TRANSPORTES AÉREOS PORTUGUESES, S.A.

2023

Management Report
and
Consolidated Accounts

A STAR ALLIANCE MEMBER

CONSOLIDATED MANAGEMENT REPORT

2023

This document is a translation from the Portuguese original.
In the event of any inconsistencies the Portuguese version shall prevail.

INDEX

1. GOVERNING BODIES

Transportes Aéreos Portugueses, S.A. (“TAP”, “TAP, S.A.” or “Company”)

The composition of the Company’s governing bodies as of 31 December 2023 was the following:

Board of the General Meeting

Chairman	*To be appointed* *
Vice chairman	*To be appointed* **
Company Secretary	Manuela Ferreira e Silva de Vasconcelos Simões

(*) António de Macedo Vitorino resigned as Chairman of the Board of the General Meeting on February 20, 2023, with effect from March 31, 2023.

(**) David Fernandes de Oliveira Festas resigned as Vice-Chairman of the Board of the General Meeting on October 30, 2023, with effect from November 30, 2023.

Manuela Ferreira e Silva de Vasconcelos Simões was appointed to the position of Company Secretary, with effect from May 18, 2023, following the resignation of Ana Maria Sirgado Malheiro on May 12, 2023, with effect from May 18, 2023.

Board of Directors

Chairman	Luís Manuel Da Silva Rodrigues
Member	Gonçalo Neves Costa Monteiro Pires
Member	Jose Mario Cruz Henriquez
Member	Maria João Santos Gomes Cardoso
Member	Mário Rogério Carvalho Chaves
Member	Sofia N. R. Lufinha de Mello Franco
Member	Ana Teresa C. P. Tavares Lehmann
Member	João Pedro Conceição Duarte
Member	Patrício Ramos Castro
Member	Ramiro José Oliveira Sequeira

Manuel Beja and Christine Ourmières-Widener were dismissed from their positions as Chairman and Member, respectively, of the Board of Directors, with effect from April 14, 2023.

Luís Manuel Da Silva Rodrigues was appointed to the position of Chairman of the Board of Directors, with effect from April 14, 2023.

Silvia Mosquera Gonzalez submitted a letter of resignation as a member of the Board of Directors on March 21, 2023, with effect as from June 23, 2023.

Maria João Santos Gomes Cardoso and Mário Rogério Carvalho Chaves were appointed to the positions of Members of the Board of Directors, with effect from May 17, 2023.

Jose Mario Cruz Henriquez was appointed to the position of Member of the Board of Directors, with effect from July 18, 2023.

Ramiro José Oliveira Sequeira ceased to be an Executive Member with effect from 18 May 2023. Subsequently, on 30 November 2023, he submitted a letter of resignation from the position of Member of the Board of Directors, with effect from December 31, 2023.

Executive Committee

Chairman	Luís Manuel Da Silva Rodrigues
Member	Gonçalo Neves Costa Monteiro Pires
Member	Jose Mario Cruz Henriquez
Member	Maria João Santos Gomes Cardoso
Member	Mário Rogério Carvalho Chaves
Member	Sofia N. R. Lufinha de Mello Franco

Christine Ourmières-Widener was dismissed from her position as Chief Executive Officer with effect from April 14, 2023.
Luís Manuel Da Silva Rodrigues was appointed to the position of Chief Executive Officer, with effect from April 14, 2023.
Silvia Mosquera Gonzalez submitted a letter of resignation as a member of the Executive Committee on March 21, 2023, with effect from June 23, 2023.
Ramiro José Oliveira Sequeira became a non-executive member with effect from May 18, 2023.
Maria João Santos Gomes Cardoso and Mário Rogério Carvalho Chaves were appointed to the positions of Members of the Executive Committee, with effect from May 18, 2023.
José Mario Cruz Henriquez was appointed to the position of Member of the Executive Committee, with effect from July 27, 2023.

Remuneration Committee

Chairman	Tiago Aires Mateus
Member	Pedro Miguel Nascimento Ventura

Tiago Aires Mateus submitted a letter of resignation as a Chairman of the Remuneration Committee on May 18, 2023.
By unanimous written resolution of the sole shareholder, the Remuneration Committee was abolished on 25 October 2023.

State Aid Monitoring Committee

Chairman	Patrício Ramos Castro
Member	*To be appointed **
Member	*To be appointed*

(*) Christine Ourmières-Widener was dismissed from her position as member of the State Aid Monitoring Committee with effect from 14 April 2023.

Company Secretary

Company Secretary	Manuela Ferreira e Silva de Vasconcelos Simões
Deputy Company Secretary	Ana Maria Sirgado Malheiro

Manuela Ferreira e Silva de Vasconcelos Simões was appointed to the position of Company Secretary, with effect from May 18, 2023, following the resignation of Ana Maria Sirgado Malheiro on May 12, 2023, with effect from May 18, 2023.
Ana Maria Sirgado Malheiro was appointed to the position of Deputy Company Secretary, with effect from May 18, 2023, following the resignation of João Carlos Pugliese do Espirito Santo, on May 12, 2023, with effect from May 18, 2023.

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 Jun 2021

Chartered Accountant

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

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 2023.

3. DEVELOPMENT OF BUSINESS ACTIVITY IN 2023

3.1. Introduction

- 2023 was the year in which air transportation approached pre-pandemic activity levels, with the demand levels remaining strong. TAP surpassed its pre-crisis levels with capacity (measured in ASK) in 2023 representing 101% of 2019 figures. The load factor increased by 0.8 percentage points compared to 2022, reaching 80.8%, also improving by 0.7 percentage points compared to 2019.
- TAP's revenues in 2023 amounted to EUR 4,214.8 million, reaching the highest value in its history, driven by increased capacity and higher yields, increasing by EUR 729.9 million or 20.9% compared to 2022.
- Recurring operating costs increased by EUR 592.8 million or 18,3% compared to 2022, amounting to EUR 3,829.0 million, due to the increase in capacity, inflationary pressures, and review of the employees' salary conditions.
- Despite the increase in costs, TAP generated a recurring EBIT of 385.8 million, with a 9.2% margin, representing an improvement of EUR 137.1 million compared to 2022.
- During 2023, the Company concluded the negotiations for Collective Agreements applicable to Pilots, Cabin Crew, and, with the majority of representative unions for Ground Staff, resulting in not only new labour conditions but also the full restoration of salary cuts for these groups, effective in the second half of 2023. The processing of the new agreed-upon conditions for Pilots occurred in 2023. However, for the remaining professional categories, the processing of the agreed-upon updates for 2023, is scheduled for early 2024.
- In October 2023, TAP presented its new brand positioning under the slogan "Embrace the World" with the objective of conveying Portugal's connection to the World and the World's connection to Portugal, awakening the typically Portuguese curiosity in every passenger.
- During 2023, TAP was awarded several times as a leading airline, having been voted the best airline in the World and in Europe for South America and Africa at the World Travel Awards, and having received the Four-Star Airline Award from the Airline Passenger Experience Association (APEX).

3.2. Sector Environment

Economic Framework

Macro Indicators % YoY	2022	2023E	2023E vs 2022
Real GDP Growth			
Global	3.5%	3.0%	-0,5 p.p.
Euro Area	3.3%	0.7%	-2,6 p.p.
Portugal	6.7%	2.3%	-4,4 p.p.
North America	2.3%	2.1%	-0,2 p.p.
Latin America	3.8%	1.6%	-2,2 p.p.
Africa	3.9%	3.2%	-0,7 p.p.
Middle East	6.5%	1.6%	-4,9 p.p.
Asia-Pacific	4.1%	4.4%	0,3 p.p.
Trade Growth			
Global	2.7%	0.8%	-1,9 p.p.

Source: IMF (February 2024), IMF - World Economic Outlook Update (February 2024), World Trade Organization (October 2023).

In 2023, it is estimated that the global economy will continue to grow, with world GDP growing by 3.0%, following growth of 3.5% in 2022. With an expected increase in GDP of 2.3%, the Portuguese economy is expected to grow more than the Euro Zone (0.7%), mainly driven by tourism.

Exchange rate EUR 1 to	FY 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	FY 2023	FY2023 vs. FY2022
USD	1.053	1.073	1.089	1.088	1.075	1.081	2.7%
BRL	5.440	5.079	5.392	5.313	5.333	5.272	-3.1%

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

During 2023, the EUR appreciated against the USD, with the average exchange rate rising by 2.7% compared to 2022. With a particularly strong performance in the first half of the year, the EUR/USD exchange rate peaked at 1.12 in the second quarter of 2023, ending the year with an exchange rate of 1.10. For the second year running, the EUR depreciated against the BRL in 2023, with the average exchange rate falling by 3.1% compared to 2022. The EUR's mixed performance during 2023 was due to all the uncertainty generated by an unstable geopolitical environment, the slowdown of the economies and central banks' monetary policies.

Oil and derivatives in USD	FY 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	FY 2023	FY2023 vs. FY2022
Brent (USD/bbl)	99.9	82.2	77.7	85.9	82.9	82.2	-17.7%
Jet Fuel (USD/mT)	1,097.0	908.5	754.0	948.7	919.5	884.6	-19.4%

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

Brent prices continued to show high levels of volatility in 2023, ranging from 71.84 USD/bbl to 96.55 USD/bbl, with the average price falling 17.7% compared to 2022. Likewise, the average price of Jet Fuel fell by 19.4% compared to the previous year. Overall, the fall in prices was justified by the stagnation of the war in Ukraine and fears of a new economic crisis, which directly impacted demand for fuel.

Airline Sector Review

According to the International Air Transport Association ("IATA"), the industry has continued its recovery from the crisis and is estimated to have grown significantly compared to 2022. The sector's overall capacity (measured in ASKs) for 2023 is estimated to have increased by 33.0% compared to the previous year, while passenger traffic (measured in RPKs) is estimated to have increased by 38.4% compared to 2022. After the significant growths in 2021 and 2022, the North American and European regions are expected to show lower growth rates in 2023.

Regions	Capacity (ASK) % change vs previous year				Capacity (RPK) % change vs previous year			
	2021	2022E	2023F	2024F	2021	2022E	2023F	2024F
Global	**18.7%**	**40.2%**	**33.0%**	**8.9%**	**21.8%**	**64.9%**	**38.4%**	**9.8%**
Europe	30%	70%	18%	9%	28%	102%	22%	10%
North America	41%	29%	15%	6%	75%	46%	16%	6%
Latin America	37%	54%	14%	8%	40%	63%	16%	7%
Asia-Pacific	-6%	16%	78%	11%	-13%	32%	98%	13%
Africa	18%	51%	38%	9%	17%	84%	40%	7%
Middle East	21%	67%	28%	11%	9%	145%	35%	6%

Source: IATA (December 2023)

After practically doubling in 2022 compared to 2021, it is estimated that overall passenger revenues will continue to increase significantly in 2023 (+47%) compared to the previous year, surpassing pre-pandemic levels (USD 607 billion). Passenger yield is estimated to improve by 6.2% compared to the previous year, and the load factor is estimated increase to 82.0%, an increase of 3.3 percentage points compared to 2022, and only 0.6 percentage points below 2019 (82.6%).

In the cargo segment, it is estimated that revenues in 2023, which were boosted by the pandemic, have again decreased compared to the previous year (-35%), although remaining significantly higher than 2019 levels (USD 101 billion). CTK are estimated to decrease by 3.7% compared to 2022 and by 5.4% when compared to 2019. As for the yield, after the increases in 2021 and 2022, it is estimated to decline significantly by 32.2%. On the other hand, the load factor is estimated to increase by 0.8 percentage points compared to 2022, reaching 67.7% in 2023.

Global Revenue USD billion	2021	2022E	2023F	2024F
Passenger	**242.0**	**436.0**	**642.0**	**717.0**
Yield, % YoY	5.0%	9.5%	6.2%	1.8%
Load Factor, %	66.9%	78.7%	82.0%	82.6%
RPK, % YoY	21.8%	64.9%	38.4%	9.8%
└ vs 2019		-31.2%	-4.8%	4.5%
Cargo	**210.0**	**206.5**	**134.7**	**111.4**
Yield, % YoY	25.9%	7.0%	-32.2%	-20.9%
Load Factor, %	61.7%	66.9%	67.7%	68.9%
CTK, % YoY	18.8%	-8.1%	-3.7%	4.5%
└ vs 2019		-1.7%	-5.4%	-1.1%

Source: IATA (December 2023).

3.3. Operational and Economic-Financial Performance

Preliminary Relevant Information

TAP's Board of Directors believes that the preparation of TAP's financial statements as of December 31, 2023, shall be made on a going concern basis, based on:

(i) the Approved Restructuring Plan, which anticipates a gradual growth of the activity, combined with a strategy of reducing fleet size, operational costs, and investments, having been obtained for the fiscal years ended 31 December 2023 and 2022 positive operating and net results, higher than those estimated in the Approved Restructuring Plan, as well as;

(ii) the cash position of the Company of EUR 789.4 million resulting from the approved State aid measures and the positive operating cash flows for the year of 2023 in the amount of EUR 1,005.2 million. It should be noted that on 28 December 2022, the sole shareholder subscribed to a capital increase of EUR 980 million, having paid EUR 294 million by 31 December 2023, with the remaining amount to be paid in two equal tranches, scheduled for December 2023 and December 2024, with the first tranche having been effectively paid in January 2024.

There are risks and uncertainties that should be considered when analysing TAP's financial statements as of 31 December 2023, namely those referred to in section 6 (Risk Management) below.

Operational Performance

TAP, S.A. Consolidated	FY23	FY22	Change	
			Value	%
Passenger ('000)	15,856	13,759	+2,097	+15.2%
RPK (million)	42,673	36,782	+5,892	+16.0%
ASK (million)	52,797	45,960	+6,837	+14.9%
Load Factor (%)	80.8	80.0	+0.8	+1.0%
Block Hours	388,088	344,900	+43,188	+12.5%
Number of Departures	119,697	107,856	+11,841	+11.0%
Average Stage Length (km)	2,176	2,143	+33	+1.5%
Active Staff (end of period) [1]	7,558	6,988	+570	+8.2%
PRASK (EUR cents)	7.30	6.68	+0.61	+9.1%
Recurring CASK (EUR cents) [2]	7.25	7.04	+0.21	+3.0%
Recurring CASK ex. fuel (EUR cents)	5.14	4.66	+0.49	+10.4%

1) Excludes staff not placed and not active.

2) Recurring CASK = CASK calculated on the basis of Operating Costs - Restructuring - Other non-recurring items.

Following on the recovery in 2022, 2023 was the year in which air transport approached pre-pandemic activity levels, with the demand remaining strong. However, the sector continued to be affected by medium and long-term effects of the pandemic and strong inflationary pressures. Throughout this period, there were again several disruptions in the industry caused by price rises, strikes and problems at ATCs that affected punctuality and the fluidity of operations, as well as prolonged shortages of professionals and problems in the supply chains. Even with these disruptions, TAP showed an ability to adjust and, above all, adapt its capacity and resources to the strong demand registered, especially for leisure travel.

In 2023, TAP transported a total of 15.9 million passengers, which was a 15.2% increase compared to 2022, reaching 93% of the levels achieved in 2019.

Capacity (measured in ASK) increased by 14.9% compared to 2022, progressing on its recovery trend and surpassing pre-crisis capacity, representing 101%. The Load Factor improved 0.8 percentage points, reaching 80.8%.

Economic-Financial Performance

TAP, S.A. Consolidated EUR million	**FY23**	**FY22**	**Change**	
			Value	**%**
Operating Income	**4,214.8**	**3,485.0**	**+729.9**	**+20.9%**
Passenger	3,851.6	3,072.4	+779.3	+25.4%
Maintenance	163.7	132.1	+31.7	+24.0%
Cargo and Mail	173.1	258.3	-85.3	-33.0%
Other operating income	26.4	22.2	+4.2	+18.9%
Operating Costs	**3,868.1**	**3,216.8**	**+651.3**	**+20.2%**
Aircraft fuel	1,114.8	1,096.7	+18.1	+1.7%
Traffic operating costs	906.5	699.1	+207.4	+29.7%
Employee costs	722.6	416.7	+305.9	+73.4%
Aircraft maintenance costs	56.1	33.4	+22.7	+67.9%
Cost of materials consumed	127.7	101.9	+25.8	+25.3%
Commercial, communication and marketing costs	211.9	181.0	+30.9	+17.1%
Impair. losses in inventories, receiv. and provisions	42.4	56.1	-13.7	-24.4%
Other operating expenses	161.2	141.9	+19.3	+13.6%
Restructuring	-1.4	-3.4	+2.0	+58.5%
Other non-recurring items	40.5	-16.0	+56.5	>+200%
Depreciation, amortisation and impairment losses	485.8	509.5	-23.7	-4.7%
EBIT (Operating Result)	**346.7**	**268.2**	**+78.5**	**+29.3%**
EBIT margin	***8.2%***	***7.7%***	***+0.5 p.p***	***n.m.***
Recurring EBIT 1)	**385.8**	**248.8**	**+137.1**	**+55.1%**
Recurring EBIT margin	***9.2%***	***7.1%***	***+2.0 p.p***	***n.m.***
Interest and similar income	64.6	40.1	+24.5	+61.2%
Interest and similar expenses	-254.5	-261.6	+7.0	+2.7%
Net currency exchange	29.6	-12.8	+42.4	>+200%
Earnings before taxes	**186.5**	**33.9**	**+152.5**	**>+200%**
Income tax	-9.2	31.7	-40.9	-129.1%
Net income/ (loss)	**177.3**	**65.6**	**+111.7**	**+170.2%**
EBITDA	**832.5**	**777.7**	**+54.8**	**+7.0%**
EBITDA margin	***19.8%***	***22.3%***	***-2.6 p.p***	***n.m.***
Recurring EBITDA 2)	**871.6**	**758.2**	**+113.4**	**+15.0%**
Recurring EBITDA margin	***20.7%***	***21.8%***	***-1.1 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 4,214.8 million in the full year 2023, an increase of 20.9% on the previous year, driven by higher capacity and higher yields. Total operating income has reached 128% of the pre-crisis level, representing TAP's highest revenues ever. The breakdown shows a strong increase in passenger revenues of 25.4% year-on-year to EUR 3,851.6 million, or 91% of the year's total operating income.

The Maintenance division also contributed to the increase in total operating income, recording an increase of EUR 31.7 million (+24.0% compared to 2022) to EUR 163.7 million, benefiting from the sector's recovery trend. Regarding the Cargo segment, the revenues decreased by EUR 85.3 million to EUR 173.1 million, marking a decline of 33.0% compared to 2022, due to the normalisation of cargo yields, albeit surpassing 2019 levels.

Total operating costs amounted to EUR 3,868.1 million in 2023, an increase of EUR 651.3 million (+20.2%) when compared to 2022. This increase was mainly driven by higher employee costs (an increase of EUR 305.9 million or 73.4%) resulting from the continued reinstatement of most of the remuneration packages and due to the new collective labour agreements, and by higher traffic operating costs (an increase of EUR 207.4 million or 29.7%) due higher levels of activity.

From a unit cost perspective, 2023 CASK from recurring operating costs was 3.0% higher than in 2022. Excluding fuel costs, CASK ex-fuel increased by 10.4% compared to 2022.

Operating Result (EBIT) amounted to EUR 346.7 million, increasing EUR 78.5 million YoY (+29.3%). When adjusted for non-recurring items and restructuring costs, Recurring EBIT came in at EUR 385.8 million (+55.1% YoY), with 9.2% margin, while Recurring EBITDA amounted to EUR 871.6 million (+15.0% YoY), resulting in a margin of 20.7%.

TAP registered a net income of EUR 177.3 million, which was an increase of EUR 111.7 million compared to 2022, and an increase of EUR 272.9 million compared to 2019.

Financial Position

TAP, S.A. Consolidated EUR million	31 Dec 23	31 Dec 22	Change	
			Value	%
Total Assets	**5,892.0**	**5,913.9**	**-21.8**	**-0.4%**
Non-current Assets	3,828.4	4,010.4	-182.0	-4.5%
Current Assets	2,063.7	1,903.3	+160.4	+8.4%
Equity	**613.9**	**417.6**	**+196.3**	**+47.0%**
Total Liabilities	**5,278.1**	**5,496.2**	**-218.1**	**-4.0%**
Non-current Liabilities	2,963.7	3,297.4	-333.7	-10.1%
Current Liabilities	2,314.4	2,198.9	+115.6	+5.3%

Total assets negative variation of EUR 21.8 million is mainly explained by the reduction of cash and cash equivalents, offset by additional aircraft, by phase-ins and contract extensions. Equity increased essentially in line with the net income.

Financing and Lease Liabilities

TAP, S.A. Consolidated EUR million	31 Dec 23	31 Dec 22	Change	
			Value	%
Financial Debt	**1,440.4**	**1,618.1**	**-177.7**	**-11.0%**
Bank Loans & Bonds	650.5	908.8	-258.3	-28.4%
Lease liabilities with purchase option	790.0	709.3	+80.7	+11.4%
Cash and cash equivalents	**789.4**	**916.1**	**-126.7**	**-13.8%**
Net Financial Debt	**651.1**	**702.0**	**-51.0**	**-7.3%**
Lease liabilities without purchase option	**1,801.1**	**2,038.1**	**-237.0**	**-11.6%**

Gross financial debt, which excludes lease liabilities without purchase option, decreased by EUR 177.7 million when compared to December 31, 2022, mainly due to the reimbursement of the EUR 200 million 2019-2023 Bond in the end of the first half of the year, which also impacted the cash and cash equivalents caption, that decreased EUR 126.7 million to EUR 789.4 million.

In November 2023, TAP announced the upgrade of its long-term issuer credit rating assigned by S&P Global Ratings Europe Limited ("S&P") from B+ to BB- (Outlook stable) and the upgrade of the Corporate Family Rating assigned by Moody's Investors Service ("Moody's") from B2 to B1 (Outlook positive).

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. 2023 was a year of stabilization and reinforcement of TAP's network, with strategic capacity increases and a focus on expanding transatlantic connections. In North America, TAP increased weekly frequencies to Boston, Chicago, Miami, San Francisco, Washington and Porto-New York and, in South America to Belém, Belo Horizonte, Brasília, Salvador, São Paulo and Caracas.

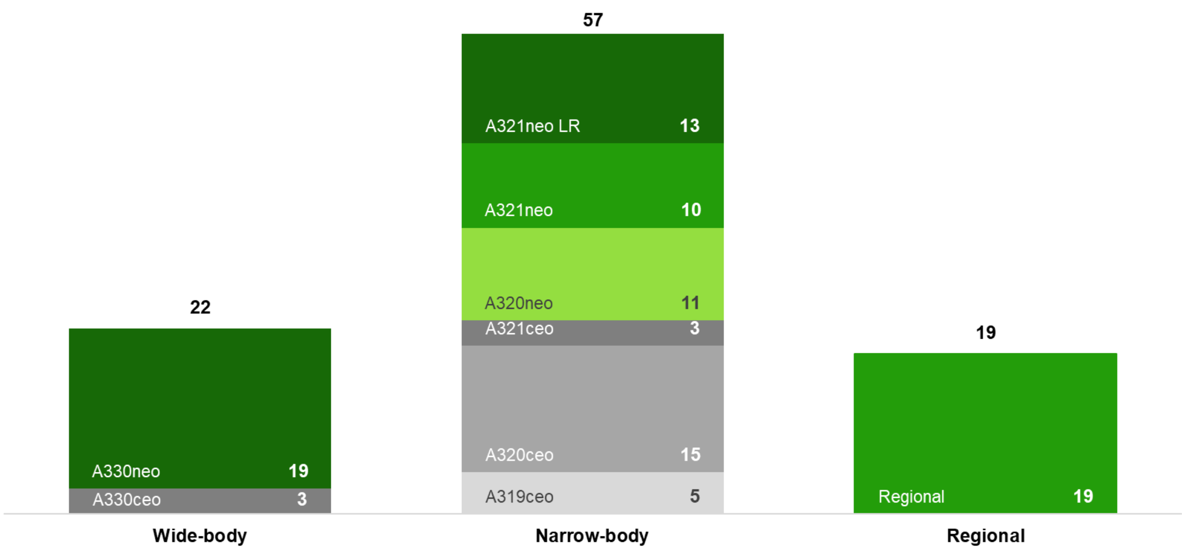
Capacity to Europe was reinforced by increasing weekly frequencies from Porto in two routes: Porto-Zurich and Porto-Geneva. In 2023, TAP launched three new routes: Porto-Luanda, Lisboa-Menorca e Lisboa-Palma de Mallorca.

At the end of 2023, TAP's operating fleet was comprised by a total of 98 aircraft, which compares to a total of 93 aircraft in 2022. During this year two new-generation Airbus aircraft (A321neo LR), three Embraer fleet aircraft (two E190 and one E195 which were in the phase-in process on December 31, 2022), and two ATR-72 aircraft (which were in operator transition process as of 31 December 2022, but whose contracts were terminated during 2023) entered into operation.

As a result, by the end of 2023, the share of NEO-family aircraft in TAP's mid and long-haul operating fleet amounts to 67%, underlining the Group's strategy of using more fuel-efficient aircraft, with both cost and sustainability benefits.

On 20 December 2023, the certification process for an A-320 NEO aircraft was completed, with operations planned only for January 2024.

Composition of TAP's operating fleet[1)] as of 31 December 2023



1) TAP's total fleet may differ from its fleet in operation as it can include aircraft in process of phase-in/out.

3.5. Maintenance & Engineering

The year 2023 was a year of growth during which important steps were taken, not only to achieve the defined targets but also to prepare the future. Despite labour difficulties, M&E has accommodated more aircraft inspections in Lisbon, increased revenue for third parties, and proceed the implementation of AMOS and other IT projects essential to the digital transition. The training plan is in place and will increase the workforce and will continuously train our technicians on the different aircraft, engines, and components. The number of flights assisted and dispatched increased when compared with the previous year, achieving a high level of Reliability.

M&E activity expansion plan was concluded, which is divided into short and medium-long term objectives. Regarding investments in infrastructures, the different areas of Production and Logistics were considered. Some of these works are expected to be completed in 2024, which will have a direct and positive impact on the revenue and costs reducing through processes optimization.

3.6. Cargo

In 2023 TAP Air Cargo has shifted its efforts to securing market share in its network, focused on flight optimization and yield management. This led to an increase in Chargeable weight market share of 5.5% to 6.3% in all relevant competitive TP markets and of 4.6% to 5.3% in Revenue for the 2023 vs. 2022. It should be noted that cargo demand in these markets decreased by 8.2% overall. Due to an overall increase in capacity to pre-covid levels, yields had a 35% decrease, although TAP has been able to present higher yields when compared to 2019.

TAP Air Cargo also continued its digital journey, increasing the share of bookings through its digital platforms, now representing 9.8% of bookings.

In 2023, TAP Air Cargo as operated 7 charter operations to Kigali (KGL) and an on-going freighter operation between Brussels and Portugal to capture high yield verticals, for instance Pharma shipments.

4. SUBSEQUENT EVENTS

Execution of the second tranche of the capital increase

- Following a decision made by the sole shareholder of TAP S.A., the Portuguese Republic, through the Directorate-General of the Treasury and Finance, by means of unanimous written resolution, the second tranche, in the amount of EUR 343,000,000, of the capital increase through new cash contributions, which had been resolved on 27 December 2022, was executed on 4 January 2024.
- Consequently, the share capital of TAP of EUR 980,000,000 is now paid-up in a total of EUR 637,000,000.
- The execution of the third and final tranche of the aforementioned capital increase, in the amount of EUR 343,000,000, remains scheduled for 20 December 2024.

Publication of Collective Agreements in the Labor and Employment Bulletin

- During the first quarter of 2024, it was published in the Labor and Employment Bulletin a significant portion of the Collective Agreements negotiated with various groups of workers during the second half of 2023. As a result of these publications, the impacts of the new Collective Agreements on employee salaries began to be processed and paid in the early months of 2024. The estimated impacts of the new Collective Agreements with reference to the year ended 31 December 2023, which were not processed during that period, are already reflected in the Group's consolidated financial statements as of 31 December 2023.

5. OUTLOOK FOR 2024

Following the recovery trend initiated in 2022, and despite TAP's solid performance in 2023, this year was also characterized by significant macro-economic and operational headwinds.

As such, 2024 will also be a challenging year for TAP, as there are a number of factors that could affect TAP's financial and economic performance, namely high inflation, risk of recession and slowing GDP growth which could negatively impact demand, as well as increased fuel prices, unfavourable currency developments and continued industry disruptions.

The strategy for 2024 focuses on continuing the strategic roadmap already initiated to transform TAP into a sustainably profitable airline.

In 2024, TAP will continue to invest in the consolidation of its operations, capitalizing the results achieved in 2023, with a focus in punctuality, connectivity and regularity.

In addition, it will also continue to invest in its customers, by revamping the passenger service with new products and services, and by increasing the brand equity in its customers.

In 2024, TAP will continue to capitalize on its solid financial results and managing cost pressures to ensure consistency and profitability going forward.

TAP will continue to invest in its employees, favouring social peace and increasing their commitment.

In 2024, TAP has the objective to improve its cash-flow generation and continue the deleveraging strategy.

For 2024, TAP's plan continues to strengthen the focus on the key markets, reinforcing the transatlantic capacity, with additional frequencies in multiple routes for Summer 2024 comparing to Summer 2023: Montreal, San Francisco, Toronto, Washington, Belém, Brasília, Fortaleza, Natal/Maceió, Porto Alegre, Recife, Rio de Janeiro, Salvador e São Paulo. In Europe, it is worth highlighting the capacity increase in Rome, which will now have five daily flights departing from Lisbon (four in 2023).

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. The latest armed conflict between Israel and Hamas has had a significant impact on the aviation sector, particularly for TAP. This includes the suspension of the air bridge to Tel Aviv and the need to adapt the commercial and operational strategy to offset the resulting financial losses.

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 2023, named TAP 2023 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 a state aid, in form of a capital increase, having been subscribed in December 2022, and partially executed on 31 December 2023. 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 (ANAC) 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 Nominated Persons, previously accepted by ANAC, in charge of the management and supervision of the following operational areas: flight operations manager, continuing airworthiness manager, training manager, and ground operations manager;
- 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 management system (Safety & Compliance).

For TAP, 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.

TAP has been IOSA (IATA Operational Safety Audit) certified since 2004, being one of the first airlines to obtain such certification. Since then, TAP has obtained successive certifications with high standards of compliance every two years. TAP certification registration can be found in the IOSA Registry website.

To achieve the highest possible level of 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.

To further enhance the robustness of its Management System and address evolving challenges, TAP implemented in 2023 a new integrated version known as IQSMS (Integrated Quality and Safety Management System). This system aims to streamline and improve the management of occurrences and risks across the organization. It not only encompasses traditional risk management aspects but also extends to the optimization of the reporting system, addressing information safety-related risks transversal to all operational areas of the company.

IQSMS is autonomous from TAP systems, aligning with strict confidentiality principles essential for safety reports. This autonomy not only facilitates automatic reporting to ANAC, ensuring compliance with regulatory language but also establishes robust communication flows with the Maintenance & Engineering areas and Compliance Monitoring.

The system enables TAP to analyse the effectiveness of organizational areas and serves as a foundation for informed decision-making and the implementation of necessary actions to mitigate occurrences effectively.

Simultaneously, TAP actively maintains and disseminates a Safety Policy, encompassing strategies, processes, procedures, and human factor principles to ensure the identification and effective management of risks.

The sharing of the responsibility for safety in operations was established by all levels of management. The Safety & Security Review Board (SSRB), the different Safety and Security Action Groups (SSAG) and the Departmental Safety Action Groups (DSAG), meet regularly to assess the effectiveness of risk mitigation measures implemented in the operation. In these meetings, different Safety performance indicators from various operational areas are analysed and subsequently presented to members of the Executive Commission. Establishing, measuring and regularly reviewing safety indicators and objectives is essential for the continuous progress of TAP's performance in terms of safety.

The sustained implementation of uniform safety standards in the company is also supported by the optimization and harmonization of the IT environment in the course of safety management. Currently, information security-related risks are taken into account for all TAP’s business processes, given the fact that technology components support virtually all areas of the Company. This pervasive use of technology 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 number and sophistication of cyber-attacks, due to criminal, state-sponsored, or other entities, is a permanent threat TAP constantly evaluates and adapts to.

Due to their potential damaging impact, cyber risks must be monitored at the top of the organization. TAP has implemented a cybersecurity and information security governance structure, led by a Director, that reports directly to a C-Level member. Additionally, cyber risk is also reported and discussed in a specific Board committee. The binding rules for cybersecurity and information security management are set out in the policies that establish the Information Security Management System, which is aligned with the ISO 27001 Standard.

The ever-evolving nature of the threats in the cyber space demand a continuous assessment of the exposure to such risks. TAP holds a thorough vulnerability management process, composed of several tools and services, with a mix of automated and human led analysis. TAP also compares its external cybersecurity rating with the industry average and with specific peers, to have the most accurate evaluation of its cybersecurity posture, at each moment, considering the evolution of the cyber threat landscape.

Another outcome of the cyber risk management process is the definition of a desired state of cybersecurity, that feeds a set of improvement programs, of which TAP highlights its journey to have a full IT environment with Multi-Factor Authentication (MFA) capabilities.

The capabilities to detect and react to cyber incidents, as earlier as possible, are determinant to containing them and mitigating possible negative impact. Therefore, TAP cybersecurity incident management and operation is performed 24 hours/day by specialized teams, whose responsibility is also to continuously improve the monitoring of cybersecurity events, its correlation, and the automation, both for detecting and responding activities.

Although a strong focus is dedicated to secure processes and technology, people are also in the core of the Information Security program. TAP maintains awareness and training programs for its employees, to improve their knowledge about the best practices, and to enhance their resilience to threats, such as phishing.

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 2023 financial accounts process (circular letter SAI_DGTF/2024/271 – 06/02/2024).

1. Management Objectives and Activity and Budget Plan

TAP is committed to the implementation of the Restructuring Plan, submitted by the Portuguese State, and approved by the European Commission on 21 December 2021.

The management objectives are aligned with the Plan, namely with the four pillars in which it was based:

1. Focus on core business activities: the Group should focus on the core activity, namely the aviation business carried out through TAP SA and Portugália, while gradually shifting away from and divesting non-core businesses.
2. Adjustment of capacity: measures aimed at re-sizing TAP's fleet and optimizing TAP's network will lead to a more homogeneous fleet composition and to a reduction in operating costs, due to the lower fuel consumption and maintenance requirements of the new aircraft.
3. Reduction of costs: reducing operating costs over the course of the Restructuring Plan through renegotiation of contracts with aircraft suppliers and lessors, through measures to reduce third party costs, and downsizing of labour costs. In 2023, 1.904 contracts were renegotiated, generating around of EUR 54 million annualized savings.
4. Enhancement of revenues: revenue increase through several measures and initiatives that have been implemented, with a focus on Ancillary Revenues, namely Choice of Seat, Business class upgrades and Priority Boarding. In addition, TAP has been improving its loyalty program (TAP Miles & GO) with new partners. In 2023, TAP launched its new brand positioning designed to strengthen connections with its customers, partners, employees, and other stakeholders.

As requested, TAP submitted the 2023 Activity and Budget Plan.

2. Financial risk management

Years	2023	2022	2021	2020	2019
Financial expenses (€)	82,983,430	72,819,936	115,817,276	68,621,480	39,523,075
Average financing rate (%)	5.4%	4.7%	5.7%	3.5%	3.7%

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

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

expenses in 2020, having these reached their maximum in 2021.

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. 1 of article 134 of Decree-Law no. 10/2023, of 8 February (DLEO 2023), would be as follows:

Variation in indebtedness (execution)	2023	2022
	Amounts (€)	
Remunerated financing (current and non-current) [1]	1,440,446,821	1,618,100,993
Share capital / Statutory capital Realised	294,000,000	294,000,000
New Investments in 2023 (with material expression)	172,462,979	
INDEBTEDNESS VARIATION	-18.3%	

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

4. Evolution of the Average Payment Term (APT)

APT*	2023	2022	Change 23/22	
			Value	%
Term (days)	18	21	-3	-14%

** The formula used to calculate the 2023 average payment term was changed from the one used for the 2022 Management Report, and this change was also reflected in the comparative period.*

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	11,690,722	1,023,825	228,754	787,944	2,300,861
Acq. of capital	53,013	3,124	2,128	-	419,472
Total	**11,743,736**	**1,026,949**	**230,881**	**787,944**	**2,720,333**

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

No recommendations were issued by the shareholder when the financial statements were approved, so this item is not applicable.

6. Diligences undertaken to solve situations relating to qualified opinion in the last Statutory Audit Report

In 2022 the statutory audit opinion was not qualified, and thus, this item is not applicable.

7. Remuneration

a. Governing bodies

Board of Directors

BD member	EGP			
	Fixed	Classification	Gross monthly remuneration (€)	
	(S/N)	(A/B/C)	Monthly salary*	Representation costs **
Luís Manuel Da Silva Rodrigues	n.a.	n.a.	36,000.00	n.a.
Gonçalo Neves Costa Monteiro Pires	n.a.	n.a.	25,000.00	n.a.
Jose Mario Cruz Henriquez	n.a.	n.a.	25,000.00	n.a.
Maria João Santos Gomes Cardoso	n.a.	n.a.	25,000.00	n.a.
Mário Rogério Carvalho Chaves	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.
Ramiro José Oliveira Sequeira***	n.a.	n.a.	25,000.00	n.a.
Ramiro José Oliveira Sequeira****	n.a.	n.a.	6,000.00	n.a.

** As defined in the minutes of the Remuneration Committee of 11 August 2021.*
*** 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).*
**** As Executive Board Member - 01 January 2023 to 17 May 2023.*
***** As Non-Executive Board Member - 18 May 2023 to 31 December 2023.*

Mandate	Position	Name	Appointment		OPRLO or Option for the average of the last 3 years (2)				No. of mandates
(Begin - End)			Form (1)	Date	Yes / No	Entity of Origin	Paying Entity	Date of authorisation and form	
2021-2024	Chairperson	Luís Manuel Da Silva Rodrigues	DUE	14/04/2023	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Gonçalo Neves Costa Monteiro Pires	AG	24/06/2021	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Jose Mario Cruz Henriquez	DUE	18/07/2023	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Maria João Santos Gomes Cardoso	DUE	17/05/2023	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Mário Rogério Carvalho Chaves	DUE	17/05/2023	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Sofia N. R. Lufinha de Mello Franco	DUE	22/09/2022	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Ana Teresa C. P. Tavares Lehmann	AG	24/06/2021	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	João Pedro Conceição Duarte	AG	24/06/2021	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Patrício Ramos Castro	AG	24/06/2021	n.a.	n.a.	n.a.	n.a.	1
2021-2024	Member	Ramiro José Oliveira Sequeira	AG	17/09/2020	n.a.	n.a.	n.a.	n.a.	2

(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)

BD member	Accumulation of roles			
	Entity	Position	Regime	Date of authorisation and form
Luís Manuel Da Silva Rodrigues	TAP SGPS	Chairman BD	Public	n.a.
	PGA	Chairman BD	Public	n.a.
	TAPGer	Chairman BD	Public	n.a.
	TAP Logistics	Chairman BD	Public	n.a.
	UCS	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.
	TAP Logistics	BD Member	Public	n.a.
Jose Mario Cruz Henriquez	TAP SGPS	BD Member	Public	n.a.
	PGA	BD Member	Public	n.a.
Maria João Santos Gomes Cardoso	TAP SGPS	BD Member	Public	n.a.
	PGA	BD Member	Public	n.a.
	TAP Logistics	BD Member	Public	n.a.
Mário Rogério Carvalho Chaves	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.
	TAPGer	BD Member	Public	n.a.
	Cateringpor	Chairman BD	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.
Ramiro José Oliveira Sequeira	TAP SGPS	BD Member	Public	n.a.
	PGA	BD Member	Public	n.a.

BD member	Annual remuneration (€)				
	Fixed (1)	Variable* (2)	Gross amount (3)=(1)+(2)	Remuneration reductions** (4)	Final gross amount (5)= (3)-(4)
Luís Manuel Da Silva Rodrigues	360,082.20	n.a.	360,082.20		360,082.20
Gonçalo Neves Costa Monteiro Pires	350,000.00	n.a.	350,000.00	105,000.00	245,000.00
Jose Mario Cruz Henriquez	145,284.85	n.a.	145,284.85	43,281.71	102,003.14
Maria João Santos Gomes Cardoso	218,466.64	n.a.	218,466.64	65,539.99	152,926.65
Mário Rogério Carvalho Chaves	218,466.64	n.a.	218,466.64	65,539.99	152,926.65
Sofia N. R. Lufinha de Mello Franco	350,000.00	n.a.	350,000.00	105,000.00	245,000.00
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
Ramiro José Oliveira Sequeira***	131,533.37	n.a.	131,533.37	39,460.01	92,073.36
Ramiro José Oliveira Sequeira****	53,149.01	n.a.	53,149.01	15,944.70	37,204.31
Total			**2,078,982.71**	**515,366.40**	**1,563,616.31**

(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 2023. The sole shareholder, the Portuguese Republic, represented by the Directorate-General for the Treasury and Finance, after the extinction of the Remuneration Committee on 25 October 2023, did not also define variable remuneration for 2023.*
*** Subject to the 30 % cut for the duration of the restructuring plan.*
**** As Executive Board Member - 01 January 2023 to 17 May 2023.*
***** As Non-Executive Board Member - 18 May 2023 to 31 December 2023.*

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
Luís Manuel Da Silva Rodrigues	n.a.	n.a.	Social Security	85,617.13	974.00	3,704.00	n.a.	n.a.
Gonçalo Neves Costa Monteiro Pires	n.a.	n.a.	Social Security	58,324.21	974.00	3,704.00	n.a.	n.a.
Jose Mario Cruz Henriquez	n.a.	n.a.	Social Security	26,390.15	974.00	409.92	n.a.	n.a.
Maria João Santos Gomes Cardoso	n.a.	n.a.	Social Security	37,239.93	974.00	3,704.00	n.a.	n.a.
Mário Rogério Carvalho Chaves*	n.a.	n.a.	Social Security	36,387.46	974.00		n.a.	n.a.
Sofia N. R. Lufinha de Mello Franco	n.a.	n.a.	Social Security	58,268.37	974.00	3,704.00	n.a.	n.a.
Ana Teresa C. P. Tavares Lehmann	n.a.	n.a.	Social Security	13,965.00	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	13,971.28	n.a	n.a	n.a.	n.a.
Ramiro José Oliveira Sequeira**	n.a.	n.a.	Social Security	18,770.16	974.00	3,796.60	n.a.	n.a.
Ramiro José Oliveira Sequeira***	n.a.	n.a.	Social Security	16,657.12	n.a	n.a	n.a.	n.a.
Total				**379,630.76**	**6,818.00**	**19,022.52**	**-**	**-**

** The process of formalising life insurance is underway.*
*** As Executive Board Member - 01 January 2023 a 17 May 2023.*
**** As Non-Executive Board Member - 18 May 2023 a 31 December 2023.*

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)

** As defined in the minutes of the Remuneration Committee of 11 August 2021.*

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	49,000.00	14,700.00	34,300.00
			73,500.00

** Subject to the 30 % cut for the duration of the restructuring plan.*

Chartered Accountant

Mandate (Begin - End)	Position	Identification of Chartered Accountant (CA)			Appointment			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 - 2023 (€)		Annual amout of additional services - 2023 (€)	
	Annual Amount (€)	Service identification	Annual Amount (€)	Service identification
PricewaterhouseCoopers & Associados, SROC, Lda ("PwC")	89,040.00	Statutory Audit Report	49,600.00	Limited Review
			127,100.00	Assurance of Reliability and Agreed Procedures

b. External Auditor

In 2023, 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.

8. 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).

9. 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.

10. 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/about-us/manuals.

11. 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/about-us/annual-reports.

12. 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, TAP approved, in the beginning of 2023, a Prevention Plan of Risks of Corruption and Related Infringements ("PPR March 2023"), prepared in accordance with guidelines provided by the new Decree-Law no. 109-E/2021, of 9 December, which approved the General Regime for the Prevention of Corruption ("RGPC") and created the National Anti-Corruption Mechanism ("MENAC").

Throughout 2023, TAP carried out an in-depth assessment of the risks of corruption and related infractions in its various business segments and support areas, and subsequently prepared a new Plan for the Prevention of Risks of Corruption and Related Infringements, which was approved in December 2023, replacing the PPR March 2023 ("PPR December 2023").

Under the terms of the RGPC, the PPR December 2023 was published on TAP's official website (www.tapairportugal.com/en/about-us/manuals) and on TAP’s Intranet and was communicated to the Ministry of Finance, the Ministry of Infrastructure, the Inspectorate General of Finance and MENAC.

In compliance with the other provisions of the RGPC, the annual report on the implementation of the plan that was in force until March 2023 ("PPR 2019") was also elaborated in 2023, analysing the implementation of the preventive and corrective measures identified in that plan during 2022, which can be find at www.tapairportugal.com/en/about-us/manuals.

Also in 2023, the mid-term evaluation report of the March 2023 PPR was elaborated, published and communicated in accordance with the terms of the RGPC, showing the degree of implementation of the preventive and corrective measures identified therein by 15 October 2023, which can be find at www.tapairportugal.com/en/about-us/manuals.

13. 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.

14. 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.

15. Operating efficiency and evolution of operating costs

The Restructuring Plan of TAP, approved by the European Commission on 21 December 2021, is levered on the optimisation of operating costs, having TAP made the commitment, while the plan is in force, to reduce its operating costs by renegotiating contracts with suppliers and aircraft lessors, reducing third party costs and downsizing labour costs.

To this end, TAP signed "Emergency Agreements" with the unions representing the vast majority of TAP's workers, in order to reach a consensual solution on the path to enable the recovery and restructuring of TAP. These agreements were in force during 2022, still with some updates, and as such the temporary cuts applied to workers were in force during that year, significantly impacting 2022 employee costs.

At the beginning of 2023, with the Group's operating performance above what was expected in the Restructuring Plan, the decision to end the salary cuts applied to employees was taken. In addition, during 2023 it was concluded the negotiation of the Collective Labour Agreements applied to almost all categories of employees. As a result, employee costs in 2023 increased significantly compared to 2022.

Therefore, even though TAP has the objective of increasing its operating efficiency and reducing its cost, these labour measures, which resulted in the reinstatement of cuts and the signing of new collective labour agreements, make it difficult to implement a cost containment policy compared to 2022, and consequently, the implementation of this objective for 2023.

16. Human Resources and Payroll

Human Resources	2023	2022	2023/2022	
			Δ Absolut	Var. %
N. Governing Bodies (GB)	12	11	1	9.1%
N.Diretors (D)	56	58	- 2	-3%
N. Employees (without GB and D)	7,769	7,243	526	7%
TOTAL	**7,837**	**7,312**	***525***	***7%***
N. Employees / N. D	139	125	14	11%
Employee costs / Total (GB+D+E)	92,206	56,993	35,213	62%

In order to face with the increase in operations in 2023 compared to 2022, the number of employees increased by a net value of 525 people. This change in the workforce translated into a cost increase of EUR 16.2 million, compared to 2022.

17. Principle of State Treasury Unity (article 28 of the RJSPE, article 105 of the LOE 2023 and article 91 of the DLEO 2023)

ICGP	1st Quarter €	2nd Quarter €	3rd Quarter €	4th Quarter €
Availabilities	64,018,327	178,229,453	16,532,518	23,647
Security deposits	415,982	415,982	445,982	445,982
Financial Applications	415,000,000	235,000,000	310,000,000	80,633,844
Total	**479,434,308**	**413,645,435**	**326,978,500**	**81,103,473**

Commercial banks	1st Quarter €	2nd Quarter €	3rd Quarter €	4th Quarter €
Total	**376,258,279**	**486,020,009**	**441,796,364**	**708,253,024**
Interests received [1]	*3,447,157*	*4,950,113*	*5,607,918*	*6,211,481*

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

The interest received refers exclusively to investments in foreign currency and remunerated deposits in foreign currency.

For 2023, 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. 85, dated 3 Junes 2022, for the following services:
    - Receipts and Payments in currencies other than Euro and fixed-term investments in currencies other than the 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
    - 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
    - Receipts with an ATM reference
    - Receipts through virtual APTs (Automatic Payment Terminals)
    - Receipts through physical APTs in National Territory
    - Foreign currency investments and derivatives transactions for hedging purposes and to meet future commitments
- SCG Order No 173/2023 – Secretary of State for Finance, for exemption from the submission of income earned between 2021 and 2023, under the terms of no. 9, article 91, of Decree-Law no. 10/2023, of 8 February

18. 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.

19. 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.

20. 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), all the elements relating to the year 2023 and complementary to this document.

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

Appendix 2

Compliance with Legal Guidelines - 2023	Compliance Y/N/N.A.	Quantification/Identification	Justification / Report Reference
Management objectives	**Y**		See bullet 1
Financial risk management	**Y**	5.4%	See bullet 2
Limit to the growth of indebtedness	**N.A**	-18.3%	See bullet 3
Evolution of the Average Payment Term	**Y**	-3 days	See bullet 4
Disclosure of overdue debts	**Y**	4,766,106 €	See bullet 4
Shareholder recommendations issued on last approval of the financial statements	**N.A**		See bullet 5
Reserves issued in the last CLC	**N.A**		See bullet 6
Remuneration			
Board - reductions in remunerations in force in 2022	Y	515,366 €	See bullet 7
EGP - article no. 32 and 33			
Non-use of credit cards	N.A		See bullet 8
No reimbursment of personal representation expenses	N.A		See bullet 8
Maximum amount for communication expenses	N.A		See bullet 8
Maximum monthly amount for fuel and tolls allocated to the service vehicles	N.A		See bullet 8
No undocumented or confidential expenses - no. 2 of article 16 of the RJSPE and of article 11 of the EGP	**Y**		See bullet 9
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/sobre-nos/manuais	See bullet 10
Preparation and disclosure of the annual report on corruption prevention	**Y**	www.tapairportugal.com/pt/sobre-nos/manuais	See bullet 12
Public procurement			
Enforcement of public procurement rules by the Company	N.A		See bullet 13
Enforcement of public procurement rules by the Subsidiary Companies	N.A		See bullet 13
Contracts submitted for Cour of Auditors prior validation	N.A		See bullet 13
Company registration in the National System of Public Purchases	N.A		See bullet 14
Public companiess operating expenses	N.A		See bullet 15
Principle of State Treasury Unity (article 28 of Decree-Law no. 133/2013)			
Availabilities and applications centralised at IGCP	Y	10.3%	See bullet 17
Availabilities and applications centralised at Commercial banks	Y	708,253,024 €	See bullet 17
Interests earned in non-compliance with UTE and paid to the State	N.A		See bullet 17
Audits by the Court of Auditors	N.A		See bullet 18
Preparation of the equality plan as per article 7 of Law 62/2017, of 1 August	Y	www.tapairportugal.com/pt/sobre-nos/relatorios-anuais	See bullet 11
Presentation of the non-financial statement	Y		See bullet 19

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

At 31 December 2023, 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 2023 and its comparable previous period.

III – CORPORATE GOVERNANCE

1. Qualified shareholdings in the Company as of 31 December 2023

Shareholders with Qualified Holdings	Capital/Voting Rights (%)	Number of Shares
Direct Shareholders:		
• Portuguese Republic, through the Directorate General of Treasury and Finance ("*Direção-Geral do Tesouro e Finanças*")	100%	196,000,000
Indirect Shareholders:		
▪ 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

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

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

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 6 (six) 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

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.

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 annual budget proposal and of the activity and budget plan ("plano de atividades e orçamento") proposal – including the investment plan and the respective funding sources – and the respective quarterly execution reports, both to be submitted to the Board of Directors for approval in terms and timings consistent with the applicable legal framework, notably Decree-law no. 133/2013, of 3 October (as subsequently amended, hereinafter "DL 133/2013"), having in mind the instructions to elaborate such proposals, as well as the preparation of the updates or revisions to the annual budget and/or to the activity and budget plan, which shall also be submitted to the Board of Directors for prior approval, including the assumptions of said updates or revisions;

2. Preparation of the new flight destinations' list proposal, on a yearly basis, and any substantial changes that occur to this list, for the Board of Directors' prior approval;

3. Preparation of the long-term fleet plan proposal, on a yearly basis, and any substantial changes that occur to this plan, for the Board of Directors' prior approval;

4. Subject to the conditions established in number 5 below, conducting the financial, operational, administrative, and human resources management of the Company, in accordance with the annual budget and the activity and budget plan, as updated and/or revised and approved. With respect to the commitments / expenses/ agreements / transactions expressly foreseen in the annual budget and in the activity and budget plan (as updated, and/or revised and approved), and in accordance with the same, the Executive Committee may, provided that always in compliance with applicable laws, namely DL 133/2013, conduct the management of the Company within the following thresholds, which shall be interpreted as thresholds per operation, including when the operation in question corresponds to a multiannual contract:

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

b) Commitments for operational expenditure of the Company and / or of its subsidiaries, under the following terms:

   i. Flight operations expenditure, namely, fuel and handling contracts, which shall not exceed 300 million Euro;

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

   iii. Maintenance & Engineering expenditure of up to 50 million Euro;

   iv. Corporate expenditure (marketing & sales, technology, payment solutions, consultancy and other expenditure with a similar scope), with an amount of up to 15 million Euro, except for strategic consultancy services, which threshold will be of up to 1 million Euro;

c) Aircraft fleet related investments or operational expenditures of the Company and / or its subsidiaries with an amount of up to 50 million Euro;

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

e) Proposals referring to all financing instruments of the Company and / or its Subsidiaries (i) with a maturity of less than one year and an amount higher than 100 million Euro or (ii) with a maturity of one year or more, to be submitted for the prior approval of the Board of Directors;

f) Hedging instruments within the following limits: (i) portfolio of jet fuel derivatives, swaps options and simple combinations thereof, up to an outstanding 500,000 metric tonnes or an outstanding notional value of up to $400 million (ii) average hedging activity of up to 80,000 metric tonnes each month;

g) Acquisition, encumbrance, assignment, divesture and/or sale of assets of the Company and / or its subsidiaries with an amount of up to 5 million Euro;

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

i) Proposal of transactions with related parties within the meaning of article 397 of the Portuguese Companies Code to be submitted for the prior approval of the Board of Directors, exception made to transactions with the Company's subsidiaries, which shall not be subject to the Board of Director's prior approval;

j) Negotiation and signing of contracts to which the Company or any of its Subsidiaries are a party, which do not have the nature of contracts relating to the matters described in the preceding paragraphs (namely partnership or joint-venture agreement), with an amount or whose amount of liabilities is of up to 15 million euros;

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

5. The powers granted to the Executive Committee pursuant to number 4 above shall always comply with the requirements established in the applicable law and, shall be subject to compliance with the provisions of DL 133/2013, notably that:

   a) The Executive Committee does not:

      i. Grant any guarantee for the benefit of any other entity, regardless of whether there is any shareholding in the beneficiary's share capital;

      ii. Enter into any agreement or transaction or perform any legal act resulting in financial liabilities for the Company, effective or contingent, that exceed the annual budget or that are not foreseen in the investment plan approved by the holder of the shareholding function;

      iii. Enter into any agreement or perform any legal act, which results in obligations for the Company that exceed 5% of the Company's net asset, without the prior favourable opinion of the Statutory Board of the Company (except if expressly approved in the annual activity and budget plan); and

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

   b) Any agreement, act or transaction with a financial impact which exceeds 1 % of the Company's net asset must be expressly approved by the Executive member of the Board of Directors appointed or proposed by the government member responsible for the area of finance. In the absence of this approval, the matter shall be subject to the approval of the Company's General Shareholders Meeting.

6. Management of the institutional relationship with employees and external entities, including the representation of the Company before all Courts, namely civil, criminal, administrative, labour and tax in all instances, appointing an attorney when necessary or convenient, presenting petitions, requests, applications, oppositions, counterclaims, presenting evidence and filing both ordinary and extraordinary appeals; transacting and withdrawing in any Court, in all civil, criminal, administrative, labour and tax pleas, with the broadest powers, on behalf of the Company;

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

8. In emergency situations, where the life of people and safety of assets is at stake, the Executive Committee should take all the necessary and appropriate measures, with the responsibility of informing the Board of Directors of the rationale and of all the measures taken as soon as possible;

9. Opening and closing of branches, agencies, representative offices, or other local forms of 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

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.

Finance, Audit and Risk Committee

Chairman	Ana Teresa C. P. Tavares Lehmann
Member	Luís Manuel Da Silva Rodrigues
Member	Gonçalo Neves Costa Monteiro Pires
Member	Patrício Ramos Castro

Manuel Beja and Christine Ourmières-Widener were dismissed from their positions as Members of the Finance, Audit and Risk Committee, with effect from April 14, 2023.
Luís Manuel Da Silva Rodrigues was appointed to the position of Member of the Finance, Audit and Risk Committee by decision of the Board of Directors on June 27, 2023.

Safety and Security Committee

Chairman	Timothy Anderson
Member	Patrício Ramos Castro
Member	Mário Rogério Carvalho Chaves
Member	Maria João Santos Gomes Cardoso
Member	Ramiro José Oliveira Sequeira
Member	Portugália *Accountable Manager*

Christine Ourmières-Widener was dismissed from her position as Member of the Safety and Security Committee, with effect from April 14, 2023
Mário Rogério Carvalho Chaves, Maria João Santos Gomes Cardoso and Portugália Accountable Manager were appointed to the positions of Members of the Safety and Security Committee by the Board of Directors' resolution on June 27, 2023.
Ramiro José Oliveira Sequeira resigned from the position of Member of the Safety and Security Committee on November 30, 2023, with effect from December 31, 2023.

People and Culture Committee

Presidente	João Pedro Conceição Duarte
Vogal	Jose Mario Cruz Henriquez
Vogal	Maria João Santos Gomes Cardoso
Vogal	Ramiro José Oliveira Sequeira

The People and Culture Committee was created by resolution of the Board of Directors on June 27, 2023
Ramiro José Oliveira Sequeira resigned from the position of Member of the People and Culture Committee on November 30,2023, with effect from December 31, 2023.

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 2023 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, 26 March 2024

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

Mário Rogério de Carvalho Chaves
Member of the Board of Directors and Member of the Executive Committee

Maria João Gomes Cardoso
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

Jose Mario Cruz Henriquez
Member of the Board of Directors and Member of the Executive Committee

Patrício Ramos Castro
Member of the Board of Directors

Ana Teresa C. P. Tavares Lehmann
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 kilometre; total number of seats available for sale multiplied by the number of kilometres 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-kilometres (RPK) divided by the total number of available seat-kilometres (ASK).

RPK: Revenue passenger kilometre; total number of passengers multiplied by the number of kilometres flown.

Yield: Passenger income divided by total number of revenue passenger kilometres (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

2023

INDEX OF THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts stated in euros	Notes	2023	2022
ASSETS			
Non-current assets			
Tangible fixed assets	4	3,181,168,268	3,077,640,026
Investment properties	5	1,903,882	1,690,000
Intagible assets	6	22,489,747	23,290,174
Other financial assets	8	488,745	488,720
Other non current assets	13	15,080,108	17,828,667
Deferred tax assets	9	486,302,382	447,429,851
Other receivables	10	120,939,688	442,009,852
		3,828,372,820	**4,010,377,290**
Current Assets			
Inventories	11	78,716,635	66,384,228
Other receivables	10	1,128,374,337	875,555,361
Income tax receivable	12	3,226,450	435,046
Other current assets	13	63,964,685	44,803,368
Cash and cash equivalents	14	789,387,698	916,077,051
		2,063,669,805	**1,903,255,054**
Non-current assets held for sale	7	-	225,000
Total Assets		**5,892,042,625**	**5,913,857,344**
EQUITY AND LIABILITIES			
Equity			
Share Capital	15	980,000,000	980,000,000
Legal reserves	16	8,300,000	8,300,000
Hedge reserves	16	(450,915)	(5,741,822)
Other reserves	16	(27,332,786)	(76,722,347)
Other variations in equity	16	(9,459,912)	(28,118,831)
Retained earnings	16	(514,393,395)	(525,689,915)
Net income/(loss) for the year		177,260,543	65,597,418
Total equity		**613,923,535**	**417,624,503**
Non-current liabilities			
Deferred tax liabilities	9	82,913,685	44,000,690
Post-employment benefits obligations	17	176,722,477	108,083,418
Provisions	18	305,234,778	282,879,191
Restructuring provision	18	2,108,784	15,072,695
Borrowings	19	200,003,376	551,973,017
Lease liabilities with purchase option	19	698,261,176	634,660,114
Lease liabilities without purchase option	19	1,498,461,708	1,660,710,136
		2,963,705,984	**3,297,379,261**
Current Liabilities			
Borrowings	19	450,485,093	356,826,415
Lease liabilities with purchase option	19	91,697,176	74,641,447
Lease liabilities without purchase option	19	302,656,699	377,402,908
Other payables	20	674,742,509	584,355,883
Income tax payable	12	19,326	19,326
Other current liabilities	21	79,028,839	67,827,868
Liabilities from unused flight documents	22	715,783,464	737,779,733
		2,314,413,106	**2,198,853,580**
Total liabilities		**5,278,119,090**	**5,496,232,841**
Total equity and liabilities		**5,892,042,625**	**5,913,857,344**

These notes are an integral part of the consolidated statement of financial position as of 31 December 2023.

CONSOLIDATED INCOME STATEMENT

Amounts stated in euros	Notes	2023	2022
Operating Income			
Revenue			
Passenger	24	3,851,624,072	3,072,352,122
Maintenance	24	163,732,236	132,072,002
Cargo and mail	24	173,077,981	258,345,803
Gains and losses in associates		-	(172,310)
Other operating income	24 and 25	26,383,921	22,369,869
		4,214,818,210	**3,484,967,486**
Operating costs			
Aircraft fuel	26	(1,114,753,942)	(1,096,653,890)
Traffic operating costs	26	(906,509,030)	(699,071,630)
Aircraft maintenance costs	26	(56,128,515)	(33,439,503)
Cost of materials consumed	26	(127,713,853)	(101,898,211)
Comercial, communication and marketing costs	26	(211,896,653)	(181,011,788)
Employee costs	27	(722,620,603)	(416,731,490)
Impairment losses in receivables	28	(3,911,967)	(7,626,917)
Impairment losses in inventories	28	(3,041,248)	5,131,380
Provisions	28	(35,452,534)	(53,572,415)
Other operating expenses	29	(161,196,920)	(141,862,803)
Restructuring	30	1,426,055	3,433,344
Other non recurrent items	31	(40,525,393)	16,012,173
Depreciation, amortisation and impairment losses	32	(485,765,081)	(509,458,500)
Operating income/(loss)		**346,728,526**	**268,217,236**
Interests and similar income	33	64,629,424	40,088,548
Interests and similar expenses	33	(254,541,523)	(261,589,548)
Net currency exchange	33	29,649,279	(12,771,764)
Net income/(loss) before income tax		**186,465,706**	**33,944,472**
Income tax for the year	34	(9,205,163)	31,652,946
Net income/(loss) for the year		**177,260,543**	**65,597,418**
Net income/(loss) attributable to owners of TAP SA		**177,260,543**	**65,597,418**
Net income/(loss) attributable to non-controlling interests		**-**	**-**
Results per share			
Basic and diluted earnings per share	35	0.9	0.4

The notes are an integral part of the consolidated income statement as of 31 December 2023.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts stated in euros	Notes	2023	2022
Net income/(loss) for the year		**177,260,543**	**65,597,418**
Items that may be reclassified to income statement:			
Gains and losses in derivate financial instruments - cash flow hedge	10 and 20	76,684,646	(116,042,677)
Deferred tax on derivative financial instruments - cash flow hedge	9	(22,004,179)	33,594,990
Other impacts	5	692,101	-
Items that will not be reclassified to income statement:			
Remeasurements of defined benefit plans	17	(78,004,252)	(30,125,986)
Deferred tax on remeasurements	9	23,011,254	8,444,553
Other impacts		-	(27,650,941)
Other comprehensive income/(loss) net of tax		**379,570**	**(131,780,061)**
Comprehensive income/(loss) for the year		**177,640,113**	**(66,182,643)**
Attributable to:			
Owners of TAP SA		177,640,113	(66,182,643)
Non-controlling interests		-	-
		177,640,113	**(66,182,643)**

The notes are an integral part of the consolidated comprehensive income statement as of 31 December 2023.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts stated in euros	Notes	Share Capital	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 2022		**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		-	-	-	-	-	(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**
Application of net income/(loss) of the year 2022		-	-	-	-	-	65,597,418	(65,597,418)	-	-	-
Capital increases and decreases	15	-	-	-	-	18,658,919	-	-	18,658,919	-	18,658,919
Remeasurement*	9 and 17	-	-	-	-	-	(54,992,999)	-	(54,992,999)	-	(54,992,999)
Fair value of derivative financial instruments*	9 and 23	-	-	5,290,907	-	-	-	-	5,290,907	-	5,290,907
Derivatives of foreing exchange risk hedging*	9 and 33	-	-	-	49,389,561	-	-	-	49,389,561	-	49,389,561
Other impacts	5	-	-	-	-	-	692,101	-	692,101	-	692,101
Net income/(loss) for the year		-	-	-	-	-	-	177,260,543	177,260,543	-	177,260,543
Equity as of 31 December 2023		**980,000,000**	**8,300,000**	**(450,915)**	**(27,332,786)**	**(9,459,912)**	**(514,393,395)**	**177,260,543**	**613,923,535**	**-**	**613,923,535**

*Net deferred tax amounts, where applicable.

These notes are an integral part of the consolidated statement of changes in equity as of 31 December 2023.

CONSOLIDATED CASH FLOW STATEMENT

Amounts stated in euros	Notes	2023	2022
Operating activities:			
Receipts from customers		4,581,408,978	3,760,672,112
Payments to suppliers		(2,973,838,142)	(2,558,512,644)
Payments to employees		(587,375,048)	(404,805,435)
Payments of low value and short-term leases		(6,023,147)	(5,974,037)
Cash generated from operations		**1,014,172,641**	**791,379,996**
Income tax (payment)/receipt		(686,882)	(159,554)
Other receipts/payments relating to operating activities		(8,235,939)	(17,396,278)
Cash flow from operating activities (1)		**1,005,249,820**	**773,824,164**
Receipts from:			
Financial investments			
Other financial assets	4, 8, 10 and 18	6,101,065	58,296,607
Tangible fixed assets	4	27,415,188	-
Loans granted		984,362,222	913,833,404
Interests and similar income		61,337,035	37,576,749
		1,079,215,510	**1,009,706,760**
Payments relating to:			
Other financial assets	4, 8, 10 and 18	(77,765,172)	(117,296,912)
Tangible fixed assets	4	(196,667,531)	(145,217,788)
Intangible assets		(5,638,559)	(2,967,110)
Loans granted		(1,023,857,100)	(985,262,222)
		(1,303,928,362)	**(1,250,744,032)**
Cash flow from investment activities (2)		**(224,712,852)**	**(241,037,272)**
Financing activities:			
Receipts from:			
Borrowings	19	2,763,456	-
Capital increases	15	-	294,000,000
		2,763,456	**294,000,000**
Payments relating to:			
Borrowings	19	(264,796,790)	(34,177,161)
Lease liabilities with purchase option	19	(77,777,963)	(62,825,243)
Lease liabilities without purchase option	19	(469,864,057)	(540,994,575)
Interests and similar costs	19	(86,175,613)	(78,661,627)
		(898,614,423)	**(716,658,606)**
Cash flow from financing activities (3)		**(895,850,967)**	**(422,658,606)**
Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)		(115,313,999)	110,128,286
Effects of currency exchange differences		(11,375,354)	(6,629,551)
Cash and cash equivalents at the beginning of the year	14	916,077,051	812,578,316
Cash and cash equivalents at the end of the year	14	**789,387,698**	**916,077,051**

These notes are an integral part of the consolidated cash flow statement as of 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Introduction

Transportes Aéreos Portugueses, S.A. ("TAP S.A." or "Company") is essentially dedicated to the operation of public air transportation of passenger, cargo, and mail transport services, as well as the provision of services and the carrying out of commercial, industrial, and financial operations directly or indirectly related 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.

Headquarters Edifício 25, Lisbon Airport, 1700-008 Lisbon
Share Capital EUR 980,000,000 of which EUR 637,000,000 have been realized as of the date of the approval of these consolidated financial statements
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 - Companhia Portuguesa de Transportes Aéreos, S.A. ("Portugália"), as well as a complementary agreement thereto between the aforementioned parties to the financing agreement, Atlantic Gateway and Parpública – Participações Públicas, SGPS, S.A. ("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 358 million was received on 30 December 2020.

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 of TAP S.A. (which until that date was 100% owned by TAP SGPS) 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 transactions ("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 contributions, 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 represented 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.

Additionally, following the European Commission's decision dated 21 December 2021, approving the Restructuring Plan of the TAP Group and the granting of restructuring aid, which provided for the disbursement of a tranche of said aid by the end of the fiscal year 2022, on 27 December 2022, the following corporate transactions ("2022 Operations") were approved through 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.

On 22 December 2023, it was resolved, through unanimous written resolution, to change the date of the second tranche to 3 January 2024.

As a result of the aforementioned Operations in 2022, the share capital of TAP S.A. became EUR 980,000,000, represented by 196,000,000 shares, with a unit nominal value of EUR 5.00, of which EUR 294,000,000 were realized as of 31 December 2023. TAP S.A. remains with the Portuguese Republic as its sole direct shareholder and ultimate beneficial owner, through the Directorate-General of Treasury and Finance.

The consolidated financial statements for the year ended 31 December 2023, approved at the Board of Directors meeting of 26 March 2024 and subject to the approval of the General Meeting, were prepared for presentation to multiple stakeholders.

The members of the Board of Directors signing this report declare that, to the best of their knowledge, the information contained herein has 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 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 a 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 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, on 10 December 2020, the Portuguese State submitted to the European Commission a draft Restructuring Plan for 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 payroll expenses.

The Restructuring Plan project presented to the European Commission had 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 EUR 200 million 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. ("Cateringpor")) 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) 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, with no renewal for the year 2024.

In accordance with this determination, a joint negotiation process was developed in December 2020 among unions, the Administration, and the Portuguese Government, aiming at reaching agreements known as "Emergency Agreements," seeking to find a consensual solution regarding the path to enable the restructuring and recovery of TAP S.A. This process concluded favorably, with all unions representing a vast majority of TAP S.A. employees ratifying the negotiated Emergency Agreements. The Emergency Agreements came into effect on 1 March 2021, allowing, without prejudice to the metrics proposed under the Restructuring Plan, the protection of a greater number of jobs compared to the substitute regime. Non-unionized employees of TAP S.A. benefited from a substitute regime identical to the Emergency Agreements in force within their professional group.

In parallel, between February and June 2021, TAP S.A. implemented a set of voluntary labor measures for its employees, which included mutual terminations, early retirements, pre-retirements, part-time work, and unpaid leaves. As a result of these voluntary measures, the initial resizing target of the Restructuring Plan could be lowered, and it allowed the number of workers eligible for unilateral measures to be reduced to 124 employees (about 94% less than the initial number forecasted and imposed by the Restructuring Plan).

The continuation of the Restructuring Plan's execution led TAP S.A. to initiate a collective dismissal procedure involving these 124 workers on 8 July 2021, following its indicative schedule.

With these measures, TAP S.A. obtained the commitment of several unions in the Emergency Agreements, meeting the labor cost objectives included in the Restructuring Plan.

TAP S.A. continued to offer similar conditions to the ones in the voluntary phases for those targeted workers who chose to reconsider their previous decision not to adhere to the voluntary measures. It also maintained the possibility of applying for remaining vacancies at Portugália and other vacancies at TAP S.A. that emerged according to the company's needs. These initiatives reduced the number of workers with unilateral exits in the collective dismissal process to 62.

In the beginning of 2023, considering the Group's operational performance above that anticipated in the approved Restructuring Plan, salary cuts for employees were reduced. Additionally, as of this date, the Company had already concluded negotiations for Collective Agreements applicable to Pilots, Cabin Crew, and, with the majority of representative unions for Ground Staff, resulting in not only new labor conditions but also the full restoration of salary cuts for these groups, effective in the second half of 2023. The processing of the new agreed-upon conditions for Pilots occurred in 2023. However, for the remaining professional categories, the processing of agreed-upon updates in monetary terms for the year 2023, following the new Collective Agreements, is scheduled for early 2024, having those estimated impacts been recorded in the Group's consolidated financial statements as of 31 December 2023.

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.A.'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 confirmed 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 alinea c) of paragraph 3 of article 107 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 presented 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 SPdH – Serviços Portugueses de Handling, S.A. (“SPdH”), 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 considered to be relevant that the transfer of the slots did 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 19 March 2020 and 30 June 2021.

1.1. COVID-19 pandemic impact

On 11 March 2020, the World Health Organization declared the existence of a Pandemic related to the novel coronavirus disease (COVID-19), as a result of which, a set of exceptional measures regarding the epidemiological situation of COVID-19 were established in the markets where the Group operates, imposing additional restrictions on economic activity in those markets, which were gradually lifted in 2021 and 2022. In early 2023, the World Health Organization declared the end of the COVID-19 pandemic.

1.1.1 Impact on operational indicators

The evolution of the main operational indicators for the financial year 2023 compared with 2022, 2021, 2020 and 2019 is detailed as follows:

Operational indicators	2023	2022	2021	2020	2019	Variation vs 2022		Variation vs 2021		Variation vs 2020		Variation vs 2019	
						Value	%	Value	%	Value	%	Value	%
Passenger (000)	15,856	13,759	5,827	4,657	17,052	2,097	+15.2%	10,029	+172.1%	11,199	+240.5%	(1,196)	-7.0%
RPK (million)	42,673	36,782	14,917	11,876	42,065	5,891	+16.0%	27,756	+186.1%	30,797	+259.3%	608	+1.4%
ASK (million)	52,797	45,960	23,663	18,376	52,527	6,837	+14.9%	29,134	+123.1%	34,421	+187.3%	270	+0.5%
Load Factor	80.8%	80.0%	63.0%	64.6%	80.1%	+0.8p.p.	n.a.	+17.8p.p.	n.a.	+16.2p.p.	n.a.	+0.7p.p.	n.a.
Block Hours	388,078	344,900	195,636	147,213	409,522	43,178	+12.5%	192,442	+98.4%	240,865	+163.6%	(21,444)	-5.2%
Number of Departures	119,697	107,856	61,664	47,900	136,705	11,841	+11.0%	58,033	+94.1%	71,797	+149.9%	(17,008)	-12.4%
Average Stage Length (km)	2,176	2,143	2,147	2,044	1,956	33	+1.5%	29	+1.4%	132	+6.5%	220	+11.2%
Staff (end of period)	7,558	6,988	6,626	8,106	9,006	570	+8.2%	932	+14.1%	(548)	-6.8%	(1,448)	-16.1%

Due to the COVID-19 pandemic, starting from March 2020, there was a decline in activity, which was significantly affected by containment measures adopted by national and international authorities, which resulted in a sharp drop in demand and led the Group to reduce its operational capacity, resulting in a deterioration of activity during this period. Since 2022, the Group's and the industry's activity has begun to show a recovery trajectory, mainly due to the lifting of travel restrictions and the end of the COVID-19 pandemic.

In 2023, the number of passengers transported increased by 15.2%, the capacity (measured in ASKs) increased by 14.9%, and demand for passenger traffic (expressed in RPKs) increased by 16.0%, when compared to 2022.

1.1.2 Impact on financial indicators

The evolution of the main financial indicators for the year ended 31 December 2023 compared with the years ended 31 December 2022, 2021, 2020 and 2019 is detailed as follows:

Financial indicators	2023	2022	2021	2020	2019	Variation vs 2022		Variation vs 2021		Variation vs 2020		Variation vs 2019	
						Value	%	Value	%	Value	%	Value	%
Income statement data													
Operating income	4,214,818,210	3,484,967,486	1,388,542,492	1,060,184,366	3,298,753,526	729,850,724	+20.9%	2,826,275,718	+203.5%	3,154,633,844	+297.6%	916,064,684	+27.8%
Passanger revenue	3,851,624,072	3,072,352,122	1,067,193,102	848,373,665	2,914,005,095	779,271,950	+25.4%	2,784,430,970	+260.9%	3,003,250,407	+354.0%	937,618,977	+32.2%
EBITDA *	832,493,607	777,675,736	(998,965,458)	(380,090,410)	522,926,690	54,817,871	n.a.	1,831,459,065	n.a.	1,212,584,017	n.a.	309,566,917	n.a.
EBITDA Margin	*19.8%*	*22.3%*	*-71.9%*	*-35.9%*	*15.9%*	-2.6p.p.	n.a.	+91.7p.p.	n.a.	+55.6p.p.	n.a.	+3.9p.p.	n.a.
Recurring EBITDA **	871,592,945	758,230,219	11,728,277	(273,724,683)	528,410,885	113,362,726	n.a.	859,864,668	n.a.	1,145,317,628	n.a.	343,182,060	n.a.
Recurring EBITDA Margin	*20.7%*	*21.8%*	*0.8%*	*-25.8%*	*16.0%*	-1.1p.p.	n.a.	+19.8p.p.	n.a.	+46.5p.p.	n.a.	+4.7p.p.	n.a.
Operational result (EBIT)	346,728,526	268,217,236	(1,488,670,669)	(964,762,471)	47,181,525	78,511,290	n.a.	1,835,399,195	n.a.	1,311,490,997	n.a.	299,547,001	n.a.
EBIT margin	*8.2%*	*7.7%*	*-107.2%*	*-91.0%*	*1.4%*	+0.5p.p.	n.a.	+115.4p.p.	n.a.	+99.2p.p.	n.a.	+6.8p.p.	n.a.
Cash flow statement data													
Cash flow from operating activity	1,005,249,820	773,824,164	(28,609,676)	(312,914,301)	337,083,803	231,425,656	+29.9%	1,033,859,496	-3613.7%	1,318,164,121	-421.3%	668,166,017	+198.2%
Cash flow from investment activities	(224,712,852)	(241,037,272)	(108,935,312)	(165,140,557)	(134,701,648)	16,324,420	-6.8%	(115,777,540)	+106.3%	(59,572,295)	+36.1%	(90,011,204)	+66.8%
Cash flow from financing activities	(895,850,967)	(422,658,606)	430,623,522	572,919,100	15,805,992	(473,192,361)	+112.0%	(1,326,474,489)	-308.0%	(1,468,770,067)	-256.4%	(911,656,959)	-5767.8%

Financial position data	2023	2022	2021	2020	2019	Variation vs 2022		Variation vs 2021		Variation vs 2020		Variation vs 2019	
						Value	%	Value	%	Value	%	Value	%
Total assets	5,892,042,625	5,913,857,344	4,718,062,437	4,957,101,564	5,152,800,895	(21,814,719)	-0.4%	1,173,980,188	+24.9%	934,941,061	+18.9%	739,241,730	+14.3%
Total liabilities	5,278,119,090	5,496,232,841	5,186,136,460	6,111,353,737	5,018,263,972	(218,113,751)	-4.0%	91,982,630	+1.8%	(833,234,647)	-13.6%	259,855,118	+5.2%
Total equity	613,923,535	417,624,503	(468,074,023)	(1,154,252,173)	134,536,923	196,299,032	+47.0%	1,081,997,558	-231.2%	1,768,175,708	-153.2%	479,386,612	+356.3%

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

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

The financial performance in the fiscal year of 2023, when compared to 2022, showed an increase in total operating income by 20.9% and a 25.4% increase in ticket revenues. The EBITDA reached a positive amount of EUR 832.5 million (an increase of EUR 54.8 million compared to 2022), and the Operating Result (EBIT) amounted to EUR 346.7 million (an increase of EUR 78.5 million compared to 2022).

Regarding the consolidated statement of cash flows, there is a positive variation of EUR 231.4 million in operating cash flows, mainly due to the increase in Group revenue compared to 2022. Investment cash flows show a negative amount of EUR 224.7 million resulting from, among other factors, pre-delivery payments, redelivery payments, and expenses related to major maintenance (Note 4). As for financing cash flows, the negative variation of EUR 473.2 million is mainly due to the amortization of a bond loan in June 2023 in the amount of EUR 200 million (Note 19) and the fact that in 2022, a capital injection of EUR 294 million was received from the sole shareholder (Introductory Note).

1.1.3 Impact on key estimates

The impact of the COVID-19 pandemic and the approval of the TAP Group Restructuring Plan by the European Commission in December 2021 on the key estimates of the Board of Directors is detailed below.

It is the understanding of the Board of Directors that the best estimate, as of 31 December 2023, 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 years ended 31 December 2023 and 2022, it should be noted that there was a significantly positive deviation between actual operating performance and that estimated in the Approved Restructuring Plan.

Provisions (Note 18)

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

On 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 a view to its dissolution and future liquidation. On the same date, and also considering the Approved Restructuring Plan, TAP S.A. assumed the responsibility to finance TAP SGPS to address contingencies and liabilities that could arise from the closure process, namely those resulting from legal proceedings, restructuring, and taxes. During the year ended 31 December 2022, payments amounting to EUR 26.7 million were made to reduce the provision, with the remaining amount previously provisioned being reversed, due to changes in estimates occurring in the 2022 financial year, in the context of the closure of TAP ME Brasil's activity, and the revocation of TAP S.A.'s assumption of responsibility for the evolution of the closure operations of TAP ME Brasil, considering the substantial change in the ongoing corporate restructuring of the TAP Group, as of the current 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 impairment losses on some current assets, and the Board of Directors regularly evaluates the criteria used to measure them.

As a result of the European Commission's approval on 21 December 2021 of the Restructuring Plan and the shareholder change that occurred in 2021, the Board of Directors identified the need to record impairment losses on certain balances. As of 31 December 2023, the Group had recorded accumulated impairment losses (i) on the loan balance granted to TAP SGPS, amounting to EUR 1,032.4 million (EUR 993.0 million as of 31 December 2022), (ii) on receivables from SPdH in the amount of EUR 10.7 million (EUR 10.7 million as of 31 December 2022) considering its insolvency situation, (iii) on other receivables amounting to EUR 80.3 million (EUR 82.4 million as of 31 December 2022) (Note 10), as well as (iv) on receivable balances from TAP ME Brasil totaling EUR 29.7 million (EUR 16.0 million in customers, EUR 0.6 million in advanced payments and EUR 13.1 million in other debtors) (EUR 30.4 million as of 31 December 2022) resulting from the process of closing down the operations of the Brazilian subsidiary of TAP SGPS (Note 10).

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

As of 31 December 2023, the total consolidated non-current assets related to the aircraft fleet amount to EUR 3,092 million (EUR 2,988 million as of 31 December 2022).

The declaration of the pandemic by the World Health Organization resulted in a set of limitations on population mobility, compounded by the economic and social effects of the pandemic itself, leading to a significant decrease in activities carried out by the Group. Therefore, the Board of Directors deemed it necessary to perform impairment tests on the non-current assets related to the aircraft fleet as of 31 December 2022 and 2021.

The recoverable amount of those assets was determined based on discounted cash flow models, which required the use of estimates and assumptions by the Board of Directors, depending on economic and market projections, including cash flows associated with the Group's operational activities, exchange rates, perpetual growth rates, and discount rates to be used in the respective model.

Consequently, and considering the Approved Restructuring Plan and the approval of financial projections for the years 2022 to 2027 by the Board of Directors of TAP SGPS and TAP S.A. on 3 November 2021, containing a set of medium and long-term assumptions related to the evolution of the aircraft fleet and the level of activity and operational performance, framing the current situation and its impacts on air transport activity, the same formed the basis of the analysis of the recoverability of tangible and intangible fixed assets of air transport conducted by the Group's Board of Directors as of 31 December 2022 and 2021, despite the positive deviation between actual and projected figures in the Approved Restructuring Plan.

It should be noted that the positive evolution of the Group's operation during the fiscal year 2023 compared to the assumptions considered in the Approved Restructuring Plan, taking into account that the operational results of 2023 significantly exceeded those forecasted for the same year, did not result in changes in the impairment assessment of non-current assets conducted by the Group as of 31 December 2022. Consequently, impairment tests were not conducted on non-current assets related to the aircraft fleet as of 31 December 2023, as there were no indications of impairment as of that date.

It is important to note that any unfavorable variations in future fiscal years between actual cash flows and those estimated in the Approved Restructuring Plan may have significant impacts on the calculation of the recoverable amount of these assets and consequently 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, a set of changes to tax legislation were approved in June 2020 under the Economic and Social Stabilization Plan, namely, the increase in the percentage deduction of tax losses generated in 2020 and 2021 by ten percentage points, as well as extending the expiration period by an additional 2 years for tax losses generated before 2020.

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 was maintained.

Based on the Approved Restructuring Plan, as of 31 December 2023, 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 144.6 million (EUR 160.2 million as of 31 December 2022), 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 2024 – 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.

It should be noted that contrary to what was estimated in the Approved Restructuring Plan, a taxable profit was recorded for the year ended 31 December 2023. Therefore, tax losses from 2015 and 2021 amounting to EUR 45.3 million and EUR 7.0 million, respectively, were deducted to the taxable profits of 2023.

Considering the aforementioned assumptions, the recovery of deferred tax assets recorded as of 31 December 2023 is expected over a period of between 10 and 12 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 (5.97%/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

It is the Board of Directors’ understanding that the preparation of the consolidated financial statements of TAP S.A. as of 31 December 2023, should be based on the principle of going concern, considering the Approved Restructuring Plan (Introductory Note) which anticipates a gradual growth in activity, combined with a strategy of reducing fleet size, operational costs, and investments and considering the fact that the operational and net results obtained for the fiscal years ended 31 December 2023 and 2022 were higher than those estimated in the Approved Restructuring Plan.

Additionally, as of 31 December 2023, TAP Group S.A. presents a cash balance of EUR 789.4 million resulting from approved state aid measures and positive operational cash flows for the year 2023 totaling EUR 1,005.2 million. It should be noted that on 28 December 2022, the sole shareholder subscribed to a capital increase of EUR 980 million, having paid EUR 294 million by 31 December 2023, with the remaining amount to be paid in two equal tranches, scheduled for December 2023 and December 2024, with the first tranche having been effectively paid in January 2024 (Introductory Note).

Considering the above, it is the Board of Directors' understanding that the Group's operations continuity and liquidity are assured, based on the financing of estimated treasury needs for the next twelve months as of this date.

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 2023 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 2023. 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 2023

The new standards, interpretations, and changes to existing standards identified below, which became effective on 1 January 2023, are as follows:

Description	Changes	Effective date
1. New Standards, Amendments to Standards Effective 1 January 2023		
• IAS 1 – Disclosure of accounting policies	Disclosure requirement for "material" accounting policies, rather than "significant" accounting policies	1 January 2023
• IAS 8 – Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	1 January 2023
• IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	1 January 2023
• IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information	1 January 2023
• IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for decommissioning / related asset, when their simultaneous initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes	1 January 2023
• IAS 12 – International Tax Reform – Pillar two model rules	Introduction of a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.	1 January 2023

Description	Changes	Effective date
	Requirement of targeted disclosure for affected entities (entities belonging to multinational groups that have consolidated revenues of EUR 750 million in at least two out of the last four years)	

2. Standards (new and amended) that become effective on or after 1 January 2024, already endorsed by the EU		
• IAS 1 – Classification of liabilities as non-current and current and non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity's right to defer its settlement for at least 12 months after the reporting date, when subject to covenants	1 January 2024
• IFRS 16 – Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable	1 January 2024

3. Standards (new and amended) that become effective on or after 1 January 2024, not yet endorsed by the EU		
• IAS 7 and IFRS 7 – Supplier finance arrangements	Requirement to provide additional disclosures about supplier finance arrangements, the impact in liabilities and cash flows, as well as the impact in liquidity risk analysis, and how the entity would be impacted if these arrangements were no longer available	1 January 2024
• IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Requirements for determining whether a currency is capable of being exchanged for another currency and, when exchange is not possible for a long period, the options for calculating the spot exchange rate to be used. Disclosure of the impacts of this situation on the liquidity, financial performance and financial position of the entity, as well as the spot exchange rate used on the reporting date	1 January 2024

The new and changed standards referred to above in point 1, which became effective on 1 January 2023, did not impact the financial statements of the Group for the financial year ended 31 December 2023. 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 2023, 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 2023 and 2022 were as follows:

			Average Rate	
Currency	**2023**	**2022**	**2023**	**2022**
USD	1.105	1.067	1.082	1.065
CHF	0.926	0.985	0.974	1.014
GBP	0.869	0.887	0.871	0.848
BRL	5.362	5.639	5.422	5.498
AOA	930.963	537.566	730.808	505.653

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 (1 January 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 the development and parameterization of information systems to support the activity.

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 with the purpose of compensating the Group for investments made in tangible/intangible assets, are recorded as a reduction to the value of the respective subsidized assets and are recognized in the Income statement, over the estimated useful life, by deducting from the amount of depreciations/amortizations.

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 ticket sale, the Group considers it has a separate performance obligation corresponding to the points from the 'TAP Miles&Go' program awarded. Based on the historical number of awarded miles not used or expired at the end of each reporting period and the assigned unit valuation, adjusted for the estimate of unused miles to expire, the Group recognizes deferred revenue estimated to correspond to the miles allocation. The valuation of miles is determined using the stand-alone price, which is based on the average equivalent ticket value considering the historical redemption of miles. Revenue is thus recognized when miles are used or expire.

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 10,002 thousand and changing the stand-alone price by 10% would result in an impact on results of EUR 3,614 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.

Taking into account the impact of the COVID-19 pandemic, the Board of Directores reviewed the policy regarding the use of unused flight documents, particularly concerning the possibility of ticket rebooking without additional costs and the refund of tickets in vouchers with increased value and extended validity periods. As of 31 December 2023, from a prudential perspective, and considering the diverse legislation in force in the various markets where the Group operates, no revenue associated with vouchers issued during the COVID-19 years and expired as of 31 December 2023 was recorded for some markets.

Had the Group recognized revenue on all issued and expired vouchers, the Group's results would have a positive impact of around EUR 19.8 million (EUR 35.9 million as of 31 December 2022).

✈ **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.

✈ **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 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 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.

On 31 December 2023, the determined coverage percentage amounts to 86%. A 5% change in this percentage would have an impact of approximately EUR 2.2 million in the Group's financial results.

3 Financial risk management policies

Risk management is conducted at the strategic level by the Group and subject to continuous monitoring by management bodies. The guidelines defined and decisions made in the field of risk management are fundamental elements for the Group's positioning against external threats posed by the markets and the economic-financial environment. Given the multitude of possible scenarios and developments, the Group's risk management strategy incorporates elements of flexibility and discretion that allow for timely adaptation to changes in the operating environment.

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

The Group's risk management is directed and monitored by the Executive Committee and by the Board of Directors, being executed by the competent management areas of the Group and, in particular, regarding financial risk management instruments, including fuel, interest rate, and currency derivatives operations, by the Strategic Treasury and Corporate Finance departments, following the defined and disclosed guidelines and policies, as well as specific instructions.

✈ Market risk

After a year of recovery for the aviation industry, 2023 continued to show a growth trajectory and strong overall performance, with a significant increase in passengers, despite the less favorable impact of some macroeconomic variables, namely inflation and interest rates.

Indeed, it is expected that by the end of 2023, most regions, such as Europe and the United States of America, will have already surpassed the 2019 traffic levels, although the total recovery of the sector globally is only expected in the first half of 2024 (source: IATA, Global Outlook for Air Transport December 2023). Following this recovery, IATA predicts industry growth of 4.2% per year until 2040, although with much uncertainty and risk factors.

In 2023, the conflict in Ukraine continued to affect the industry, with several European and Asian airlines experiencing changes in their traffic, and the recent conflict in the Middle East also had impacts on the economy and inevitably on the industry. For TAP S.A., in particular, the conflict in Ukraine did not alter its operations, but with the outbreak of the conflict in the Middle East, the Company was forced to cancel its Tel Aviv route.

In the European market, competition is based on: (i) price, notably 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 flight experience quality.

The Group has been improving these services as well as adapting its network and capacity on different routes to achieve higher profitability, maintaining some seasonal destinations. Thus, compared to 2022, the Group reported higher revenues in its main markets, particularly in South America (+20.0%), North America (+27%), and Europe (+23%).

Regarding aircraft characteristics, including comfort level, modernity, technological advances, fuel economy, low consumption, low noise, lower emissions, and flexibility in terms of flight autonomy, the renewal of the Company's fleet has been a fundamental competitive advantage. Thus, during the year 2023, 3 more aircraft of the new generation arrived – 2 Airbus A321NEO LR and 1 Airbus A320NEO - and 4 ATRs that were already in phase-out in 2022 were retired, with the phase-out of another 2 ATRs commencing.

These changes should be contextualized within the Restructuring Plan approved by the European Commission and which will end in late 2025, establishing all revenue and cost assumptions including those of network and fleet. If reality significantly diverges from this plan, especially in terms of fleet, service, and sales, or if the Company does not successfully implement its current fleet plan, its revenues and results could 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.

Fuel is one of the main costs borne by the Group, with a significant exposure to fluctuations in its price, which is usually mitigated through the use of financial derivatives. Thus, like other airlines, in order to cope with significant changes in fuel prices, the Group contracts different types of derivative financial instruments to hedge fuel prices, including swaps and options.

After reaching peak prices in 2022, 2023 was also a year marked by volatility and instability. Various factors, such as the outbreak of a new war, OPEC production cuts, or fears of a recession, created an environment of opposing forces. Thus, jet fuel opened the year trading at 963.75 USD per ton, reaching a peak of 1,142.50 USD (still in January 2023) and falling to a minimum of 685.17 USD in May. In the second half of the year, there was a price recovery, which ended up settling at 838.50 USD at the end of the year, resulting in a 15% reduction compared to the closing price of 30 December 2022.

The fair value of jet fuel derivatives as of 31 December 2023 turned into an unfavorable position of EUR 0.6 million, with no derivatives in overhedge situation as of that date (Note 20). During the year ended 31 December 2023, the contracting of jet fuel derivatives translated into an increase in fuel expenses of EUR 12.8 million (Note 26), as the price fixed through swaps was higher than the market price.

Any sharp variations in the jet fuel price after 31 December 2023 may have a significant impact on the Group's results.

Based on the hedging positions for jet fuel prices as of 6 March 2024, assuming (i) an EUR/USD exchange rate of 1.08 and (ii) the forward curve of Jet CIF NWE as of 6 March 2024, as the base scenario, a 10% increase in jet fuel prices would worsen the expected value of fuel costs for 2024 by 6%.

The Group is currently subject to changes in CO2 emission permit prices, which are purchased every year to comply with European Union regulations (EU ETS) for offsetting these emissions, as well as UK ETS permits. During 2023, the prices of permits eligible for EU ETS decreased from EUR 83.85 to EUR 78.06 per permit, and those eligible for UK ETS decreased from GBP 67.03 to GBP 44.07 per permit.

It should be noted that in the coming years, in addition to ETS, the Group will also be covered by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a scheme for offsetting and reducing CO2 emissions from international flights.

In the long term, the industry's environmental commitment to carbon neutrality by 2050 - the first commitment of its kind at the industry level - represents another significant challenge, as it requires a global economic model that is sustainable, inclusive, and prosperous, involving additional investment efforts and/or an increase in operational expenses.

✈ **Exchange rate risk**

The Group acquires a significant portion of goods and services from third parties in USD, assuming a set of obligations in USD with leasing contracts (Note 19). On the other hand, the Group has some assets in foreign currency, namely receivables from its revenues generated in currencies other than EUR (essentially USD and BRL).

During 2023, the EUR appreciated by 3.6% against the USD, a different situation from 2022, a year in which the escalation of the conflict in Ukraine and energy prices generated market fears of a deep recession in the eurozone, leading the EUR to parity with the USD. However, 2023 showed a positive evolution for this currency due to various factors such as economic data and central bank monetary policies, leading to a recovery in EUR/USD to the annual peak near 1.12 in July 2023, closing the year 2023 around 1.10.

Regarding revenues, the North American market represented nearly 20% of total ticket sales by the end of 2023. The strategy continues to focus on this market, as expansion in the North Atlantic remains a key element of the commercial strategy and a relevant source of diversification not only economically but also in terms of currency.

However, the Group's various currency costs result in a significant imbalance in its currency balance, which is deficitary in relation to the USD. In general terms, the Group's cost items are mostly dependent on EUR and USD, with the remaining currencies, except for BRL, having a limited expression. 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, navigation and airport fees in many of the geographic areas where the Group operates. In the case of fuels, even in contracts billed and settled in EUR, namely in the Portuguese market, the calculation of the amounts to be charged is indexed and established by reference to the dollar exchange rate against the euro, with fuel costs representing nearly full exposure to the dollar, except for certain fees and commercial commissions.

Also, in the case of leases and wet leases, the market is denominated in USD, from monthly rents to maintenance reserves and security deposits. Aircraft maintenance is another source of USD exposure that is not always reflected in the final billing currency for the customer. The various materials incorporated into the Group's fleet are also mostly purchased in USD. Financially, since some of the Group's loans are denominated in USD, the respective interest and principal repayments also represent additional responsibilities and exposure to the US currency.

USD exposure also has a long-term dimension resulting from the commitments made in the current framework of investments contracted with Airbus (Note 36). The aircraft order placed with this manufacturer, to be delivered over the next few years, results in USD exposure, medium and long term, of a significant amount, but also represents, in the short term, an annual investment effort of high amounts in USD, related to the advanced payments to the manufacturer.

At the end of 2023, approximately 65% of the Group's interest-bearing financial debt was denominated in USD (66% at the end of 2022).

Regarding exposure to BRL, the EUR depreciated by 4.9% against the BRL in 2023. Indeed, after this currency had continuously depreciated in recent years, in 2023, the Brazilian currency and economy once again benefited from the same success factors that marked 2022: record export levels, one of the highest interest rates worldwide, and a decrease in risk perception in international markets resulted in a appreciation of the BRL against the EUR and USD. In 2023, Brazil recorded a record trade surplus, based on high levels of exports in the agricultural sector and, on the other hand, on the sharp reduction in prices of critical raw materials for its economy, such as fertilizers. Although in the second half of the year, the BCB started a cycle of gradual reduction of its reference rate, Brazil remains an attractive economy for the monetary markets, as at the end of 2023 the SELIC stood at 11.75%.

Another market with a relevant currency expression in the Group's revenues is the Angolan market, although only a portion of the revenues from this market is denominated in AOA. At the end of 2023, assets denominated in AOA represented approximately 3% of the total cash and cash equivalents denominated in foreign currency.

The Group’s exposure to exchange rate risk, as of 31 December 2023 and 2022, based on the Group’s financial position, financial assets and liabilities in currencies converted to Euros at the reporting date, is as follows:

	2023				
	USD	BRL	AOA	OTHER	TOTAL
ASSETS					
Cash and cash equivalents (Note 14)	628,880,030	39,317,355	22,854,589	13,668,767	704,720,741
Other financial assets (Note 8)	455,915	-	-	-	455,915
Receivables - customers (Note 10)	61,273,722	130,883,420	1,495,777	20,514,451	214,167,370
Receivables - other (Note 10)	209,200,925	11,462,135	223,668	14,473,493	235,360,221
	899,810,592	**181,662,910**	**24,574,034**	**48,656,711**	**1,154,704,247**
LIABILITIES					
Borrowing and lease liabilities with purchase option (Note 19)	464,811,593	-	-	(502,494)	464,309,099
Lease liabilities without purchase option (Note 19)	1,651,356,819	-	-	-	1,651,356,819
Payables - suppliers (Note 20)	51,759,054	-	1,443,745	4,901,570	58,104,369
Payables - other (Note 20)	17,959,733	23,296,940	2,688,636	6,201,585	50,146,894
	2,185,887,199	**23,296,940**	**4,132,381**	**10,600,661**	**2,223,917,181**

	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**

In the fiscal year 2023, net foreign exchange gains of EUR 99.7 million were recorded, of which EUR 29.6 million were recorded in the consolidated statement of income (Note 33) and EUR 70.1 million in the consolidated other comprehensive income (Note 16), mainly including the positive effect related to the depreciation of the USD on recorded liabilities, notably future lease payments related to aircraft leases. As stated in Note 2.33, starting from 1 January 2022, the Company designated in a hedging relationship the foreign exchange risk associated with highly probable forecasted sales whose fare is determined in USD, using as hedging instruments a portion of the aircraft lease liabilities denominated in USD, in accordance with the amounts and dates of future cash flows of forecasted sales and lease liabilities. The cumulative impact of the exchange rate update of hedged sales in the amount of EUR 38.5 million was recorded in the Other reserves item (Note 16).

The volatility of foreign exchange markets could significantly affect the measurement of the Group's assets and liabilities and significantly impact the amounts of receipts and payments in foreign currency.

As of 31 December 2023, a variation (positive or negative) of 10% in all exchange rates with reference to the Euro would result in an impact on equity of approximately EUR 106.9 million (2022: EUR 165.4 million).

✈ Interest rate risk

Following the implementation by central banks of one of the fastest interest rate hikes ever to combat soaring inflation levels in 2022, the evolution of prices observed in 2023 was not so unstable. Nevertheless, the European Central Bank continued the cycle of interest rate hikes it had started in 2022, carrying out 6 increases in benchmark rates, resulting in a total of 200 basis points. Thus, at the end of December 2023, the 3-month EURIBOR stood at 3.9% (compared to 2.1% at the end of 2022).

The Group conducted three fixed-rate bond issuances in previous years (with one of them already being paid off in June 2023), hence a very significant portion of its debt is not exposed to interest rate fluctuations.

Therefore, the future impacts of interest rate (EURIBOR) developments will be relevant for the Group, but essentially in terms of debt values to be contracted, and may result in increased lease costs, with the long-term interest rate level being reflected in aircraft rent (as most leases are fixed-rate).

As of 31 December 2023 and 2022, financial liabilities subject to the risk of interest rate variation are summarised as follows:

	2023					
	< 1 year	**1 - 2 years**	**3 - 5 years**	**6 - 10 years**	**> 10 years**	**Total**
Variable Rate						
Borrowings	45,220,267	43,439,443	62,734,324	24,830,184	-	176,224,218
Lease liabilities with purchase option	36,541,953	34,889,120	84,916,715	97,961,800	28,960,963	283,270,551
	81,762,220	**78,328,563**	**147,651,039**	**122,791,984**	**28,960,963**	**459,494,769**
Fixed Rate						
Borrowings	405,264,826	5,908,294	9,468,172	11,373,943	42,249,015	474,264,250
Lease liabilities with purchase option	55,155,222	56,042,588	162,984,696	229,856,577	2,648,714	506,687,797
	460,420,048	**61,950,882**	**172,452,868**	**241,230,520**	**44,897,729**	**980,952,047**
Total	**542,182,268**	**140,279,445**	**320,103,907**	**364,022,504**	**73,858,692**	**1,440,446,816**
% fixed rate	**85%**	**44%**	**54%**	**66%**	**61%**	**68%**

	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	19,728,547	19,829,104	56,457,089	26,102,227	10,440,890	132,557,857
	64,498,627	**63,177,352**	**152,983,478**	**60,579,788**	**10,440,890**	**351,680,135**
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	291,549,157	13,462,035	576,743,707
	366,969,235	**430,320,549**	**164,119,882**	**291,549,157**	**13,462,035**	**1,266,420,858**
Total	**431,467,862**	**493,497,901**	**317,103,360**	**352,128,945**	**23,902,925**	**1,618,100,993**
% fixed rate	**85%**	**87%**	**52%**	**83%**	**56%**	**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 2023, would result in a decrease or increase in the amount of interest due by approximately , EUR 18.5 million (2022: EUR 11.8 million).

In 2023, TAP S.A. had an improvement in its long-term credit rating assigned by S&P Global Ratings Europe Limited ("S&P") from B+ to BB- (Stable Outlook) and an improvement in the Corporate Family Rating assigned by Moody's Investors Service ("Moody's") from B3 to B1, while maintaining the Outlook as positive.

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

✈ **Liquidity risk**

The liquidity risk of the Group is a confluence of factors resulting from operations, existing financing and its respective debt service, trading conditions for new operations, gains or losses on foreign exchange, and investment activities, when significant. The Group must ensure annually a debt service that, although properly planned and distributed over time, weighs on cash flow and must be regularly assessed in light of developments occurring in the fiscal year. Any dysfunctions observed in financial markets, such as those that occurred during the sovereign debt crisis, or market shocks at the level of current expenditures or revenues, such as those resulting from the COVID-19 pandemic, condition, to a greater or lesser extent, the treasury, liquidity, economic and financial balance, and prosperity of the Group.

Following the State aid and COVID-19 damage compensations approved and consequent capital injections made during the years 2020, 2021, and 2022, as well as the recovery of activity throughout the year, the Group achieved adequate levels of liquidity throughout the year 2023, ending the year with EUR 789.4 million, a value that does not reflect the capital injection of EUR 343 million that occurred only at the beginning of January 2024. This capital injection represents 35% of the capital increase of EUR 980 million carried out on 29 December 2022, a value resulting from the Restructuring Plan. The remaining tranche in the amount of EUR 343 million (35%) will be paid in 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:

	2023					
	< 1 year	1 - 2 years	3 - 5 years	6 - 10 years	> 10 years	Total
Other payables	674,742,509	-	-	-	-	674,742,509
Borrowings	471,202,455	58,714,876	87,731,214	47,905,138	42,889,710	708,443,393
Lease liabilities with purchase option	129,379,541	127,538,117	328,262,675	370,714,745	33,066,516	988,961,594
Lease liabilities without purchase option	302,656,699	337,374,045	673,244,205	480,112,955	7,730,503	1,801,118,407
Total	**1,577,981,204**	**523,627,038**	**1,089,238,094**	**898,732,838**	**83,686,729**	**4,173,265,903**

	2022					
	< 1 year	1 - 2 years	3 - 5 years	6 - 10 years	> 10 years	Total
Other payables	584,355,883	-	-	-	-	584,355,883
Borrowings	400,401,107	438,616,087	110,671,433	37,710,920	-	987,399,547
Lease liabilities with purchase option	108,907,073	107,846,901	289,945,889	359,145,910	24,966,315	890,812,088
Lease liabilities without 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**

✈ Credit risk

The following table shows items relating to the Group’s assets as of 31 December 2023 and 2022, as well as accounts receivable balances, which reflect the maximum credit risk on those same dates:

	2023	2022
Non-current assets		
Other financial assets (Note 8)	488,745	488,720
Other receivables (Note 10)	120,939,688	442,009,852
Current assets		
Cash and cash equivalents (Note 14)	789,387,698	916,077,051
Other receivables (Note 10)	1,128,374,337	875,555,361
	2,039,190,468	**2,234,130,984**

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 have 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 2023 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.

Airline and travel agent balances customer accounts receivable, 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 for amounts receivable from related parties in the amount of EUR 902 million was recorded, which mainly related to the receivable balance from TAP SGPS in the amount of EUR 884.7 million. During the fiscal year 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 resulting from the change in perspective regarding the settlement of amounts related to corporate transactions of TAP SGPS subsidiaries, under the Approved Restructuring Plan), and in 2023, a new increase of EUR 39.4 million was recorded, mainly related to accrued interest. Additionally, in 2023 an impairment loss was recorded on other accounts receivable from TAP SGPS in the amount of EUR 0.9 million. For all other situations and natures of receivable balances, 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 2023, the Group's exposure by credit rating to cash and cash equivalents, whose counterparties are financial institutions, is detailed as follows:

Rating notation	2023
Aa1	26,620
Aa3	408,424,806
A1	99,813
A2	46,073
A3	337,784,695
Baa1	5,849,063
Baa2	106,830
Baa3	39,497
Ba1	165,602
Ba2	8,936,530
B3	16,484,306
Caa1	150,533
No rating	11,242,131
	789,356,498

✈ 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 and the Restructuring Plan, capital management has been significantly altered, relying largely on the State Aid obtained. Changes to the equity items made in this context aimed to strengthen the capital structure.

With regards to the interest-bearing liabilities, both current and non-current, there was a decrease of about 28% compared to 2022, mainly due to the repayment of a bond of EUR 200 million in June 2023, with the remaining loans being amortized without new loans of this kind being contracted. As for the financial liabilities related to leases with purchase option, they increased by approximately 11% due to the new loans contracted.

The Group's debt, in addition to financing contracts, includes lease contracts under IFRS 16. The increase in the set of charges for aircraft leases without purchase option corresponds to an increase in significant future liabilities, as these are medium and long-term contracts, resembling phased debt payments, although without the risk of residual value of the asset at the end of the lease term. In addition to fleet renewal under lease arrangements, future debt increase, whether in the form of financing or leasing, in the coming years will be relevant for risk management and in terms of return on invested capital.

4 Tangible fixed assets

During the years ended 31 December 2023 and 2022, the movement under the item Tangible assets, 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 2022	**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**
Acquisitions	-	2,607	172,216,136	-	3,415,419	2,210,551	758,243	9,301,197	14,128,747	240,236,634	442,269,534
Disposals	-	-	(319,787)	(22,942)	-	(2,171)	-	-	-	-	(344,900)
Renegotiations	-	-	-	-	-	-	-	-	-	148,038,586	148,038,586
Regularisation, transfer and write-off	(15,069)	(34,365)	43,940,362	(110,971)	(26,059)	(290,813)	(8,483)	(15,638,119)	(42,454,577)	(17,936,901)	(32,574,995)
31 December 2023	**41,110,528**	**160,042,775**	**1,628,623,920**	**1,941,607**	**34,947,347**	**55,150,339**	**13,859,978**	**19,691,148**	**117,904,290**	**4,007,258,650**	**6,080,530,582**
Accumulated deprec. and impairment losses											
1 January 2022	**-**	**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**
Depreciations (Note 32)	-	5,625,514	74,550,384	14,416	957,854	1,414,634	283,899	-	-	389,956,776	472,803,477
Impairment losses (Note 32)	-	-	1,407,511	-	(106,457)	-	-	-	-	-	1,301,054
Disposals	-	-	(136,575)	(22,942)	-	(2,045)	-	-	-	-	(161,562)
Regularisation, transfer and write-off	-	(23,830)	(19,624,398)	(110,971)	(24,497)	(290,807)	(8,483)	-	-	-	(20,082,986)
31 December 2023	**-**	**106,633,596**	**632,411,937**	**1,892,317**	**21,687,176**	**53,115,646**	**12,229,463**	**-**	**-**	**2,071,392,179**	**2,899,362,314**
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**
Carrying amount as of 31 December 2023	**41,110,528**	**53,409,179**	**996,211,983**	**49,290**	**13,260,171**	**2,034,693**	**1,630,515**	**19,691,148**	**117,904,290**	**1,935,866,471**	**3,181,168,268**

During the years ended 31 December 2023 and 2022, the movement in the Right-of-use assets is detailed as follows:

	Buildings and other constructions	Aircraft and engine leases	ACMI	Redelivery and Maintenance	Transport equipment	Total
Assets						
1 January 2022	**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**
Acquisitions	-	952,912	22,813,317	216,470,405	-	240,236,634
Renegotiations	-	35,368,590	112,669,996	-	-	148,038,586
Regularisation, transfer and write-off	-	-	(16,326,782)	(1,610,119)	-	(17,936,901)
31 December 2023	**1,832,381**	**2,371,660,257**	**819,541,421**	**813,449,235**	**775,356**	**4,007,258,650**
Accumulated depreciations						
1 January 2022	**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**
Depreciations (Note 32)	-	192,090,755	114,019,976	83,845,634	411	389,956,776
31 December 2023	**1,832,381**	**1,015,375,550**	**583,658,253**	**469,750,639**	**775,356**	**2,071,392,179**
Carrying amount as of 31 December 2022	**-**	**1,512,053,960**	**230,746,613**	**212,683,944**	**411**	**1,955,484,928**
Carrying amount as of 31 December 2023	**-**	**1,356,284,707**	**235,883,168**	**343,698,596**	**-**	**1,935,866,471**

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 2023, the amount of the loan agreement was approximately EUR 73.9 million.

The main movements during the financial year ended 31 December 2023 were as follows:

- The additions of basic equipment amounting to EUR 172,216 thousand mostly relate to: (i) the acquisition of three aircraft amounting to EUR 144,536 thousand (to which were added pre-delivery payments transferred from the caption Advances to suppliers of tangible assets in the amount of EUR 47,716 thousand), (ii) the capitalization of structural aircraft maintenance expenses amounting to EUR 14,697 thousand, and (iii) the acquisition of spare parts amounting to EUR 5,882 thousand;

- Increase of advances do suppliers of tangible assets in the amount of EUR 14,129 thousand essentially relate to pre-delivery payments;

- Additions of other assets in progress in the amount of EUR 9,301 thousand refer essentially to a maintenance and engineering on-going project in the amount of EUR 3,104 thousand and (ii) major maintenance works in progress in the amount of EUR 2,823 thousand;

- The regularisations, transfers and write-offs in the Advances to suppliers of tangible assets category include the refund of pre-delivery payments amounting to EUR 43,932 thousand upon the acquisition of three aircraft through lease contracts with purchase option;

- ✈ The additions to the Right of use caption include, essentially: (i) two new ACMI contracts amounting to EUR 20,905 thousand (later terminated in November 2023); (ii) capitalization of major maintenance expenses in the amount of EUR 148,337 thousand; and (iii) the increase in the redelivery provision and capitalization of non-recoverable maintenance reserves in the amount of EUR 68,134 thousand;

- ✈ Additionally, the regularizations, transfers and write-offs under the heading Right of use include, a reduction of EUR 1,610 thousand resulting from the revision of the redelivery provision and capitalization of non-recoverable maintenance reserves, and a reduction of EUR 16,327 thousand following the termination of the two ACMI contracts in November 2023;

- ✈ Renegotiation of lease contracts without purchase option resulted in an increase in the caption of EUR 148,039 thousand.

The main movements during the financial year ended 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.

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 2023 and 2022, the “Basic equipment” (own assets) item had the following composition:

	2023			2022		
	Acquisition cost	Accumulated depreciation and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Flight equipment						
Aircraft	74,700,311	(43,875,385)	30,824,926	87,379,725	(53,447,730)	33,931,995
Reserve engines	6,416,774	(2,532,088)	3,884,686	2,969,113	(2,363,028)	606,085
Spare parts	95,216,332	(60,114,417)	35,101,915	93,726,371	(59,195,101)	34,531,270
	176,333,417	(106,521,890)	69,811,527	184,075,209	(115,005,859)	69,069,350
Flight equipment under						
Leases with purcahse option						
Aircraft	1,212,368,925	(420,613,334)	791,755,591	997,291,599	(365,416,605)	631,874,994
Reserve engines	141,280,151	(29,771,261)	111,508,890	140,915,377	(23,094,884)	117,820,493
	1,353,649,076	(450,384,595)	903,264,481	1,138,206,976	(388,511,489)	749,695,487
Machinery and equipment	98,641,427	(75,505,452)	23,135,975	90,505,024	(72,697,667)	17,807,357
	1,628,623,920	**(632,411,937)**	**996,211,983**	**1,412,787,209**	**(576,215,015)**	**836,572,194**

As of 31 December 2023 and 2022, the Group’s operating air fleet is broken down as follows:

	2023				2022			
	Lease liabilities with purchase option	**Lease liabilities without purchase option**	**ACMI**	**Total**	**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	2	-	**5**
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	7	6	-	**13**	5	6	-	**11**
Embraer 190	-	-	12	**12**	-	-	10	**10**
Embraer 195	-	-	7	**7**	-	-	6	**6**
	18	**61**	**19**	**98**	**16**	**61**	**16**	**93**

The Group ended the year 2023 with a fleet of 98 aircraft, a net increase of 5 aircraft compared to the end of 2022, when the Group had a fleet of 93 aircraft.

During the year ended 31 December 2023, two new-generation Airbus aircraft (A321neo LR), three Embraer fleet aircraft (two E190 and one E195 which were in the phase-in process as of 31 December 2022), and two ATR-72 aircraft (which were in operator transition process as of 31 December 2022, but whose contracts were terminated during 2023) entered into operation. All aircraft in the fleet as of 31 December 2023, were available for commercial passenger operation.

At the end of 2023, 67% of the operational medium- and long-haul fleet consisted of NEO family aircraft.

On 20 December 2023, the certification process for an A-320 NEO aircraft was completed, with operations planned only for January 2024.

5 Investment properties

During the years ended 31 December 2023 and 2022, the movement in the investment properties caption was as follows:

	2023	2022
Opening Value	**1,690,000**	**1,615,899**
Transfers	717,703	(225,000)
Disposals	(492,000)	-
Fair value adjustments (Notes 25 and 29)	(11,821)	299,101
Closing Balance	**1,903,882**	**1,690,000**

The transfers of EUR 717,703 in the financial year ended on 31 December 2023 relate to the reclassification of two properties located in Argentina that were previously classified as tangible fixed assets (Note 4) and had a net carrying amount of EUR 26,000. These assets were revalued upon transfer, resulting in a revaluation surplus of EUR 692,000 recorded in the caption retained earnings. Additionally, the Group disposed its remaining units of a building in Portela whose carrying amount was EUR 492,000, generating a capital gain of EUR 97,000.

During the financial year ended 31 December 2022, the amount of EUR 225,000 was transferred to the caption Non-current assets held for sale, relating to two units of a building located in Portela (Note 7).

6 Intangible assets

During the years ended 31 December 2023 and 2022, “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 2022	**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**
Acquisitions	-	7,705,824	3,117,883	**10,823,707**
Regularization, transfer and write-off	-	331,019	(294,603)	**36,416**
Balance as of 31 December 2023	**11,951,704**	**76,132,130**	**11,382,438**	**99,466,272**
Accumulated amort. and impairment losses				
Balance as of 1 January 2022	**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**
Amortisations and impairment losses (Note 32)	-	11,660,550	-	11,660,550
Balance as of 31 December 2023	**11,951,704**	**65,024,821**	**-**	**76,976,525**
Carrying amount as of 31 December 2022	**-**	**14,731,016**	**8,559,158**	**23,290,174**
Carrying amount as of 31 December 2023	**-**	**11,107,309**	**11,382,438**	**22,489,747**

The main movements during the financial year ended 31 December 2023 were as follows:

- The increase in the item Computer programs in the amount of EUR 7,705 thousand essentially refers to software licensing contracts;

- The increase in the item Assets in progress in the amount of EUR 3,118 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 31 December 2022 pertains to two units of a commercial building (Note 5), which were sold in 2023.

8 Other financial assets

As of 31 December 2023 and 2022, the other financial assets item had the following composition:

	2023	2022
Bank deposits in Guinea Bissau	1,763,372	1,671,909
SITA Group Foundation	455,915	455,915
Other	47,388	47,363
	2,266,675	**2,175,187**
Impairment losses	(1,777,930)	(1,686,467)
	488,745	**488,720**

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 2023 and 2022, 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 benefits, as it is a tax 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 2023 and 2022, the corresponding deferred tax assets and liabilities and the respective effect on the results for the years ended 31 December 2023 and 2022 are as follows:

	2023			
	Opening balance	Effect in results (Note 34)	Effect in other comprehensive income	Closing balance
Deferred tax assets				
Tax losses carried forward	160,171,263	(15,612,601)	-	144,558,662
Post-employment benefits obligations	32,143,044	(3,724,173)	23,011,254	51,430,125
Impairment losses in inventories	4,537,353	(118,311)	-	4,419,042
Impairment losses of receivables	227,225,047	7,587,215	-	234,812,262
Tax benefits	1,150,497	(1,150,497)	-	-
Other provisions and adjustments not accepted for tax purposes	19,350,150	30,359,634	-	49,709,784
Impairment losses in fixed assets	1,326,190	(142,363)	-	1,183,826
Derivative financial instruments	1,526,307	-	(1,337,626)	188,681
	447,429,851	**17,198,904**	**21,673,628**	**486,302,382**
Deferred tax liabilities				
Revaluation of tangible fixed assets	14,227,624	(1,389,879)	-	12,837,745
Adjustments from IFRS 16 and IFRS 9	29,773,066	19,636,321	20,666,553	70,075,940
	44,000,690	**18,246,442**	**20,666,553**	**82,913,685**
	403,429,161	**(1,047,538)**	**1,007,075**	**403,388,697**

	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**

✈ 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 tax losses generated in 2015, 2021, and 2022 are recoverable, through their utilization in deducting from future taxable profits (calculated based on the individual financial statements of TAP S.A., prepared in accordance with the SNC) considering the projections of tax results, as included in the Approved Restructuring Plan and the 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, with tax results being linearized for the remaining periods.

It should be noted that contrary to what was estimated in the Approved Restructuring Plan, a taxable profit was recorded for the year ended 31 December 2023. Therefore, tax losses from 2015 and 2021 amounting to EUR 45.3 million and EUR 7.0 million, respectively, were deducted to the taxable profits of 2023.

Considering the aforementioned assumptions, the recovery of deferred tax assets recorded as of 31 December 2023 is expected over a period between 10 and 12 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 (5.97%/year) was applied.

Despite the Group has 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 detail of tax losses as of 31 December 2023 is as follows:

	Without securitization	Securitized	Total	Deadline for deduction
2014	-	31,071,827	31,071,827	No deadline
2015	56,046,478	67,927,000	123,973,478	No deadline
2021	542,258,732	-	542,258,732	No deadline
2022	90,069,372	-	90,069,372	No deadline
	688,374,582	**98,998,827**	**787,373,409**	

10 Other accounts receivable

As of 31 December 2023 and 2022, the detail of the other receivables item is as follows:

	2023		2022	
	Current	**Non-current**	**Current**	**Non-current**
Customers	352,648,295	-	435,338,029	-
Security deposits of lease contracts	2,713,652	35,981,107	7,266,337	35,430,579
Recoverable maintenance reserves	23,307,613	67,040,574	19,861,307	64,700,421
Advances to suppliers	18,701,192	-	27,676,618	-
Accrued income	38,735,235	-	37,886,855	-
Other debtors	1,844,332,616	19,839,395	1,462,227,516	343,800,240
	2,280,438,603	**122,861,076**	**1,990,256,662**	**443,931,240**
Receivables impairment losses	(1,152,064,266)	(1,921,388)	(1,114,701,301)	(1,921,388)
	1,128,374,337	**120,939,688**	**875,555,361**	**442,009,852**

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

✈ Customers

As of 31 December 2023 and 2022, Customers item is detailed as follows:

	2023	2022
Private entities	204,198,199	271,863,914
Clients with doubtful payment	61,095,810	60,845,174
Travel agencies	44,178,765	42,401,776
Related parties (Note 38)	17,235,060	19,299,760
Airline companies	8,885,618	17,478,206
Other	17,054,843	23,449,199
	352,648,295	**435,338,029**
Impairment	(89,623,660)	(90,018,096)
	263,024,635	**345,319,933**

As of 31 December 2022, the item “Private Entities” included a balance referring to a retention carried out by an intermediary entity of credit card payments, in the amount of USD 42 million (approximately EUR 30 million). At the beginning of 2023, the retained amount was received.

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 2023, the deferred costs item includes an amount of EUR 17.0 million related to the financial discount of these receivables, to be recognized in the period of the respective lease contracts (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 2023 and 2022, the “Advances to suppliers” item is detailed as follows:

	2023	2022
Related parties (Note 38)	601,155	575,390
Others	18,100,037	27,101,228
	18,701,192	**27,676,618**

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

✈ Accrued income

As of 31 December 2023 and 2022, “Accrued income” item is detailed as follows:

	2023	2022
Works for aviation companies	19,940,489	27,739,776
Miles	7,453,100	2,718,290
Related parties (Note 38)	4,053,182	1,046,291
Airport facilities - incentives	312,999	364,477
Other	6,975,465	6,018,021
	38,735,235	**37,886,855**

✈ Other debtors

As of 31 December 2023 and 2022, the other debtors item is detailed as follows:

	2023		2022	
	Current	**Non-current**	**Current**	**Non-current**
Related parties (Note 38)	1,094,610,455	14,501,042	1,048,023,603	17,223,370
Unrealized share capital (Notes 15 and 38)	676,540,088	-	333,540,088	324,341,080
Deposits and guarantees	16,024,293	-	30,350,635	-
Employees	18,944,312	-	18,238,492	-
Interline and other invoicing	9,537,870	-	12,644,195	-
Doubtful accounts	5,329,910	-	7,608,261	-
Representations VAT	4,634,605	-	6,014,767	-
Post-employment benefits (Note 17)	-	2,383,062	-	876,056
Other	18,711,083	2,955,291	5,807,475	1,359,734
	1,844,332,616	**19,839,395**	**1,462,227,516**	**343,800,240**
Impairment	(1,062,440,606)	(1,921,388)	(1,024,683,205)	(1,921,388)
	781,892,010	**17,918,007**	**437,544,311**	**341,878,852**

As mentioned in the Introduction Note, on 27 December 2022, the sole shareholder subscribed to a capital increase of EUR 980 million, having paid EUR 294 million until 31 December 2023. The remaining amount to be paid was divided into two equal installments scheduled for December 2023 and December 2024, having the first installment effectively been paid in January 2024. The balance of the capital increase yet to be paid, financially updated as of 31 December 2023, is recorded under the unrealized share capital item, amounting to EUR 676.5 million.

As of 31 December 2023, the item "other debtors - related parties" includes an amount of EUR 1,032.4 million receivable from TAP SGPS, for which there is an accumulated impairment of the same amount, arising from its management of financial holdings in TAP ME Brasil, SPdH, and Portugália. It also includes the amount of EUR 41.5 million receivable from Portugália (EUR 27.0 million in current assets and EUR 14.5 million in non-current assets), related to the re-invoicing of maintenance reserves paid by Portugália within the scope of lease contracts without purchase option.

✈ Impairment losses on current receivables

The movement that occurred under the impairment losses on receivables item during the years ended 31 December 2023 and 2022 was as follows:

	2023		2022	
	Clients	Others	Clients	Others
Opening balance	90,018,096	1,024,683,205	88,937,364	908,987,899
Increases (Notes 18, 28 and 31)	4,371,721	40,256,893	4,771,382	114,895,991
Reversals (Note 28)	(40,872)	(418,882)	(440,362)	(8,876)
Utilization	(4,204,002)	(2,709,120)	(4,160,888)	(79,954)
Exchange (Note 33)	(521,283)	628,510	910,600	888,145
Closing balance	**89,623,660**	**1,062,440,606**	**90,018,096**	**1,024,683,205**

During the year ended 31 December 2023, impairment losses on accounts receivable from TAP SGPS were increased by EUR 40.3 million (Note 31).

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

11 Inventories

The caption "Inventories" as of 31 December 2023 and 2022 is detailed as follows:

	2023	2022
Raw materials and consumables	93,696,437	81,765,085
Inventory impairment losses	(14,979,802)	(15,380,857)
	78,716,635	**66,384,228**

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 inventories item for the years ended 31 December 2023 and 2022 is detailed as follows:

	2023	2022
Opening balance	15,380,857	26,388,101
Increases (Note 28)	3,052,181	91,378
Decreases (Note 28)	(10,933)	(5,222,758)
Utilization	(3,442,303)	(5,875,864)
Closing balance	**14,979,802**	**15,380,857**

The amounts recorded as utilizations during the years ended 31 December 2023 and 2022, mainly concern materials sold and/or scrapped for which impairment losses had been recorded in previous years.

12 Income tax receivables / payables

As of 31 December 2023 and 2022, the balance concerning income tax receivables or payables is detailed as follows:

	2023		2022	
	Current assets	Current liabilities	Current assets	Current liabilities
State and Other Public Entities				
Other	-	(19,326)	-	(19,326)
Withholding taxes	11,371,015	-	656,061	-
Current income tax (Note 34)	(8,144,565)	-	(221,015)	-
	3,226,450	**(19,326)**	**435,046**	**(19,326)**
	3,226,450	**(19,326)**	**435,046**	**(19,326)**

As of 31 December 2023, the balance of withholding taxes mainly pertains to withholdings made by TAP SGPS on the year's interest related to the loans granted by TAP S.A. (Note 10).

13 Other current and non-current assets

Other current and non-current assets as of 31 December 2023 and 2022 are detailed as follows:

	2023		2022	
	Current	**Non-Current**	**Current**	**Non-Current**
Deferred costs	57,701,140	15,080,108	37,288,455	17,828,667
State and other public entities	6,263,545	-	7,514,913	-
	63,964,685	**15,080,108**	**44,803,368**	**17,828,667**

✈ Deferred costs

As of 31 December 2023 and 2022, the caption "Deferred costs" is detailed as follows:

	2023		2022	
	Current	**Non-Current**	**Current**	**Non-Current**
Security deposits (Note 10)	1,934,007	15,080,108	1,909,687	17,828,667
Related Parties (Note 38)	112,967	-	272,178	-
Commissions	28,075,581	-	27,667,870	-
CO2 emission rights	13,685,631	-	-	-
Maintenance	6,753,935	-	-	-
Specialized work	5,602,462	-	1,506,087	-
Rental costs	33,132	-	286,879	-
Other	1,503,425	-	5,645,754	-
	57,701,140	**15,080,108**	**37,288,455**	**17,828,667**

As of 31 December 2023 and 2022, Commissions relate to amounts paid to agents for tickets sold, but not yet flown or expired.

The CO2 emission rights balance relates to the surplus of allowances acquired by the Group compared to its consumption in 2023.

As of 31 December 2023, the Maintenance item relates to the deferral of expenses from an engine maintenance contract, billed in advance.

✈ State and other public entities

As of 31 December 2023 and 2022, the balances of this caption are detailed as follows:

	2023	2022
VAT	4,465,510	5,925,109
Other taxes	1,798,035	1,589,804
	6,263,545	**7,514,913**

As of 31 December 2023 and 2022, the VAT balance refers to refunds not yet received.

14 Cash and cash equivalents

As of 31 December 2023 and 2022, the detail of cash and cash equivalents is detailed as follows:

	2023	2022
Bank deposits available on demand	455,174,298	82,248,411
Term deposits	333,736,218	833,698,030
Other deposits	445,982	65,000
Cash	31,200	65,610
Cash and cash equivalents	**789,387,698**	**916,077,051**

15 Capital

As stated in the Introductory Note, on 24 May 2021, the Portuguese State, through the Directorate-General of the Treasury and Finance, carried out a capital increase in TAP S.A. in the amount of EUR 462 million.

In this context, the shareholding structure of TAP S.A. is detailed as follows:

- ✈ The Portuguese Republic, through the Directorate-General of the Treasury and Finance, now holds 91.8% of the shares representing the share capital and voting rights; and
- ✈ TAP SGPS holds 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) the compensation for 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 an Extraordinary General Meeting of TAP S.A. and submitted for registration with the Commercial Registry Office of Lisbon:

- ✈ The increase of TAP S.A.'s share capital from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary contributions, in the total amount of EUR 154,353,400;
- ✈ The reduction of its share capital to EUR 0.00, to partially cover losses;

- The increase of its share capital from EUR 0.00 to EUR 1,794,544,230, fully subscribed by the Portuguese Republic, through the Directorate-General of the Treasury and Finance, with the amount of EUR 1,258,544,230 being exclusively realized by in-kind contributions, by conversion of credits from the Portuguese Republic against TAP S.A., and the amount of EUR 536,000,000, realized by cash contributions;
- 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 aforementioned operations, TAP S.A. became directly and solely owned by the Portuguese Republic, through the Directorate-General of the Treasury and Finance, with no material change in control exercised over TAP S.A., as the Portuguese Republic was already the effective beneficiary of TAP S.A..

Also, following the European Commission's decision dated 21 December 2021, approving the TAP Group's Restructuring Plan and granting restructuring aid, which envisaged the granting of a tranche of said aid by the end of the 2022, on 27 December 2022, the following corporate operations were approved, by means of a written decision by the sole shareholder of TAP S.A.:

- The reduction of TAP S.A.'s share capital from EUR 904,327,865 to EUR 0.00, to partially cover losses;
- The increase of its share capital from EUR 0.00 to EUR 980,000,000, fully subscribed by the Portuguese Republic, through the Directorate-General of the Treasury and Finance, to be realized by new cash contributions.

Consequently, TAP S.A.'s share capital became EUR 980,000,000, represented by 196,000,000 shares, with a unit nominal value of EUR 5.00, of which EUR 294,000,000 was realized as of 31 December 2023. In January 2024, EUR 343,000,000 was realized. TAP S.A. remains directly and solely owned by the Directorate-General of the Treasury and Finance with the Portuguese Republic as ultimately beneficiary.

16 Other equity captions

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 2023 the legal reserve is not yet fully constituted.

✈ Fair value reserves

As of 31 December 2023, the negative amount of EUR 450,915, presented under the "Fair value reserves" item, is the fair value of financial instruments classified as hedging amounting to EUR 639,596, net of deferred taxes amounting to EUR 188,681 (Notes 9 and 20).

✈ Other reserves

As of 31 December 2023, the item "Other reserves" includes the amount of EUR 27,132,198, net of deferred tax of EUR 11,353,189 (Notes 9 and 33), related to the accumulated net foreign exchange losses resulting from the revaluation of lease liabilities in USD, for which a hedging relationship has been defined with highly probable forecasted 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 in the item as of 31 December 2023 and 2022 in the amounts of EUR 9.5 million and EUR 28.1 million, respectively, relates to the financial effect on receivables from the sole shareholder (Note 10), pertaining to the subscribed capital increase on 27 December 2022 and unrealized as of the reporting date (Note 15).

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 ("Jubileu")**

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:

- <u>Pilots recruited before 31 May 2007</u>: 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;

- <u>Pilots recruited after 1 June 2007</u>: 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 of 31 December 2023, 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 were calculated through actuarial studies reported as of 31 December 2023 and 2022, prepared by independent entities, using the “Projected Unit Credit Method” and essentially based on the following financial and demographic assumptions:

	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%	3.50%	3.50%
Fund yield rate	3.50%	2.00%	3.50%	2.00%
Growth rate				
Wages	[3.73%(2024)-2.33%(2025)-5.17%(2026)-2.13%(2027+)]	[5.10%(2024)-4.10%(2025)-4.00%(2026)-3.00%(2027+)]	[0%(until 2024)-1.5%(2024+)]	[0%(until 2024)-1.5%(2024+)]
Pensions	1.00%	1.00%	1.00%	1.00%
Salaries (Social Security)	3.70%	--	3.70%	--
Trend of medical costs	1.50%	--	1.50%	--
Regular retirement age	65	65	65	65

The Group proceeds to the periodic review of actuarial assumptions whenever relevant events occur, based on information from financial markets and data from the universe of beneficiaries covered by the plans. The salary growth rate stems from the best estimate at the time, taking into account the new collective labor agreements negotiated with some groups of workers.

Liabilities as of 31 December 2023 and 2022 are detailed as follows:

	2023							
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brazil Representation	Sub-total Pensions	England Representation (Note 10)	Total
Liabilities from past services								
- Active employees	235,219	99,627,481	-	92,120,187	552,845	192,535,732	-	192,535,732
- Early retirement	224,183	3,012,830	166,422	-	-	3,403,435	-	3,403,435
- Retired	8,704,305	29,982,210	2,203,256	-	-	40,889,771	19,696,220	60,585,991
Fair value of the fund	(13,299,756)	-	-	(46,384,260)	(422,445)	(60,106,461)	(22,079,282)	(82,185,743)
Defit/(surplus)	**(4,136,049)**	**132,622,521**	**2,369,678**	**45,735,927**	**130,400**	**176,722,477**	**(2,383,062)**	**174,339,415**

	2022							
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brazil Representation	Sub-total Pensions	England Representation (Note 10)	Total
Liabilities from past services								
- Active employees	192,663	59,384,309	-	59,779,842	525,706	119,882,520	-	239,765,040
- Early retirement	125,617	2,861,925	237,394	-	-	3,224,936	-	6,449,872
- Retired	13,200,670	22,762,018	2,283,971	-	-	38,246,659	27,516,264	104,009,582
Fair value of the fund	(12,216,494)	-	-	(40,667,788)	(386,415)	(53,270,697)	(28,392,320)	(134,933,714)
Defit/(surplus)	**1,302,456**	**85,008,252**	**2,521,365**	**19,112,054**	**139,291**	**108,083,418**	**(876,056)**	**215,290,780**

The best estimate of contributions for defined benefit pension plans for the subsequent fiscal year is approximately EUR 6 million.

As of 31 December 2023 and 2022, the Group's defined benefit plans in Portugal (excluding representations from England and Brazil) covered 1,257 and 1,286 active beneficiaries, respectively. The total number of retired and pre-retired employees entitled to a retirement pension supplement on 31 December 2023, and 2022, was 492 and 510 beneficiaries, respectively.

As of 31 December 2023, the average maturity of liabilities for the defined benefit plans “Fundo VIVA” and “Jubileu Bonus” is 9 years and 14 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 2023 and 2022:

2023	Rate	VIVA Plan*	Jubileu Bonus
Annual discount rate of pensions	3.50%	141,786,228	92,120,187
0.25% increase in the discount rate	3,75%	137,360,590	89,318,500
0.25% decrease in the discount rate	3,25%	146,490,761	95,035,181

* Includes "VIVA Pensions" and "VIVA Fund"

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 Pensions" and "VIVA Fund"

✈ 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 2023 and 2022 is as follows:

	Rate	2023	2022
Annual growth rate of medical costs	1.50%	2,369,678	2,521,365
1% increase in the growth rate of medical costs	2.50%	2,525,818	2,690,814
1% decrease in the growth rate of medical costs	0.50%	2,229,429	2,369,381

✈ 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 2023 and 2022 is as follows:

	Rate	2023	2022
Growth rate of VIVA Pension fund (*)	1.00%	141,786,228	98,527,202
0.25% increase in the Pension growth rate	1.25%	144,834,055	99,452,681
0.25% decrease in the Pension growth rate	0.75%	138,866,358	97,631,252

* 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 2023 and 2022, is as follows:

	2023						
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brazil Representation	England Representation	Total
Liabilities at the beginning of the year	13,518,950	85,008,252	2,521,365	59,779,842	525,706	27,516,264	188,870,379
Currency translation differences	-	-	-	-	43,071	566,125	609,196
Values recorded through profit or loss for the year:							
Current services	11,604	2,348,783	-	2,803,160	-	-	5,163,547
Net interest	477,629	3,094,439	88,248	1,010,239	-	(1,488,982)	3,181,573
Actuarial gain and losses	(4,844,476)	53,389,205	(239,935)	29,699,458	-	(6,897,187)	71,107,065
Benefits paid	-	(11,218,158)	-	(1,172,512)	(15,932)	-	(12,406,602)
Liabilities at the end of the year	**9,163,707**	**132,622,521**	**2,369,678**	**92,120,187**	**552,845**	**19,696,220**	**256,525,158**

	2022						
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brazil 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)
Transfers	-	-	-	-	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**

Evolution of funds allocated to pensions benefit schemes

During the years ended 31 December 2023 and 2022, the evolution of the assets of the funds was as follows:

	2023				
	VIVA Fund	Jubileu Bonus	Brazil Representation	England Representation	Total
Opening balance	12,216,494	40,667,788	386,415	28,392,320	81,663,017
Contributions in the year	-	6,000,000	-	-	6,000,000
Net interest	1,083,262	858,985	-	-	1,942,247
Benefits paid	-	(1,142,513)	(15,933)	-	(1,158,446)
Return of plan assets (excluding net interest)	-	-	-	(6,897,187)	(6,897,187)
Exchange variation	-	-	51,963	584,149	636,112
Closing Balance	**13,299,756**	**46,384,260**	**422,445**	**22,079,282**	**82,185,743**

	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**

The composition of the funds as of 31 December 2023 and 2022 is as follows:

	2023			
	VIVA Fund	Jubileu Bonus	England Representation	Total
Shares	4,950,866	-	2,851,943	7,802,809
Bonds	4,072,450	43,276,515	1,211,326	48,560,291
Public debt	3,310,111	-	-	3,310,111
Real estate	459,601	-	-	459,601
Liquidity	506,728	3,107,745	446,652	4,061,125
Other current investments	-	-	17,569,361	17,569,361
	13,299,756	**46,384,260**	**22,079,282**	**81,763,298**

	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**

In January 2024, the value of the funds associated with "Jubileu Bonus" was received, due to the redemption of the respective insurance policy following a change in the insurance company.

Expenses related to pensions and other post-employment benefits

The expenses relating to pensions and other post-employment benefits are detailed as follows:

	2023						
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brazil Representation	England Representation	Total
Current Services	11,604	2,348,783	-	2,803,160	-	-	5,163,547
Net interest	(605,633)	3,094,439	88,248	151,254	-	(1,488,982)	1,239,326
Total (note 27)	**(594,029)**	**5,443,222**	**88,248**	**2,954,414**	**-**	**(1,488,982)**	**6,402,873**

	2022						
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brazil 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**

As mentioned, Group pilots recruited after 1 June 2007 benefit from a defined contribution plan. During the year ended 31 December 2023, expenses related to on post-employment benefits were recognised in the amount of EUR 3,653 thousand (2022: EUR 2,257 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 2023 and 2022 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:

	2023					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	Total
Remeasurements						
Return of assets, excluding amounts included in net income	-	-	-	-	6,897,187	6,897,187
	-	**-**	**-**	**-**	**6,897,187**	**6,897,187**
(Gains)/losses due to changes in financial assumptions	-	47,984,537	-	30,153,752	(6,897,187)	71,241,102
(Gains)/losses due to experience	(4,844,476)	5,404,668	(239,935)	(454,294)	-	(134,037)
	(4,844,476)	**53,389,205**	**(239,935)**	**29,699,458**	**(6,897,187)**	**71,107,065**
Total remeasurements	**(4,844,476)**	**53,389,205**	**(239,935)**	**29,699,458**	**-**	**78,004,252**

	2022					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	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**

"The actuarial losses recognized in 2023 related to changes in financial assumptions, amounting to a total of EUR 78.138 million, mainly stem from agreements reached with employee unions, concerning the salary conditions of pilots.

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 2023 and 2022, the item “Provisions” had the following movement:

	Provision for legal claims (Note 28)	Other (Notes 28 and 31)	Redelivery costs (Notes 4 and 18)	Total
1 January 2022	**23,932,021**	**147,626,220**	**141,354,507**	**312,912,748**
Increases	58,340,451	38,692,641	79,142,563	176,175,655
Reversals	-	(117,395,883)	(21,453,446)	(138,849,329)
Uses	(29,703,306)	(29,366,203)	(19,546,304)	(78,615,813)
Exchanges and interests	-	-	11,255,930	11,255,930
31 December 2022	**52,569,166**	**39,556,775**	**190,753,250**	**282,879,191**
Increases	18,892,044	31,189,426	58,026,462	108,107,932
Reversals	(6,040,172)	(1,877,737)	(8,321,146)	(16,239,055)
Utilization	(3,592,172)	(25,148,171)	(37,651,678)	(66,392,021)
Exchange and interests	-	-	(3,121,269)	(3,121,269)
31 December 2023	**61,828,866**	**43,720,293**	**199,685,619**	**305,234,778**

✈ 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 2023, the existing provision of EUR 61.8 million is intended to deal with various legal proceedings brought against the Group in Portugal and abroad.

✈ Others

As of 31 December 2022, a provision in the amount of EUR 25.3 million was recorded for the estimation of passenger compensations to be processed. As of 31 December 2023, the balance of this provision amounts to EUR 28.4 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 21 December 2021 (Note 31). This provision referred to the estimated charges assumed by TAP S.A. within the scope of financing the closure process of TAP ME Brasil (Note 1.1.3). During the year ended 31 December 2022, payments were made in the amount of EUR 26.7 million and were 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 closure operations of TAP ME Brasil, and the revocation of the assumption of responsibility by TAP S.A. on the evolution of those operations, 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 2022 is the result of the update of the redelivery estimate performed as of 31 December 2023, considering the best information available on that date.

Provision for restructuring

During the years ended 31 December 2023 and 2022, the item “Provisions” had the following movement:

	Restructuring provision (Note 30)
1 January 2022	**37,012,455**
Increases	533,379
Reversals	(3,970,837)
Uses	(18,502,302)
Exchanges and interests	-
31 December 2022	**15,072,695**
Increases	-
Reversals	(503,220)
Utilization	(12,460,691)
Exchange and interests	-
31 December 2023	**2,108,784**

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 2023, and considering the payments already made, the Group revised the provision for costs to be incurred with the restructuring, to be concluded in 2024, to the amount of EUR 2.1 million, which refers to future payments already agreed.

19 Borrowings and Lease liabilities with and without purchase option

As of 31 December 2023 and 2022, Borrowings and lease liabilities with and with no option to purchase are detailed as follows:

	2023		2022	
	Current	Non-Current	Current	Non-Current
Bank loans	44,936,621	134,044,959	47,069,960	179,131,596
Interest accrued	1,947,945	-	1,949,117	-
Initial expenses	(326,957)	(321,686)	(792,265)	(608,280)
Remunerated bank debt	**46,557,609**	**133,723,273**	**48,226,812**	**178,523,316**
Bonds	404,038,713	71,859,487	315,617,699	375,000,000
Interest accrued	2,272,500	-	2,476,143	-
Initial expenses	(2,383,729)	(5,579,384)	(9,494,239)	(1,550,299)
Bond issuance	**403,927,484**	**66,280,103**	**308,599,603**	**373,449,701**
Lease liabilities with purchase option	87,998,018	699,249,104	72,947,743	636,032,784
Interest accrued	4,066,290	-	2,216,767	-
Initial expenses	(367,132)	(987,928)	(523,063)	(1,372,670)
Lease liabilities with purchase option	**91,697,176**	**698,261,176**	**74,641,447**	**634,660,114**
Lease liabilities without purchase option	**302,656,699**	**1,498,461,708**	**377,402,908**	**1,660,710,136**
Total borrowings and lease liabilities	**844,838,968**	**2,396,726,260**	**808,870,770**	**2,847,343,267**

✈ Net debt

As of 31 December 2023 and 2022, net debt is detailed as follows:

	2023	2022
Borrowings except Lease liabilities without purchase option		
Non-Current	898,264,552	1,186,633,131
Current	542,182,269	431,467,862
	1,440,446,821	**1,618,100,993**
Cash and Cash Equivalents (Note 14)		
Cash	31,200	65,610
Bank deposits available on demand	455,174,298	82,248,411
Other deposits	334,182,200	833,763,030
	789,387,698	**916,077,051**
Net debt	**651,059,123**	**702,023,942**

As of 31 December 2023 and 2022, the interest-bearing debt and leasing liabilities with a purchase option, by maturity and by type of interest rate, is broken down as follows:

	2023	2022
Variable rate		
Up to 1 year	81,762,221	64,498,627
1 to 2 years	78,328,564	63,177,352
2 to 3 years	89,199,993	63,975,846
Over 3 years	210,203,993	160,028,310
	459,494,771	**351,680,135**
Fixed rate		
Up to 1 year	460,420,048	366,969,235
1 to 2 years	61,950,882	430,320,549
2 to 3 years	56,138,272	59,253,663
Over 3 years	402,442,848	409,877,411
	980,952,050	**1,266,420,858**
	1,440,446,821	**1,618,100,993**

✈ Bank loans

This caption includes the amount of EUR 101.7 million related to financing with a syndicate of banks. According to the conditions established in the Stock Purchase Agreement, complemented by the Debt Restructuring and Monitoring Agreement of the TAP Group (entered into between various banking entities, TAP SGPS, TAP S.A., and Portugália as borrowers, and Parpública and Atlantic Gateway as shareholders), on 30 June 2017, the bank debt was restructured, with the main changes related to the maturities and conditions of the loans, including the interest rate and applicable spread.

Additionally, this caption includes two financings with a national credit institution, in a total amount of EUR 73.6 million.

This caption also includes financing obtained from an American financial institution in the total amount of EUR 4.1 million.

✈ Bond loans

TAP S.A. issued a bond by private offering, fully subscribed on 14 January 2019, in the amount of EUR 137.2 million and maturing in 2034. The fulfillment of the payment of the subscribed amount and the respective interest benefit from a guarantee provided by the depositary bank constituted by the issuer for a specific purpose (presented in the Financial Position as a deduction from gross financial debt) and additional guarantees on contractual rights that do not affect any recognized assets in the Group's financial position. As of 31 December 2022, this loan was fully classified as current liabilities since the financial covenant of the Adjusted Net Debt/EBITDAR ratio in previous periods exceeded the contractual limit agreed upon, and as of 31 December 2022, the TAP Group had not obtained the respective waiver. Due to obtaining the waiver in 2023, the debt was reclassified based on the agreed payment terms.

TAP S.A. made a public offering of 4-year bonds with a fixed interest rate of 4.375% per annum, in the amount of EUR 200 million, named "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. This loan was fully amortized in June 2023.

In December 2019, TAP S.A. also conducted a 5-year bond offering with a fixed interest rate of 5.625% per annum, in the amount of EUR 375 million, named "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. Considering its maturity date, as of 31 December 2023, this borrowing is classified as current liabilities.

As of 31 December 2023 and 2022, all bond loans are denominated in EUR.

✈ Lease liabilities with purchase option

As of 31 December 2023 and 2022, 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:

	2023	2022
Lease liabilities in EUR	329,587,559	183,777,055
Lease liabilities in USD	460,370,793	525,524,506
	789,958,352	**709,301,561**

As of 31 December 2023 and 2022, lease liabilities with purchase option, by maturity, are broken down as follows:

	2023	2022
Up to 1 year	91,697,176	74,641,447
1 to 2 years	90,931,708	75,346,370
2 to 3 years	97,919,406	78,399,467
3 to 4 years	67,519,837	84,557,879
4 to 5 years	82,462,168	54,802,089
More than 5 years	359,428,057	341,554,309
	789,958,352	**709,301,561**

✈ 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 2023, there were 61 aircraft, 8 engines on lease agreements without purchase option and 19 aircraft under ACMI (as per Note 4).

As of 31 December 2023 and 2022, lease liabilities without purchase option per maturity are detailed as follows:

	2023	2022
Up to 1 year	302,656,699	377,402,908
1 to 2 years	337,374,045	335,853,145
2 to 3 years	271,034,527	266,398,937
3 to 4 years	217,312,155	225,377,533
4 to 5 years	184,897,523	190,728,886
Over 5 years	487,843,458	642,351,635
	1,801,118,407	**2,038,113,044**

Liabilities without purchase option are determined mainly in USD.

✈ Financial Covenants

The financial covenants in the lease and financing contracts are typical for operations of this nature, including provisions such as the obligation to maintain activity as an air operator, commitments to provide periodic financial information, as well as, in the specific case of leases without purchase option, operational obligations related to records in official entities, information regarding leased aircraft, strict compliance with all regulations, procedures defined by 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 consolidated financial statements of the TAP Group, namely, with equity, EBITDAR, Net Debt/EBITDAR, unsecured net financial debt, and minimum cash and unrestricted cash equivalents. These ratios aim to monitor the financial situation of the TAP Group and assess its ability to ensure debt service.

Due to the reorganization of the TAP Group under the Restructuring Plan resulting from the COVID-19 pandemic, it breached a specific financial covenant regarding the maintenance of equity of one of the companies within the TAP Group. In this context, concerning the financing with a syndicate of Portuguese Banks in the outstanding amount of EUR 103.1 million (to which interest and other charges are added and/or deducted) as of 31 December 2023, there is a financial covenant of one of the TAP Group companies that is not met. However, its non-compliance does not trigger the possibility of early repayment. Additionally, as of the approval date of these financial statements, obtaining a waiver regarding this non-compliance is planned.

Regarding the remaining financings, there are no covenant breaches concerning the financial statements as of this date.

✈ 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 2022	**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**
Receipts	2,763,456	-	-	2,763,456
Payments	(308,811,214)	(119,939,153)	(469,864,057)	(898,614,424)
New lease agreements	-	172,462,979	152,485,411	324,948,390
Exchange variation	(167,721)	(17,634,450)	(61,513,955)	(79,316,126)
Interest cost (Note 33)	40,822,240	42,161,190	150,937,285	233,920,715
Other	7,082,276	3,606,225	(9,039,321)	1,649,180
31 December 2023	**650,488,469**	**789,958,352**	**1,801,118,407**	**3,241,565,228**

The amounts considered as “Other” refer essentially to the impact of the recognition of the effective interest rate.

20 Other accounts payable

As of 31 December 2023 and 2022 the detail of “Other payables” item is as follows:

	2023	2022
Accrued expenses	352,160,074	254,928,036
Suppliers	185,957,007	175,832,888
Swaps jet fuel (Note 23)	639,596	7,268,129
Advances from customers	522,454	430,709
Other	135,463,378	145,896,121
	674,742,509	**584,355,883**

✈ Accrued expenses

As of 31 December 2023 and 2022, the expense accruals item is broken down as follows:

	2023	2022
Remunerations to be settled	213,989,084	104,552,030
Aircraft fuel and CO2 emission licenses	27,688,408	57,867,650
Special sales charge	13,805,632	13,270,706
Navigation fees	19,718,470	12,901,322
Insurance to be settled	8,540,105	7,859,515
Commissions	6,108,066	6,573,531
Specialized work	13,590,392	5,769,493
Related parties (Note 38)	7,281,117	4,655,586
Handling services	4,533,038	1,914,147
Other accrued expenses	36,905,762	39,564,056
	352,160,074	**254,928,036**

The increase in the Remunerations to be settled item compared to 31 December 2022, is mainly due to the removal of salary cuts and new collective agreements reached during 2023 with some groups of workers. In some cases, the impacts of these agreements were not fully processed and paid in 2023, with their payment scheduled for 2024.

The variation in the Aviation fuel and CO2 emission licenses item is essentially explained by the fact that as of 31 December 2022, the item included a balance of EUR 22.5 million corresponding to CO2 emission licenses to be acquired as of that date, considering the consumption for the year 2022. As of 31 December 2023, the permits held by the Group exceed the consumption for 2023, with the Group recording a deferred expense in the “Other current assets” item.

The special charges for sales activities refer to commissions attributed to agents based on the revenue flown over the period obtained through this channel.

✈ Suppliers

As of 31 December 2023 and 2022, the Suppliers item shows the following composition:

	2023	2022
Suppliers - pending invoices	121,795,856	124,438,672
Suppliers - current account	54,613,150	39,604,411
Suppliers - related parties (Note 38)	9,548,001	11,789,805
	185,957,007	**175,832,888**

✈ Others

As of 31 December 2023 and 2022, the Others item is detailed as follows:

	2023	2022
Taxes and fees	115,385,193	123,256,377
Fixed assets suppliers	3,989,133	2,045,037
Compensation for accidents at work	1,124,264	1,053,886
Employees	819,686	856,526
Related Parties (Note 38)	596,713	16,090
Other	13,548,389	18,668,205
	135,463,378	**145,896,121**

The heading Taxes and fees essentially refers to amounts payable to various entities, related to fees charged to customers on tickets issued.

21 Other current liabilities

As of 31 December 2023 and 2022, the other current liabilities item mainly relates to:

	2023	2022
Deferred income	46,494,920	37,488,272
State	32,533,919	30,339,596
	79,028,839	**67,827,868**

Deferred income

As of 31 December 2023 and 2022, the deferred income line is broken down as follows:

	2023	2022
Customer loyalty program	37,639,085	34,441,348
Related Parties (Note 38)	339,612	309,914
Other deferred income	8,516,223	2,737,010
	46,494,920	**37,488,272**

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.

✈ State

As of 31 December 2023 and 2022, this item's balances are detailed as follows:

	2023	2022
Personal income tax	16,976,036	10,655,797
Social Security	15,063,944	19,185,755
Others	493,939	498,044
	32,533,919	**30,339,596**

The increase in the balance of the IRS category is mainly due to the removal in 2023 of salary cuts that were in effect on 31 December 2022, and the implementation of new collective labour agreements for some groups of employees.

The variation in the balance payable to Social Security is mainly due to the fact that as of 31 December 2022, the Group had amounts to be regularized with that entity under the lay-off scheme.

22 Unused flight tickets

As of 31 December 2023 and 2022, the item for the Group's liabilities relating to unused flight tickets issued and unused was as follows:

	2023	2022
Passengers	681,541,199	675,156,645
Voucher	32,385,793	61,144,315
Cargo	1,856,472	1,478,773
	715,783,464	**737,779,733**

23 Derivatives

As of 31 December 2023 and 2022, the Group had negotiated derivative financial instruments.

The Group's risk hedging policy encompasses a statistical risk tool and fundamental market analysis to support the determination of the level of coverage for forecasted consumption. Factors assessed by the statistical tool include market volatility, booking curve, future price behavior, and overhedge risk. The hedging policy aims to cover levels of estimated jet fuel consumption for the following 12 months, with the possibility of extension up to 24 months. The macroeconomic environment and complexity introduced by conflicts in the international geopolitical context justify the uncertainty in market forecasts and their volatility, reinforcing the need for continuous monitoring and adjustment of hedging strategies.

For contracts compliant with hedge accounting requirements, a negative amount of EUR 0.5 million (net of deferred tax of EUR 0.2 million - Note 9) is recorded in the hedge reserves caption as of 31 December

2023, representing the fair value of derivatives still outstanding as of that date (EUR 5.7 million negative as of 31 December 2022).

As of 31 December 2023, the Group had contracted derivatives covering 3% of the estimated jet fuel consumption for the following year, with a market value negative of EUR 0.6 million (Note 20) and maturities in 2024.

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 2023 and 2022 is as follows:

	2023				2022			
	Air Transport	Maintenance and engeneering	Other	Total	Air Transport	Maintenance and engeneering	Other	Total
Operating Income	4,036,800,017	168,589,732	9,428,461	4,214,818,210	3,340,706,058	135,566,081	8,695,347	3,484,967,486
Operating results	387,933,009	15,548,542	(56,753,025)	346,728,526	250,632,985	23,481,852	(5,897,601)	268,217,236
External net financial results	(161,500,743)	1,237,923	-	(160,262,820)	(237,859,044)	3,586,280	-	(234,272,764)
Income tax	(5,958,892)	979,559	(4,225,830)	(9,205,163)	42,613,895	(14,014,406)	3,053,457	31,652,946
Net Income	**220,473,374**	**17,766,024**	**(60,978,855)**	**177,260,543**	**55,387,836**	**13,053,726**	**(2,844,144)**	**65,597,418**

The Group does not present segmental assets and liabilities, considering that this information is not disclosed to the primary decision-makers for operational decisions.

The Operating income, excluding gains and losses in associates, for the year ended 31 December 2023 and 2022 is as follows:

	2023				
	Passenger	Maintenance	Cargo and Mail	Other	Total
Revenue					
Sales	-	2,107,064	-	894,048	3,001,112
Services provided	3,851,624,072	161,625,172	173,077,981	8,716,857	4,195,044,082
Other income	-	-	-	16,773,016	16,773,016
	3,851,624,072	**163,732,236**	**173,077,981**	**26,383,921**	**4,214,818,210**

	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**

The sales and services provided by geographical area in the fiscal years ended 31 December 2023 and 2022 are as follows:

	2023					2022				
	Air Transport	Maintenance	Cargo and Mail	Other	Total	Air Transport	Maintenance	Cargo and Mail	Other	Total
Mainland and islands	244,931,774	18,040,278	8,272,725	6,282,519	277,527,296	195,986,457	22,253,743	7,687,845	6,109,487	232,037,532
Europe	1,257,866,581	135,561,403	11,539,255	2,169,784	1,407,137,023	1,023,694,937	108,338,337	12,729,048	1,943,006	1,146,705,328
South Atlantic	1,126,764,423	210,826	91,433,887	481,483	1,218,890,619	876,397,510	380,344	135,306,281	410,725	1,012,494,860
North Atlantic	761,150,316	706,871	31,357,203	366,025	793,580,415	557,736,823	568,936	65,859,189	321,386	624,486,334
Mid Atlantic	33,803,877	143,910	3,837,137	15,823	37,800,747	35,373,011	-	8,111,681	23,934	43,508,626
Africa	403,880,898	8,700,264	25,001,143	278,623	437,860,928	360,986,517	339,784	27,803,903	275,036	389,405,240
Other	23,226,203	368,684	1,636,631	16,648	25,248,166	22,176,867	190,858	847,856	16,416	23,231,997
	3,851,624,072	**163,732,236**	**173,077,981**	**9,610,905**	**4,198,045,194**	**3,072,352,122**	**132,072,002**	**258,345,803**	**9,099,990**	**3,471,869,917**

25 Other income

For the years ended 31 December 2023 and 2022, the “Other income” caption is detailed as follows:

	2023	2022
Shared Services	8,716,857	8,397,280
Recovered warehouse material	4,855,425	2,100,908
Rents and Subleases	2,687,911	2,659,174
Operating government grants	619,092	229,488
Gains from tangible fixed assets (Notes 4 and 5)	472,572	684,250
Publicity	326,291	196,702
Fair value (Note 5)	-	299,101
Other supplementary income	8,705,773	7,802,966
	26,383,921	**22,369,869**

26 Expenses by nature

During the years ended 2023 and 2022, operational expenditures by nature were as follows:

	2023	2022
Traffic operating costs	906,509,030	699,071,630
Aircraft fuel	1,114,753,942	1,096,653,890
Comercial, communication and marketing costs	211,896,653	181,011,788
Cost of materials consumed	127,713,853	101,898,211
Aircraft maintenance costs	56,128,515	33,439,503
	2,417,001,993	**2,112,075,022**

✈ Traffic operating costs

In the fiscal years ended 31 December 2023 and 2022, the “Traffic operating costs” item is as follows:

	2023	2022
Handling services	215,808,431	181,924,915
Navigation fees	166,316,162	140,210,783
Landing charges	109,151,590	94,048,491
In-flight expenses	105,175,312	82,495,699
Operational irregularities	95,917,963	67,281,534
Facilities at airports	44,254,591	36,512,483
Baggage, cargo and mail charges	18,671,576	23,030,446
Air traffic control charges	33,710,575	26,880,158
Accommodation and meals during stopovers	35,343,437	26,764,904
Ground costs related to executive class passengers	14,749,675	9,141,288
Aircraft charters	65,434,931	6,716,892
Other traffic operating costs	1,974,787	4,064,037
	906,509,030	**699,071,630**

The overall increase observed in this caption is essentially due to the increased activity of TAP S.A. in 2023 compared to 2022.

The item “Aircraft Charter” essentially refers to the short-term ACMI contracting.

✈ Aircraft fuel

For the years ended 31 December 2023 and 2022, the “Aircraft fuel” item is detailed as follows:

	2023	2022
Aircraft fuel		
Consumption	1,047,379,902	1,144,017,355
Jet fuel hedge	12,848,833	(89,412,768)
Derivative contracts commissions	-	3,378,637
CO2 emission licenses	54,525,207	38,670,666
	1,114,753,942	**1,096,653,890**

The variation in aircraft fuel expenses is essentially due to the increase in consumption, in line with the evolution of operational activity. Additionally, it should be noted that the average price of jet fuel decreased compared to 2022 (Note 3).

The increase in CO2 emission expenses is mainly due to the increase in consumption resulting from the increase in operational activity.

✈ Commercial, marketing and communication costs

The "Commercial, marketing and communication costs" item for the financial years ended 31 December 2023 and 2022 contains the following composition:

	2023	2022
Commissions	78,045,014	60,578,340
Booking fees	67,228,131	58,387,354
Publicity	25,334,297	20,083,769
Special sales charges - air transport	32,614,907	32,561,816
Specialised work	8,313,619	9,123,092
Other comercial, communication and marketing expenses	360,685	277,417
	211,896,653	**181,011,788**

The increase observed in this caption is essentially due to the increased activity of TAP S.A. in 2023 compared to 2022.

✈ Cost of materials consumed

In the fiscal years ended 31 December 2023 and 2022, the "Cost of materials consumed" item is as follows:

	2023	2022
Sold and consumed inventories	118,475,948	81,335,176
Maintenance subcontracting for third parties flight equipment	9,237,905	20,563,035
	127,713,853	**101,898,211**

The increase in the Cost of materials consumed is primarily justified by the increase in activity within the Maintenance segment.

✈ Aircraft maintenance costs

In the fiscal years ended 31 December 2023 and 2022, the "Aircraft maintenance costs" item is detailed as follows:

	2023	2022
Maintenance subcontracting of TAP flight equipment	34,115,425	21,307,829
Consumed inventories	22,013,090	12,131,674
	56,128,515	**33,439,503**

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 increase of air transport activity and, consequently, of aircraft maintenance.

27 Employee costs

The “Employee costs” item for the years ended 31 December 2023 and 2022 has the following detail:

	2023	2022
Fixed remuneration	359,975,974	230,989,942
Variable remuneration	195,672,261	82,192,824
Social security contributions	115,551,807	67,323,043
Insurance	17,114,971	9,248,372
Social action costs	9,409,690	8,470,276
Post-employment benefits (Note 17)	10,296,755	5,915,791
Work accident insurance	5,359,179	4,913,450
Meals allowance	5,423,582	4,484,490
Uniform and work clothes	1,627,721	1,374,565
Training and recruitment	1,251,594	701,721
Other expenses with employees	937,069	1,117,016
	722,620,603	**416,731,490**

The increase observed in 2023 compared to 2022 in the employee costs primarily stems from i) the removal of salary cuts agreed upon with employees under the Restructuring Plan; ii) the new collective labour agreements concluded during 2023 (Introductory Note); and iii) the increased activity compared to fiscal year 2022.

The remuneration attributed to the Governing Bodies, in 2023 and 2022, was as follows:

	2023	2022
Remunerations		
Employees	720,187,813	416,240,698
Statutory Bodies (*)	2,432,790	490,792
	722,620,603	**416,731,490**

(*) 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 2023 and 2022 the average number of employees serving the Group was 7,662 and 7,109, respectively:

	2023	2022
Head office		
Cabin Crew employees	3,050	2,651
Maintenance and engineering employees	1,501	1,438
Ground employees	1,624	1,516
Technical flight employees	1,221	1,227
Representations		
Brazil	80	79
USA	30	32
Spain	29	31
Angola	20	19
Italy	19	20
France	13	18
UK/Ireland	11	13
Germany	10	11
Venezuela	6	7
Switzerland	3	4
Other	45	43
	7,662	**7,109**

28 Impairment losses in inventories, receivables and provisions

In the fiscal years ended 31 December 2023 and 2022, the “Impairment losses in inventories, receivables and provisions” had the following detail:

	2023	2022
Inventory impairment (Note 11)	3,041,248	(5,131,380)
Receivables impairment (Note 10)	3,911,967	7,626,917
Provisions (Nota 18)	35,452,534	53,572,415
	42,405,749	**56,067,952**

29 Other expenses

The caption “Other expenses” in the financial years ended 31 December 2023 and 2022, had the following detail:

	2023	2022
Specialised work and subcontracts	91,811,650	81,031,526
Rents	19,555,666	17,738,528
Conservation and repair of other assets	9,943,563	7,291,671
Insurance	8,274,284	6,533,756
Comunication	7,835,460	7,953,464
Transportation	4,727,791	3,935,301
Licenses and fees	2,497,647	448,511
Taxes	2,377,741	1,783,041
Surveillance and security	2,335,013	2,497,201
Electricity	1,938,005	3,233,128
Books and technical documentation	1,828,176	1,453,756
Cleaning, hygiene and comfort	1,754,060	2,130,182
Travel costs	1,694,505	1,477,082
Penalties	713,830	1,663,071
Fair value (Note 5)	11,821	-
Other operating expenses	3,897,708	2,692,585
	161,196,920	**141,862,803**

In the fiscal year ended 31 December 2023, the caption Rentals and leases includes short-term lease contracts for engines, real estate, and software in the amounts of EUR 6.9 million, EUR 4.1 million, and EUR 6.3 million, respectively.

30 Restructuring

The restructuring item for the financial years ended 31 December 2023 and 2022 had the following detail:

	2023	2022
Restructuring provision (Note 18)	503,220	3,437,458
Employee indemnities	922,835	(4,114)
	1,426,055	**3,433,344**

31 Other non-recurring items

The item Other non-recurring items, for the years ended 31 December 2023 and 2022, presents the following detail:

	2023	2022
TAP Group corporate restructuring	40,256,892	(28,676,979)
Other non-recurring losses	268,501	12,664,806
	40,525,393	**(16,012,173)**

During the fiscal year ended 31 December 2023, the Board of Directors reinforced the recording of impairment losses on accounts receivable from TAP SGPS in the amount of EUR 40.3 million (Note 10).

Considering the projections included in the Approved Restructuring Plan and the ongoing corporate reorganization of the TAP Group resulting from this approval, in 2021, the Board of Directors recorded impairment losses on accounts receivable of TAP SGPS amounting to EUR 884.7 million and recorded a provision of EUR 140.3 million related to the estimated additional charges to be borne by TAP S.A. regarding the aforementioned corporate reorganization, including those arising from the closure process of TAP ME Brazil (Note 1.1.3).

In the fiscal year ended 31 December 2022, due to changes regarding the perspective of the corporate restructuring of the TAP Group (Notes 10 and 18), this category included the gain from the reduction of the provision for charges arising from the closure process of TAP ME Brazil in the amount of EUR 113.6 million (Note 18) and the reinforcement of impairment losses on accounts receivable of TAP SGPS in the amount of EUR 84.9 million (Note 10).

Given their context and nature, the aforementioned situations were considered by the Board of Directors as non-recurring in the context of the present financial statements.

32 Depreciation, amortization and impairment losses

In the fiscal years ended 31 December 2023 and 2022, the item depreciation, amortisation and impairment losses is broken down as follows:

	2023	2022
Depreciation of Tangible Fixed Assets (Note 4)		
Buildings and other constructions	5,625,514	5,700,811
Basic equipment	74,550,384	60,562,371
Transport equipment	14,416	16,894
Tools and utensils	957,854	863,443
Administrative equipment	1,414,634	1,752,557
Other tangible fixed assets	283,899	245,904
	82,846,701	**69,141,980**
Depreciation of Right-of-use (Note 4)		
Basic equipment	389,956,365	429,296,438
Transport equipment	411	45,134
	389,956,776	**429,341,572**
Amortization of Intangible Assets (Note 6)		
Computer Programs	11,660,550	11,498,823
	11,660,550	**11,498,823**
Impairment losses in tangible assets (Note 4)		
Basic equipment	1,407,511	(438,751)
Tools and utensils	(106,457)	(86,047)
Administrative equipment	-	923
	1,301,054	**(523,875)**
Total	**485,765,081**	**509,458,500**

In the fiscal year ended 31 December 2023, extraordinary depreciations amounting to EUR 16.1 million were recorded following the increase in the estimated redelivery costs related to the early termination of ACMI contracts for 2 ATR aircraft.

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.

33 Financial results

The financial results item for the year ended 31 December 2023 and 2022 is as follows:

	2023	2022
Interest expenses	(40,822,240)	(40,186,054)
Lease interests related with contracts with purchase option	(42,161,190)	(32,633,882)
Lease interests related with contracts without purchase option	(164,302,068)	(179,674,206)
Other financial expenses	(7,256,025)	(9,095,406)
Interests and similar expenses	**(254,541,523)**	**(261,589,548)**
Interest income	64,629,424	40,088,548
Interests and similar income	**64,629,424**	**40,088,548**
Net foreign exchange differences	29,649,279	(12,771,764)
Net currency exchange	**29,649,279**	**(12,771,764)**
Total	**(160,262,820)**	**(234,272,764)**

The increase in the interests related to lease contracts with purchase option is primarily due to the acquisition of new aircraft through lease contracts with purchase option during the fiscal years ended 31 December 2023 and 31 December 2022.

The increase in the caption of interest and similar income mainly refers to interest on deposits.

The variation of EUR against USD during 2023 generated gains from the exchange rate update of lease liabilities with and without purchase option in the amount of EUR 79.1 million (losses of EUR 149.4 million in 2022). However, the net gains and losses from exchange rate fluctuations resulting from the exchange rate update during the fiscal years ended 31 December 2023 and 2022, related with lease liabilities in USD for which a hedging relationship was defined from 1 January 2022, with highly probable forecasted sales whose fare is determined in USD, were recorded in the caption of other reserves in other comprehensive income in the amounts of EUR 70.1 million (gain) and EUR 108.5 million (loss), respectively (Notes 2.33 and 16). Thus, the amounts recorded in the consolidated statement of income correspond to the portions not covered by currency hedging.

34 Income tax

The income tax item for the years ended 31 December 2023 and 2022 is detailed as follows:

	2023	2022
Deferred taxes (Note 9)	(1,047,538)	31,889,253
Current taxes (Note 12)	(8,144,565)	(221,015)
Differences from prior years tax estimates	(13,060)	(15,292)
	(9,205,163)	**31,652,946**

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 ended 31 December 2023 and 2022 is as follows:

	2023	2022
Net income/(loss) before income tax	186,465,706	33,944,472
Nominal tax rate	31.5%	21.0%
Expected tax	(58,736,697)	(7,128,339)
Permanent differences	(96,060)	(27,051)
Temporary differences with no deferred tax	17,877,467	23,853,091
Income tax rate differences	4,652,232	(13,951,212)
Autonomous taxation	(75,720)	(221,015)
Differences from tax estimates for the previous year	(13,060)	(15,292)
Deferred tax assets related with prior years	27,186,675	23,643,736
Taxable equity variations	-	5,499,028
	(9,205,163)	**31,652,946**
Effective tax rate	(5%)	93%

In 2023, deferred tax assets amounting to EUR 27.2 million were recognized on temporary differences from previous years, mainly related to non-deductible financial charges for tax purposes, for which corresponding deferred taxes had not been recognized due to the absence of prospects for their realization.

In 2023, the amount of temporary differences without associated deferred tax relates to financial charges not deducted from taxable income in previous years for which no deferred tax assets were recognized, and in 2023 are reducing taxable profit.

Additionally, considering the expected year for the realization of temporary differences for which deferred taxes were previously recognized, a tax rate of 29.5% was applied, except for deferred taxes related to carry-forward tax losses, impairments of receivables from TAP ME Brazil and TAP SGPS, for which a tax rate of 21% was applied. The impact of the tax rate difference is presented in the tax rate reconciliation under the line Income tax rate differences

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 were recorded on temporary differences from previous years for which 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 2022 on the account receivable from TAP SGPS in the amount of EUR 15.9 million (Note 10).

Also, 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.

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 ended 31 December 2023 and 2022 is as follows:

	2023	2022
Net income/(loss) for the year	177,260,543	65,597,418
Weighted average number of shares	196,000,000	180,989,966
Basic and diluted earnings per share	0.9	0.4

36 Commitments

✈ Purchase commitments

The aircraft purchase contract with Airbus S.A.S. (“Airbus”) for the acquisition of 53 aircraft (39 A320 NEO Family and 14 A330 NEO), initially scheduled to be received between 2018 and 2025, was subject to renegotiation with a view to deferring delivery of some of the aircraft given the impacts of the COVID-19 pandemic on 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 with the aim of deferring delivery to the last quarter of 2025 (A339 #11) and the second quarter of 2026 (A339 # 12). Regarding the A320NEO Family aircraft, the delivery of 13 of those, which was initially scheduled for the period 2021-2022, was replanned for 2025-2027 during 2020, following actions to mitigate the impact of the COVID-19 Pandemic. In 2022, the delivery dates of other 8 A320NEO Family aircraft were subject to readjustment. Of these 8 aircraft, 2 (A320NEO #32 and #34) were postponed from 2024 to 2028, extending TAP S.A.'s commitment to Airbus until 2028. This update to change the delivery dates of the eight aircraft was formalized through an agreement between TAP S.A. and AIB in accordance with Amendment #11 to the A320 NEO Family purchase contract. In this same document, it was also agreed to convert the aircraft ranking #30 to an A320N (initially the aircraft was expected to be an A321LR). In 2023, under Amendment #12 to the A320 NEO Family purchase contract, the delivery dates of a total of twenty-two aircraft were subject to replanning, with delivery dates for all aircraft scheduled until 2028. This purchase contract arises from the novation to TAP S.A. of the purchase contract previously negotiated and signed between Airbus and DGN Corporation.

Following the commitments agreed with Airbus regarding the future entry of aircraft, in 2021 a total of USD 53.3 million was paid in pre-delivery payments. In 2022, a total amount of USD 58.2 million in pre-delivery payments was paid and the total pre-delivery payments performed during the first half of 2023 amounted to USD 15.2 million. All amounts paid in 2022 and 2023 are already in line with the changes to the delivery dates of the eight aircraft mentioned above and duly documented in Amendment #11 to the A320 NEO Family purchase contract.

Additionally, a contract with Rolls-Royce is in place, which includes maintenance support for all the TRENT 7000 reactors that equip the A330 NEO aircraft, which was subject to restructuring in the first half of 2023. A commitment to acquire a T7000 engine during the year 2025 resulted from this restructuring.

A contract is also in effect with CFM International Inc., S.A. for the acquisition of 83 LEAP-A1 reactors, including five reserve reactors, which will equip and serve the new fleet of A320NEO Family aircraft. It should be noted that Airbus will directly purchase these reactors, with the exception of reserve reactors. Regarding the reserve reactors, all five planned reactors have already been delivered, the last one having been acquired in October 2022.

✈ **External Hiring Regulation**

Following the review of the External Hiring Regulation negotiated with SPAC throughout the year 2023 and the beginning of 2024, installment payments were agreed upon as compensation for the aforementioned regulation, including extraordinary installments, to be paid in the years 2024 and 2026 to the pilots on active duty as of those dates.

37 Contingencies

As of 31 December 2023 and 2022, the Group had no contingent assets. The contingent liabilities were as follows:

	2023	2022
Tax contingencies	577,121	42,876
Civil contingencies	24,048,365	18,541,675
Regulatory contingencies	17,701,633	401,021
Total	**42,327,118**	**18,985,572**

Civil contingencies essentially include proceedings initiated by clients regarding irregularities in the activity.

Regulatory contingencies essentially include proceedings initiated by national regulators.

The Group, supported by the opinion of the Lawyers, considered that an adverse outcome of these proceedings is not likely.

Guarantees provided

As of 31 December 2023 and 2022, the Group's guarantees are broken down as follows:

	2023	2022
Bank guarantees provided by Head Office		
Aircrafts	32,038,081	40,574,124
Fuel	226,244	1,532,908
Airports	1,261,137	1,305,928
Labour Court	415,241	450,962
Other	3,209,800	4,200,574
Bank guarantees provided by Representations	2,780,414	2,358,311
	39,930,917	**50,422,807**

38 Related parties

As of 31 December 2023, 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 2023 and 2022 are as follows:

✈ Balances

	2023 - 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)	Impairment on accounts receivable (Note 10)	Total
Portuguese State	-	-	-	-	-	-	-	676,540,088	-	-	**676,540,088**
TAP SGPS	-	-	416,223	-	-	-	-	-	1,033,306,320	(1,033,302,471)	**420,072**
PGA	266,875	-	1,064,638	-	247,018,201	-	14,501,042	-	27,805,688	-	**290,656,444**
SPdH	897,864	-	2,572,321	-	-	-	-	-	18,412,384	(10,773,100)	**11,109,469**
TAP ME Brasil	16,012,627	600,155	-	112,967	-	-	-	-	13,069,333	(29,681,683)	**113,399**
Cateringpor	56,906	-	-	-	-	-	-	-	204,070	-	**260,976**
UCS	-	1,000	-	-	-	-	-	-	1,812,660	-	**1,813,660**
	17,235,060	**601,155**	**4,053,182**	**112,967**	**247,018,201**	**-**	**14,501,042**	**676,540,088**	**1,094,610,455**	**(1,073,757,254)**	**980,914,896**

	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)	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**

	2023 - 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	(30)	-	-	-	-	(420,042)	**(420,072)**
PGA	(613,241)	(1,200,000)	(20,547)	(142,761,259)	(33,775,833)	344	**(178,370,536)**
SPdH	(4,588,535)	(2,276,491)	(87,124)	-	-	2,951	**(6,949,199)**
TAP ME Brasil	7,028	(7,460)	-	-	-	-	**(432)**
Cateringpor	(4,220,930)	(2,311,782)	(231,941)	-	-	-	**(6,764,653)**
UCS	(132,293)	(1,485,384)	-	-	-	(179,966)	**(1,797,643)**
	(9,548,001)	**(7,281,117)**	**(339,612)**	**(142,761,259)**	**(33,775,833)**	**(596,713)**	**(194,302,535)**

	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)**

As of 31 December 2023 and 2022, the balances of current lease liabilities owed to Portugália are net of advanced payments made by TAP S.A. in the amounts of EUR 81 million and EUR 48 million, respectively.

✈ Transactions

	2023					
	Operating income	Operating expenses	Depreciation right-of-use	Interest income	Interest expenses	Total
TAP SGPS	-	414,752	-	38,073,784	-	38,488,536
PGA	2,488,798	(6,785,059)	(110,491,934)	-	(17,258,025)	(132,046,220)
SPdH	6,435,462	(105,351,346)	-	-	-	(98,915,884)
Cateringpor	1,850,662	(54,162,582)	-	-	-	(52,311,920)
UCS	647,850	(4,422,004)	-	-	-	(3,774,154)
	11,422,772	**(170,306,239)**	**(110,491,934)**	**38,073,784**	**(17,258,025)**	**(248,559,642)**

	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)**

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:

	2023			
	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	488,745	-	-	488,745
Other receivables	1,230,612,833	-	18,701,192	1,249,314,025
Cash and cash equivalents	789,387,698	-	-	789,387,698
Total Assets	**2,020,489,276**	**-**	**18,701,192**	**2,039,190,468**
Liabilities				
Borrowings	(650,488,469)	-	-	(650,488,469)
Lease liabilities with purchase option	-	-	(789,958,352)	(789,958,352)
Lease liabilities without purchase option	-	-	(1,801,118,407)	(1,801,118,407)
Other payables	(673,580,459)	(639,596)	(522,454)	(674,742,509)
Total Liabilities	**(1,324,068,928)**	**(639,596)**	**(2,591,599,213)**	**(3,916,307,737)**

	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	1,289,888,595	-	27,676,618	1,317,565,213
Cash and cash equivalents	916,077,051	-	-	916,077,051
Total Assets	**2,206,454,366**	**-**	**27,676,618**	**2,234,130,984**
Liabillities				
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)**

The following tables present the assets and liabilities measured at fair value as of 31 December 2023 and 2022, according to the following fair value hierarchical levels established in IFRS 13:

	2023		
	Level 1	Level 2	Level 3
Non-financial assets			
Investment Properties	-	1,903,882	-
Financial liability			
Derivate financial instruments	-	(639,596)	-

	2022		
	Level 1	Level 2	Level 3
Non-financial assets			
Investment Properties	-	1,690,000	-
Financial liability			
Derivate financial instruments	-	7,268,129	-

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.

The breakdown of the derivative financial instruments fair value is detailed in Note 23.

40 Statutory audit of financial statements

During the years ended 31 December 2023 and 2022, the fees for the services provided by the Statutory Auditor and by other entities belonging to the same network, are detailed as follows:

	2023	**2022**
Audit and statutory audit	123,040	169,300
Limited Review Services	49,600	47,250
Reliability assurance services and agreed upon procedures	127,100	8,870
	299,740	**225,420**

The Limited Review services were performed with reference to the months of June 2023 and 2022.

During the year 2023, the Statutory Auditor and other entities within the same network provided reliability assurance services, training, sustainability advisory/information non-financial services, and financial due diligence, amounting to a total of EUR 127,100.

41 Subsequent events

Execution of the second tranche of the capital increase

Following a decision made by the sole shareholder of TAP S.A., the Portuguese Republic, through the Directorate-General of the Treasury and Finance, by means of unanimous written resolution, the second tranche, in the amount of EUR 343,000,000, of the capital increase through new cash contributions, which had been resolved on 27 December 2022, was executed on 4 January 2024.

As a result, the share capital of TAP S.A. increased from EUR 980,000,000 to EUR 637,000,000.

The execution of the third and final tranche of the aforementioned capital increase, in the amount of EUR 343,000,000, remains scheduled for 20 December 2024, as statutorily defined in the General Meeting.

Publication of Collective Agreements in the Labor and Employment Bulletin

During the first quarter of 2024, it was published in the Labor and Employment Bulletin a significant portion of the Collective Agreements negotiated with various groups of workers during the second half of 2023. As a result of these publications, the impacts of the new Collective Agreements on employee salaries began to be processed and paid in the early months of 2024. As mentioned in the Introduction Note, the estimated impacts of the new Collective Agreements with reference to the year ended 31 December 2023, which were not processed during that period, are already reflected in the Group's consolidated financial statements as of 31 December 2023 (Notes 20 and 27).

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

Carlos Manuel Baptista Branco

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

José Mario Cruz Henriquez
Director

Maria João Santos Gomes Cardoso
Director

Mário Rogério Carvalho Chaves
Director

Patrício Ramos Castro
Director

Sofia Norton dos Reis Lufinha de Mello Franco
Director

Statutory Audit 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, 2023 (which shows total assets of Euros 5,892,042,625 and total shareholders' equity of Euros 613,923,535 including a net profit of Euros 177,260,543), the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2023, 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 Introduction note 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.

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As also disclosed in note 1.1.3 of the accompanying notes to the consolidated financial statements, despite the positive deviation observed in 2023 and 2022 in operational performance compared to that estimated in the Approved Restructuring Plan, it should be noted that unfavourable future variations between the actual cash flows and /or actual incomes and those estimated in the Approved Restructuring Plan may lead to relevant impacts on the calculation of the recoverable value of tangible and intangible assets related with air transport and deferred tax assets and consequently significantly affect the Group's financial and economic position.

Our opinion is not modified in respect of this matter.

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 the 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 Management' report 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; and

g) communicate with those charged with governance 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.

Our responsibility also includes verifying that the information included in the consolidated Management' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Consolidated Management' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the consolidated Management' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the consolidated Management' 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.

March 27, 2024

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 2023, 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 2023, 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 2023, 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 1.1.3. 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, dated 27 March 2024, 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.

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 Individual Financial Statements, taking into consideration that the Company´s individual 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, 27 March 2024

Baker Tilly, PG & Associados, SROC, Lda.
Represented by Paulo Jorge Duarte Gil Galvão André (President)

José Manuel Fusco Gato (Effective member)