TRANSPORTES AÉREOS PORTUGUESES, S.A.

# First Half 2022

# Management Report and Consolidated Accounts

A STAR ALLIANCE MEMBER

# CONSOLIDATED MANAGEMENT REPORT

# FIRST HALF 2022

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

**INDEX**

# 1. EVOLUTION OF ACTIVITY IN THE FIRST HALF OF 2022

## 1.1. Introduction

- The beginning of 2022 was marked by a progressively strengthening rebound in air transportation. Capacity, measured in ASK, of most European airlines achieved levels around 80% of pre-crisis capacity. Transportes Aéreos Portugueses, S.A. ("TAP", "Group" or "Company") is recovering from the COVID-19 pandemic and reached 86% of its 2019 capacity in the first half of 2022 ("1H22"), an increase of 217% compared with the first half of 2021 ("1H21"). The first months of the first quarter saw a resurgence in COVID-19 cases leading to increased travel restrictions, contributing to some softness in demand. Most travel restrictions were subsequently relaxed which led to strong demand. TAP's Load Factor of 75% in 1H22 was 5.0 percentage points below the corresponding period in 2019, with the Load Factor exceeding 2019 levels in the final month of the period.
- TAP's revenues in the first half of 2022 came in at EUR 1,321.2 million, recovering better than its volume metrics and reaching 91% of 2019 pre-crisis level, driven by continuously increasing Load Factors and higher Yields showing a strong year-on-year improvement of 245%.
- Despite significant headwinds from increasing jet fuel prices, general inflation and adverse currency movements, TAP was able to generate a positive Recurring EBIT of EUR 1.4 million in 1H22, an improvement of EUR 402.6 million compared to 1H21, surpassing pre-crisis negative Recurring EBIT in the first half 2019 ("1H19") by EUR 81.8 million.
- The operating cost development versus 1H19 reflects the positive impact from TAP's transformation plan and corresponding cost optimization measures, as operating costs decreased by 14.1%. Except for fuel costs, depreciation and impairments, costs were reduced in all line items of the profit and loss account.
- Over the first semester TAP continued to implement its transformation plan, namely through adjusting its capacity, restructuring, reducing costs, and enhancing revenue through numerous initiatives across the entire Group. Significant progress was made in several areas. A further increase of cargo and mail operating revenue of 26.3% versus the prior year was achieved. The fleet transformation continued with 66% of the mid- and long-haul fleet now made up of NEO-family aircraft. More than 800 contracts were renegotiated.
- Also, in the context of the restructuring plan, TAP Group closed the loss-making activity, M&E Brasil, with the last serviced aircraft leaving the hangar on 27 May. M&E Brasil has therefore terminated any operating activity and the winddown process is underway.

## 1.2. Sector Environment

According to the International Air Transport Association ("IATA"), the industry continues its recovery from the crisis, being closer to the reference pre-crisis year of 2019. The global performance improved and, consequently, the overall capacity of the sector (measured in ASK) for the year 2022 is estimated to be only 12% below 2019 with the strongest recovery in the Americas, followed by Europe. Passenger traffic (measured in RPK) also continues its recovery towards pre-pandemic levels – globally, it is forecast by IATA to be 17.6% below 2019 levels for the full year 2022.

| Regions | Capacity (ASK) % change | | | | Passenger Traffic (RPK) % change | | | |
|---|---|---|---|---|---|---|---|---|
| | vs previous year | | vs. 2019 | | vs previous year | | vs. 2019 | |
| | 2019 | 2020 | 2021E | 2022F | 2019 | 2020 | 2021E | 2022F |
| **Global** | **3.4%** | **-56.6%** | **-48.6%** | **-12.0%** | **4.1%** | **-65.8%** | **-58.3%** | **-17.6%** |
| Europe | 3.5% | -62.3% | -51.2% | -10.0% | 4.2% | -69.5% | -61.2% | -17.3% |
| North America | 2.9% | -50.3% | -29.8% | -0.5% | 4.0% | -65.1% | -39.7% | -5.0% |
| Latin America | 3.0% | -59.0% | -43.9% | -6.8% | 4.2% | -62.5% | -47.4% | -5.8% |
| Asia-Pacific | 4.4% | -53.8% | -56.6% | -18.5% | 4.7% | -62.0% | -66.8% | -26.3% |
| Africa | 4.5% | -62.1% | -55.1% | -24.8% | 4.7% | -68.2% | -62.9% | -28.0% |
| Middle East | 0.1% | -63.0% | -55.5% | -19.5% | 2.3% | -72.1% | -68.8% | -20.9% |

Source: IATA (June 2022).

Global passenger revenue is estimated to double year-on year in 2022 but to remain 18% lower than 2019. Passenger Yield is forecast to improve by 5.6% when compared to the previous year. Passenger Load Factor is estimated to increase to 77.4%, an increase of 10.4 percentage points compared to 2021 and only 5.2 percentage points below 2019.

Cargo revenues, which were boosted by the pandemic, are forecast to decline by 6.4% in 2022 when compared to the previous year. Although CTK is estimated to grow by 11.7% compared to 2019, revenue in 2022 is estimated to almost double comparing to the same period, reflecting the significantly higher Yields level despite an assumed reduction of 10.4% year on year. Load Factors, which are significantly above pre-crisis levels are estimated to see a slight reduction in 2022, declining 5.2 percentage points year-on-year to 52.6%.

| Global Revenue<br>USD billion | 2019 | 2020 | 2021E | 2022F |
|---|---|---|---|---|
| **Passenger** | **607.0** | **189.0** | **239.0** | **498.0** |
| Yield, % YoY | -3.7% | -9.1% | 3.8% | 5.6% |
| Load Factor, % | 82.6% | 65.2% | 67.0% | 77.4% |
| RPK, % YoY | 4.1% | -65.8% | 21.9% | 97.6% |
| └ vs 2019 | | | -58,3%[1] | -17,6%[1] |
| **Cargo** | **100.8** | **138.5** | **204.1** | **191.0** |
| Yield, % YoY | -8.2% | 52.5% | 24.2% | -10.4% |
| Load Factor, % | 46.3% | 52.3% | 57.8% | 52.6% |
| CTK, % YoY | -3.2% | -9.9% | 18.7% | 4.4% |
| └ vs 2019 | | | 6,9%[1] | 11,7%[1] |

Source: IATA (June 2022).

## 1.3. Operational and Economic-Financial Performance

***Preliminary Relevant Information***

TAP's Management believes that the preparation of TAP's financial statements as of June 30, 2022 shall be made on a going concern basis, based on:

(i) the approval by the European Commission on December 21, 2021, under EU State aid rules, of a restructuring aid to enable TAP return to viability and to ensure the financial and economic sustainability and continuity of the operations of TAP Group (the "Restructuring Plan"). The approved Restructuring Plan presents a perspective of gradual growth of TAP's activity, combined with a strategy of fleet reduction, reduction of operational costs and investment;

(ii) the financial support already made by the Portuguese State to TAP S. A. (in the total amount of EUR 2,198 million) and still to be made (in the amount of EUR 990 million), included in the Restructuring Plan approved by the European Commission on December 21. 2021 with the fundamental purpose of ensuring the financial and economic sustainability, viability and continuity of the operations of the TAP S.A. Group, as well as;

(iii) the ability to obtain external financial resources.

There are risks and uncertainties that should be considered when analysing TAP's financial statements as at June 30, 2022, namely those referred to in section 4 (Risk Management) below and risks and uncertainties related to (i) the evolution of the COVID-19 pandemic and its economic and financial impact in the aviation sector and in TAP Group – despite the increasing levels of immunity against COVID-19 and the easing of COVID-19-related restrictions in the market where TAP operates, there is still uncertainty surrounding health authorities decisions and customer behaviour in case of future outbreaks (ii) the non-extension of waivers to financial covenants from financial debt creditors (iii) the outcome of any decisions taken by judicial authorities in connection with the aids granted to TAP Group should the aids be judicially challenged, and (iv) the level of success in the implementation of the Restructuring Plan.

### Operational Performance

| TAP, S.A. Consolidated | 2Q22 | 2Q21 | Change | | 1H22 | 1H21 | Change | |
|---|---|---|---|---|---|---|---|---|
| | | | Value | % | | | Value | % |
| Passenger ('000) | 3,719 | 928 | +2,791 | >+200% | 5,823 | 1,321 | +4,502 | >+200% |
| RPK (million) | 9,647 | 2,177 | +7,470 | >+200% | 15,392 | 3,184 | +12,208 | >+200% |
| ASK (million) | 12,003 | 4,503 | +7,500 | +166.5% | 20,609 | 6,510 | +14,099 | >+200% |
| Load Factor (%) | 80.4 | 48.3 | +32 | +66.2% | 74.7 | 48.9 | +26 | +52.7% |
| Block Hours | 90,127 | 38,865 | +51,262 | +131.9% | 155,879 | 59,944 | +95,935 | +160.0% |
| Number of Departures | 28,304 | 12,546 | +15,758 | +125.6% | 48,834 | 18,684 | +30,150 | +161.4% |
| Average Stage Length (km) | 2,123 | 2,091 | +32 | +1.5% | 2,138 | 2,190 | -52 | -2.4% |
| Active Staff (end of period) [1] | 6,935 | 6,804 | +131 | +1.9% | 6,935 | 6,804 | +131 | +1.9% |

1) Excludes Staff not placed and not active.

The recovery from the pandemic in the first half of 2022 strengthened into the second quarter. While the first quarter saw a surge in the number of COVID-19 cases and related travel restrictions to which TAP flexibly adapted the offered capacity, the second quarter was largely free from travel restrictions in the markets in which TAP operates. In general, the first half was marked by strong demand and, towards the end of the second quarter, by industry wide disruptions at most European airports leading to in lost baggage, delayed/cancelled flights, long queues at airport security & boarder control and long waiting times for departure slots with passengers boarded. The 2Q22 presented an increase in number of passengers transported of more than 200% compared with the same period of the previous year ("2Q21"), which was still very much affected by the pandemic. Overall, the 5.8 million passengers transported during 1H22 represent 74% of the 7.9 million passengers transported pre-crisis in 1H19.

Capacity (measured in ASK) grew by 166.5% year-on-year in 2Q22, and load factor improved 32 percentage points to 80.4%. Progressing on its path to recovery, TAP's capacity in the first half of the year has reached 86% of pre-crisis levels with RPK at 81%.

## Economic-Financial Performance

| TAP, S.A. Consolidated<br>EUR millions | 2Q22 | 2Q21 | Change | | 1H22 | 1H21 | Change | |
|---|---|---|---|---|---|---|---|---|
| | | | Value | % | | | Value | % |
| **Operating Income** | **830.6** | **233.2** | **+597.4** | **>+200%** | **1,321.2** | **383.1** | **+938.0** | **>+200%** |
| Passenger | 740.0 | 153.6 | +586.4 | >+200% | 1,152.7 | 240.3 | +912.4 | >+200% |
| Maintenance | 18.0 | 10.2 | +7.8 | +76.9% | 27.2 | 16.9 | +10.3 | +61.2% |
| Cargo and Mail | 67.4 | 60.0 | +7.3 | +12.2% | 132.0 | 104.5 | +27.5 | +26.3% |
| Other operating income | 5.3 | 9.4 | -4.1 | -43.9% | 9.3 | 21.5 | -12.2 | -56.6% |
| **Operating Costs** | **764.1** | **382.8** | **+381.3** | **+99.6%** | **1,316.8** | **760.5** | **+556.3** | **+73.1%** |
| Aircraft fuel | 277.0 | 59.5 | +217.5 | >+200% | 409.1 | 97.1 | +312.1 | >+200% |
| Traffic operating costs | 175.1 | 69.5 | +105.6 | +151.8% | 302.0 | 122.6 | +179.4 | +146.3% |
| Employee costs | 106.6 | 83.0 | +23.6 | +28.4% | 187.7 | 202.3 | -14.6 | -7.2% |
| Aircraft maintenance costs | 5.7 | 3.2 | +2.5 | +79.1% | 13.6 | 9.8 | +3.9 | +39.8% |
| Cost of materials consumed | 13.8 | 2.6 | +11.2 | >+200% | 17.2 | 7.9 | +9.3 | +116.9% |
| Commercial, communication and marketing costs | 44.6 | 13.1 | +31.5 | >+200% | 75.5 | 23.5 | +52.1 | >+200% |
| Impair. losses in inventories, receiv. and provisions | 16.1 | 28.8 | -12.7 | -44.1% | 19.3 | 29.8 | -10.5 | -35.1% |
| Other operating expenses | 34.9 | 28.4 | +6.5 | +23.0% | 66.2 | 54.9 | +11.3 | +20.6% |
| Restructuring | -3.7 | -23.9 | +20.2 | n.m. | -3.7 | -23.8 | +20.1 | n.m. |
| Other non-recurring items | -14.8 | 0.0 | -14.8 | <-200% | 0.7 | 0.0 | +0.7 | n.m. |
| Depreciation, amortisation and impairment losses | 108.9 | 118.6 | -9.7 | -8.2% | 229.1 | 236.6 | -7.4 | -3.1% |
| **EBIT (Operating Result)** | **66.4** | **-149.6** | **+216.1** | **+144.4%** | **4.4** | **-377.4** | **+381.7** | **+101.2%** |
| ***EBIT margin*** | ***8.0%*** | ***-64.2%*** | ***+72.2 p.p*** | ***n.m.*** | ***0.3%*** | ***-98.5%*** | ***+98.8 p.p*** | ***n.m.*** |
| **Recurring EBIT [1)]** | **47.9** | **-173.5** | **+221.4** | **+127.6%** | **1.4** | **-401.2** | **+402.6** | **+100.3%** |
| ***Recurring EBIT margin*** | ***5.8%*** | ***-74.4%*** | ***+80.2 p.p*** | ***n.m.*** | ***0.1%*** | ***-104.7%*** | ***>+100p.p*** | ***n.m.*** |
| Interest and similar income | 9.2 | 8.4 | +0.8 | +10.0% | 17.9 | 16.6 | +1.3 | +7.7% |
| Interest and similar expenses | -68.6 | -75.8 | +7.2 | n.m. | -132.6 | -149.2 | +16.7 | n.m. |
| Overhedge Gains / Losses | - | 1.1 | -1.1 | -100.0% | 0.0 | 8.7 | -8.7 | -100.0% |
| Net currency exchange | -58.2 | 46.9 | -105.2 | <-200% | -72.9 | -62.8 | -10.1 | -16.1% |
| **Earnings before taxes** | **-51.2** | **-168.9** | **+117.8** | **+69.7%** | **-183.2** | **-564.2** | **+380.9** | **+67.5%** |
| Income tax | -29.3 | 40.9 | -70.1 | -171.6% | -18.8 | 71.0 | -89.9 | -126.5% |
| **Net income/ (loss)** | **-80.4** | **-128.1** | **+47.6** | **+37.2%** | **-202.1** | **-493.1** | **+291.1** | **+59.0%** |
| | | | | | | | | |
| **EBITDA** | **175.4** | **-31.0** | **+206.4** | **>+200%** | **233.5** | **-140.8** | **+374.3** | **>+200%** |
| **EBITDA margin** | ***21.1%*** | ***-13.3%*** | ***+34.4 p.p*** | ***n.m.*** | ***17.7%*** | ***-36.8%*** | ***+54.4 p.p*** | ***n.m.*** |
| **Recurring EBITDA [2)]** | **156.8** | **-54.9** | **+211.7** | **>+200%** | **230.5** | **-164.7** | **+395.2** | **>+200%** |
| **Recurring EBITDA margin** | ***18.9%*** | ***-23.5%*** | ***+42.4 p.p*** | ***n.m.*** | ***17.4%*** | ***-43.0%*** | ***+60.4 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 1.321.2 million in 1H22, an increase of more than 200% when compared to 1H21, driven by higher capacity, higher yield and improving load factors. Total operating income has reached 91% of 2019 pre-crisis levels. The breakdown shows a strong increase in Passenger revenues of EUR 912.4 million (>+200% YoY), bringing the 1H22 figure to EUR 1,152.7 million.

Cargo and Maintenance revenues also contributed to the growth in total operating income. Cargo continued to perform very well, with an increase of 26.3% YoY to EUR 132.0 million, representing 10% of total revenues in 1H22. TAP's cargo yield in 1H22 was also higher when compared to the same period in both 2021 and 2019. Maintenance revenues grew by EUR 10.3 million (+61.2% YoY) to EUR 27.2 million, benefiting from the recovery of the aviation industry.

Total operating costs amounted to EUR 1,316.8 million in 1H22, an increase of EUR 556.3 million (+73.1%) when compared to 1H21. Close to 90% of this increase is explained by an increase of variable costs due to the higher level of activity and the strong increase in jet fuel prices as reflected in Aircraft fuel and Traffic operating costs. Compared to 2019 however, TAP was able to reduce the costs in almost all profit and loss line items except for fuel, depreciation and impairments.

From a unit cost perspective, in 1H22 CASK from total operating costs excluding fuel were 57% below 1H21, mainly on the back of a higher level of capacity, and 10% lower than in the same period in 2019.

Operating Result (EBIT) was positive with EUR 4.4 million representing an improvement of EUR 381.7 million YoY (+101.2%). When adjusted for non-recurring items and restructuring costs, Recurring EBIT came in at EUR 1.4 million (+100.3% YoY), while Recurring EBITDA registered EUR 230.5 million (+240.0% YoY), resulting in a margin of 17.4%.

Half-year 2022 net income was negative in EUR 202.1 million, which represents an increase of EUR 291.1 million when compared to the same period of 2021. This was impacted by a net interest expense (EUR -114.7 million) and foreign exchange differences (EUR -72.9 million), where the latter is mostly related to a non-cash impact from the USD appreciation against the EUR, that also impacted the balance sheet valuation of future aircraft lease liabilities.

### Financial Position

| TAP, S.A. Consolidated<br>EUR millions | 30-Jun-22 | 31-Dec-21 | Change | |
|---|---|---|---|---|
| | | | Value | % |
| **Total Assets** | **5,208.3** | **4,718.1** | **+490.2** | **+10.4%** |
| Non-current Assets | 3,507.6 | 3,479.3 | +28.3 | +0.8% |
| Current Assets | 1,700.7 | 1,238.7 | +461.9 | +37.3% |
| **Equity** | **-734.5** | **-468.1** | **-266.4** | **-56.9%** |
| **Total Liabilities** | **5,942.8** | **5,186.1** | **+756.7** | **+14.6%** |
| Non-current Liabilities | 3,382.1 | 3,440.9 | -58.7 | -1.7% |
| Current Liabilities | 2,560.7 | 1,745.3 | +815.4 | +46.7% |

The balance sheet expansion is mainly explained by additional aircraft and higher working capital balances related to the increased level of activity and the strong performance in ticket sales. Equity reduced essentially in line with negative net income and technical effects from foreign exchange hedge accounting.

### Financing and Lease Liabilities

| TAP, S.A. Consolidated<br>EUR millions | 30-Jun-22 | 31-Dec-21 | Change | |
|---|---|---|---|---|
| | | | Value | % |
| **Financial Debt** | **1,603.1** | **1,480.9** | **+122.3** | **+8.3%** |
| Bank Loans & Bonds | 922.9 | 937.2 | -14.3 | -1.5% |
| Lease liabilities with purchase option | 680.2 | 543.7 | +136.6 | +25.1% |
| **Cash and cash equivalents** | **889.8** | **812.6** | **+77.3** | **+9.5%** |
| **Net Financial Debt** | **713.3** | **668.3** | **+45.0** | **+6.7%** |
| **Lease liabilities without purchase option** | **2,167.6** | **2,118.5** | **+49.0** | **+2.3%** |

Gross financial debt, which excludes lease liabilities without purchase option, increased by EUR 122.3 million when compared to December 31, 2021, a result of the increase of lease liabilities with purchase option (+EUR 136.6 million).

Cash and cash equivalents increased EUR 77.3 million to EUR 889.8 million in the first half of the year.

In April, TAP announced the upgrade of its long-term issuer credit rating assigned by S&P Global Ratings Europe Limited ("S&P") from B- to B+ (Outlook stable) and the Corporate Family Rating assigned by Moody's Investors Service ("Moody's") from Caa2 to B3 (Outlook stable).

## 1.4. Network and Fleet

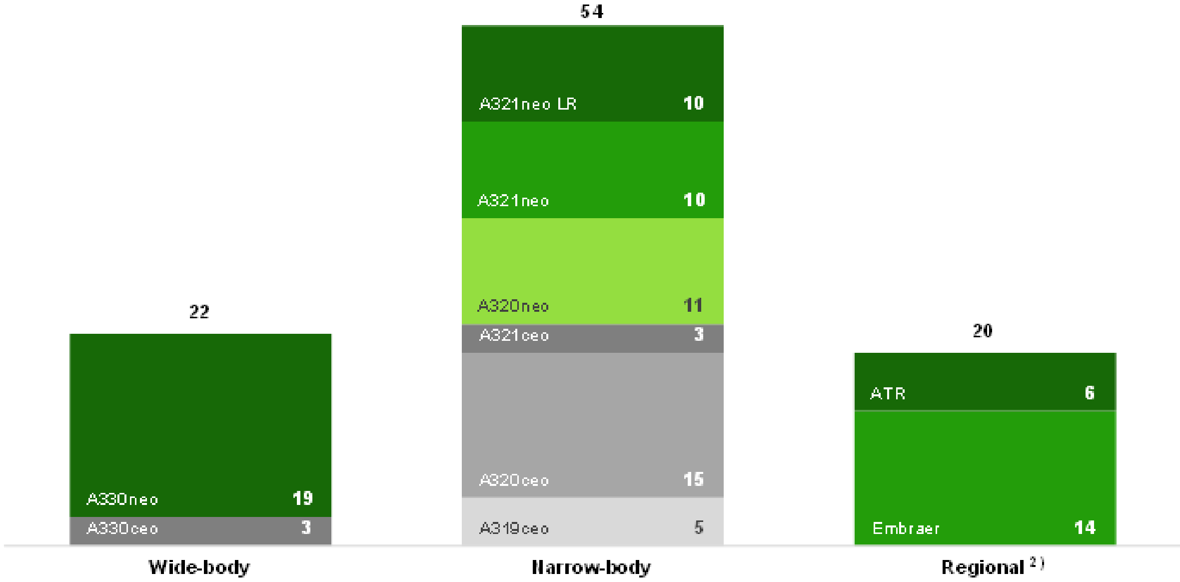
TAP remains fully committed to its strategy of developing the Lisbon hub to connect Europe and the Middle East with Africa, Brazil, and North America. While during the pandemic the network strategy was focused on maintaining the core network and directing extra capacity to mostly leisure destinations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

With the relaunch of Boa Vista destination in the second quarter, TAP resumes operations to all international airports in Cape Verde, and the relaunch of Caracas restored the operation in all long-haul destinations.

Regarding the operating fleet, compared to the end of 2021, TAP's fleet saw a net increase of 2 aircraft to a total of 96 aircraft, through the addition of 2 A321neo LR and 1 Embraer, the extension of 2 A320 which were previously in phase-out process as well as the reduction by 1 A319 and 2 ATR.

As a result, as of June 30, 2022, 66% of the mid and long-haul operating fleet consisted of NEO-family aircraft (compared to 63% by June 30, 2021 and 27% by June 30, 2019), underlining the Group's strategy of using more fuel-efficient aircraft, with both cost and sustainability benefits.

**Composition of TAP's Operating Fleet[1] as of June 30, 2022**




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

2) White and Portugália's fleet, operated under wet-lease agreements.

## 2. OUTLOOK FOR THE SECOND HALF OF 2022

Although TAP demonstrated good progress on its path to recovery in the first half of 2022, the first semester was also characterized by significant macro-economic and operational headwinds which are expected to continue into the second half of the year and may impact the TAP's economic and financial performance.

While for the third quarter management is cautiously optimistic based on forward booking load factors being ahead of 2019, the demand for the fourth quarter and next year remains uncertain. High inflation, risk of recession and slowing GDP growth could possibly negatively impact demand. Increased fuel prices, unfavourable currency developments and continued industry disruptions may affect TAP's financial performance. With the winter season there is again an increased risk of resurgence of COVID-19 cases or the appearance of new variants which could lead to renewed travel restrictions.

Against this background, TAP will continue to closely monitor the demand development on a region and route basis, and adjust its capacity, network, and aircraft utilization accordingly, if required. In the second semester of 2022, TAP will also continue to focus on its transformation, pushing ahead on a number of initiatives with a strong emphasis on renegotiating and modernizing all collective labour agreements.

Currently, TAP expects a continuation of the recent trends also in the second half with further progress on the path to recovery regarding the main volume metrics, ASK, number of passengers and load factor. Continuing the trend established in the first half, revenues are expected to grow more strongly than the volume metrics. Based on the published plan for the IATA winter season, the number of flights will grow by more than 12,000 flights compared to the first half 2022, reaching 86% of pre-crisis level. These plans are based on a set of assumptions including demand recovery and COVID-19 pandemic development and will be revised if those assumptions prove inaccurate.

## 3. SUBSEQUENT EVENTS

### AGREEMENT ON SAF - SUSTAINABLE AVIATION FUEL

- On 22 July 2022, TAP announced the signing of a strategic partnership with Galp and ANA - Aeroportos de Portugal for the development, production, and supply of sustainable aviation fuels (SAF - Sustainable Aviation Fuel) on a large scale, from waste, recycled used oils and other sustainable raw materials.

## 4. RISK MANAGEMENT

TAP uses a methodology aligned with the one proposed by COSO (Committee of Sponsoring Organization of Treadway Commission) to identify, evaluate and monitor relevant indicators for managing the organisation's main risks.

Once identified, the risk management approach may go as follows:

- Accept - if the level of risk monitored is within the range of variation in accordance with that established by the organisation.
- Share/Transfer - through entering into insurance contracts or outsourcing of functions.
- Mitigate - through procedures that allow the impact to be minimised, as well as controlling the process at the level of risk considered acceptable for the organisation.
- Non-acceptance - no-go of the process or performance, whenever the risk level is not adequate to the intended operation and to the organisation's risk profile.

Main risks applicable to TAP are identified in the 2021 Annual Management Report.

The most important internal risks were those related to: i) operations; ii) human resources; iii) treasury/liquidity; iv) data protection; v) infrastructures; and vi) customers.

The most important external risks were those related to: i) epidemics/pandemics; ii) Legal regulations; iii) cyber-attacks; iv) economic and geopolitical environment; v) airport infrastructures; and vi) supply chain.

Additionally, considering the current context, it should be highlighted that there are significant factors that represent risk for the recovery of TAP business, namely:

- The rising of the commodity prices, such as jet fuel and CO2 licences, exchange rate fluctuations, interest rate risk, credit, and capital management risks.
- Ukrainian/Russian conflict, creating a global recession with impact on the inflation of basic goods, contributing to social and political instability.
- With airline operation levelling to pre pandemic numbers of passengers, uncertainty about the capacity of Lisbon airport to cope with demand and a worldwide shortage of specialized staff created significant operation disruption among the aviation sector.
- The uncertainty on the further course of COVID-19 pandemic during the winter with direct and indirect impact on (i) employees' physical and psychological health and on the (ii) demand for leisure and corporate travels.
- Potential increase in passenger refunds and compensation costs due to operation disruption, mainly affected by lack of staff, supply chain disturbance, geopolitical conflicts and COVID-19.
- Challenges for IT departments fighting against cyberattacks, with the possibility of data theft and information manipulation.
- Potential operational and reputational impacts of cyber-attacks, which may inclusively affect results from operations.

## APPENDIX

## I – GOVERNING BODIES

On June 24, 2021 there was an elective General Assembly, in which the governing bodies of TAP for the four-year period 2021-2024 were elected.

As such, the composition of the Company's governing bodies during the first half of 2022 was the following:

**Board of the General Meeting**

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

**Board of Directors**

| | |
|---|---|
| Chairman | Manuel Amaral Beja |
| Member | Ana Teresa C. P. Tavares Lehmann |
| Member | Christine Ourmières-Widener |
| Member | Gonçalo Neves Costa Monteiro Pires |
| Member | João Pedro Conceição Duarte |
| Member | Patrício Ramos Castro |
| Member | Ramiro José Oliveira Sequeira |
| Member | Silvia Mosquera González |

**Executive Committee**

| | |
|---|---|
| Chairman | Christine Ourmières-Widener |
| Member | Gonçalo Neves Costa Monteiro Pires |
| Member | Ramiro José Oliveira Sequeira |
| Member | Silvia Mosquera González |

**Company Secretary**

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

*The Director Sofia Norton dos Reis Lufinha de Mello Franco was appointed on 22 September 2022, with effects since that date.*

### Supervisory Board

### Transportes Aéreos Portugueses, S.A.

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

(*) *Sérgio Sambade Nunes Rodrigues submitted his resignation with effect from 7 January 2022*

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

### Certified Public Accountant

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

## II - QUALIFIED HOLDINGS, SECURITIES HELD BY GOVERNING BODIES AND CONFORMITY STATEMENT

### 1. Qualified shareholdings in the Company as of June 30, 2022

| Shareholders with Qualified Holdings | Capital/Voting Rights (%) | Number of Shares |
|---|---|---|
| **Direct Shareholders:** | | |
| • República Portuguesa, through Direção-Geral do Tesouro e Finanças | 100% | 180,865,573 |
| **Indirect Shareholders:** | | |
| ▪ Not applicable | | |

### 2. Indication of the number of securities issued by TAP AIR PORTUGAL 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

No securities are held by the governing bodies, nor acquisitions, encumbrance or transmissions have occurred during the considered period.

### 3. Statement issued in accordance with article 29-J of the Portuguese Securities Code

In accordance and for the purposes of article 29-J, 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 consolidated financial statements for the first half of 2022 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 interim 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 for the following six months.

Lisbon, 28th September 2022

**BOARD OF DIRECTORS**

| | |
|---|---|
| Manuel Amaral Beja<br>*Chairman of the Board of Directors* | Christine Ourmières-Widener<br>*Member of the Board of Directors and Chairman of the Executive Committee* |
| Gonçalo Neves Costa Monteiro Pires<br>*Member of the Board of Directors and Member of the Executive Committee* | Ramiro José Oliveira Sequeira<br>*Member of the Board of Directors and Member of the Executive Committee* |
| Silvia Mosquera González<br>*Member of the Board of Directors and Member of the Executive Committee* | Patrício Ramos Castro<br>*Member of the Board of Directors* |
| Ana Teresa C. P. Tavares Lehmann<br>*Member of the Board of Directors* | João Pedro Conceição Duarte<br>*Member of the Board of Directors* |
| Sofia N. dos Reis Lufinha de Mello Franco<br>*Member of the Board of Directors* | |

## III – GLOSSARY

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

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

**IATA:** International Air Transport Association.

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

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

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

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

## IV – CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS CONDENSED
30 JUNE 2022

INDEX OF FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Amount stated in euros | Notes | Jun 2022 | Dec 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 3 | 3,004,931,136 | 2,955,068,050 |
| Investment Properties | 4 | 1,672,506 | 1,615,899 |
| Intangible assets | 5 | 24,742,782 | 23,475,789 |
| Financial holdings | | - | 172,310 |
| Other financial assets | 6 | 488,725 | 488,725 |
| Other non current assets | 11 | 20,910,933 | 22,903,458 |
| Deferred tax assets | 7 | 356,796,112 | 363,523,138 |
| Other receivables | 8 | 98,086,613 | 112,077,476 |
| | | **3,507,628,807** | **3,479,324,845** |
| **Current Assets** | | | |
| Inventories | 9 | 56,541,011 | 56,556,807 |
| Other receivables | 8 | 711,261,971 | 347,681,592 |
| Income tax receivable | 10 | 406,412 | - |
| Other current assets | 11 | 42,618,504 | 21,920,877 |
| Cash and cash equivalents | 12 | 889,846,638 | 812,578,316 |
| | | **1,700,674,536** | **1,238,737,592** |
| **Total Assets** | | **5,208,303,343** | **4,718,062,437** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share Capital | 13 | 904,327,865 | 904,327,865 |
| Supplementary capital contributions | 14 | - | - |
| Legal reserves | 14 | 8,300,000 | 8,300,000 |
| Hedge reserves | 14 | 35,617,811 | 184,106 |
| Other reserves | 14 | (88,524,020) | (200,588) |
| Retained earnings | 14 | (1,392,166,102) | 218,425,483 |
| Net income/(loss) for the year | | (202,074,751) | (1,599,110,889) |
| **Total equity** | | **(734,519,197)** | **(468,074,023)** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 7 | 25,149,909 | 34,022,773 |
| Post-employment benefits obligations | 15 | 54,335,351 | 89,282,130 |
| Provisions | 16 | 384,133,933 | 312,912,748 |
| Restructuring provision | 18 | 17,626,816 | 37,012,455 |
| Borrowings | 17 | 572,067,343 | 795,737,240 |
| Lease liabilities with purchase option | 17 | 611,543,542 | 488,921,489 |
| Lease liabilities without purchase option | 17 | 1,717,286,033 | 1,682,965,393 |
| | | **3,382,142,927** | **3,440,854,228** |
| **Current Liabilities** | | | |
| Borrowings | 17 | 350,831,092 | 141,456,908 |
| Lease liabilities with purchase option | 17 | 68,700,722 | 54,754,917 |
| Lease liabilities without purchase option | 17 | 450,280,709 | 435,572,934 |
| Other payables | 18 | 579,787,813 | 406,153,858 |
| Income tax payable | 10 | 19,326 | 104,803 |
| Other current liabilities | 19 | 46,981,096 | 63,677,145 |
| Liabilities from unused flight documents | 20 | 1,064,078,855 | 643,561,667 |
| | | **2,560,679,613** | **1,745,282,232** |
| **Total liabilities** | | **5,942,822,540** | **5,186,136,460** |
| | | | |
| **Total equity and liabilities** | | **5,208,303,343** | **4,718,062,437** |

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 June 2022.

## CONSOLIDATED INCOME STATEMENT

| Amounts stated in euros | Notes | Jun 2022 | Jun 2021 |
|---|---|---|---|
| Operating Income | | | |
| Revenue | | | |
| Passenger | 22 | 1,152,692,733 | 240,284,579 |
| Maintenance | 22 | 27,184,632 | 16,861,479 |
| Cargo and mail | 22 | 131,984,379 | 104,498,406 |
| Gains and losses in associates | 22 | (172,310) | - |
| Other operating income | 22 and 23 | 9,502,570 | 21,497,775 |
| | | **1,321,192,004** | **383,142,239** |
| Operating costs | | | |
| Aircraft fuel | 24 | (409,135,217) | (97,067,269) |
| Traffic operating costs | 24 | (301,966,257) | (122,590,019) |
| Aircraft maintenance costs | 24 | (13,630,247) | (9,752,400) |
| Cost of materials consumed | 24 | (17,170,479) | (7,916,817) |
| Comercial, communication and marketing costs | 24 | (75,520,162) | (23,452,478) |
| Employee costs | 25 | (187,733,099) | (202,328,883) |
| Impairment losses in inventories and receivables | 26 | (689,294) | (16,007,512) |
| Provisions | 26 | (18,631,605) | (13,771,771) |
| Other operating expenses | 27 | (66,200,201) | (54,906,675) |
| Restructuring | 28 | 3,698,324 | 23,845,792 |
| Other non recurrent items | 29 | (699,788) | - |
| Depreciation, amortisation and impairment losses | 30 | (229,120,841) | (236,550,274) |
| **Operating income/(loss)** | | **4,393,138** | **(377,356,067)** |
| Interests and similar income | 31 | 17,862,158 | 16,589,094 |
| Interests and similar expenses | 31 | (132,568,013) | (149,248,316) |
| Overhedge gains / losses | 31 | - | 8,677,082 |
| Net currency exchange | 31 | (72,935,911) | (62,825,153) |
| **Net income/(loss) before income tax** | | **(183,248,628)** | **(564,163,360)** |
| Income tax for the year | 32 | (18,826,123) | 71,028,479 |
| **Net income/(loss) for the year** | | **(202,074,751)** | **(493,134,881)** |
| Net income/(loss) attributable to owners of TAP SA | | **(202,074,751)** | **(493,134,881)** |
| Net income/(loss) attributable to non-controlling interests | | **-** | **-** |
| **Results per share** | | | |
| Basic and diluted earnings per share | 33 | (1.1) | (4.9) |

The accompanying notes form an integral part of the consolidated income statement as of 30 June 2022.

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

| Amounts stated in euros | Notes | Jun 2022 | Jun 2021 |
|---|---|---|---|
| **Net income/(loss) for the year** | | **(202,074,751)** | **(493,134,881)** |
| **Items that may be reclassified to income statement:** | | | |
| Gains and losses in derivative financial instruments - cash flow hedge | 8 and 21 | (80,428,674) | 34,772,576 |
| Deferred tax on derivative financial instruments - cash flow hedge | 7 | 27,538,946 | (7,302,241) |
| Other impacts | 7 and 16 | (34,686,049) | - |
| **Items that will not be reclassified to income statement:** | | | |
| Remeasurements of defined benefit plans | 15 | 33,543,215 | 6,280,826 |
| Deferred tax on remeasurements | 7 | (10,337,861) | (1,852,843) |
| **Other comprehensive income/(loss) net of tax** | | **(64,370,424)** | **31,898,318** |
| **Comprehensive income/(loss) for the year** | | **(266,445,175)** | **(461,236,563)** |
| Attributable to: | | | |
| Owners of TAP SA | | (266,445,175) | (461,236,563) |
| Non-controlling interests | | - | - |
| | | **(266,445,175)** | **(461,236,563)** |

The accompanying notes form an integral part of the consolidated statement of comprehensive income as of 30 June 2022.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Amounts stated in euros | Notes | Share Capital | Supplementary capital contributions | Legal reserves | Hedge reserves | Other reserves | Retained earnings | Net income/(loss) for the year | Subtotal | Non-controlling interests (Note 13) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity as of 1 January 2021** | | **41,500,000** | **154,353,400** | **8,300,000** | **(22,921,191)** | **(200,588)** | **(105,028,018)** | **(1,230,255,776)** | **(1,154,252,173)** | **-** | **(1,154,252,173)** |
| Application of net income/(loss) of the year 2020 | | - | - | - | - | - | (1,230,255,776) | 1,230,255,776 | - | - | - |
| Capital increases, supplementary benefits and issuing premiu | 13 | 862,827,865 | (154,353,400) | - | - | - | 1,548,069,763 | - | 2,256,544,228 | - | 2,256,544,228 |
| Remeasurement* | 7 and 15 | - | - | - | - | - | 5,639,514 | - | 5,639,514 | - | 5,639,514 |
| Fair value of derivative financial instruments* | 7 and 21 | - | - | - | 23,105,297 | - | - | - | 23,105,297 | - | 23,105,297 |
| Net income/(loss) for the year | | - | - | - | - | - | - | (1,599,110,889) | (1,599,110,889) | - | (1,599,110,889) |
| **Equity as of 31 December 2021** | | **904,327,865** | **-** | **8,300,000** | **184,106** | **(200,588)** | **218,425,483** | **(1,599,110,889)** | **(468,074,023)** | **-** | **(468,074,023)** |
| Application of net income/(loss) of the year 2021 | | - | - | - | - | - | (1,599,110,889) | 1,599,110,889 | - | | - |
| Remeasurement* | 7 and 15 | - | - | - | - | - | 23,205,354 | - | 23,205,354 | - | 23,205,354 |
| Fair value of derivative financial instruments* | 7 and 21 | - | - | - | 35,433,705 | - | - | - | 35,433,705 | - | 35,433,705 |
| Derivatives of foreign exchange risk hedging* | 21 and 23 | - | - | - | - | (88,323,432) | - | - | (88,323,432) | - | (88,323,432) |
| Other impacts | 7 and 16 | - | - | - | - | - | (34,686,050) | - | (34,686,050) | - | (34,686,050) |
| Net income/(loss) for the year | | - | - | - | - | - | - | (202,074,751) | (202,074,751) | - | (202,074,751) |
| **Equity as of 30 June 2022** | | **904,327,865** | **-** | **8,300,000** | **35,617,811** | **(88,524,020)** | **(1,392,166,102)** | **(202,074,751)** | **(734,519,197)** | **-** | **(734,519,197)** |

*Amount net of deferred taxes, where applicable.

The accompanying notes form an integral part of the consolidated statement of changes in equity as of 30 June 2022.

## CONSOLIDATED CASH FLOW STATEMENT

| Amounts stated in euros | Notes | Jun 2022 | Jun 2021 |
|---|---|---|---|
| **Operating activities:** | | | |
| Receipts from customers | | 1,702,160,663 | 449,266,876 |
| Payments to suppliers | | (1,039,396,139) | (350,077,964) |
| Payments to employees | | (175,397,770) | (251,398,356) |
| Payments of low value and short-term leases | | (2,832,627) | (2,911,795) |
| Cash generated from operations | | **484,534,127** | **(155,121,239)** |
| Income tax (payment)/receipt | | (102,128) | (1,339) |
| Other receipts/payments relating to operating activities | | (9,661,510) | 1,645,764 |
| **Cash flow from operating activities (1)** | | **474,770,489** | **(153,476,814)** |
| **Receipts from:** | | | |
| **Financial investments** | | | |
| Other financial assets | 6 and 8 | 34,768,422 | 19,560,167 |
| Tangible fixed assets | | - | 38,650,099 |
| Loans granted | | 323,910,000 | 317,590,000 |
| Interests and similar income | | 12,481,642 | 12,903,082 |
| | | **371,160,064** | **388,703,348** |
| **Payments relating to:** | | | |
| Other financial assets | 6 and 8 | (48,386,083) | (33,020,354) |
| Tangible fixed assets | | (60,062,938) | (31,604,141) |
| Intangible assets | | (1,997,724) | (1,409,015) |
| Loans granted | | (353,116,498) | (332,910,000) |
| | | **(463,563,243)** | **(398,943,510)** |
| **Cash flow from investment activities (2)** | | **(92,403,179)** | **(10,240,162)** |
| **Financing activities:** | | | |
| **Receipts from:** | | | |
| Capital increases | 13 | - | 462,000,000 |
| Lease liabilities with purchase option | 17 | 6,100,510 | - |
| | | **6,100,510** | **462,000,000** |
| **Payments relating to:** | | | |
| Borrowings | 17 | (17,059,160) | (5,498,236) |
| Lease liabilities with purchase option | 17 | (28,663,513) | (14,412,568) |
| Lease liabilities without purchase option | 17 | (218,543,174) | (201,101,729) |
| Interests and similar costs | 17 | (37,954,085) | (28,266,873) |
| Interest elements of lease liabilities without purchase option | 17 | (16,449,486) | (15,136,689) |
| Overhedge fuel derivatives | 21 | - | (11,586,309) |
| | | **(318,669,418)** | **(276,002,404)** |
| **Cash flow from financing activities (3)** | | **(312,568,908)** | **185,997,596** |
| **Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)** | | 69,798,402 | 22,280,620 |
| Effects of currency exchange differences | | 7,469,920 | 1,763,939 |
| **Cash and cash equivalents at the beginning of the year** | 12 | 812,578,316 | 518,756,607 |
| **Cash and cash equivalents at the end of the year** | 12 | **889,846,638** | **542,801,166** |

The accompanying notes form an integral part of the consolidated statement of cash flow as of 30 June 2022.

## 1 Introduction

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

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”). As such, 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 20 offices in foreign countries and 4 in Portugal.

**Headquarters** Edifício 25, Lisbon Airport, 1700-008 Lisbon
**Share Capital** EUR 904,327,865
**Tax identification number** 500 278 725

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

Following (i) the process of privatising TAP - Transportes Aéreos Portugueses, SGPS, S.A. ("TAP SGPS") - a company that owed 100% of the share capital of TAP S.A. until 24 May 2021 -, which led to the acquisition, in November 2015, by Atlantic Gateway, SGPS, Lda. ("Atlantic Gateway"), of a 61% stake in the share capital of TAP SGPS, and (ii) the subsequent renegotiation of the percentage of the stake held by the Portuguese state in the share capital of TAP SGPS on 30 June 2017, through which a transfer of shares of TAP SGPS took place, between Parpública - Participações Públicas, SGPS, S.A. ("Parpública") and Atlantic Gateway, according to which TAP SGPS had the following shareholder structure:

- Parpública holding 750,000 category B shares, representing 50% of the share capital and voting rights and 5% of TAP SGPS' economic rights;
- Atlantic Gateway holding 675,000 category A shares representing 45% of the share capital and voting rights and 90% of TAP SGPS' economic rights; and
- A number of shareholders now jointly own 75,000 ordinary shares, representing 5% of the share capital, voting rights and economic rights of TAP SGPS.

Also on 30 June 2017, the Financial Liability Adjustment and Monitoring Agreement on the TAP Group was signed by various banks, TAP - Transportes Aéreos Portugueses, SGPS, S.A. ("TAP SGPS"), TAP S.A. and Portugália – Companhia Portuguesa de Transportes Aéreos, S.A. (“Portugália”); together referred to as the "Borrowers"), as borrowers, and Parpública and Atlantic Gateway as shareholders as of that date ("AAMPF"), with the TAP Group agreeing with the banks signing the AAMPF to modify certain conditions of their financing agreements and the provisions on financial debt and debt servicing of the TAP Group (for the purposes of this document, the “TAP Group” means TAP S.A. together with TAP SGPS and its respective subsidiaries is understood).

Under the AAMPF, the TAP Group conducted the early amortisation of part of the credits due, and on 28 February 2020, various banks, TAP SGPS, TAP S.A. and Portugália, as borrowers, and Parpública and Atlantic Gateway, as shareholders, signed the "First Addendum to the Financial Liability Adjustment and Monitoring Agreement Regarding the TAP Group", by which certain terms and conditions of the AAMPF were changed.

Following the outbreak of the COVID-19 pandemic, and like most companies operating in the aviation sector, the TAP Group has, 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 largely the result of travel restrictions imposed by Portugal and many TAP S.A. destination countries to limit the spread of COVID-19.

To address the impact of COVID-19, the TAP Group adopted 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 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 its immediate liquidity needs 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 believed that it was compatible with European Union rules on state aid.

Following that European Commission decision and following negotiations between representatives of the Portuguese state and the private (direct and indirect) shareholders of TAP SGPS, a number of contractual instruments have been concluded, with a view to, in summary, the Portuguese state's granting of an interest-bearing loan to the TAP Group of up to EUR 946 million (to which an additional amount of EUR 254 million could be added, but the Portuguese state was not bound by the provision), as approved by the European Commission (this loan was formalised by the conclusion on 17 July

2020 of a financing agreement between the Portuguese Republic, TAP S.A., TAP SGPS and Portugália, and an additional agreement between the parties to the financing agreement, Atlantic Gateway and Parpública).

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 made on 17 July 2020, the second tranche of EUR 224 million, was made on 30 July 2020, the third tranche of EUR 25 million, was made on 31 August 2020, the fourth tranche of EUR 79.6 million was made on 30 September 2020, the fifth tranche of EUR 92 million was made on 5 November 2020, the sixth tranche of EUR 171.4 million was made on 21 December 2020 and the last tranche of EUR 357.9 million was made on 30 December 2020.

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

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

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

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

On 31 August 2021, the financing repayment date was extended, with the repayment term of the loan granted to TAP S.A. under the Financing Agreement being extended until 31 December 2021 (and not 1 September 2021 as initially provided for in the Financing Agreement) in case of non-adoption of a final decision by the European Commission on the restructuring aid by that date.

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

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

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

As a result of the 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.

Also as a result of the Operations, TAP S.A. now has the Portuguese Republic as its sole and direct shareholder, through the Directorate-General for the Treasury and Finance, without materially altering the control exercised over TAP S.A., insofar as the Portuguese Republic was already the beneficial owner of TAP S.A..

The consolidated financial statements for the six-month period ended on 30 June 2022, approved at the Board of Directors meeting of 28 September 2022, were prepared for presentation to multiple stakeholders.

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

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

Following the European Commission's decision of 10 June 2020 that authorized the granting of State Aid to the sole shareholder of TAP S.A., 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 signed on 17 July 2020 between the Portuguese Republic , TAP S.A., TAP SGPS and Portugália, which made the granting of the State aid to the TAP Group, the was the possibility of the repayment date of the loan granted to the TAP Group, initially fixed on 10 December 2020, to be extended if the Portuguese State submits a TAP Group Restructuring Plan (“Restructuring Plan”) to the European Commission by that date: within six months from the date of the Decision of the European Commission.

The TAP Group became aware that the Portuguese State submitted to the European Commission on 10 December 2020, a Restructuring Plan draft for its discussion and approval.

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

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

The Restructuring Plan project presented to the European Commission has the purpose of ensuring the survival and sustainability of the TAP Group, the maintenance of about 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 TAP Group's capital structure.

In terms of the optimization of operational costs, EUR 1.3 billion were expected to arise from fleet-related negotiations, as well as 200 to EUR 225 million per year in negotiations with other operational suppliers of the TAP Group. From the labour 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 will ensure that the TAP Group, and in particular TAP S.A., will be properly dimensioned to respond to the activity upturn, which meanwhile started, while preserving its leadership of the Lisbon hub and its strategy of connecting Europe, the Americas and Africa.

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

Portugal, SA) was renewed by the Council of Ministers Resolution no. 185/2021, dated 29 December 2021, producing effects until December 2022.

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

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

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

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

In the context of State aid to TAP S.A., approved by the European Commission by decision of 23 April 2021, as compensation for COVID-19 damages verified during the period from March 19 to 30 June 2020, on 24 May 2021, a capital increase of TAP S.A. was carried out, through a contribution in cash, in the amount of EUR 462,000,000, by the Portuguese Republic, through the General Directorate of Treasury and Finance, and the subscription, by the latter, of EUR 92,400,000 new ordinary shares representing the Company's share capital, with a unit face value of EUR 5.00. Following the capital increase, the share capital of TAP S.A. was increased from EUR 41,500,000 to EUR 503,500,000, with TAP S.A. now having the Portuguese Republic as its direct shareholder, through the General Directorate of Treasury and Finance, with a representative shareholding of approximately 92% in TAP, the remaining approximately 8% of TAP's share capital continuing to be held directly by TAP SGPS.

Following interactions with the European Commission, 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. 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 on 10 June 2020, specifying the rationale for the approval of the aid (related to the situation of the TAP Group and its shareholders in June 2020), as required under the judgment of the General Court of the European Union of 19 May 2021 (case T465/20), which annulled the initial emergency aid decision, while suspending the effects of the cancellation until the adoption of a new decision by the European Commission.

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

(ii) TAP Group Restructuring Plan

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

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

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

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

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

In this framework, and with the purpose of adjusting its capacity, the draft Restructuring Plan presented to the European Commission assumed the goal of adjusting the TAP Group's fleet to 99 aircraft, a higher number of aircraft than the 75 aircraft that constituted the 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, with EUR 990 million planned for 2022;

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

## 1.1. COVID-19 pandemic impact

On 11 March 2020, the World Health Organization declared the existence of a pandemic related to the new coronavirus disease (COVID-19), as a result of which a set of exceptional and temporary measures concerning the epidemiological situation of COVID-19 has been established in the markets in which the TAP S.A. Group operates, with exceptional restrictions on economic activity being imposed in those markets, which have been gradually withdrawn.

### 1.1.1 Impact on operational indicators

The main financial indicators for 30 June 2022, compared with 2021, 2020 and 2019 are detailed as follows:

| Operational indicators | jun/22 | jun/21 | jun/20 | jun/19 | Variation vs jun/21 | | Variation vs jun/20 | | Variation vs jun/19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Value | % | Value | % | Value | % |
| Passenger (000) | 5,823 | 1,321 | 3,001 | 7,900 | 4,502 | +340.8% | 2,822 | +94.1% | (2,077) | -26.3% |
| RPK (million) | 15,392 | 3,184 | 7,863 | 19,119 | 12,208 | +383.4% | 7,529 | +95.8% | (3,727) | -19.5% |
| ASK (million) | 20,609 | 6,510 | 10,957 | 23,986 | 14,099 | +216.6% | 9,652 | +88.1% | (3,377) | -14.1% |
| *Load Factor* | 74.7% | 48.9% | 71.8% | 79.7% | +25.80p.p. | n.a. | +2.94p.p. | n.a. | -5.01p.p. | n.a. |
| *Block Hours* | 155,879 | 59,944 | 84,137 | 191,102 | 95,935 | +160.0% | 71,742 | +85.3% | (35,223) | -18.4% |
| Number of Departures | 48,834 | 18,684 | 27,096 | 64,870 | 30,150 | +161.4% | 21,738 | +80.2% | (16,036) | -24.7% |
| Average Stage Length (km) | 2,138 | 2,190 | 2,035 | 1,917 | (52) | -2.4% | 103 | +5.0% | 221 | +11.5% |

From March 2020 onwards as a result of the COVID-19 pandemic, the Group's activity was significantly affected by the containment measures adopted by national and international authorities, which were reflected in a sharp drop in demand and led the Group to reduce its operational capacity. In 2022 the activity of the Group and the industry is in a recovery phase, essentially due to the increase in vaccination rates against COVID-19 and the reduction in restrictions imposed on travel.

In the first-half of 2022, the number of passengers transported increased by 340.8%, capacity (measured in ASKs) increased by 216.6%, and demand for passenger traffic (expressed in RPKs) increased by 383.4%, resulting in an increase of load factor of 26 p.p., in comparison with the first half of 2021.

## 1.1.2 Impact on financial indicators

The evolution of the main financial indicators for the first half of 2022, compared to 2021, 2020 and 2019 is detailed as follows:

| Financial indicators | jun/22 | jun/21 | jun/20 | jun/19 | Variation vs jun/21 | | Variation vs jun/20 | | Variation vs jun/19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Value | % | Value | % | Value | % |
| **Income statement data** | | | | | | | | | | |
| Operating income | 1,321,192,004 | 383,142,239 | 646,092,306 | 1,448,855,442 | 938,049,765 | +244.8% | 675,099,698 | +104.5% | (127,663,438) | -8.8% |
| Ticket revenue | 1,152,692,733 | 240,284,579 | 545,443,436 | 1,275,122,771 | 912,408,154 | +379.7% | 607,249,297 | +111.3% | (122,430,038) | -9.6% |
| EBITDA * | 233,513,979 | (140,805,793) | (128,762,205) | 127,619,358 | 374,319,772 | n.a. | 362,276,184 | n.a. | 105,894,621 | n.a. |
| *EBITDA Margin* | *17.7%* | *-36.8%* | *-19.9%* | *8.8%* | +54.4p.p. | n.a. | +37.6p.p. | n.a. | +8.9p.p. | n.a. |
| Recurring EBITDA ** | 230,515,443 | (164,651,585) | (124,207,885) | 132,174,027 | 395,167,028 | n.a. | 354,723,328 | n.a. | 98,341,416 | n.a. |
| *Recurring EBITDA Margin* | *17.4%* | *-43.0%* | *-19.2%* | *9.1%* | +60.4p.p. | n.a. | +36.7p.p. | n.a. | +8.3p.p. | n.a. |
| Operational result (EBIT) | 4,393,138 | (377,356,067) | (427,550,161) | (84,963,610) | 381,749,205 | n.a. | 431,943,299 | n.a. | 89,356,748 | n.a. |
| *EBIT margin* | *0.3%* | *-98.5%* | *-66.2%* | *-5.9%* | +98.8p.p. | n.a. | +66.5p.p. | n.a. | +6.2p.p. | n.a. |
| **Cash flow statement data** | | | | | | | | | | |
| Cash flow from operating activity | 474,770,489 | (153,476,814) | 90,247,454 | 269,348,272 | 628,247,303 | -409.3% | 384,523,035 | +426.1% | 205,422,217 | +76.3% |
| Cash flow from investment activities | (92,403,179) | (10,240,162) | (48,635,196) | (73,715,558) | (82,163,017) | +802.4% | (43,767,983) | +90.0% | (18,687,621) | +25.4% |
| Cash flow from financing activities | (312,568,908) | 185,997,596 | (323,554,205) | (21,610,838) | (498,566,504) | -268.0% | 10,985,297 | -3.4% | (290,958,070) | +1346.4% |

| Financial position data | jun/22 | jun/21 | jun/20 | jun/19 | Variation vs dez/21 | | Variation vs dez/20 | | Variation vs dez/19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Value | % | Value | % | Value | % |
| Total assets | 5,208,303,343 | 4,718,062,437 | 4,957,101,564 | 5,152,800,895 | 490,240,906 | +10.4% | 251,201,779 | +5.1% | 55,502,448 | +1.1% |
| Total liabilities | 5,942,822,540 | 5,186,136,460 | 6,111,353,737 | 5,018,263,972 | 756,686,080 | +14.6% | (168,531,197) | -2.8% | 924,558,568 | +18.4% |
| Total equity | (734,519,197) | (468,074,023) | (1,154,252,173) | 134,536,923 | (266,445,174) | +56.9% | 419,732,976 | -36.4% | (869,056,120) | -646.0% |

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

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

Financial performance in the first half of 2022, when compared with the first half of 2021, increased in total operating income by 244.8% and in ticket revenues by 379.7%. EBITDA increased from -140.8 million Euros to 233.5 million Euros, and Operating Income (EBIT) went from EUR -377.3 million to EUR 4.4 million Euros.

Consequently, Recurring EBITDA (net of restructuring costs and non-recurring items) shows a positive variation of EUR 395.2 million, essentially explained by the improvement in the operational activity of the Group in the first semester of 2022 compared to first semester of 2021 following the positive evolution of the COVID-19 pandemic in 2022 compared to 2021 as well as the adaptation of the Group and society to the pandemic situation.

Regarding the variation presented in the consolidated cash flows statement, there is a positive variation of EUR 628.2 million in operating cash flows, resulting essentially from the increase in the Group's revenue compared to 2021. Investment cash flows recorded a negative variation of EUR 82.2 million as a result, among others, of pre-delivery payments and structural maintenance costs (Note 3). Regarding financing cash flows, there was a reduction of EUR 498.6 million, being these figures impacted by the capital increases carried out by the Portuguese State during the first semester of 2021 (see Introductory Note).

## 1.1.3 Impact on key estimates

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

It is the understanding of the Board of Directors that the best estimate, as of 30 June 2021, 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.

**Restructuring provision (Note 16)**

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

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

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

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

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

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

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

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

Consequently, as of 30 June 2022, and taking into account the best estimate of the Board of Directors regarding the conclusion of the negotiation processes in progress and the payments already made during 2021, the Group revised the provision for expenses to support with the restructuring, to be concluded in 2022, for the amount of approximately EUR 17.6 million, which refers to the estimate of processes to be concluded and future payments already agreed.

**Other Provisions (Note 16)**

The Group has recorded provisions for any eventual contingencies. The Board regularly evaluates the criteria used to measure such provisions.

Concerning the provision for redelivery costs, being that the date of such event and the value to be accounted for is intimately related with the effective usage of the equipment (chiefly aircraft) and its state of preservation on the delivery date, the Board of Directors has conducted a review of such provision taking into consideration the new information related with the deadlines and costs associated to the phase-out process under the Approved Restructuring Plan.

During the first half of 2022, the Board of Directors has increased the provision related with the costs of the equipment’s redelivery operated under lease agreements with no purchase option, roughly EUR 46 million, net of reversals.

As of 31 December 2021, the Group constituted a provision in the amount of EUR 140.3 million, corresponding to the estimate of additional charges that TAP S.A. would have to bear 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 the operations of its subsidiary TAP ME Brasil with the purpose to liquidate it. On the same date, and also taking into account the Approved Restructuring Plan, TAP S.A. assumed the responsibility of financing TAP SGPS to face the contingencies and liabilities that may result from the liquidation process, namely, those resulting from legal proceedings, restructuring and taxes. Therefore, considering the restructuring model of the TAP Group envisaged at this date, a provision is recorded accordingly.

TAP ME Brasil´s operations ceased in May 2022, and the company´s liquidation operations were initiated during the first half of 2022. On 30 June 2022, the Group updated this provision, considering payments made during the first half of 2022, the effect of the exchange rate update, as well as the new information available considered relevant for the purposes of valuing the respective provision, to the amount of EUR 109.1 million.

**Current asset impairment losses (Notes 8 and 9)**

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

As a result of the approval by the European Commission on 21 December 2021 of the Restructuring Plan and the shareholder change that took place in TAP S.A. in 2021, the Board of Directors identified the need to record impairment losses regarding certain balances. As of 30 June 2022 the Group had recorded accumulated impairment losses regarding: (i) the balance receivable from TAP SGPS, in the amount of EUR 937.9 million (EUR 884.7 million as of 31 December 2021); (ii) accounts receivable from SPdH in the amount of EUR 10.7 million (EUR 10.7 million as of 31 December 2021), given the insolvency situation in which it finds itself; (iii) other accounts receivable in the amount of EUR 76.2 million (EUR 76.8 million as of 31 December 2021) (Note 8); (iv) balances receivable from TAP ME Brasil in the amount of EUR 30.5 million (EUR 17.0 million in customers and EUR 13,5 million in other debtors) (EUR 25.8 million as of 31 December 2021) arising from the liquidation process in progress at the Brazilian subsidiary of TAP SGPS (Note 8); and (v) inventories amounting to EUR 23.8 million (EUR 26.4 million as of 31 December 2021) (Note 9), resulting from the reduction in rotation and the expectation of using some items used in the repair of its own and third-party fleet.

**Non-current asset impairment losses – Air fleet (Note 3)**

As of 30 June 2022, the total of non-current consolidated assets related with the air fleet, amount to EUR 2,894 million.

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

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

Consequently, and taking into account the Approved Restructuring Plan and the approval by the Board of Directors of the financial projections for the fiscal years 2022-2027 on 3 November 2021, comprising a group of assumptions related with medium and long term evolution of the air fleet, level of activity and operational performance, inserted into the present scenario due to the uncertainty factor associated with the future evolution of COVID-19 pandemic, and its impacts on the civil aviation activity, the same was the basis for the air transport tangible and intangible assets assessment made by the Board of Directors on 31 December 2021.

It is the understanding of the Group's Board of Directors that the best estimate, as of 31 December 2021, is reflected in the projections embedded in the impairment test carried out.

It should be voted that the positive evolution of the Group´s operations during the first semester of 2022 and the change in the conjuncture comparing with the assumption considered in the Approval did not generate relevant changes in the impairment assessment to non-current assets made by the Group with reference to 31 December 2021. Consequently, no impairment tests have been carried out on non-current assets related to the air fleet with reference to 30 June 2022, as there is no impairment as of that date.

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

**Deferred Taxes (Note 7)**

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

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

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

Based on the Approved Restructuring Plan, as of 30 June 2022, the Group has recorded deferred tax assets on reported tax losses for the years 2015 and 2021, corresponding to deferred taxes in the amount of EUR 135.7 million, for which there is a prospect of recovery of said amount, taking into account the deadline for deduction of the tax losses (2029 and 2033 for tax losses generated in 2015 and 2021, respectively) as well as the projections of future taxable profits generating taxable income in the period 2022 – 2025, as included in the Approved Restructuring Plan and in the projections of tax profits approved by the Board of Directors of TAP S.A. Group included in the sensitivity analysis presented to the European Commission in November 2021 for the period 2026 – 2027. For the remaining periods, linearization of taxable results was considered applying a haircut resulting from the respective time horizon, which ends in 2033. No deferred tax assets were recorded on the reportable tax loss generated in the first half of 2022 in the estimated amount of EUR 245.2 million, considering that as of this date there are no prospects of its recovery, based on the projections of future tax results.

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

**Unused flight tickets (Note 20)**

As of 30 June 2022 and 31 December 2021, the total value of unused tickets amounted to approximately EUR 1,064.1 million and EUR 643.6 million, respectively. The amount of unused tickets as of 30 June 2022 remains significantly impacted by the effects of the COVID-19 pandemic.

As a result of the reduction in activity after April 2020 and the cancellation of flights imposed on the aviation sector and the Group, the unused tickets as of 30 June 2022 and 31 December 2021, include significant amounts related to flights not carried out by those dates, while the Group remains responsible for providing the service in the future or for refunding the tickets under the contractual terms.

In this context, the Board of Directors has revised the policy for the use of unused tickets, specifically regarding the possibility of rebooking tickets at no additional cost and the reimbursement of tickets as vouchers of a higher value and extended validity periods, which together with the cancellation of flights due to the COVID-19 pandemic, resulted in an increase in liabilities recorded as of 30 June 2022.

The criteria used to estimate the valuation of unused flight tickets have been revised in accordance with the policy, including, but not limited to, differentiated estimates regarding the future use of refund vouchers and future use of tickets.

The estimated valuation of outstanding flight documents as of 30 June 2022, was based on the methodology defined above.

Any changes to the policy of use of pending flight documents and new relevant information may result in a change in the estimates made by the Board of Directors on the appreciation of this liability.

**Customer loyalty programme (Note 19)**

The performance obligations associated with the award of miles to members of the Miles & Go program are measured, based on historical information on the number of miles allocated and not used or expired at the end of each year, adjusted for the estimated miles to expire without use, and the “stand-alone price”, which is based on the equivalent average price of the ticket, considering the miles redemption history.

In 2020, in order to mitigate the impacts caused by the pandemic, TAP S.A. extended by 12 months the validity of the miles allocated to customers, to miles expiring between March and September 2020 and as a caution it did not change with reference to 30 June 2022 and December 2021, the “stand-alone price” calculated in 2019. If the redemption of miles, in the coming years, does not reach the pre-pandemic COVID-19 historical values and the commercial strategy does not involve the attribution of new validity extensions, the results of the Group may register a positive impact.

**1.1.4 Financial risks**

**Market risk**

Following the most severe shock in aviation history with the pandemic crisis of COVID-19, the industry is steadily recovering and is expected to continue this trajectory during and beyond 2022. The RPK are expected to gain momentum in 2022 as travel restrictions are lifted globally. Nevertheless, given all the uncertainty of the current macroeconomic environment and industry developments, global RPK are not expected to fully recover to 2019 levels before 2024, with the Cargo segment expected to keep contributing to the industry's recovery (Source: IATA - Global Outlook for Air Transport - June 2022).

After the slowdown in cases of COVID-19 and having it become endemic, TAP S.A. has been progressively increasing its activity by focusing on destinations that have reopened in the meantime and based on the Lisbon hub. During the first half of 2022 its main foreign markets, Brazil and USA, already represented nearly 39% of air transport revenues, compared to around 26% on the first half of 2021, when those markets were closed to non-residents.

Despite the significant recovery in activity compared to 2021, another event has imposed constraints on the aviation industry: Russia's invasion of Ukraine led to the closure of Ukrainian airspace, suppressing about 3.3% of total air passenger traffic in Europe, and 0.8% of total traffic worldwide, while traffic between Russia and the rest of Europe affected 5.7% of passenger traffic and 1.3% of total traffic worldwide, with reference to 2021 (Source: IATA - Global Outlook for Air Transport - June

2022). As a sanction for Russia's military action, about 40 countries, including EU countries, the UK and the US, have closed their airspace to Russian airlines. In its turn, Russia has banned airlines in most of these countries from entering or flying over Russia. Although the Group’s operations were not affected, other airlines saw their activity significantly restricted, with flights being rerouted or canceled. The most impacted markets are Europe – Asia and Asia – North America.

The war in Ukraine has triggered not only a costly humanitarian crisis, but also economic damage that will contribute to a significant slowdown in global growth in 2022 and rising inflation. Together representing nearly 3.7% of global GDP (Source: The World Bank), Russia and Ukraine are major exporters of energy, precious metals, grains and other commodities, and, therefore, the supply disruptions from these markets, along with all the associated geopolitical instability, have been contributing to higher inflation, putting pressure on operating costs and potentially higher airfares.

Additionally, in some markets, namely Europe, labor shortages and recent strikes at airports involving border control and other ground handling staff create short-term challenges for costs and operations, forcing airlines to reduce their summer season supply due to lack of airport capacity across Europe, which in turn could negatively impact demand.

**Fuel price risk**

Fuel is one of the main costs borne by the Group, with a 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 negative shifts in demand and significant changes in fuel prices, the Board of Directors revised the jet fuel hedging hiring policy.

During the first semester of 2022, the spot price of jet fuel registered a strong appreciation along with the recovery and reopening of the main global economies, but it was especially impacted by the war in Ukraine that triggered a significant increase of Brent and jet fuel prices. As a result, the jet fuel prices increased from a minimum of USD 702.70 per ton in January 2022 to a maximum of USD 1,447.25 per ton in June 2022. As a result of this price fluctuation and growth, as of 30 June 2022, there has been a rise of about 83% from the 31 December 2021 closing price and of 46% since the invasion of Ukraine.

The fair value of contracted jet fuel derivatives on 30 June 2022 had a positive position of EUR 45.1 million (Note 8), with no derivatives being overhedged as of that date.

Any relevant variations in the jet fuel price after 30 June 2022 could have a significant impact on the Company’s financial statements.

The group is also exposed to changes in the prices of $CO_2$ emission allowances, which are acquired each year to comply with European Union standards ("EU ETS") and, more recently, also with United Kingdom ("UK ETS"). During the first semester of 2022, the eligible licenses prices for "EU ETS" ranged between EUR 50.30 and EUR 96.93 per license, and the ones for "UK ETS" between GBP 66.44 and GBP 88.97 per license. In the long run, the environmental commitment of the industry concerning the carbon neutrality of its activity until 2050 – the first industry-wide commitment of its kind – represent another relevant challenge, since it demands a sustainable, inclusive and prosperous global economic model, certainly implying additional investment efforts and/or an increment of the operational costs. For that reason, until it is possible to observe real progression towards the Paris Agreement objectives, the climate changes and its multiple consequences will, very likely, have a strong influence in the potential growth rate of the global aviation industry.

**Exchange rate risk**

The Company acquires a significant part of its goods and services from third parties in USD, assuming several liabilities in USD with lease contracts (Note 17). On the other hand, the Group has some assets in foreign currency, namely accounts receivable from its revenues that are generated in currencies other than the Euro (essentially USD and BRL).

During the first half of 2022, the EUR depreciated 7.8% and 13.1% against the USD and BRL, respectively.

With the escalation of the war in Ukraine and its implications globally, but particularly in Europe, the recovery of the region's economies has been somehow challenged, largely due to the potential for energy shortages as a result of the disruption of gas and oil supplies from Russia. Such environment has placed strong limitations on the ECB's ability to raise interest rates as fast as the US Federal Reserve, despite record inflation, thus widening the rate differential and pushing the EUR to parity against the USD in the near term. Additionally, markets have shown some reluctance towards the EUR due to fragmentation risk at a time when the most economically vulnerable countries start to experience increasing risk premiums on their debt as financial conditions deteriorate.

After depreciating more than 40% in the last 5 years, during the first half of 2022, the BRL was one of the best performing currencies globally. A growth spiral in commodity prices and one of the highest interest rates in the world contributed to the strong appreciation of the BRL. Brazil's exposure to the Russian economy is limited, with the fertilizer imports limitations being the most significant impact of this war. Thus, Brazil's exports, current account and currency benefited from the rise in the prices of the main commodities, such as oil, sugar, soy and iron ore, pushing exports to record levels. On the other hand, with inflation continuing to rise, there was a gradual increase in the SELIC rate, which was set at 13.25% at the end of the first half of 2022, representing an increase of 400 basis points since the beginning of the year. With interest rates at this level, Brazil has become an attractive economy for the money markets by 2022. The BRL may, however, enter a period of some instability considering the outcome of the October elections, and the subsequent impact on Brazilian politics.

In the first half of 2022, net foreign exchange losses of EUR 198.2 million were recorded, of which EUR 72.9 million in the consolidated income statement (Note 31), including mainly the negative effects related to the impact of the appreciation of the USD on the recorded liabilities, namely future rentals.

**Interest rate risk**

The Company issued three fixed-rate bonds in years prior to 2022, and therefore a very significant part of its debt is not exposed to interest rate variations. Even so, and also with respect to variable interest rate debt, the risk has not been significantly materialized in recent years, given the prolonged period of negative interest rates, which has been observed in the Euro Zone, and interest rates also close to zero in the USA.

Recently, the unleashing of the geopolitical conflict in Ukraine culminated in a worsening of inflation rates – given the risk of an energy crisis, particularly in Europe – has put even more pressure on central banks to carry out contractionary monetary policies by raising interest rates – something that had already begun in late 2021, but which accelerated during the first half of 2022.

The future impacts of an increase in the global interest rates levels (EURIBOR or LIBOR) will be relevant to the Group, not only with respect to existing debt, but also, and essentially, with respect to amounts of debt to be raised in the future. Interest rates are also a cost-aggravating factor in leases – transactions where, as a rule, the level of long-term interest rates is reflected in the aircraft's rent.

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

**Liquidity risk and capital management**

The COVID-19 pandemic was responsible for the biggest crisis in the aviation industry history, which is reflected in the difficulties that its companies face to obtain liquidity, being the capital management of most of the sector’s companies highly dependent of state aids. TAP S.A. received its State Aid in 2020 and 2021, and the last tranche of the aid under the Restructuring Plan, of EUR 990 million, is expected to be received until de end of 2022.

Since the beginning of 2022 and with the activity rebound, the Group has maintained very comfortable levels of liquidity, which has continued to be carefully managed having in consideration the activity seasonality. As such, the Group ended the semester with a cash position of EUR 889.8 million.

### 1.1.5 Continuity of operations

The Board of Directors of the Group understands that the consolidated financial statements of TAP S.A. Group as of 30 June 2022 must be prepared using the principle of continuity, based on (i) the Approved Restructuring Plan (Introductory Note) which, taking into account the respective base scenario, foresees the gradual growth of the activity, combined with a strategy of fleet reduction, operational and investment costs, (ii) shareholder financial support from the Portuguese State to TAP S.A. already carried out (in the total amount of EUR 2,198 million) and to be carried out (EUR 990 million), included in the Approved Restructuring Plan (Introductory Note), with the fundamental purpose of ensuring the financial and economic sustainability, viability and continuity of the operations of TAP S.A. Group, as well as (iii) the ability to obtain external financial resources.

The Board of Directors considers that the degree of uncertainty resulting from the War in Ukraine does not allow the determination of possible impacts on the Group's activity in the next 12 months, considering that the main effects at the date of approval of the financial statements have been the increase in the price of jet fuel , for which the Group has been trading derivative financial instruments of price-fixing coverage of part of the fuel needed for its operation in the next 12 months, similar to the hedging derivatives it has been contracting in previous years (Note 1.1.4) and negative foreign exchange exposure resulting from the devaluation of the EUR against the USD (Note 1.1.4) . In addition, the Group is monitoring the impacts resulting from the development of the COVID-19 pandemic in the air transport sector, particularly in the scenario of a possible worsening, which is currently more unlikely considering behavior of the pandemic in recent months.
The Board of Directors considers that, considering the derivate instruments for jet fuel hedging and the financing and treasury management lines that the Group has contracted and available, this situation will not result in any circumstance that determines difficulties in the pursuit of its activities. It should be noted that the Group presents a cash balance of EUR 890 million as of 30 June 2022, arising from the approved State aid measures and from the operational cost flows generated during the first semester of 2022, having also been approved, within the scope of the Approved Restructuring Plan, an amount of EUR 990 million to be injected into the Group during the second semester of 2022.

Bearing in mind the aforementioned, the Board of Directors is convinced that the Group´s continuity of operations and liquidity are assured, based on the financing of the estimated treasury needs, as of this date, for a period of twelve months, regardless of the impact to be generated in the Group´s operational activity arising from the risks described above.

It should also be noted that the sustainability and financial and economic viability of the TAP S.A. Group in the medium term is dependent on compliance with the Approved Restructuring Plan until 2025, as well as the management of the risks of execution of the Restructuring Plan arising, among other factors, the evolution of the COVID-19 pandemic and the conflict in Eastern Europe in future operational activity. The Board of Directors is carefully and diligently monitoring the current situation of uncertainty associated whit these factors and will define/adjust its commercial strategy to the impacts arising from the current situation, if necessary.

Finally, it should be noted that any unfavorable future variations between the actual results and those estimated in the Approved Restructuring Plan may change the assessment of continuity of operations at each closing date of future years.

## 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 six-month period ended 30 June 2022 and were prepared in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS” – previously called International Accounting Standards – “IAS”) issued by the International Accounting Standards Board (“IASB”) and the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), effective on 1 January 2022. From now on, all of those standards and interpretations will be generically called ‘IFRS’.

The Board of Directors understands that these financial statements and the notes follow ensure an adequate presentation of the interim financial information prepared under of IAS 34 - Interim Financial Reporting, so they do not include all the information required for the annual financial statements, so they should be read in conjunction with the financial statements for the year ended 31 December 2021.

Consequently, part of the notes contained in the financial statements of the year ended 31 December 2021, either because they have not undergone significant change, or because not materially relevant to an understanding of these financial statements.

These condensed financial statements (hereinafter referred to as "financial statements" or "consolidated financial statements") have been prepared in accordance therewith accounting principles and policies, adopted by the Group in the preparation of the annual financial statements for the year ended 31 December 2021, including, essentially, an explanation of the relevant events and changes occurred during the current semester to understand the variations the Group's financial position and operating performance since the last date of the annual report.

Notwithstanding the above mentioned, it should be noted the designation of hedge accounting for tickets and lease liabilities denominated in foreign currency. As described in Note 3 to the December 2021 consolidated financial statements, the Group carries out significant amounts of ticket sales in foreign markets whose fare is determined based on the USD, while it holds responsibilities for the future payments of aircraft leases also denominated in USD.

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 which fare is determined in USD using as hedging instruments a part of the USD-denominated aircraft lease liabilities, in accordance with the amounts and dates of future cash flows from anticipated sales and lease liabilities.

At the time of sale, the value of tickets sold in foreign currency is recorded as a liability, as a non-monetary item, recorded in Euros using the exchange rate on the date of sale, and without currency adjustments.

Up to the time of sale of the tickets which fare was determined in USD, corresponding to the covered items, the exchange rate variations of the amounts of the lease liabilities designated as hedging instruments are recorded in other comprehensive income for the period to which they relate.

On the transaction date of the hedged items, the value accumulated in equity related to the exchange rate variations of the hedging instruments is derecognised against an adjustment to the value of the liability recorded in documents pending flight. The adjusted liability is transferred to income for the year in accordance with the Group's revenue recognition policy.

The ineffective part of the hedge is recorded in exchange differences net at the time it occurs.

This hedge designation gave rise to the recognition of a negative reserve in other comprehensive income in the gross amount of EUR 125.3 million.

The attached consolidated financial statements were prepared under the assumption of continuity of operations (Note 1.1.5), from the Group's accounting books and records, and based on historical cost, except for derivative financial instruments and investment properties, which are recorded at fair value.

In preparing the financial statements, in accordance with IFRS, the Board of Directors resorted to the use of critical estimates, assumptions and judgments with an impact on the value of assets and liabilities and on the recognition of income and expenses for each reporting period. Although these estimates are based on the best information available at the date of preparation of the financial statements, current and future results may differ from these estimates. The main assertions that involve a greater level of judgment or complexity, or the most significant assumptions and estimates for the preparation of these financial statements, are disclosed in the Note 2.3.

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

**New standards, changes to standards and interpretations as mandated**

The new standards, interpretations, and changes to existing standards identified below, which became effective on 1 January 2022, are as follows:

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

| | | |
|---|---|---|
| **2. Standards (new and amended) that become effective on or after 1 January 2022, already endorsed by the EU** | | |
| • IAS 1 – Disclosure of accounting policies | Requirement to disclose material accounting policies rather than significant accounting policies | 1 January 2023 |
| • IAS 8 – Disclosure of accounting estimates | Definition of accounting estimate. Clarification on the distinction between changes in accounting policies and changes in accounting estimates | 1 January 2023 |
| • IFRS 17 – Insurance contracts | New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features | 1 January 2023 |

| | | |
|---|---|---|
| • IFRS 17 – Insurance contracts (amendments) | Inclusion of amendments to IFRS 17 in areas such as: i) scope of application; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and un-recognition; vi) the presentation of the Statement of Financial Position; vii) recognition and measurement of financial statements; and viii) disclosures | 1 January 2023 |

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

The new and changed standards referred to above in point 1, which became effective on 1 January 2022, did not impact the financial statements of the Group for the first semester of 2022. It is not estimated that the new and changed 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 as of 31 December 2021 and 30 June 2022, presented for comparative purposes, are fully comparable.

## 2.3. 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 7)**

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 15)**

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 15. The Group's policy is to periodically review the main demographic and financial assumptions.

- ✈ **Recognition of provisions and impairments (Notes 1.1.3, 8, 9, and 16)**

The Group has several 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 8) are calculated based on the estimated credit risk for each customer profile and their financial situation.

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

✈ **Customer loyalty programme (Notes 1.1.3 and 19)**

The Group recognises a contractual obligation under the TAP Miles&Go customer loyalty programme based on the per-mile value, considering the *stand-alone price*. Changes in the assumptions used by the Group in the calculation of 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 4,342 thousand and changing the stand-alone price by 10% would result in an impact on results of EUR 3.220 thousand.

✈ **Unused flight documents (Notes 1.1.3 and 20)**

The Group periodically analyses the balance of the “Unused flight documents” item in order to correct the amounts of tickets sold for which coupons are no longer valid. The estimated amount of such coupons, which may not be exchanged or refunded, requires judgement by the Board of Directors. As such, changes in the assumptions used by the Group in the calculation of this estimate may have a significant impact on the consolidated financial statements.

Considering the impact of the COVID-19 pandemic, the Board of Directors has reviewed the policy on the use of unused flight documents, in particular as regards the possibility of rebooking tickets at no additional cost and reimbursing passengers with *vouchers* with mark-up and extended validity periods. As such, as a precaution, the percentage of revenue recognized associated with the history of tickets issued and not used was reduced on 30 June 2022 and 31 December 2021 compared to 31 December 2019 (Note 1.1.3).

If that percentage had been recognized in 2022, the Group’s results would have had a positive impact of around EUR 61.4 million.

✈ **Useful life and residual value of tangible fixed assets (Note 3)**

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 taking into account practices adopted by industry companies at international level.

✈ **Lease liabilities with and without purchase option (Notes 3 and 17)**

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 uses 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 1.1.3, 4 and 16)**

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

✈ **Recoverability of tangible and intangible fixed assets (Notes 1.1.3 and 3)**

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

The Group will review on an annual basis the assumptions underlying the judgement of whether there has been an impairment. The assumptions used have been reviewed in the light of the macroeconomic environment, the indicators in the sector and the strategic assumptions of the Approved Restructuring Plan.

As mentioned in note 1.1.3, the evolution of the Group's operations during the first half of 2022 and the modification of the current situation in relation to the assumptions considered in the Approved Restructuring Plan did not generate relevant changes in the impairment assessment of non-current assets carried out by the Group with reference to 31 December 2021. Consequently, no impairment tests were performed on non-current assets related to the air fleet with reference to 30 June 2022, as there are no indications of impairment as of that date.

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

✈ **Restructuring provision (Notes 1.1.3 and 16)**

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

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

✈ **Exchange rate hedging**

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 which fate is determined in USD, using as hedging instruments a portion of aircraft lease liabilities denominated in USD, in accordance with the amounts and dates of future cash flows from forecast sales and lease liabilities.

The determination of the estimate of highly probable sales, was based on the Approved Restructuring Plan.

## 3 Tangible fixed assets

During the six-month period ended 30 June 2022 and the fiscal year ended 31 December 2021, the movement under the item Property, plant and equipment, as well as the respective accumulated depreciations and impairment losses, was as follows:

| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Tools and utensils | Administrative equipment | Other tangible fixed assets | Other assets in progress | Advances to suppliers of tangible assets | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Acquisition Cost** | | | | | | | | | | | |
| **1 January 2021** | **41,125,597** | **157,071,512** | **1,343,303,282** | **2,254,240** | **30,020,806** | **52,810,126** | **12,892,438** | **22,143,192** | **61,643,461** | **2,976,707,505** | **4,699,972,159** |
| Acquisitions | - | 297,441 | 134,325,415 | 42,331 | 640,009 | 232,638 | 326,938 | 2,931,175 | 45,007,563 | 214,526,311 | 398,329,821 |
| Disposals | - | - | (289,924,589) | (66,250) | (563,517) | (215,005) | (211,729) | - | - | - | (290,981,090) |
| Regularisation, transfer and write-off | - | 2,571,257 | (8,790,432) | (16,316) | (70,266) | (132,939) | (25,369) | (5,655,242) | (1,074) | 122,806,281 | 110,685,900 |
| **31 December 2021** | **41,125,597** | **159,940,210** | **1,178,913,676** | **2,214,005** | **30,027,032** | **52,694,820** | **12,982,278** | **19,419,125** | **106,649,950** | **3,314,040,097** | **4,918,006,790** |
| Acquisitions | - | 112,071 | 151,411,465 | - | 505,312 | 250,016 | 40,564 | 3,501,692 | 28,772,633 | 112,003,019 | 296,596,772 |
| Disposals | - | - | (123,597) | (68,799) | (3,382) | (5,053) | - | - | - | - | (200,831) |
| Regularisation, transfer and write-off | - | - | 582,752 | (26,076) | (394) | (33,568) | - | (3,476,152) | 2,905,835 | (24,409,714) | (24,457,317) |
| **30 June 2022** | **41,125,597** | **160,052,281** | **1,330,784,296** | **2,119,130** | **30,528,568** | **52,906,215** | **13,022,842** | **19,444,665** | **138,328,418** | **3,401,633,402** | **5,189,945,414** |
| | | | | | | | | | | | |
| **Accumulated deprec. and impairment losses** | | | | | | | | | | | |
| **1 January 2021** | **-** | **89,720,277** | **733,470,139** | **2,172,889** | **18,244,882** | **50,179,594** | **11,498,492** | **-** | **-** | **850,427,299** | **1,755,713,572** |
| Depreciations (Note 30) | - | 5,610,824 | 58,290,362 | 64,074 | 803,052 | 728,589 | 264,293 | - | - | 401,666,532 | 467,427,726 |
| Impairment losses (Note 30) | - | - | 5,686,331 | - | 1,623,663 | - | - | - | 3,271,940 | - | 10,581,934 |
| Disposals | - | - | (255,433,287) | (64,507) | (501,464) | (71,034) | (28,732) | - | - | - | (256,099,024) |
| Regularisation, transfer and write-off | - | - | (11,175,808) | (16,316) | (61,934) | (134,103) | (25,367) | - | (3,271,940) | - | (14,685,468) |
| **31 December 2021** | **-** | **95,331,101** | **530,837,737** | **2,156,140** | **20,108,199** | **50,703,046** | **11,708,686** | **-** | **-** | **1,252,093,831** | **1,962,938,740** |
| Depreciations (Note 30) | - | 2,888,335 | 28,995,770 | 8,521 | 400,554 | 376,119 | 117,040 | - | - | 190,606,223 | 223,392,562 |
| Impairment losses (Note 30) | - | - | 173,309 | - | 184,423 | - | - | - | - | - | 357,732 |
| Disposals | - | - | (104,685) | (68,799) | (950) | (4,206) | - | - | - | - | (178,640) |
| Regularisation, transfer and write-off | - | - | (1,436,078) | (26,076) | (394) | (33,568) | - | - | - | - | (1,496,116) |
| **30 June 2022** | **-** | **98,219,436** | **558,466,053** | **2,069,786** | **20,691,832** | **51,041,391** | **11,825,726** | **-** | **-** | **1,442,700,054** | **2,185,014,278** |
| | | | | | | | | | | | |
| **Carrying amount as at 31 December 2021** | **41,125,597** | **64,609,109** | **648,075,939** | **57,865** | **9,918,833** | **1,991,774** | **1,273,592** | **19,419,125** | **106,649,950** | **2,061,946,266** | **2,955,068,050** |
| **Carrying amount as at 30 June 2022** | **41,125,597** | **61,832,845** | **772,318,243** | **49,344** | **9,836,736** | **1,864,824** | **1,197,116** | **19,444,665** | **138,328,418** | **1,958,933,348** | **3,004,931,136** |

As of 30 June 2022 and 31 December 2021, the “Right of use” item had the following composition:

| | Buildings and other constructions | Aircraft and engine leases | ACMI | Redelivery and Maintenance | Transport equipment | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **1 January 2021** | **1,832,381** | **2,221,869,734** | **415,625,688** | **336,604,346** | **775,356** | **2,976,707,505** |
| Acquisitions | - | 85,812,604 | - | 128,713,707 | - | 214,526,311 |
| Regularisation, transfer and write-off | - | 3,623,020 | 136,997,556 | (17,814,295) | - | 122,806,281 |
| **31 December 2021** | **1,832,381** | **2,311,305,358** | **552,623,244** | **447,503,758** | **775,356** | **3,314,040,097** |
| Acquisitions | - | - | 25,787,067 | 86,215,952 | - | 112,003,019 |
| Regularisation, transfer and write-off | - | 4,672,064 | - | (29,081,778) | - | (24,409,714) |
| **30 June 2022** | **1,832,381** | **2,315,977,422** | **578,410,311** | **504,637,932** | **775,356** | **3,401,633,402** |
| **Accumulated depreciations** | | | | | | |
| **1 January 2021** | **1,424,510** | **405,011,517** | **265,528,423** | **177,930,058** | **532,791** | **850,427,299** |
| Depreciations (Note 30) | 407,871 | 213,446,051 | 95,952,226 | 91,663,364 | 197,020 | 401,666,532 |
| **31 December 2021** | **1,832,381** | **618,457,568** | **361,480,649** | **269,593,422** | **729,811** | **1,252,093,831** |
| Depreciations (Note 30) | - | 103,022,585 | 52,829,277 | 34,728,336 | 26,025 | 190,606,223 |
| **30 June 2022** | **1,832,381** | **721,480,153** | **414,309,926** | **304,321,758** | **755,836** | **1,442,700,054** |
| **Carrying amount as at 31 December 2021** | **-** | **1,692,847,790** | **191,142,595** | **177,910,336** | **45,545** | **2,061,946,266** |
| **Carrying amount as at 30 June 2022** | **-** | **1,594,497,269** | **164,100,385** | **200,316,174** | **19,520** | **1,958,933,348** |

Land and buildings and other constructions of the headquarters were transferred to the Group’s property under Decree-Law 351/89 of October 13.

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 30 June 2022, the amount of the loan agreement was approximately EUR 87.7 million.

The main movements during the first half of 2022 are detailed as follows:

- ✈ The additions of basic equipment in the amount of EUR 151,411 thousand refer mainly to: (i) acquisition of two aircraft in the amount of approximately EUR 130,085 thousand, (ii) acquisition of a Leap engine in the amount of approximately EUR 15,462 thousand and (iii) capitalization of aircraft structural maintenance expenses in the amount of EUR 3,763 thousand.

- ✈ The additions recorded in the caption “Right of use”, essentially include: (i) two new lease contracts without a purchase option (one aircraft and one reactor) in the amount of EUR 25,787 thousand; (ii) increase in expenses with major maintenance capitalized in the amount of EUR 38,831 thousand and (iii) increase in the provision for redelivery and the capitalization of expenses with non-recoverable maintenance reserves in the amount of EUR 47,385 thousand.

- ✈ In addition, settlements, transfers and write-offs under the “Right of Use” item essentially include: (i) the increase resulting from renegotiations of contracts with lessors amounting to approximately EUR 4,672 thousand and (ii) resulting from the revision of the redelivery provision and capitalization of expenses related to non-recoverable maintenance reserves, a reduction of EUR 29,082 thousand.

- ✈ Additions of other assets in progress amounting to EUR 3,502 thousand essentially relate to expenditures with large-scale maintenance in progress in the amount of EUR 3,484 thousand,

- ✈ Additions of advances amounting to EUR 28,773 thousand essentially refer to pre-delivery payments.

The main movements during the financial year ending 31 December 2021, are detailed as follows:

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

- ✈ The sale of basic equipment with a net value of EUR 34,491 thousand, essentially refers to the sale of eight aircraft (six A319 and two A320), which generated a gain in the amount of EUR 11,477 thousand and the sale of aircraft assistance equipment purchased a few months earlier which generated a gain of EUR 794 thousand (Note 23).

- ✈ The additions recorded in the caption "Right of use", which essentially include: (i) six new lease contracts without a purchase option (3 aircraft contracts and 3 reactor contracts) in the amount of EUR 77,115 thousand; (ii) increase in expenses with major maintenance capitalized in the amount of EUR 52,942 thousand, (iii) increase in the provision for redelivery and the capitalization of expenses with non-recoverable maintenance reserves in the amount of EUR 75,772 thousand.

- ✈ In addition, settlements, transfers and write-offs under the Right of Use item essentially include: (i) increase resulting from renegotiations of contracts with lessors amounting to approximately EUR 141,524 thousand and (ii) resulting from the revision of the redelivery provision, a reduction of EUR 17,814 thousand.

- ✈ Additions of other assets in progress amounting to EUR 2,931 thousand essentially relate to a spending on large-scale maintenance in progress in the amount of EUR 2,780 thousand.

- ✈ Additions of advances amounting to EUR 45,008 thousand essentially refer to pre-delivery payments

- ✈ Impairment losses recorded include the amount of EUR 6,016 thousand for obsolete spares and tools.

Depreciation of property, plant and equipment is recognised in full under the item "Depreciations, amortisations and impairment losses" in the income statement (Note 30).

As of 30 June 2022 and 31 December 2021, the “Basic equipment” (own assets) item had the following composition:

| | Jun 2022 | | | Dec 2021 | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Accumulated depreciation and impairment | Carrying amount | Acquisition cost | Accumulated depreciation and impairment | Carrying amount |
| Flight equipment | | | | | | |
| Aircraft | 88,649,915 | (52,069,470) | 36,580,445 | 88,158,127 | (48,650,858) | 39,507,269 |
| Reserve engines | 2,969,113 | (2,341,489) | 627,624 | 2,969,113 | (2,319,949) | 649,164 |
| Spare parts | 103,516,192 | (68,662,530) | 34,853,662 | 104,330,465 | (68,628,122) | 35,702,343 |
| | 195,135,220 | (123,073,489) | 72,061,731 | 195,457,705 | (119,598,929) | 75,858,776 |
| Flight equipment under | | | | | | |
| Leases with purcahse option | | | | | | |
| Aircraft | 920,398,626 | (343,306,685) | 577,091,941 | 783,983,286 | (322,947,180) | 461,036,106 |
| Reserve engines | 124,522,070 | (19,955,245) | 104,566,825 | 109,059,662 | (17,194,713) | 91,864,949 |
| | 1,044,920,696 | (363,261,930) | 681,658,766 | 893,042,948 | (340,141,893) | 552,901,055 |
| Machinery and equipment | 90,728,380 | (72,130,634) | 18,597,746 | 90,413,023 | (71,096,915) | 19,316,108 |
| | **1,330,784,296** | **(558,466,053)** | **772,318,243** | **1,178,913,676** | **(530,837,737)** | **648,075,939** |

As of 30 June 2022 and 31 December 2021, the Group’s aircraft fleet is broken down as follows:

| | Jun 2022 | | | | | Dec 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Owned by TAP Group** | **Lease with purchase option** | **Lease without purchase option** | **ACMI** | **Total** | **Owned by TAP Group** | **Lease with purchase option** | **Lease without purchase option** | **ACMI** | **Total** |
| Airbus A330 | - | - | 3 | - | **3** | - | - | 3 | - | **3** |
| Airbus A330 NEO | - | 3 | 16 | - | **19** | - | 3 | 16 | - | **19** |
| Airbus A319 | - | 3 | 2 | - | **5** | - | 3 | 4 | - | **7** |
| Airbus A320 | - | 3 | 12 | - | **15** | - | 3 | 12 | - | **15** |
| Airbus A320 NEO | - | - | 11 | - | **11** | - | - | 11 | - | **11** |
| Airbus A321 | - | 2 | 1 | - | **3** | - | 2 | 1 | - | **3** |
| Airbus A321 NEO | - | - | 10 | - | **10** | - | - | 10 | - | **10** |
| Airbus A321 NEO LR | - | 4 | 6 | - | **10** | - | 2 | 6 | - | **8** |
| Embraer 190 | - | - | - | 10 | **10** | - | - | - | 9 | **9** |
| Embraer 195 | - | - | - | 4 | **4** | - | - | - | 4 | **4** |
| ATR 72 | - | - | - | 8 | **8** | - | - | - | 8 | **8** |
| | **-** | **15** | **61** | **22** | **98** | **-** | **13** | **63** | **21** | **97** |

TAP S.A. Group ended the first half of 2022 with a fleet of 98 aircraft, a net increase of 1 aircraft compared to the end of 2021, in which the Group had a fleet of 97 aircraft.

In the first half of 2022, two new generation Airbus aircraft (2 A321 Neo LR) and one E190 aircraft entered operation, leaving the fleet two A319.

Consequently, of the fleet of 98 aircraft, 94 were available for commercial passenger operation, 2 were allocated exclusively to the cargo operation and 2 ATR 72 were in the process of phase-out. As of 30 June 2022, 66% of the medium and long-haul operating fleet consisted of NEO family aircraft (compared to 63% as of 31 December 2021).

## 4 Investment properties

As of 30 June 2022 and 31 December 2021, entries recorded in investment properties were as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| **Opening Value** | **1,615,899** | **1,543,825** |
| Fair value adjustments (Notes 23 and 27) | 56,607 | 72,074 |
| **Closing Balance** | **1,672,506** | **1,615,899** |

During the first half of 2022, a net gain of EUR 56,607 was recorded regarding the update of the fair value of the properties owned in Mozambique and in Portela.

## 5 Intangible assets

As of 30 June 2022 and 31 December 2021, “Intangible assets” roll-forward was as follows:

| | Industrial property and other rights | Computer programmes | Assets in progress | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance as of 1 January 2021** | **11,951,704** | **51,844,645** | **3,197,316** | **66,993,665** |
| Acquisitions | - | 7,706,964 | 2,592,312 | **10,299,276** |
| Regularization, transfer and write-off | - | 1,683,875 | (1,683,875) | **-** |
| **Balance as of 31 December 2021** | **11,951,704** | **61,235,484** | **4,105,753** | **77,292,941** |
| Acquisitions | - | 3,922,889 | 2,714,650 | **6,637,539** |
| Regularization, transfer and write-off | - | - | - | **-** |
| **Balance as of 30 june 2022** | **11,951,704** | **65,158,373** | **6,820,403** | **83,930,480** |
| **Accumulated amort. and impairment losses** | | | | |
| **Balance as of 1 January 2021** | **(11,951,704)** | **(30,169,897)** | **-** | **(42,121,601)** |
| Amortisations and impairment losses (Note 30) | - | (11,695,551) | - | (11,695,551) |
| **Balance as of 31 December 2021** | **(11,951,704)** | **(41,865,448)** | **-** | **(53,817,152)** |
| Amortisations and impairment losses (Note 30) | - | (5,370,547) | - | (5,370,547) |
| **Balance as of 30 june 2022** | **(11,951,704)** | **(47,235,994)** | **-** | **(59,187,698)** |
| **Carrying amount as of 31 December 2021** | **-** | **19,370,036** | **4,105,753** | **23,475,789** |
| **Carrying amount as of 30 June 2022** | **-** | **17,922,379** | **6,820,403** | **24,742,782** |

The main movements during the financial first half of 2022 are as follows:

- ✈ The increase in the caption Computer programs in the amount of EUR 3,923 thousand essentially refers to software licensing contracts;

- ✈ The increase in the item Assets in progress in the amount of EUR 2,715 thousand refers to several development and implementation projects in progress, concerning support software in the areas of operations, sales and maintenance.

## 6 Other financial assets

As of 30 June 2022 and 31 December 2021, the other financial assets item had the following composition:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Bank deposits in Guinea Bissau | - | 1,828,612 | - | 1,738,465 |
| SITA Group Foundation | - | 455,915 | - | 455,915 |
| Other | - | 47,368 | - | 47,368 |
| | **-** | **2,331,895** | **-** | **2,241,748** |
| Impairment losses | - | (1,843,170) | - | (1,753,023) |
| | **-** | **488,725** | **-** | **488,725** |

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

The movements under this caption, during the first half of 2022, and the year ended 31 December 2021, were as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| **As at January 1** | - | 488,725 | - | 488,730 |
| Increases | - | - | - | - |
| Decreases | - | - | - | (5) |
| **As at December 31** | **-** | **488,725** | **-** | **488,725** |

## 7 Deferred tax assets and liabilities

As of 30 June 2022 and 31 December 2021, the tax rate used in Portugal to calculate deferred tax assets relating to reportable tax losses was 21%. For the remaining temporary differences, the rate used was between 21% and 29.5%, depending on the estimated year of realization. In addition, deferred tax assets were not recorded regarding: (i) the estimated tax loss amounting to EUR 245.2 million concerning the first half of 2022; (ii) part of the impairment on the account receivable from TAP SGPS in the amount of EUR 937.9 million for which a deferred tax amounting to EUR 177.6 million was recognized; (iii) the provision to face the corporate reorganization of the subsidiaries of the TAP SGPS Group in the amount of EUR 109.1 million (Note 16); and (iv) the provision for restructuring initially recorded in 2020 and not yet used in 2022, in the amount of EUR 17.6 million (Note 16) as it is considered that deferred tax assets are only recoverable up to the net limit of deferred tax liabilities, considering the projections of future tax results.

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

The main temporary differences between accounting and taxable amounts as of 30 June 2022 and 31 December 2021, the corresponding deferred tax assets and liabilities and the respective effect on the results for the six-month period ended 30 June 2022 and the fiscal year ended 31 December 2021, are as follows:

| | Jun 2022 | | | |
|---|---|---|---|---|
| | Opening balance | Effect in results (Note 32) | Effect in other comprehensive income | Closing balance |
| **Deferred tax assets** | | | | |
| Tax losses carried forward | 134,137,162 | 1,523,981 | - | 135,661,143 |
| Post-employment benefits obligations | 27,365,034 | (1,013,340) | (10,337,861) | 16,013,833 |
| Impairment losses in inventories | 7,784,490 | (751,151) | - | 7,033,339 |
| Impairment losses of receivables | 186,612,370 | 1,422,003 | 3,694,951 | 191,729,324 |
| Tax benefits | 1,150,497 | - | - | 1,150,497 |
| Other provisions and adjustments not accepted for tax purposes | 4,698,737 | (2,321,789) | - | 2,376,948 |
| Impairment losses in fixed assets | 1,774,848 | (48,524) | - | 1,726,324 |
| Derivative financial instruments | - | - | - | - |
| Adjustments from IFRS 16 | - | 1,104,704 | - | 1,104,704 |
| | **363,523,138** | **(84,116)** | **(6,642,910)** | **356,796,112** |
| **Deferred tax liabilities** | | | | |
| Revaluation of tangible fixed assets | 15,604,548 | (702,179) | - | 14,902,369 |
| Derivative financial instruments | 48,940 | - | 9,419,086 | 9,468,026 |
| Adjustments from IFRS 9 and 16 | 18,369,285 | 19,368,261 | (36,958,032) | 779,514 |
| | **34,022,773** | **18,666,082** | **(27,538,946)** | **25,149,909** |
| | **329,500,365** | **(18,750,198)** | **20,896,036** | **331,646,203** |

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

## ✈ Reportable tax losses

According to the legislation in force in Portugal, tax losses generated in 2014 and 2015 are reportable for a period of twelve years, and tax losses generated after 2017 are reportable for a period of five years, after their occurrence, and susceptible to deduction from taxable income generated during that period, up to a limit of 70% of the taxable income. During the first half of 2020 was published in the economic and social stabilization program a two-year increase in the expiry date for periods before 2020, and a twelve-year period for expiry of losses generated in 2020 and 2021. Additionally, the deduction percentage for tax losses generated during 2020 and 2021 changed to 80% of the taxable income.

The Group considers that the reportable tax losses generated in 2015 and 2021 are recoverable, through their use to reduce future taxable income (calculated on the basis of the individual financial statements of TAP S.A., prepared in accordance with the Portuguese SNC) considering the projections of future taxable income until 2033, based on the projections of future taxable income to generate taxable income in the period 2022 – 2025, as included in the Approved Restructuring Plan and on the taxable income projections approved by the Board of Directors of the TAP Group in the sensitivity analysis presented to the European Commission in November 2021 for the period 2026 – 2027. For the remaining periods, the fiscal results were linearized by applying a haircut arising from the respective temporal horizon, which ends in 2023.

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

The change in the shareholder structure of TAP S.A. in May 2021 (Note 13), determined the exit of TAP S.A. from the Special Taxation Regime for Groups of Companies ("RETGS") of TAP SGPS. As a result, the tax losses calculated in 2018, 2019 and 2020 are no longer subject to deduction in the sphere of TAP S.A., having been derecognized deferred tax assets for tax losses for the years 2018 and 2019 in the amount of EUR 56.6 million. Additionally, deferred taxes were recognized for tax losses related to the first half of 2022, in the amount of EUR 1.5 million. Deferred tax assets were not recognized on the estimated reportable tax loss for the first half of 2022.

The detail of tax losses as of 30 June 2022, is as follows:

| | **Without securitization** | **Securitized** | **Total** | **Deadline for deduction *** |
|---|---|---|---|---|
| 2014 | - | 31,071,827 | 31,071,827 | 2028 |
| 2015 | 96,780,011 | 67,927,000 | 164,707,011 | 2029 |
| 2021 | 549,225,430 | - | 549,225,430 | 2033 |
| 2022 (estimation) | 245,158,993 | - | 245,158,993 | 2027 |
| | **891,164,434** | **98,998,827** | **990,163,261** | |

*According to the economic and social stabilisation programme.

## 8 Other accounts receivable

As of 30 June 2022 and 31 December 2021, the detail of the other receivables item is as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Customers | 495,644,195 | - | 275,737,564 | - |
| Security deposits of lease contracts | 8,051,090 | 33,802,269 | 7,942,181 | 48,654,070 |
| Recoverable maintenance reserves | 35,521,074 | 64,005,686 | - | 62,315,215 |
| Advances to suppliers | 24,490,294 | - | 15,234,138 | - |
| Accrued income | 86,754,889 | - | 13,889,002 | - |
| Other debtors | 1,116,079,550 | 2,200,046 | 1,032,803,970 | 3,029,579 |
| | **1,766,541,092** | **100,008,001** | **1,345,606,855** | **113,998,864** |
| Receivables impairment losses | (1,055,279,121) | (1,921,388) | (997,925,263) | (1,921,388) |
| | **711,261,971** | **98,086,613** | **347,681,592** | **112,077,476** |

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

### ✈ Customers

As of 30 June 2022 and 31 December 2021, customer line is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Private entities | 304,347,736 | 148,734,668 |
| Related parties (Note 36) | 17,053,407 | 17,055,898 |
| Travel agency | 61,358,069 | 25,466,540 |
| Airline companies | 20,443,390 | 19,129,075 |
| Other | 32,101,910 | 4,832,576 |
| Doubtful customers | 60,339,683 | 60,518,807 |
| | **495,644,195** | **275,737,564** |
| Impairment | (89,458,994) | (88,937,364) |
| | **406,185,201** | **186,800,200** |

As of 30 June 2022 and 31 December 2021, the credit card entity Elavon made a retention of approximately USD 60 million (EUR 58 million and EUR 53 million, respectively).

The change in this item essentially consists of the effect of the partial resumption of the activity in 2022.

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 made under lease contracts without purchase options for aircraft and engines which will be returned, without interest, as such aircraft and engines are returned to the lessors. In addition, on 30 June 2022, the deferred costs item includes an amount of EUR 20.9 million related to the financial discount cost of these receivables, to be recognised in the period term of the related lease contracts (Note 11).

### ✈ 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.

As of 30 June 2022, the Recoverable maintenance reserves item, includes the amount of EUR 13.7 million (EUR 8.0 million as at December 2021) to be received from Portugália (Note 36).

### ✈ Advances to suppliers

As of 30 June 2022 and 31 December 2021, the "Advances to suppliers" item is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Related parties (Note 36) | 597,655 | 516,432 |
| Others | 23,892,639 | 14,717,706 |
| | **24,490,294** | **15,234,138** |

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

### ✈ Accrued income

As of 30 June 2022 and 31 December 2021, "Accrued income" item is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Work for aviation companies | 10,593,623 | 10,070,865 |
| Related parties (Note 36) | 1,633,353 | 1,899,181 |
| Airport facilities - incentives | 374,924 | 201,067 |
| Jet fuel swaps fair value (Note 21) | 45,085,837 | 233,046 |
| Other | 29,067,152 | 1,484,843 |
| | **86,754,889** | **13,889,002** |

As of 30 June 2022, the caption "Other" includes an amount of EUR 24.3 million, which results from the hedging of the price of fuel consumed in June 2022.

## ✈ Other debtors

As of 30 June 2022 and 31 December 2021, the other debtors is detailed as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | **Current** | **Non-current** | **Current** | **Non-current** |
| Related parties (Note 36) | 1,004,730,792 | - | 948,181,025 | - |
| Deposits and guarantees | 56,999,117 | - | 21,512,320 | - |
| Interline and other invoicing | 15,278,139 | - | 18,978,784 | - |
| Doubtful accounts | 4,273,295 | - | 4,285,131 | - |
| Employees | 14,265,299 | - | 14,531,539 | - |
| Advances related to lease contracts | - | - | 6,309,157 | - |
| Representations VAT | 3,520,549 | - | 3,322,126 | - |
| Other | 17,012,359 | 2,200,046 | 15,683,888 | 3,029,579 |
| | **1,116,079,550** | **2,200,046** | **1,032,803,970** | **3,029,579** |
| Impairment | (965,820,127) | (1,921,388) | (908,987,899) | (1,921,388) |
| | **150,259,423** | **278,658** | **123,816,071** | **1,108,191** |

As of 30 June 2022 and 31 December 2021, the caption of other debtors (Related parties) includes an amount of EUR 973.5 million receivable from TAP SGPS, which results from its management of financial holdings in TAP ME Brasil, SPdH and Portugália.

The increase in the amounts of deposits and guarantees compared to 30 December 2021 is mainly due to collateral paid by TAP Group related to fuel derivates in the amount of EUR 29 million.

## ✈ Impairment losses on current receivables

The movement that occurred under the impairment losses on receivables item on 30 June 2022 and 31 December 2021 is as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Clients | Others | Clients | Others |
| **Opening balance** | 88,937,364 | 908,987,899 | 80,535,448 | 10,845,462 |
| Increases (Note 26 and 29) | 1,343,012 | 28,715,456 | 9,781,832 | 898,287,753 |
| Reversals (Note 26) | (95,872) | (192,064) | (454,914) | (56,263) |
| Transfers provisions (Note 16) | - | 28,128,609 | - | - |
| Utilisation | (725,510) | 180,227 | (925,002) | (89,053) |
| **Closing balance** | **89,458,994** | **965,820,127** | **88,937,364** | **908,987,899** |

During the first half of 2022, impairment losses in accounts receivable from TAP SGPS were increased by EUR 53.2 million, of which EUR 26 million relate to the financing of liquidation of TAP ME Brasil operations and which were already provisioned on 31 December 2021 (Note 16).

Following the analysis of the recoverability of accounts receivable, it were recorded (Note 1.1.3) (i) impairment losses in the amount of EUR 937.9 million relating to the accounts receivable from TAP SGPS, concerning to its management of financial holdings in TAP ME Brasil, SPdH and Portugália; (ii) impairment losses in the amount of EUR 10.7 million on an account receivable from SPdH, essentially referring to the sale of aircraft assistance equipment previously acquired from SPdH in March 2021; and (iii) impairment losses amounting to approximately EUR 30.5 million in accounts receivable from TAP ME Brasil.

The detail of the accumulated impairment losses for related partis is disclosed in Note 36.

## 9 Inventories

The caption “Inventories” as of 30 June 2022 and 31 December 2021, is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Raw materials and consumables | 80,382,837 | 82,944,908 |
| Inventory impairment losses | (23,841,826) | (26,388,101) |
| | **56,541,011** | **56,556,807** |

Raw materials and consumables refer to technical material for use in the maintenance and repair of own aircraft and in works for other airlines.

The movement that occurred under the impairment losses on inventories item for the six-month period ended 30 June 2022 and the fiscal year ended 31 December 2021, is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| **Opening balance** | 26,388,101 | 21,236,969 |
| Increases (Note 26) | 12,396 | 12,498,098 |
| Decreases (Note 26) | (1,852,127) | (7,163) |
| Utilisation | (706,544) | (7,339,803) |
| **Closing balance** | **23,841,826** | **26,388,101** |

## 10 Income tax receivables / payables

As of 30 June 2022 and 31 December 2021, the balance concerning income tax receivables or payables is detailed as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current assets | Current liabilities | Current assets | Current liabilities |
| **State and Other Public Entities** | | | | |
| Other | - | - | - | (19,327) |
| Withholding taxes | 495,388 | - | - | 28,410 |
| Current income tax (Note 32) | (88,976) | (19,326) | - | (113,886) |
| | **406,412** | **(19,326)** | **-** | **(104,803)** |
| | **406,412** | **(19,326)** | **-** | **(104,803)** |

As a result of the change in the shareholder structure of TAP S.A. in 2021, the Company ceased to belong to the RETGS of TAP SGPS (Note 13).

## 11 Other current and non-current assets

Other current and non-current assets as of 30 June 2022 and 31 December 2021, are detailed as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Deferred costs | 37,990,069 | 20,910,933 | 19,313,229 | 22,903,458 |
| State | 4,628,435 | - | 2,607,648 | - |
| | **42,618,504** | **20,910,933** | **21,920,877** | **22,903,458** |

### ✈ Deferred costs

As of 30 June 2022 and 31 December 2021, the caption “Deferred costs” is detailed as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Security deposits (Note 8) | - | 20,910,933 | - | 22,903,458 |
| Related Parties (Note 36) | 1,251,947 | - | 1,023,737 | - |
| Commissions | 32,029,376 | - | 13,667,982 | - |
| Rental costs | 357,282 | - | 295,000 | - |
| Other | 4,351,464 | - | 4,326,510 | - |
| | **37,990,069** | **20,910,933** | **19,313,229** | **22,903,458** |

Commissions relate to amounts paid to agents for tickets sold, but not yet flown and not expired. Their variation is mainly due to the increase of the activity in 2022.

### ✈ State

As of 30 June 2022 and 31 December 2021, the caption “State” is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| VAT | 2,992,928 | 1,845,986 |
| Other | 1,635,507 | 761,662 |
| | **4,628,435** | **2,607,648** |

As of 30 June 2022 and 31 December 2021, the balance of VAT owed refers to requests for reimbursement not yet received.

## 12 Cash and cash equivalents

As of 30 June 2022 and 31 December 2021, the detail of cash and cash equivalents is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Bank deposits available on demand | 244,796,541 | 48,256,116 |
| Term deposits | 644,880,161 | 764,104,851 |
| Other deposits | 77,000 | 176,000 |
| Cash | 92,936 | 41,349 |
| **Cash and cash equivalents** | **889,846,638** | **812,578,316** |

## 13 Capital

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

In this context, the shareholder structure of TAP S.A. changed to the following:

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

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

- The increase in the share capital of TAP S.A. from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary payments, in the total amount of EUR 154,353,400;
- The reduction of its share capital to EUR 0, for partial coverage of losses;
- The increase in its share capital from EUR 0 to EUR 1,794,544,230, fully subscribed by the Portuguese Republic, through the Directorate-General for the Treasury and Finance, with the amount of EUR 1,258,544,230 being paid exclusively through contributions in kind, by converting credits from the Portuguese Republic on TAP S.A., and the amount of EUR 536,000,000, realized through cash entries;
- The reduction of its share capital from EUR 1,794,544,230 to EUR 904,327,865, to partially cover losses.

As a result of the 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.

Also, as a result of those Operations, TAP S.A. now has the Portuguese Republic as its sole and direct shareholder, through the Directorate-General for the Treasury and Finance, without materially altering the control exercised over TAP S.A., insofar as the Portuguese Republic was already the beneficial owner of TAP S.A..

As of 30 June 2022, the share capital of TAP S.A. is represented by 180,865,573 shares, with a unit value of EUR 5.

## 14 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 but may be incorporated into the capital or used to absorb losses after the other reserves have been exhausted.

Following the capital increase in 2021, as of 30 June 2022, the legal reserve is not yet fully constituted.

### ✈ Fair value reserves

As of 30 June 2022, the amount of EUR 35,617,811, presented under the “Fair value reserves” item, is the fair value of financial instruments classified as hedging amounting to EUR 45,085,837, net of deferred tax of EUR 9,468,026 (Notes 7 and 8).

### ✈ Other reserves

During the first half of 2022, the Group recorded under the caption “Other reserves” the amount of EUR 88,323,423, net of deferred tax in the amount of EUR 36,958,032 (Notes 7 and 33), referring to net foreign exchange losses of the lease liabilities without purchase option in USD, for which a hedging relationship has been defined with highly probable forecast sales which tariff is determined in USD, with reference to 1 January 2022 (Note 2.2).

This caption also includes the reserve set up in 2010 resulting from the merger by the incorporation of Air Portugal Tours, S.A. in the amount of EUR 200,588.

### 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 30 December 2021, the Extraordinary General Meeting of TAP S.A. approved a reduction in share capital in the amount of EUR 1,548,069,765 to partially cover losses (Note 13).

## 15 Pensions and other post-employment benefits

### Assumptions used in the evaluation of liabilities

The liabilities of the Group were calculated through actuarial studies reported as of 30 June 2022 and 31 December 2021, prepared by independent entities, individually for each company, using the "Projected Unit Credit Method" and essentially based on the following financial and demographic assumptions:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Portugal VIVA | Portugal Jubileu | Portugal VIVA | Portugal Jubileu |
| Mortality table | TV 88/90 | TV 88/90 | TV 88/90 | TV 88/90 |
| Disability table | EKV1980 | EKV1980 | EKV1980 | EKV1980 |
| Discount rate | 3.00% | 3.00% | 0.75% | 0.75% |
| Fund yield rate | 3.00% | 1.00% | 0.75% | 1.00% |
| Growth rate | | | | |
| Wages | [0%(until 2024)- 1.5%(2024+)] | [0%(until 2024)- 1,5%(2024+)] | [1.5%-3%] | 1.50% |
| Pensions | 1.00% | 1.00% | 1.00% | 1.00% |
| Trend of medical costs | 1.50% | -- | 1.50% | -- |
| Regular retirement age | 65 | 65 | 65 | 65 |

The Group reviews the actuarial assumptions periodically, or whenever relevant events occur, based on market financial information and information related to the beneficiaries covered by these plans. On 30 June 2022, the discount rate of VIVA and Jubileu increased to 3%. The reduction in the salary growth rate results from the best estimate as of this date, considering the Restructuring Plan.

Liabilities as of 30 June 2022 and 31 December 2021, are detailed as follows:

| | Jun 2022 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Liabilities from past services | | | | | | |
| - Active employees | 765,910 | 1,975,237 | - | 68,854,588 | - | 71,595,735 |
| - Early retirement | 238,934 | 5,546,560 | 321,600 | - | - | 6,107,094 |
| - Retired | 10,142,861 | 18,922,483 | 2,404,027 | - | 33,246,064 | 64,715,435 |
| Fair value of the fund | (13,259,555) | - | - | (41,577,294) | (33,297,234) | (88,134,083) |
| **Defit/(surplus)** | **(2,111,850)** | **26,444,280** | **2,725,627** | **27,277,294** | **(51,170)** | **54,284,181** |

| | Dec 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Liabilities from past services | | | | | | |
| - Active employees | 1,123,071 | 5,587,283 | - | 89,212,919 | - | 95,923,273 |
| - Early retirement | 101,613 | 8,191,930 | 412,468 | - | - | 8,706,011 |
| - Retired | 10,945,948 | 24,615,743 | 2,649,744 | - | 33,246,064 | 71,457,499 |
| Fair value of the fund | (15,032,652) | - | - | (38,525,937) | (33,297,234) | (86,855,823) |
| **Defit/(surplus)** | **(2,862,020)** | **38,394,956** | **3,062,212** | **50,686,982** | **(51,170)** | **89,230,960** |

The best estimate of contributions to pension benefit plans for the second half of 2022, amounts to approximately EUR 3 million.

As of 30 June 2022 and 31 December 2021, the Group's defined benefit plans in Portugal (excluding the UK Representation) covered 1,307 and 1,302 beneficiaries in active employment, respectively. The total number of retired and pre-retired employees entitled to a pension supplement on 30 June 2022 and 31 December 2021, was 588 and 632 recipients, respectively.

As of 30 June 2022 and 31 December 2021, the average maturity of the liabilities related to the defined benefit plan for the "VIVA fund" is 10 years and for the "Retirement Bonuses" is 11 years.

**Sensitivity analyses**

✈ **Annual discount rate**

An increase (decrease) of 0.25% in the annual discount rate of the defined benefit plans of the VIVA pension fund and Retirement Bonus would correspond to the following impacts on the Group's liabilities as of 30 June 2022 and 31 December 2021, as follws:

| Jun 2022 | Rate | VIVA Plan* | Jubileu Bonus |
|---|---|---|---|
| **Annual discount rate of pensions** | 3.00% | 37,591,985 | 68,854,588 |
| 0.25% increase in the discount rate | 3.25% | 36,980,336 | 66,830,166 |
| 0.25% decrease in the discount rate | 2.75% | 38,226,868 | 70,963,789 |

* Includes "VIVA Pensions" and "VIVA Fund"

| Dec 2021 | Rate | VIVA Plan* | Jubileu Bonus |
|---|---|---|---|
| **Annual discount rate of pensions** | 0.75% | 50,565,588 | 89,212,919 |
| 0.25% increase in the discount rate | 1.00% | 49,484,822 | 86,238,083 |
| 0.25% decrease in the discount rate | 0.50% | 51,696,467 | 92,323,269 |

* Includes "VIVA 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 30 June 2022 and 31 December 2021, is as follows:

| | Rate | Jun 2022 | Dec 2021 |
|---|---|---|---|
| **Annual growth rate of medical costs** | 1.50% | 2,725,627 | 3,062,012 |
| 1% increase in the growth rate of medical costs | 2.50% | 2,914,459 | 3,304,734 |
| 1% decrease in the growth rate of medical costs | 0.50% | 2,556,803 | 2,847,905 |

* Includes "VIVA Pensions" and "VIVA Fund"

### ✈ 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 30 June 2022 and 31 December 2021, is as follows:

| | Rate | Jun 2022 | Dec 2021 |
|---|---|---|---|
| **Growth rate of VIVA Pension fund (*)** | 1.00% | 37,591,985 | 50,565,588 |
| 0.25% increase in the Pension growth rate | 1.25% | 38,202,919 | 51,511,448 |
| 0.25% decrease in the Pension growth rate | 0.75% | 36,999,248 | 49,651,818 |

* Includes "VIVA Pensions" and "VIVA Fund"

### Evolution of liabilities from past services

The evolution of liabilities for past services, reflected in the statement of financial position, during the six-month period ended 30 June 2022 and the fiscal year ended 31 December 2021, is as follows:

| | Jun 2022 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | 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 |
| Values recorded through profit or loss for the year: | | | | | | |
| Current services | 32,975 | - | - | 2,167,276 | - | 2,200,251 |
| Net interest | 45,640 | (226,348) | 11,482 | 327,861 | - | 158,635 |
| Actuarial gain and losses | (668,632) | (10,066,817) | (348,067) | (22,479,739) | - | (33,563,255) |
| Benefits paid | (432,910) | (1,657,511) | - | (373,729) | - | (2,464,150) |
| **Liabilities at the end of the year** | **11,147,705** | **26,444,280** | **2,725,627** | **68,854,588** | **33,246,064** | **142,418,264** |

| | Dec 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Liabilities at the beginning of the year | 12,820,006 | 45,931,110 | 3,207,957 | 99,759,690 | 31,073,490 | 192,792,253 |
| Currency translation differences | - | - | - | - | 2,088,949 | 2,088,949 |
| Values recorded through profit or loss for the year: | | | | | | |
| Current services | 61,962 | (2,031,488) | - | 4,577,625 | - | 2,608,099 |
| Net interest | 96,150 | 344,483 | 12,029 | 689,732 | 83,625 | 1,226,019 |
| Restructuring - early retirement (Note 28) | - | - | - | (2,455,530) | - | (2,455,530) |
| Actuarial gain and losses | 29,263 | 1,348,311 | (157,774) | (8,403,830) | - | (7,184,030) |
| Benefits paid | (836,749) | (7,197,460) | - | (4,954,768) | - | (12,988,977) |
| **Liabilities at the end of the year** | **12,170,632** | **38,394,956** | **3,062,212** | **89,212,919** | **33,246,064** | **176,086,783** |

### Evolution of funds allocated to pensions benefit schemes

During the six-month period ended 30 June 2022 and the fiscal year ended 31 December 2021, the evolution of the assets of the funds was as follows:

| | Jun 2022 | | | |
|---|---|---|---|---|
| | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Opening balance | 15,032,652 | 38,525,937 | 33,297,234 | 86,855,823 |
| Contributions in the year | - | 2,970,000 | - | 2,970,000 |
| Net interest | (1,240,278) | 475,124 | - | (765,154) |
| Benefits paid | (532,819) | (373,727) | - | (906,546) |
| Return of plan assets (excluding net interest) | - | (20,040) | - | (20,040) |
| **Closing Balance** | **13,259,555** | **41,577,294** | **33,297,234** | **88,134,083** |

| | Dec 2021 | | | |
|---|---|---|---|---|
| | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Opening balance | 15,234,853 | 36,914,250 | 31,121,319 | 83,270,422 |
| Contributions in the year | - | 6,000,000 | - | 6,000,000 |
| Net interest | 634,548 | 378,995 | 3,344 | 1,016,887 |
| Benefits paid | (836,749) | (4,954,768) | - | (5,791,517) |
| Return of plan assets (excluding net interest) | - | 187,460 | - | 187,460 |
| Exchange variation | - | - | 2,172,571 | 2,172,571 |
| **Closing Balance** | **15,032,652** | **38,525,937** | **33,297,234** | **86,855,823** |

The composition of the funds and their category of amounts included as of 30 June 2022 and 31 December 2021, is as follows:

| | Jun 2022 | | | | |
|---|---|---|---|---|---|
| | Fair value level | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Shares | 1 | 3,687,482 | - | 4,300,947 | 7,988,429 |
| Bonds | 1 | 4,859,627 | 38,500,574 | 1,826,772 | 45,186,974 |
| Public debt | 1 | 3,833,338 | - | - | 3,833,338 |
| Real estate | 1 | 426,958 | 249,464 | - | 676,421 |
| Liquidity | 1 | 421,654 | 2,827,256 | 673,585 | 3,922,495 |
| Other current investments | 1 | 30,497 | - | 26,495,930 | 26,526,427 |
| | | **13,259,555** | **41,577,294** | **33,297,234** | **88,134,083** |

| | Dec 2021 | | | | |
|---|---|---|---|---|---|
| | Fair value level | VIVA Fund | Jubileu Bonus | England Representation | Total |
| Shares | 1 | 4,180,850 | - | 4,300,947 | 8,481,797 |
| Bonds | 1 | 5,544,297 | 35,675,017 | 1,826,772 | 43,046,086 |
| Public debt | 1 | 4,346,533 | - | - | 4,346,533 |
| Real estate | 1 | 483,322 | 231,156 | - | 714,478 |
| Liquidity | 1 | 477,650 | 2,619,764 | 673,585 | 3,770,999 |
| Other current investments | 1 | - | - | 26,495,930 | 26,495,930 |
| | | **15,032,652** | **38,525,937** | **33,297,234** | **86,855,823** |

## Expenses related to pensions and other post-employment benefits

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

| | Jun 2022 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Current Services | 32,975 | - | - | 2,167,276 | - | 2,200,251 |
| Net interest | 1,285,918 | (226,348) | 11,482 | (147,263) | - | 923,789 |
| **Sub-total (note 27)** | **1,318,893** | **(226,348)** | **11,482** | **2,020,013** | **-** | **3,124,040** |
| Restructuring (Note 28) | - | - | - | - | - | - |
| **Total** | **1,318,893** | **(226,348)** | **11,482** | **2,020,013** | **-** | **3,124,040** |

| | Jun 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| Current Services | 30,981 | - | - | 2,457,366 | - | 2,488,347 |
| Net interest | (470,737) | (100,305) | 12,029 | 45,239 | - | (513,774) |
| **Sub-total (note 25)** | **(439,756)** | **(100,305)** | **12,029** | **2,502,605** | **-** | **1,974,573** |
| Reestructuring - early retairment (Note 28) | - | - | - | (3,489,947) | - | (3,489,947) |
| **Total** | **(439,756)** | **(100,305)** | **12,029** | **(987,342)** | **-** | **(1,515,374)** |

As mentioned, Group pilots recruited after 1 June 2007, benefit from a defined contribution plan. During the first half of 2022, expenses related to on post-employment benefits were recognised in the amount of EUR 1,112 thousand (30 June 2021: EUR 1,402 thousand), relating to contributions made during the year in favour of its employees (Note 25).

Expenditures with pensions and other post-employment benefits during the six-month periods ended 30 June 2022 and 2021 are recorded under the personnel expenditure heading (Note 25).

## Remeasurement gains/losses

The remeasurement gains/losses related to post-employment benefit plans are detailed as follows:

| | Jun 2022 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| **Remeasurements** | | | | | | |
| Return of assets, excluding amounts included in net income | - | - | - | 20,040 | - | 20,040 |
| | **-** | **-** | **-** | **20,040** | **-** | **20,040** |
| (Gains)/losses due to changes in financial assumptions | - | (7,134,283) | (461,821) | (22,587,253) | - | (30,183,357) |
| (Gains)/losses due to experience | (668,632) | (2,932,534) | 113,754 | 107,514 | - | (3,379,898) |
| | **(668,632)** | **(10,066,817)** | **(348,067)** | **(22,479,739)** | **-** | **(33,563,255)** |
| **Total remeasurements** | **(668,632)** | **(10,066,817)** | **(348,067)** | **(22,459,699)** | **-** | **(33,543,215)** |

| | Dec 2021 | | | | | |
|---|---|---|---|---|---|---|
| | VIVA Fund | VIVA Pensions | Health Care | Jubileu Bonus | England Representation | Total |
| **Remeasurements** | | | | | | |
| Return of assets, excluding amounts included in net income | - | - | - | (187,460) | - | (187,460) |
| | **-** | **-** | **-** | **(187,460)** | **-** | **(187,460)** |
| (Gains)/losses due to changes in financial assumptions | - | - | - | (4,003,695) | - | (4,003,695) |
| (Gains)/losses due to experience | 29,263 | 1,348,311 | (157,774) | (4,400,135) | - | (3,180,335) |
| | **29,263** | **1,348,311** | **(157,774)** | **(8,403,830)** | **-** | **(7,184,030)** |
| **Total remeasurements** | **29,263** | **1,348,311** | **(157,774)** | **(8,591,290)** | **-** | **(7,371,490)** |

The actuarial gains recognized in 2022 arising from changes in financial assumptions in the total amount of EUR 30.2 million, relate essentially to the change in the discount rate from 0.75% to 3%.

The remeasurement gains/losses were recognised directly in the Group's comprehensive income.

## 16 Provisions

During the six-month period ended 30 June 2022 and the fiscal year ended 31 December 2021, the caption "Provisions" had the following movement:

| | Provision for legal claims (Note 26) | Other (Notes 26 and 29) | Redelivery costs (Note 3) | Restructuring provision (Note 28) | Total |
|---|---|---|---|---|---|
| **1 January 2021** | **10,552,767** | **10,801,908** | **87,616,623** | **93,197,493** | **202,168,791** |
| Increases | 13,379,254 | 145,265,810 | 65,378,855 | 8,569,897 | 232,593,816 |
| Reversals | - | (2,334,992) | (10,964,710) | (20,370,251) | (33,669,953) |
| Uses | - | (6,106,506) | (13,885,070) | (44,384,684) | (64,376,260) |
| Exchanges and interests | - | - | 13,208,809 | - | 13,208,809 |
| **31 December 2021** | **23,932,021** | **147,626,220** | **141,354,507** | **37,012,455** | **349,925,203** |
| Increases | 52,649,457 | 5,829,341 | 52,422,582 | 533,379 | 111,434,759 |
| Reversals | - | (28,007,912) | (6,726,286) | (4,232,038) | (38,966,236) |
| Uses | (4,848,869) | (31,126,202) | (10,108,604) | (13,944,241) | (60,027,916) |
| Transfers | 1,742,739 | - | - | (1,742,739) | - |
| Exchanges and interests | - | 23,515,293 | 15,879,646 | - | 39,394,939 |
| **30 June 2022** | **73,475,348** | **117,836,740** | **192,821,845** | **17,626,816** | **401,760,749** |

### ✈ Provision for ongoing legal proceedings

Provisions for current lawsuits 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. On 30 June 2022, the existing provision of EUR 73.5 million is intended to deal with various legal proceedings brought against the Group in Portugal and abroad.

### ✈ Others

As a result of the COVID-19 pandemic on 31 December 2021, a provision of EUR 7.0 million was recorded for damages to passengers whose claims are being processed by the Group. As of 30 June 2022, this provision amounts to EUR 8.7 million.

Additionally, on 31 December 2021, a provision in the amount of EUR 140.3 million was booked, referring to the estimated costs that TAP S.A. will have to bear in connection with the corporate reorganization of TAP SGPS Group resulting from the Approved Restructuring Plan (Note 29). This provision refers to the estimated charges that TAP S.A. will assume within the scope of the financing of the liquidation process of TAP ME Brasil (Note 1.1.3). As of 30 June 2022, the balance of this provision amounts to EUR 109.1 million, having been impacted during the first half of the year by the negative effect of the exchange Rate update in the amount of EUR 23.5 million, by the decrease through payments made in the amount of EUR

28.1 million and by the reduction of the estimated charges to be borne in the amount of EUR 26.5 million arising from the evolution of the TAP ME Brasil liquidation operations.

✈ **Redelivery costs (Note 1.1.3)**

Increases in the redelivery provision are recognised against for the right to use and are then subject to depreciation. The increase recognised against 31 December 2021, is the effect of the redelivery estimate update made on 30 June 2022, considering the information available on that date (Note 1.1.3).

## 17 Borrowings and Lease liabilities with and without purchase option

As of 30 June 2022 and 31 December 2021, Borrowings and lease liabilities with and without option to purchase are detailed as follows:

| | Jun 2022 | | Dec 2021 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Bank loans | 40,313,852 | 201,760,188 | 31,380,257 | 225,782,394 |
| Interest accrued | 1,304,815 | - | 1,335,092 | - |
| Initial expenses | (619,364) | (1,405,932) | (1,173,334) | (1,276,500) |
| **Remunerated bank debt** | **40,999,303** | **200,354,256** | **31,542,015** | **224,505,894** |
| Bonds | 317,027,368 | 375,000,000 | 118,410,509 | 575,000,000 |
| Interest accrued | 2,448,541 | - | 2,526,020 | - |
| Initial expenses | (9,644,120) | (3,286,913) | (11,021,636) | (3,768,654) |
| **Bond issuance** | **309,831,789** | **371,713,087** | **109,914,893** | **571,231,346** |
| Lease liabilities with purchase option | 67,087,132 | 613,455,681 | 53,537,660 | 490,781,631 |
| Interest accrued | 1,929,641 | - | 1,874,106 | - |
| Initial expenses | (316,051) | (1,912,139) | (656,849) | (1,860,142) |
| **Lease liabilities with purchase option** | **68,700,722** | **611,543,542** | **54,754,917** | **488,921,489** |
| **Lease liabilities without purchase option** | **450,280,709** | **1,717,286,033** | **435,572,934** | **1,682,965,393** |
| **Total Borrowings** | **869,812,523** | **2,900,896,918** | **631,784,759** | **2,967,624,122** |

### ✈ Net debt

As of 30 June 2022 and 31 December 2021, net debt is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| **Borrowings except Lease liabilities without purchase option** | | |
| Non-Current | 1,183,610,885 | 1,284,658,729 |
| Current | 419,531,814 | 196,211,825 |
| | **1,603,142,699** | **1,480,870,554** |
| **Cash and Cash Equivalents (Note 12)** | | |
| Cash | 92,936 | 41,349 |
| Bank deposits available on demand | 244,796,541 | 48,256,116 |
| Other deposits | 644,957,161 | 764,280,851 |
| | **889,846,638** | **812,578,316** |
| **Net debt** | **713,296,061** | **668,292,238** |

As of 30 June 2022 and 31 December 2021, the interest-bearing debt and leasing liabilities with a purchase option, by maturity and by type of interest rate, is broken down as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| **Variable rate** | | |
| Up to 1 year | 47,646,428 | 36,029,948 |
| 1 to 2 years | 57,352,702 | 57,308,449 |
| 2 to 3 years | 58,322,774 | 58,186,097 |
| Over 3 years | 141,900,750 | 171,008,241 |
| | **305,222,654** | **322,532,735** |
| **Fixed rate** | | |
| Up to 1 year | 371,885,386 | 160,181,877 |
| 1 to 2 years | 54,108,154 | 241,668,932 |
| 2 to 3 years | 431,665,013 | 417,050,807 |
| Over 3 years | 440,261,492 | 339,436,203 |
| | **1,297,920,045** | **1,158,337,819** |
| | **1,603,142,699** | **1,480,870,554** |

### ✈ State Support

On 17 July 2020 the Group obtained a loan from the Portuguese State in the amount of EUR 1.2 billion, distributed in seven instalments until 30 December 2020, (see introductory Note). On 30 December 2021, this loan was converted into equity (Note 13).

### ✈ Bank loans

This caption includes EUR 141 million for financing with a syndicate of banks. According to the conditions established in the Share Purchase Agreement, complemented by the Agreement on the Debt Service Restructuring and Monitoring of the TAP Group, referred to in Note 1, on 30 June 2017, bank debt was restructured. The main changes were related to the loans' maturity and conditions, namely the applicable interest rate and spread.

On 23 December 2019 and 12 February 2020, TAP S.A. made a voluntary early repayment for financing with a syndicate of Portuguese Banks of EUR 47.5 million and EUR 133.6 million respectively. Following the first voluntary repayment mentioned, it is no longer necessary to establish the Net Debt/EBITDAR Ratio for the purpose of this financing.

In addition, the bank loans line includes two loans with a national credit institution of EUR 87.5 million and financing from a Luxembourg financial institution of EUR 6.3 million.

This caption also includes a borrowing from Apple Bank in the amount of EUR 6.6 million.

✈ **Bond loans**

TAP S.A. issued a private bond subscribed on 14 January 2019, in the amount of EUR 137.2 million and maturity in 2034. The fulfilment of the principal and interest repayment obligations related to these bonds benefit from a pledge on a bank deposit constituted by the Issuer for this specific purpose (presented, in the Financial Position Statement, as a deduction to the Gross Financial Debt) and from additional guarantees over contractual rights that do not affect any assets recognised in financial position of the Group.

TAP S.A. made a public offering in Portugal of 4-year bonds, with a fixed interest rate of 4.375% per year, in the amount of EUR 200 million, called "TAP 2019-2023 Bonds". The issuance, physical and financial settlement of the transaction, as well as the admission to trading of bonds on Euronext Lisbon, took place on 24 June 2019.

In December 2019, TAP S.A. made a private offering to institutional investors of 5-year bonds, with a fixed interest rate of 5.625 % per year, in the amount of EUR 375 million, called "TAP 2019-2024 Bonds". The issue and financial and physical settlement of the transaction, as well as the bonds' admission to trading, took place on 2 December 2019.

As of 30 June 2022 and 31 December 2021, all bond loans are denominated in Euro.

✈ **Lease liabilities with purchase option**

As of 30 June 2022 and 31 December 2021, leasing liabilities with option to purchase (plus interest expense minus initial charges) essentially relate to aircraft and engines.

Leases with purchase option are denominated in the following currencies:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Lease liabilities in EUR | 130,191,642 | 139,439,418 |
| Lease liabilities in USD | 550,052,622 | 404,236,988 |
| | **680,244,264** | **543,676,406** |

As of 30 June 2022 and 31 December 2021, lease liabilities with purchase option, by maturity, are broken down as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Up to 1 year | 68,700,722 | 54,754,917 |
| 1 to 2 years | 68,964,994 | 54,833,745 |
| 2 to 3 years | 71,801,067 | 57,082,339 |
| 3 to 4 years | 72,539,173 | 59,417,553 |
| 4 to 5 years | 67,979,055 | 65,094,130 |
| More than 5 years | 330,259,253 | 252,493,722 |
| | **680,244,264** | **543,676,406** |

✈ **Lease liabilities without purchase option**

The Lease liabilities without purchase option item refers essentially to the Company's non-cancellable payments under lease contracts, which vary in duration up to 14 years and may be extended at the express wish of the contracting parties, which are recognised in the statement of financial position from 1 January 2019 with the adoption of IFRS 16.

As of 30 June 2022, there are 61 aircraft, 7 engines on lease agreements without purchase option and 22 aircraft under ACMI (as per Note 3).

As of 30 June 2022 and 31 December 2021, leasing liabilities without purchase option per maturity are detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Up to 1 year | 450,280,709 | 435,572,934 |
| 1 to 2 years | 316,202,087 | 325,595,955 |
| 2 to 3 years | 255,743,602 | 247,457,716 |
| 3 to 4 years | 224,125,670 | 202,203,875 |
| 4 to 5 years | 196,425,568 | 183,455,233 |
| Over 5 years | 724,789,106 | 724,252,614 |
| | **2,167,566,742** | **2,118,538,327** |

Liabilities without purchase option are mainly determined in USD.

## ✈ Financial Covenants

The financial covenants in the lease and loan contracts are the usual ones in operations of this nature, including compulsory provisions such as the maintenance of the airline operator activity, commitments to periodically disclose the available financial information, and, in the specific case of leases with no option to purchase, operating duties relative to registrations at official entities, information relative to leased aircraft, strict compliance with all the regulations, and procedures defined by the authorities, among others.

Additionally, following the restructuring of the financial debt and the issue of bond loans, commitments were made 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, particularly with equity, EBITDAR, Net Debt/EBITDAR and unsecured net financial debt and minimum amount of cash and its unrestricted equivalents. These ratios are intended to monitor the financial situation of the TAP Group and measure its ability to service debt.

Due to the COVID-19 pandemic and the consequent deterioration of EBITDAR with the drop in activity in the months of 2020, the Group failed to comply with certain financial covenants, namely those related to the maintenance of Equity and the compliance with the Adjusted Net Debt/EBITDAR ratio as fixed in certain borrowings.

Regarding the financing with a Portuguese Banks syndicate in the outstanding amount of EUR 141.5 million as of 30 June 2022, the financial covenants that refer to the financial statements as of this date are higher than the contractually agreed limits. However, failure to comply does not generate the possibility of early repayment. Additionally, as of the date of approval of these financial statements, it is expected to obtain a waiver regarding the breach of its covenants within the allowed period.

Concerning the issuance of bonds by private offering placed with foreign institutional investors in the amount of EUR 117.0 million as of June 2022, the financial covenant of the Adjusted Net Debt/EBITDAR ratio that refers to the financial statements on this date is higher than the agreed contractual limit, having the Group reclassified the debt to Current Liabilities. At the date of approval of these financial statements, it is expected to obtain the waiver within the permitted period.

Regarding the public offering of 4-year bonds called “TAP 2019-2023” bonds in the amount of EUR 200 million, on 19 July 2021, authorization was obtained for the breach of the financial covenant of the Adjusted Net Debt/EBITDAR ratio until the maturity date of the bonds.

## ✈ Reconciliation of finance cash flows

The evolution of borrowings and lease liabilities with purchase option and their reconciliation to the consolidated statement of cash flows is as follows:

| | Remunerated bank debt and Bonds | Leases with purchase option | Leases without purchase option | Total |
|---|---|---|---|---|
| **1 January 2021** | **2,151,809,254** | **438,578,991** | **2,038,640,352** | **4,629,028,597** |
| Payments | (56,462,323) | (55,740,491) | (443,587,346) | (555,790,160) |
| Conversion in Equity (Note 13) | (1,258,544,230) | - | - | (1,258,544,230) |
| New lease agreements | - | 107,245,066 | 218,783,591 | 326,028,657 |
| Exchange variation | 75,700 | 16,779,698 | 144,991,258 | 161,846,656 |
| Other | 100,315,747 | 36,813,142 | 159,710,472 | 296,839,361 |
| **31 December 2021** | **937,194,148** | **543,676,406** | **2,118,538,327** | **3,599,408,881** |
| Receipts | - | 6,100,510 | - | 6,100,510 |
| Payments | (17,059,160) | (28,663,513) | (218,543,174) | (264,265,847) |
| New lease agreements | - | 121,372,839 | 25,787,067 | 147,159,906 |
| Exchange variation | 612,517 | 44,564,514 | 167,041,952 | 212,218,983 |
| Other | 2,150,930 | (6,806,492) | 74,742,570 | 70,087,008 |
| **30 June 2022** | **922,898,435** | **680,244,264** | **2,167,566,742** | **3,770,709,441** |

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

# 18 Other accounts payable

As of 30 June 2022 and 31 December 2021, the detail of “Other payables” item is as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Accrued expenses | 189,711,057 | 179,861,141 |
| Suppliers | 194,270,924 | 104,447,082 |
| Advances from customers | 485,829 | 558,381 |
| Other | 195,320,003 | 121,287,254 |
| | **579,787,813** | **406,153,858** |

## ✈ Accrued expenses

As of 30 June 2022 and 31 December 2021, the expense accruals item is broken down as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Remunerations | 84,567,041 | 75,766,092 |
| Aircraft fuels and and CO2 emission licenses | 50,365,499 | 40,293,659 |
| Navigation fees | 12,961,012 | 11,615,008 |
| Specialized w ork | 7,127,580 | 5,722,832 |
| Insurance to be settled | 6,893,262 | 7,017,426 |
| Remuneration - air crew | 6,417,066 | 4,087,186 |
| Special sales charge | 5,880,224 | 4,901,111 |
| Related parties (Note 36) | 4,317,214 | 4,106,281 |
| Handling services | 3,978,042 | 3,416,098 |
| Other accrued expenses | 7,204,117 | 22,935,448 |
| | **189,711,057** | **179,861,141** |

The increase in aviation fuels and $CO_2$ licenses and emissions is essentially explained by the resumption of activity in 2022 and by the increase in the price of fuel and $CO_2$ licenses.

The increase in the in remunerations to be paid accrual is essentially due to the payment timing of holiday of holiday allowance and Christmas allowance.

The special sales charges refer to commissions granted to agents according to the flight revenue for the period obtained through this sale channel.

### ✈ Suppliers

As of 30 June 2022 and 31 December 2021, the Suppliers item shows the following composition:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Suppliers - pending invoices | 144,800,761 | 69,693,896 |
| Suppliers - current account | 29,243,546 | 16,624,650 |
| Suppliers - related parties (Note 36) | 20,226,617 | 18,128,536 |
| | **194,270,924** | **104,447,082** |

The variation in this caption is essentially the result of the increase in the contracting of the supply of services as a result of the resumption of activity in 2022.

### ✈ Others

As of 30 June 2022 and 31 December 2021, the Others item is detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Taxes and fees | 160,971,169 | 96,336,660 |
| Fixed assets suppliers | 2,741,319 | 3,537,233 |
| Related Parties (Note 36) | 2,064,972 | 28,377 |
| Compensation for accidents at work | 453,562 | 867,873 |
| Personal | 285,320 | 431,614 |
| Other | 28,803,661 | 20,085,497 |
| | **195,320,003** | **121,287,254** |

The fees and taxes to be paid item relates essentially to amounts payable to various entities concerning fees charged to customers on tickets issued. The variation compared to 31 December 2021 is essentially due to the increase in fees and taxes payable at airports and ticketing following the increase in activity in the first half of 2022 compared to the second half of 2021.

## 19 Other current liabilities

As of 30 June 2022 and 31 December 2021, the other current liabilities item mainly relates to:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Deferred income | 32,801,012 | 41,340,328 |
| State | 14,180,084 | 22,336,817 |
| | **46,981,096** | **63,677,145** |

### ✈ Deferred income

As of 30 June 2022 and 31 December 2021, the deferred gains line is broken down as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Customer loyalty program | 32,195,894 | 41,001,381 |
| Related Parties (Note 36) | 309,914 | 337,425 |
| Other deferred income | 295,204 | 1,522 |
| | **32,801,012** | **41,340,328** |

In the scope of application of IFRS 15 – Revenue from contracts with customers, in the allocation of air miles to customers participating in the loyalty program called “TAP Miles&Go”, a contractual obligation is recognised based on the unit value of the air mile. The variation in this item is mainly related to the increased use of air miles compared to 2021 and the expiry of miles.

### ✈ State

As of 30 June 2022 and 31 December 2021, this item’s balances are detailed as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Personal income tax | 5,808,521 | 9,099,305 |
| Social security contribution | 7,914,312 | 12,456,617 |
| Others | 457,251 | 780,895 |
| | **14,180,084** | **22,336,817** |

The change in the balance payable to the State results, on the one hand, from the reduction of the staff and, on the other hand, from the payables related to Social Security contributions and the Personal Income Tax of the Christmas allowance paid in December 2021, due in January 2022.

## 20 Unused flight tickets

As of 30 June 2022 and 31 December 2021, the caption for the Group's liabilities relating to unused flight tickets issued and unused was as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Passengers | 941,111,767 | 438,687,424 |
| *Voucher* | 122,178,057 | 203,982,238 |
| Cargo | 789,031 | 892,005 |
| | **1,064,078,855** | **643,561,667** |

As a result of the significant reduction in activity after April 2020 and the cancellation of flights imposed on the aviation sector and the Group, the unused tickets caption as of 30 June 2022, includes significant amounts relating to flights not completed by that date, while the Group remains responsible for providing the service in the future or for refunds as the contractual terms. It should also be pointed out that the amounts included in the unused flight tickets item include vouchers and unused tickets for cancelled flights.

The variation in the balance of the item compared to 31 December 2021 is essentially due to the increase of the operational activity.

## 21 Derivatives

As of 30 June 2022 and 31 December 2021, the Group had negotiated financial derivatives relating to jet fuel swaps.

The Group's risk coverage policy aims to cover approximately 50% of the estimated consumption of jet fuel for the following 12 months and may cover its exposure for periods of up to 24 months, depending on market conditions. The war in Ukraine, the economic environment, with some analysts predicting a possible recession, both in Europe and in the United States of America, the adjustement of economic and financial policies by countries, the scarcity of reserves and the lack of investments in recent years, justify the uncertainly in market development forecast and their volatility and the need for monitoring and adjustment of hedging strategies for in the coming months.

For the contracts in which it is possible to ensure compliance with hedge accounting requirements, an amount of EUR 35.6 million was recorded in the Equity reserves caption (net of deferred tax in the amount of EUR 9.5 million – Note 7) referring to the fair value of derivatives still outstanding at that date (Euro 0.2 million as at 31 December 2021).

As of 30 June 2022, the Group had contracted derivatives for 38% of the estimated consumption of jet fuel in the following months which market value at that date was positive and amounted to EUR 45 million (Note 8) and with maturities between January and June 2022.

## 22 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 six-month periods ended 30 June 2022 and 2021, is presented as follows:

| | Jun 2022 | | | | Jun 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Air Transport | Maintenance and engeneering | Other | Total | Air Transport | Maintenance and engeneering | Other | Total |
| Operating Income | 1,288,211,944 | 28,757,130 | 4,222,930 | 1,321,192,004 | 358,132,530 | 18,728,795 | 6,280,914 | 383,142,239 |
| Operating results | 9,964,416 | 8,223,178 | (13,794,456) | 4,393,138 | (346,195,347) | (4,209,390) | (26,951,330) | (377,356,067) |
| External net financial results | (189,726,967) | 2,085,201 | - | (187,641,766) | (185,223,821) | (1,583,472) | - | (186,807,293) |
| Income tax | (18,908,169) | (65,775) | 147,821 | (18,826,123) | 68,418,726 | 461,698 | 2,148,055 | 71,028,479 |
| **Net Income** | **(198,670,720)** | **10,242,604** | **(13,646,635)** | **(202,074,751)** | **(463,000,442)** | **(5,331,164)** | **(24,803,275)** | **(493,134,881)** |

The Group does not present segmental assets and liabilities, since this information is not presented to the chief operational decision maker.

The Operating income and gains item for the first half of 2022 and 2021, are as follows:

| | Jun 2022 | | | | |
|---|---|---|---|---|---|
| | Passenger | Maintenance | Cargo and Mail | Other | Total |
| Revenue | | | | | |
| Sales | - | 687,242 | - | 314,721 | 1,001,963 |
| Services provided | 1,152,692,733 | 26,497,390 | 131,984,379 | 4,044,202 | 1,315,218,704 |
| Gains and losses in associates | - | - | - | (172,310) | (172,310) |
| Other income | - | - | - | 5,143,647 | 5,143,647 |
| | **1,152,692,733** | **27,184,632** | **131,984,379** | **9,330,260** | **1,321,192,004** |

| | Jun 2021 | | | | |
|---|---|---|---|---|---|
| | Passenger | Maintenance | Cargo and Mail | Other | Total |
| Revenue | | | | | |
| Sales | - | 1,545,260 | - | 92,590 | 1,637,850 |
| Services provided | 240,284,579 | 15,316,219 | 104,498,406 | 3,222,515 | 363,321,719 |
| Other income | - | - | - | 18,182,670 | 18,182,670 |
| | **240,284,579** | **16,861,479** | **104,498,406** | **21,497,775** | **383,142,239** |

The sales and services provided by geographical area in the first half of 2022 and 2021, are as follows:

| | Jun 2022 | | | | | Jun 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Air Transport | Maintenance | Cargo and Mail | Other | Total | Air Transport | Maintenance | Cargo and Mail | Other | Total |
| Mainland and islands | 78,761,115 | 12,014,229 | 3,347,782 | 2,972,062 | 97,095,188 | 27,995,297 | 6,482,758 | 2,198,267 | 2,750,578 | 39,426,900 |
| Europe | 401,912,631 | 14,290,025 | 6,294,759 | 917,454 | 423,414,869 | 87,025,596 | 6,215,237 | 3,688,014 | 369,573 | 97,298,420 |
| South Atlantic | 310,731,861 | 258,622 | 71,853,590 | 181,546 | 383,025,619 | 37,696,697 | 3,171,000 | 63,002,465 | 47,061 | 103,917,223 |
| North Atlantic | 208,960,571 | 451,535 | 34,329,032 | 149,480 | 243,890,618 | 34,600,976 | 657,747 | 23,750,344 | 50,672 | 59,059,739 |
| Mid Atlantic | 11,482,381 | - | 4,476,647 | 11,335 | 15,970,363 | 228,384 | - | 3,823,981 | - | 4,052,365 |
| Africa | 133,742,808 | 145,998 | 10,942,528 | 120,042 | 144,951,376 | 52,732,226 | 56,824 | 7,597,298 | 97,221 | 60,483,569 |
| Other | 7,101,366 | 24,223 | 740,041 | 7,004 | 7,872,634 | 5,403 | 277,913 | 438,037 | - | 721,353 |
| | **1,152,692,733** | **27,184,632** | **131,984,379** | **4,358,923** | **1,316,220,667** | **240,284,579** | **16,861,479** | **104,498,406** | **3,315,105** | **364,959,569** |

## 23 Other income

For the first half of 2022 and 2021, the “Other income” caption is detailed as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Shared Services | 4,044,202 | 3,222,515 |
| Rents and Subleases | 1,338,067 | 3,624,082 |
| Recovered warehouse material | 930,480 | 848,889 |
| Operating government grants | 492,759 | 862,489 |
| Publicity | 112,037 | 9,913 |
| Fair value (Note 4) | 84,607 | - |
| Gains from tangible fixed assets (Note 3) | 42,984 | 11,533,966 |
| Other supplemental operating income | 2,457,434 | 1,395,921 |
| | **9,502,570** | **21,497,775** |

The amount recorded as gains from tangible fixed assets in the first half of 2021 mainly refers to the sale of eight aircraft (Note 3).

## 24 Expenses by nature

During the financial of the first half of 2022 and 2021, operational expenditure by nature is as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Traffic operating costs | 301,966,257 | 122,590,019 |
| Aircraft fuel | 409,135,217 | 97,067,269 |
| Comercial, communication and marketing costs | 75,520,162 | 23,452,478 |
| Cost of materials consumed | 17,170,479 | 7,916,817 |
| Aircraft maintenance costs | 13,630,247 | 9,752,400 |
| | **817,422,362** | **260,778,983** |

### ✈ Traffic operating costs

In the first half of 2022 and 2021, the “Traffic operating costs” item is as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Handling services | 83,378,844 | 33,242,617 |
| Navigation fees | 62,800,665 | 22,444,603 |
| Landing charges | 42,948,283 | 19,992,971 |
| In-flight expenses | 33,470,780 | 13,659,342 |
| Operational irregularities | 16,428,678 | 15,764,258 |
| Baggage, cargo and mail charges | 13,522,211 | 7,794,342 |
| Facilities at airports | 13,098,908 | (7,267,581) |
| Air traffic control charges | 11,994,492 | 4,207,321 |
| Accommodation and meals during stopovers | 11,649,265 | 4,682,725 |
| Aircraft charters | 5,879,851 | 6,276,554 |
| Ground costs related to executive class passengers | 3,776,759 | 627,771 |
| Other traffic operating costs | 3,017,521 | 1,165,096 |
| | **301,966,257** | **122,590,019** |

The increase in most items is essentially the result of the increase in the Group's activity during the first half of 2022 compared to first half of 2021.

### ✈ Aircraft fuel

For the first half of 2022 and 2021, the "Aircraft fuel" item is detailed as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Aircraft fuel | | |
| Consumption | 464,149,554 | 86,186,828 |
| Fees call hedge | 733,411 | - |
| Jet fuel hedge | (73,260,881) | 5,905,699 |
| CO2 emission licenses | 17,513,133 | 4,974,742 |
| | **409,135,217** | **97,067,269** |

The increase in aircraft fuel expenses is due to the combined effect of the increase in quantities consumed and the increase in the average price of fuel.

The increase in CO2 emission allowances is mainly due to the increase in the unit price of allowances.

The variation in jet fuel derivatives is essentially due to the significant increase in the price of jet fuel during the first half of 2022 compared to first half of 2021.

### ✈ Commercial, marketing and communication costs

The "Commercial, marketing and communication costs" item for the first half of 2022 and 2021, contains the following composition:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Commissions | 28,635,908 | 6,227,309 |
| Booking fees | 21,647,456 | 10,328,498 |
| Special sales charges - air transport | 10,756,117 | 2,033,895 |
| Publicity | 10,213,709 | 3,352,759 |
| Specialised work | 4,180,725 | 1,494,381 |
| Other comercial, communication and marketing expenses | 86,247 | 15,636 |
| | **75,520,162** | **23,452,478** |

The increase in most of the captions is mainly essentially due to the increase in the Group´s activity in the first half of 2022 compared to the first half of 2021.

### ✈ Cost of materials consumed

As of 30 June 2022, and 2021, the “Cost of materials consumed” item is as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Sold and consumed inventories | 13,403,976 | 6,007,084 |
| Maintenance subcontracting for third parties flight equipment | 3,766,503 | 1,909,733 |
| | **17,170,479** | **7,916,817** |

The variation in the caption is a consequence of the resumption of the activity in 2022 following the COVID-19 pandemic.

### ✈ Aircraft maintenance costs

In the first half of 2022 and 2021, the line “Aircraft maintenance costs” item is detailed as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Maintenance subcontracting of TAP flight equipment | 7,599,321 | 5,668,882 |
| Consumed inventories | 6,030,926 | 4,083,518 |
| | **13,630,247** | **9,752,400** |

The variation in the caption is a consequence of the resumption of the activity in 2022 following the COVID-19 pandemic.

## 25 Employee costs

The “Employee costs” item for the first half of 2022 and 2021 has the following detail:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Fixed remuneration | 104,036,593 | 119,851,553 |
| Variable remuneration | 31,892,381 | 19,248,141 |
| Social security contributions | 32,843,828 | 37,670,042 |
| Insurance | 5,456,741 | 8,622,007 |
| Post-employment benefits (Note 15) | 4,236,368 | 3,376,930 |
| Social action costs | 3,709,656 | 3,860,702 |
| Meals allowance | 2,167,923 | 2,567,700 |
| Work accident insurance | 2,012,942 | 6,122,123 |
| Uniform and work clothes | 687,898 | 352,067 |
| Training and recruitment | 246,198 | 193,908 |
| Other expenses with employees | 442,571 | 463,710 |
| | **187,733,099** | **202,328,883** |

The decrease observed on the first half of 2022 compared to the first half of 2021, in staff costs is essentially due to the decrease in the number of employees compared to the same period last year and the salary cuts agreed with the employees within the scope of the Restructuring Plan.

## 26 Impairment losses in inventories, receivables and provisions

In the first half of 2022 and 2021, the “Impairment losses in inventories, receivables and provisions” had the following detail:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Inventory impairment (Note 9) | (1,839,731) | 8,832,057 |
| Receivables impairment (Note 8) | 2,529,025 | 7,175,455 |
| Provisions (Nota 16) | 18,631,605 | 13,771,771 |
| | **19,320,899** | **29,779,283** |

## 27 Other expenses

The caption “Other expenses” in the six-month periods ended 30 June 2022 and 2021, had the following detail:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Specialised w ork and subcontracts | 40,692,959 | 35,405,550 |
| Rents | 7,505,418 | 3,492,932 |
| Comunication | 3,710,360 | 2,645,688 |
| Conservation and repair of other assets | 3,100,676 | 3,059,856 |
| Insurance | 3,012,021 | 1,996,439 |
| Transportation | 1,457,496 | 1,217,430 |
| Surveillance and security | 1,295,131 | 1,367,145 |
| Cleaning, hygiene and comfort | 1,087,568 | 1,325,717 |
| Books and technical documentation | 771,332 | 481,893 |
| Electricity | 757,806 | 853,390 |
| Taxes | 709,960 | 332,330 |
| Travel costs | 601,737 | 134,500 |
| Stock losses | 385,219 | 491,178 |
| Fair value (Note 4) | 28,000 | - |
| Other operating expenses | 1,084,518 | 2,102,627 |
| | **66,200,201** | **54,906,675** |

The caption “Rents” includes short-term lease contracts concerning property and software amounting to EUR 4.6 million.

## 28 Restructuring

The caption restructuring for the first half of 2022 and 2021, as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Restructuring provision (Note 16) | 3,698,659 | 20,355,037 |
| Cuts (Note 15) | - | 3,489,947 |
| Employee indemnities | (335) | 808 |
| | **3,698,324** | **23,845,792** |

## 29 Other non-recurring items

For the first half of 2022 and 2021, the caption “Other non-recurring items” is detailed as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Other accounts receivable impairment (Note 8) | 27,241,507 | - |
| Provisons for other risks (Note 16) | (26,541,719) | - |
| | **699,788** | **-** |

**Impairment of accounts receivable and provisions for other risks**

Considering its relevance and magnitude in the financial statements of the Group, taking into account the projections included in the Approved Restructuring Plan and consequent corporate reorganization in progress of TAP SGPS Group resulting from this approval, the Board of Directors proceeded with (i) the recording of impairment losses in accounts receivable from TAP SGPS in the amount of EUR 27.2 million and (ii) considering the current circumstances, the partial reversal in the amount of EUR 26.5 million of the provision recorded as 31 December 2021 referring to the estimate of additional charges that TAP S.A. will have to bear related to said corporate reorganization, including those arising from the liquidation process of TAP ME Brasil (Note 1.1.3).

As a result of their framework and nature, those situations were considered by the Board of Directors as non-recurring in the context of these financial statements.

## 30 Depreciation, amortization and impairment losses

In the first half of 2022 and 2021, the caption depreciation, amortisation and impairment losses is broken down as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| **Depreciation of Tangible Fixed Assets (Note 3)** | | |
| Buildings and other constructions | 2,888,335 | 2,771,966 |
| Basic equipment | 28,995,770 | 29,324,976 |
| Transport equipment | 8,521 | 30,699 |
| Tools and utensils | 400,554 | 391,669 |
| Administrative equipment | 376,119 | 353,590 |
| Other tangible fixed assets | 117,040 | 125,983 |
| | **32,786,339** | **32,998,883** |
| **Depreciation of Right-of-use (Note 3)** | | |
| Buildings and other constructions | - | 305,903 |
| Basic equipment | 190,580,198 | 193,267,202 |
| Transport equipment | 26,025 | 123,230 |
| | **190,606,223** | **193,696,335** |
| **Amortization of Intangible Assets (Note 5)** | | |
| Computer Programs | 5,370,547 | 6,231,986 |
| | **5,370,547** | **6,231,986** |
| **Impairment losses in tangible assets (Note 3)** | | |
| Basic equipment | 173,309 | 3,623,070 |
| Tools and utensils | 184,423 | - |
| | **357,732** | **3,623,070** |
| **Total** | **229,120,841** | **236,550,274** |

## 31 Financial results

The caption financial results for the first half of 2022 and 2021, is detailed as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Interest expenses | (19,670,892) | (50,132,495) |
| Lease interests related with contracts with purchase option | (14,827,653) | (10,403,804) |
| Lease interests related with contracts without purchase option | (93,291,218) | (74,713,104) |
| Other financial expenses | (4,778,250) | (13,998,913) |
| **Interests and similar expenses** | **(132,568,013)** | **(149,248,316)** |
| Interest income | 17,862,158 | 16,589,094 |
| **Interests and similar income** | **17,862,158** | **16,589,094** |
| Net foreign exchange differences | (72,935,911) | (62,825,153) |
| **Net currency exchange** | **(72,935,911)** | **(62,825,153)** |
| Overhedge gains / losses (Note 21) | - | 8,677,082 |
| **Overhedge gains / losses** | **-** | **8,677,082** |
| **Total** | **(187,641,766)** | **(186,807,293)** |

The unfavourable exchange rate differences that occurred in the first half of 2022 and 2021, were essentially due to the appreciation of the Dollar against the Euro. The impact of this update referring to lease liabilities, with and without purchase option, as of 30 June 2022 and 31 December 2021, amounts to EUR 86,325 thousand and EUR 67,202 thousand, respectively. It should be noted that the net foreign exchange losses arising from the exchange rate update during the first half of 2022 of lease liabilities without purchase option in USD, for which a hedging relationship was defined with forecasted highly probable sales which fare is set in USD, were recorded under the caption “Other reserves” (Notes 2.2 and 14), therefore the amount recorded in the consolidated income statement corresponds only to the portion of the exchange rate losses not covered by currency hedging.

The decrease in interest paid during the first half of 2022, is essentially due to the decrease in debt, namely resulting from the conversion of the State support loan into capital on 30 December 2021 (Note 13).

## 32 Income tax

The income tax item for the first half of 2022 and 2021, is detailed as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Deferred taxes (Note 7) | 18,750,198 | (71,270,080) |
| Current taxes (Note 10) | 75,925 | 58,740 |
| Differences from prior years tax estimates | - | 182,861 |
| | **18,826,123** | **(71,028,479)** |

The tax assessment is made in the sphere of individual accounts of TAP S.A. prepared in accordance with the provisions of the Accounting Standardization System (SNC).

The income tax rate reconciliation in the first half of 2022 and 2021, is as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Net income/(loss) before income tax | (183,248,628) | (564,163,360) |
| Nominal tax rate | 21.0% | 21.0% |
| Expected tax | (38,482,212) | (118,474,306) |
| Permanent differences | (2,058,599) | (15,125,525) |
| Temporary differences with no deferred tax | 605,807 | (4,274,558) |
| Income tax rate difference between 21% and 29,5% | 7,201,813 | 10,026,105 |
| Tax losses without deferred tax assets | 51,483,389 | - |
| Exit from "RETGS" (Note 7) | - | 56,578,204 |
| Autonomous taxation | 75,925 | 58,740 |
| Differences from tax estimates for the previous year | - | 182,861 |
| | **18,826,123** | **(71,028,479)** |
| Effective tax rate | (10%) | 13% |

## 33 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 first half of 2022 and 2021is as follows:

| | Jun 2022 | Jun 2021 |
|---|---|---|
| Net income/(loss) attributable to ow ners of TAP SA | (202,074,751) | (493,134,881) |
| Weighted average number of shares | 180,865,573 | 100,700,000 |
| Basic and diluted earnings per share | (1.1) | (4.9) |

## 34 Commitments

### ✈ Purchase commitments

The aircraft purchase agreement with Airbus S.A.S. ("Airbus") for the purchase of 53 aircraft (39 A320 NEO Family and 14 A330 NEO), initially planned to be received between 2018 and 2025, was renegotiated with a view to delaying 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 up to this date have been rescheduled from 2022 to 2024, having recently been renegotiated again in order to defer delivery to the last quarter of 2025 (A339 #11) and the second quarter of 2026 (A339 #12). Regarding the A320NEO Family aircraft, 13 aircraft initially scheduled for delivery in the 2021-2022 period were replanned for 2025-2027. This acquisition agreement results from the novation to TAP S.A. of the purchase agreement previously negotiated and signed between Airbus and DGN Corporation.

As a result of the commitments assumed in the contract with Airbus, regarding the future entry of aircraft, in 2021 a total of USD 53.3 million was paid in pre-delivery payments. In the first half of 2022, USD 31.56 million were paid, and the amount of pre-delivery payments for the second half of 2022 in the amount of USD 31.5 million will be paid in a phased manner, considering the new agreement that differs from the last two A339 for 2025 and 2026.
In addition, a contract with Rolls-Royce is in place, which includes maintenance support for al TRENT 7000 reactors that equip the A330NEO aircraft.

A contract is also in force with CFM International Inc., S.A., for the purchase of 83 LEAP-A1 engines, including 5 reserve engines, which will equip and serve the new fleet of A320 NEO Family aircraft. It should be noted that these engines will be purchased directly by Airbus, with the exception of standby engines. Regarding the reserve engine, 4 of the 5 planned have already been purchased.

It also follows from the commitments made in the contract with CFM, the acquisition of a leap spares reactor which delivery is expected in October 2022 and which pre-delivery payments are already completed.

## 35 Contingencies

As of 30 June 2022 and 31 December 2021, the Group had no contingent assets. The contingent liabilities were as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| Tax contingencies | 580,443 | 494,207 |
| Civil contingencies | 20,359,981 | 11,030,695 |
| Regulatory contingencies | 6,908,426 | 2,334,446 |
| **Total** | **27,848,850** | **13,859,348** |

Regulatory contingencies include essentially cases brought by customers regarding operational irregularities. The Group, supported by the opinion of its legal advisors, considers that an unfavourable outcome in these cases is not probable.

### Guarantees provided

As of 30 June 2022 and 31 December 2021, the Group's guarantees are broken down as follows:

| | Jun 2022 | Dec 2021 |
|---|---|---|
| **Bank guarantees provided by Head Office** | | |
| Aircrafts | 41,664,664 | 38,221,763 |
| Fuel | 962,742 | 882,924 |
| Airports | 1,340,550 | 1,019,875 |
| Labour Court | 450,962 | 450,962 |
| Other | 4,641,556 | 4,641,556 |
| **Bank guarantees provided by Representations** | 2,414,256 | 2,261,785 |
| | **51,474,729** | **47,478,865** |

## 36 Related parties

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. | |

The balances and transactions with related entities as of 30 June 2022 and 31 December 2021, are as follows:

## Balances

| | Jun 2022 - Assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Customers (Note 8) | Advances to suppliers (Note 8) | Accrued income (Note 8) | Deferred expenses (Note 11) | Right-of-use assets | Other receivables current (Note 8) | Recoverable maintenance reserves (Note 8) | Impairment on accounts receivable (Note 8) | Total |
| TAP SGPS | - | - | 885 | - | - | 974,157,791 | - | (937,916,308) | **36,242,368** |
| PGA | - | - | 822,888 | 817,841 | 154,627,324 | 838,453 | 13,678,180 | - | **170,784,686** |
| SPdH | - | - | - | - | - | 16,521,305 | - | (10,773,100) | **5,748,205** |
| TAP ME Brasil | 16,998,281 | 596,655 | - | 434,106 | - | 12,857,425 | - | (30,065,750) | **820,717** |
| Cateringpor | 55,126 | - | 809,580 | - | - | 177,942 | - | - | **1,042,648** |
| UCS | - | 1,000 | - | - | - | 177,876 | - | - | **178,876** |
| | **17,053,407** | **597,655** | **1,633,353** | **1,251,947** | **154,627,324** | **1,004,730,792** | **13,678,180** | **(978,755,158)** | **214,817,500** |

| | Dec 2021 - Assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Customers (Note 8) | Advances to suppliers (Note 8) | Accrued income (Note 8) | Deferred expenses (Note 11) | Right-of-use assets | Other receivables current (Note 8) | Recoverable maintenance reserves (Note 10) | Impairment on accounts receivable (Note 10) | Total |
| TAP SGPS | 17 | - | 885 | - | - | 921,540,227 | - | (884,671,817) | **36,869,312** |
| PGA | 274,994 | - | 850,961 | - | 187,329,516 | 229,080 | 7,953,186 | - | **196,637,737** |
| SPdH | 791,075 | - | - | - | - | 15,415,106 | - | (10,773,100) | **5,433,081** |
| TAP ME Brasil | 15,603,355 | 515,432 | - | 1,023,737 | - | 9,257,851 | - | (25,669,547) | **730,828** |
| Cateringpor | 341,128 | - | 1,047,335 | - | - | 1,667,512 | - | - | **3,055,975** |
| UCS | 45,329 | 1,000 | - | - | - | 71,249 | - | - | **117,578** |
| | **17,055,898** | **516,432** | **1,899,181** | **1,023,737** | **187,329,516** | **948,181,025** | **7,953,186** | **(921,114,464)** | **242,844,511** |

| | Jun 2022 - Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Suppliers (Note 18) | Accrued expenses (Note 18) | Deferred income (Note 19) | Lease liabilities without purchase option non-current (Note 17) | Lease liabilities without purchase option current (Note 17) | Other payables current (Note 18) | Total |
| TAP SGPS | (61,860) | - | - | - | - | (4,483) | **(66,343)** |
| PGA | (11,142,109) | (74,778) | (20,144) | (68,493,017) | (118,694,669) | (1,830,645) | **(200,255,362)** |
| SPdH | (4,904,794) | (2,155,986) | (82,203) | - | - | (75,174) | **(7,218,157)** |
| TAP ME Brasil | (360,220) | (25,816) | - | - | - | - | **(386,036)** |
| Cateringpor | (3,661,436) | (1,905,966) | (207,567) | - | - | - | **(5,774,969)** |
| UCS | (96,198) | (154,668) | - | - | - | (154,670) | **(405,536)** |
| | **(20,226,617)** | **(4,317,214)** | **(309,914)** | **(68,493,017)** | **(118,694,669)** | **(2,064,972)** | **(214,106,403)** |

| | Dec 2021 - Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Suppliers (Note 18) | Accrued expenses (Note 18) | Deferred income (Note 19) | Lease liabilities without purchase option non-current (Note 17) | Lease liabilities without purchase option current (Note 17) | Other payables current (Note 18) | Total |
| TAP SGPS | (59,635) | - | - | - | - | (412) | **(60,047)** |
| PGA | (9,715,176) | (56,084) | (20,144) | (100,306,207) | (110,739,906) | 344 | **(220,837,173)** |
| SPdH | (4,430,291) | (1,760,080) | (81,794) | - | - | 4,065 | **(6,268,100)** |
| TAP ME Brasil | 305,588 | (12,678) | - | - | - | - | **292,910** |
| Cateringpor | (4,069,068) | (2,135,080) | (206,504) | - | - | - | **(6,410,652)** |
| UCS | (159,954) | (142,359) | (28,983) | - | - | (32,374) | **(363,670)** |
| | **(18,128,536)** | **(4,106,281)** | **(337,425)** | **(100,306,207)** | **(110,739,906)** | **(28,377)** | **(233,646,732)** |

## Transactions

| | Jun 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Operating income | Operating expenses | Depreciation right-of-use | Interest income | Interest expenses | Total |
| TAP SGPS | 4,159 | (300,000) | - | 17,557,789 | - | 17,261,948 |
| PGA | 1,101,170 | (3,315,304) | (45,819,125) | - | (10,303,471) | (58,336,730) |
| SPdH | 2,905,943 | (40,621,133) | - | - | - | (37,715,190) |
| TAP ME Brasil | - | (1,253,923) | - | - | - | (1,253,923) |
| Cateringpor | 796,234 | (17,541,589) | - | - | - | (16,745,355) |
| UCS | 359,057 | (1,757,865) | - | - | - | (1,398,808) |
| | **5,166,563** | **(64,789,814)** | **(45,819,125)** | **17,557,789** | **(10,303,471)** | **(98,188,058)** |

| | Jun 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Operating income** | **Operating expenses** | **Depreciation right-of-use** | **Interest income** | **Interest expenses** | **Total** |
| Portuguese State | | | | | | |
| TAP SGPS | - | (300,000) | - | 16,495,263 | - | 16,195,263 |
| PGA | 1,816,258 | (4,993,477) | (35,883,723) | - | (5,880,400) | (44,941,342) |
| SPdH | 4,519,423 | (17,930,600) | - | - | - | (13,411,177) |
| TAP ME Brasil | 52,723 | (1,982,081) | - | - | - | (1,929,358) |
| Cateringpor | 769,789 | (9,205,578) | - | - | - | (8,435,789) |
| UCS | 360,829 | (2,267,181) | - | - | - | (1,906,352) |
| Barraqueiro Group | 855 | - | - | - | - | 855 |
| | **7,519,877** | **(36,678,917)** | **(35,883,723)** | **16,495,263** | **(33,225,706)** | **(81,773,206)** |

The transactions with SPdH refers to ground handling services provided by SPdH to support aircraft, passengers, baggage, cargo and mail.

These transactions are carried out under terms and conditions similar to those practiced in commercial agreements usually concluded with other airlines.

## 37 Subsequent events

The Board of Directors is not aware of any subsequent to the reporting date that may have a significant impact on the financial statements for the period ended 30 June 2022.

## 38 Note added for translation

The accompanying consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies, the Portuguese version prevails.

**CERTIFIED ACCOUNTANT**

Ana Maria Fragueiro Navarro

**BOARD OF DIRECTORS**

Manuel Amaral Beja
Chairman

Christine Ourmières-Widener
Director

Silvia Mosquera González
Director

Patrício Ramos Castro
Director

Ana Teresa C. P. Tavares Lehmann
Director

Gonçalo Neves Costa Monteiro Pires
Director

João Pedro Conceição Duarte
Director

Ramiro José Oliveira Sequeira
Director

Sofia Norton dos Reis Lufinha de Mello Franco
Director

## *Review Report on the Condensed Consolidated Financial Statements*

**(Free translation from the original in Portuguese)**

To the Board of Directors

### *Introduction*

We have reviewed the accompanying condensed consolidated financial statements of Transportes Aéreos Portugueses, S.A. (the Entity), which comprise the consolidated statement of financial position as at June 30, 2022 (which shows total assets of Euros 5,208,303,343 and total negative shareholder's equity of Euros 734,519,197, including a net loss of Euros 202,074,751, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

### *Management's responsibility*

The Management is responsible for the preparation of the condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these consolidated financial statements.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that accompanying condensed consolidated financial statements of Transportes Aéreos Portugueses, S.A. as at June 30, 2022 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

***Emphasis***

Without qualifying our conclusions expressed in the paragraph above, we draw attention to the disclosure in note 1 of the accompanying notes to the condensed consolidated financial statements, namely regarding (i) 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, and the consequent future monitoring by the European Commission as to its compliance and (ii) the impacts of the evolution of the COVID-19 pandemic and the conflict in Ukraine in the air transport sector and, consequently, in the future operational activity of TAP SA Group.

September 29, 2022

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