assumptions used in hedge accounting under IFRS 9, this matter was considered a key matter for the purposes of our audit. | The audit procedures performed included, among others, the verification of compliance with hedging requirements under IFRS 9 for hedging the exchange rate risk and the evaluation of the documentation that supports the classification as hedging and the calculation of the hedge reserve and hedge ineffectiveness.<br><br>The application of cash flow hedge accounting was discussed with the Board of Directors.<br><br>It was verified that the hedging instrument considered, is permitted under IFRS 9 and that there is an economic relationship between the hedged item (sales whose the fare is determined in USD) and the hedging instrument (lease payments in USD).<br><br>We evaluated the supporting information considered for determination of the amounts recorded in the hedging reserve and the hedge ineffectiveness recorded in results, and its reconciliation with the consolidated financial statements.<br><br>We assessed the reasonableness of the highly probable forecasted transactions considerated as hedge items in the hedging relationship, based on the estimates embedded on the Approved Restructuring Plan, as well as the lease payments in USD, based on the respective lease contracts considered relevant.<br><br>We verified the adequacy and consistency of the market information considered in the model, namely exchange rate and interest rates, based in the calculation performed.<br><br>We have recalculated the amounts (i) to be recognized in the hedging reserve, (ii) of hedge ineffectiveness and (iii) of the impact of the |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| | hedging instrument on results, as the hedged item is recorded in results.<br><br>The procedures described above, carried out to assess the consistency of the method for evaluating compliance of the hedge effectiveness requirements for exchange rate variation risk with IFRS 9 and reasonableness of the assumptions used, were performed with the support of our team of specialists.<br><br>We reviewed the adequacy of the disclosures presented in the consolidated financial statements, based on the applicable accounting standards and factors considered relevant. |
| ***Impact of the approval of the Restructuring Plan on the going concern assumption***<br><br>Disclosures related to the impact of the approval of the Restructuring Plan on the going concern assumption in notes 1, 1.1.3, 1.1.4 and 10 of the consolidated financial statements.<br><br>On December 31, 2022 , as disclosed in the notes 1,1.1.4 and 10 of the consolidated financial statements, under the Restructuring Plan approved by the European Commission and respective State aid measures, the shareholder financial support already provided by the Portuguese State to TAP SA amounts to Euros 2,492 million, with an approved capital increase of Euros 686 million, in two equal tranches, in 2023 and 2024, with the fundamental purpose of ensuring the financial sustainability and economic viability that allows the continuity of the operations of the TAP SA Group.<br><br>Therefore, on December 31, 2022, the TAP SA Group has cash and cash equivalents of Euros 916 million, to which will be added the contribution of Euros 343 million to be paid by the shareholder during the year 2023, as foreseen in the Approved Restructuring Plan. In addition, positive operating cash flows in the amount of Euros 774 million were generated in the year 2022. Therefore, the Board of Directors is | The audit procedures developed included, among others, the assessment of the adequacy of the use of the going concern assumption, used by the Board of Directors, in the preparation of the consolidated financial statements based on the reasonableness analysis performed to the assumptions and methodology associated to the cash flow model for 2023 included in the Approved Restructuring Plan, updated in the 2023 Budget approved by the Board of Directors on January 12, 2023.<br><br>We also analyzed the sensitivity scenarios to the main liquidity risk factors identified by the TAP SA Group, based on the existing cash and cash equivalents on December 31, 2022, and the perspective of cash flows generation during the year 2023.<br><br>In the scope of our analysis, we also inquired the Board of Directors about the rationale and assumptions used in the treasury budget for the year 2023, and its assessment of the potential effects of the estimated evolution of fuel prices and interest rates and its impact on the Group's operational performance and liquidity. |

| *Key Audit Matter* | *Summary of the Audit Approach* |
|---|---|
| convinced that the continuity of the Group's operations and liquidity are assured, based on the estimated cash requirements, as of this date, for the period of twelve months.<br><br>As disclosed in note 1.1.3 of the consolidated financial statements, it should be noted that any unfavorable future variations between the actual cash flows and those estimated in the Approved Restructuring Plan may significantly affect the financial position of the Group.<br><br>Given the amounts involved, the level of judgment associated with the assumptions used in the Approved Restructuring Plan, and the impact these have on the analysis of liquidity and continuity of operations, this matter was considered a key matter for the purposes of our audit. | We reviewed the adequacy of the disclosures presented in the consolidated financial statements, based on the applicable accounting standards and factors considered relevant. |

***Responsibilities of management and supervisory board for the consolidated financial statements***

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the consolidated Directors' report and the non-financial statement in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our responsibility is to obtain reasonable assurance about whether the 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain 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 Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude 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 Group'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 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 Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the consolidated Directors' report is consistent with the consolidated financial statements, and verifying that the consolidated non-financial statement was presented.

## *Report on other legal and regulatory requirements*

### *Consolidated Directors' report*

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the consolidated Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the consolidated Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

### *European Single Electronic Format (ESEF)*

The Entity's consolidated financial statements for the year ended on December 31, 2022) must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of December 17, 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the consolidated financial statements, in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the entity to tag the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

***Consolidated non-financial statement***

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group prepared a separate report of the consolidated Directors' report that includes the consolidated non-financial statement set forth in article No. 508-G of the Portuguese Company Law, which was disclosed together with the consolidated Directors' report.

***Additional information required in article No. 10 of the Regulation (EU) 537/2014***

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Transportes Aéreos Portugueses, S.A. in the Shareholders' General Meeting of December 17, 2019 for the period from 2019 to 2020. Our last appointment was in the Shareholders' General Meeting of June 24, 2021 for the period from 2021 to 2024.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of April 28, 2023.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014 and that we remain independent of the Group in conducting our audit.

April 28, 2023

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hugo Miguel Patrício Dias, ROC no. 1432
Registered with the Portuguese Securities Market Commission under no. 20161042

**<u>REPORT AND OPINION OF THE SUPERVISORY BOARD</u>**

**<u>(CONSOLIDATED ACCOUNTS)</u>**

(Translation of a report originally issued in Portuguese)
(In case of discrepancies, the Portuguese version prevails)

**To the shareholder of**
**Transportes Aéreos Portugueses, S.A.**

In accordance with the legislation in force and the mandate we are entitled to, we submit to your appreciation our Report and Opinion, that covers the activity developed by us and about the statutory consolidated accounts of Transportes Aéreos Portugueses, S.A. ("Company" or "Group TAP"), related to the year ended 31 December 2022, that are the responsibility of the Board of Directors.

We monitored, with the periodicity and debt considered adequate, the evolution of the activity of the Group TAP, the regularity of its accounting records and the compliance of the legislation and statutory requirements in force, having obtained from the Board of Directors and from the various services of the Company and its subsidiaries, the information and the clarifications requested.

In the scope of our functions, we examined the consolidated financial statements, prepared in accordance with the International Financial and Reporting Standards (IFRS) as adopted in the European Community, that comprise the consolidated Statement of the Financial Position as of 31 December 2022, the consolidated Statement of Results, the consolidated Statement of the Integral Income, the consolidated Statement of the Changes in Equity and the consolidated Statement of Cash Flows, related to the year then eneded and the related Appendix.

In addition, we reviewed the consolidated Board of Director's Report of 2022, prepared by the Board of Directors, having verified that this document, as well as the Appendix of the consolidated financial statements, include relevant disclosures, namely the disclosures included in Note 1 of the Appendix, related with the approval of the Restructuring Plan of Group TAP, by the European Commission, which compliance, will be monitored by that entity.

We also reviewed the Legal Certification of Accounts and Audit Report about the consolidated financial statements, issued by the statutory auditors of Group TAP, dated 28 April 2023, that does not include any qualification, and includes an emphasis paragraph, related with the Restructuring Plan of Group TAP approved by the European Comission as of 21 December 2021, in the scope of the State aid to Group TAP (Approved Restructuring Plan) and its subsequent monitoring by the European Comission of its compliance and related impacts in the financial position and future operational activity of Group TAP.

In the terms of the nº 6 of article 451º, of the Portuguese Comercial Law, the Group TAP will prepare a separate consolidated report, from the consolidated Board of Directors Report, that includes the consolidated statement of non-financial information, in the terms of the article 508º - G of the Portuguese Comercial Law, that in respect of the legal deadline, should be disclosed in the Company´s website.

In the terns of the article 8º nº 1, section a), of the CMVM's Regulation's nº 5/2008 and in the terms of section c) of nº 1 of article 245º of the CMVM Code, we confirm that as far as it is our knowlegde, the information included in the consolidated financial statements of Group TAP, was prepared in accordance with the applicable accounting policies, giving a true and fair image of the consolidated assets and liabilities, of the consolidated financial position and of the consolidated results of Group TAP and that the Consolidated Board of Directors Report discloses adequately the evolution of the business, the consolidated performance and the consolidated financial position of Group TAP, including discloses of its principal risks and uncertainities.

We confirm that as far as it is our knowlegde the Company complied with the legal requirements applicable to the Corporate Public Sector (SEE), as well as we confirmed the compliance with the requirement of the n.º 1 of the article 54.º of the RJSPE, being confirmed by the Company that, will prepare an authonomous report from the Consolidated Board of Directors Report, that will include the information referred to in this rule, which should be reported to the shareholder and disclosed in the Company´s website.

On the other hand, as disclosed in the Appendix to the Consolidated Financial Statements, taking into consideration that the Company´s financial position evidences that the dispositions of the article 35º of the Portuguese Comercial Law are applicable, it is necessary that the Board of Directors continues to develop and implement the measures considered adequated to resolve this situation.

Tanking all into consideration, and considering the matter described in the section “Emphasis” of the Legal Certification of Accounts and Audit Report, about the consolidated financial statements, as well as the matters described in the previous paragraphs, of this report, it is our opinion that the consolidated financial statements, mentioned above and the consolidated Board of Director’s Report, are in accordance with the accounting, legal and statutory applicable requirements, and consequently, can be approved by the Shareholder in the General Assembly.

We thanks to the Company’s Board of Directors and to the services of the Company and its subsidiaries, all collaboration and assistance provided, namely the availability of its key employees to clarify the questions raised during the monitoring activities of the Supervisory Board.

Lisbon, 28 April 2023

Baker Tilly, PG & Associados, SROC, Lda.
Represented by Paulo Jorge Duarte Gil Galvão André
(President)

José Manuel Fusco Gato
(Effective member)