AIR PORTUGAL

TRANSPORTES AÉREOS PORTUGUESES, S.A.

First Half 2021

MANAGEMENT REPORT AND CONSOLIDATED ACCOUNTS

A STAR ALLIANCE MEMBER

CONSOLIDATED MANAGEMENT REPORT

FIRST HALF 2021

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 2021

1.1. Introduction

- The beginning of 2021 was marked by the strong increase in COVID-19 cases all over the world with the consequent economic impacts, namely via mobility restrictions. In February and March of 2021, Portugal and many other countries were in lockdown, which strongly affected the activity of Transportes Aéreos Portugueses, S.A. ("TAP", "Group" or "Company"). As vaccination against COVID-19 progressed during the second quarter of 2021 ("2Q21") coupled with the introduction of the European COVID-19 Digital Certificate, there was a gradual easing of travel restrictions, which contributed to TAP's activity start recovering in certain markets.
- Given the significant restrictions in air transportation in the first quarter of 2021 ("1Q21"), TAP's revenues in the first half of 2021 ("1H21") came in at EUR 383.1 million, still 40.7% below the first half of 2020 ("1H20"), which included 2 months of pre-pandemic activity. Nevertheless, EBIT, although negative, improved YoY, which reflects the impact of TAP's transformation plan and corresponding cost-cutting measures, as operating costs fell 29.2% when compared to 1H20.
- In fact, during the first semester TAP continued to implement its transformation plan, namely through continuously adjusting its capacity, restructuring, reducing costs, and enhancing revenue through several initiatives across the entire Group. As such, significant progress was made in several areas, including a very material increase of cargo and mail operating revenue, (96.5% YoY) the fleet transformation, where 5 less efficient aircraft were phased-out and 3 new-generation aircraft were phased-in or in the headcount adjustment.
- On June 24, 2021, a new Board of Directors was elected for the term of office 2021-2024, having this Board of Directors designated the Executive Committee for the same mandate on June 28, 2021.
- This semester was also characterized by a new shareholder structure. Following the COVID-19 compensation for damages suffered between March 19, 2020, and June 30, 2020, the European Commission authorized a capital increase of EUR 462 million by the Portuguese Republic, through the Directorate General of Treasury and Finance ("DGTF"). As such, the Portuguese Republic, through the DGTF, became a direct shareholder of TAP with an equity stake of circa 92%, with the remaining circa 8% held by TAP – Transportes Aéreos Portugueses, SGPS, S.A. ("TAP SGPS").
- More recently, on July 16, 2021, the European Commission re-approved the EUR 1.2 billion rescue aid to TAP SGPS and announced that the assessment process of TAP Group's restructuring plan ("Restructuring Plan") would enter a new processual phase, notably by deciding to initiate an investigation to, complementarily, evaluate the compliance of the proposed Restructuring Plan and the corresponding aid with the European rules on State aid. The opening of this investigation gave Portugal and interested third parties the opportunity to submit comments. As of the publication date of TAP's 1H21 Management Report and Consolidated Accounts, TAP is working closely with the Portuguese Government and awaiting the outcome of this process.

1.2. Sector Environment

According to International Air Transport Association ("IATA"), 1H21 global capacity (measured by ASK) and passenger traffic (measured by RPK) still presented a material decrease of -56.4% and -66.7%, respectively, when compared to the homologous semester of 2019. When analysing per region, in Europe this decrease was even higher with ASKs falling by 69.2% and passengers by 78.1%, respectively.

	Passenger Capacity (ASK)					Passener Traffic (RPK)				
	%YoY				%YTD	%YoY				%YTD
	2019	2020	June 2021	June 2021[1]	1H 2021[1]	2019	2020	June 2021	June 2021[1]	1H 2021[1]
Global	**3.4%**	**-56.7%**	**145.6%**	**-51.6%**	**-56.4%**	**4.1%**	**-65.9%**	**192.5%**	**-60.1%**	**-66.7%**
Regions										
North America	2.9%	-50.2%	200.8%	-29.6%	-39.3%	4.0%	-65.2%	351.2%	-36.2%	-52.1%
Europe	3.5%	-62.6%	291.9%	-59.1%	-69.2%	4.2%	-69.9%	387.7%	-69.2%	-78.1%
Asia-Pacific	4.4%	-54.0%	43.8%	-56.9%	-55.5%	4.7%	-62.0%	46.2%	-65.6%	-65.0%
Middle East	0.1%	-63.3%	267.7%	-62.9%	-64.4%	2.3%	-72.1%	377.2%	-77.7%	-80.2%
Latin America	3.0%	-58.3%	381.3%	-47.1%	-54.1%	4.2%	-62.1%	449.7%	-50.2%	-59.4%
Africa	4.5%	-61.1%	632.0%	-59.5%	-60.8%	4.7%	-68.9%	1206.8%	-66.6%	-70.1%

Source: IATA (June 2021).

[1] vs 2019

As per IATA, the industry's total revenues for 2021 should reach USD 458 billion, a decrease of 45.3% when compared to 2019, with passenger revenues decreasing 61.9% and cargo growing 51.1%.

	System-wide Global Commercial Airlines Revenues (USD Billion)				
	2019	2020	2021E	2020 vs 2019	2021E vs 2019
Total Revenues	**838**	**372**	**458**	**-55.6%**	**-45.3%**
Passenger Revenues	607	189	231	-68.9%	-61.9%
Cargo Revenues	101	128	152	+27.2%	+51.1%
Other Revenues	130	55	75	-57.9%	-42.6%

Source: IATA (June 2021).

1.3. Operational and Economic-Financial Performance

Preliminary Relevant Information

TAP’s Management believes that the preparation of TAP’s financial statements as at June 30, 2021 shall be made on a going concern basis, based on (i) the approval by the European Commission, on June 10, 2020, of the State aid to TAP Group, in the form of a loan in the amount of EUR 1.2 billion (also taking into consideration that the judgment of the General Court of the European Union of May 19, 2021, which annulled the initial rescue aid decision from the European Commission, suspended the effects of this annulment pending the adoption of a new decision by the European Commission, which was effectively adopted by this entity subsequently on July 16, 2021), (ii) the Restructuring Plan project approved by TAP, which presents a perspective of gradual growth of its activity, despite the relevant reduction embedded in the projections for the activity when compared to its activity prior to the COVID-19 pandemic levels, combined with a strategy of fleet reduction, reduction of operational costs and investment, although one cannot exclude a scenario of aggravation of the pandemic situation or activity growth below what is estimated in the Restructuring Plan under assessment by the European Commission, (iii) the concession of an aid to TAP by the Portuguese State approved by the European Commission, by decision in April 23, 2021, as subsequently amended, as compensation for COVID-19 damages in the period between march 19 and June 30, 2020, in the context of which, in May 24, 2021, there was a capital increase in TAP through the injection of EUR 462 million in cash by the Portuguese Republic through the DGTF and the subscription by this entity of 92.4 million of shares representing TAP’s share capital with the nominal value of EUR 5 each, (iv) the expectation, although no commitment has been undertaken and no certainty exists in that regard, of the gathering of the direct or indirect financial support from TAP’s shareholders and/or ability to obtain external financial resources that TAP may need, namely through subsequent State aids in the context of COVID-19 damages approved by the European Commission that may be granted to TAP until the Restructuring Plan’s approval, as well as (v) the full commitment and availability assumed by the Portuguese Government to work with the European Commission in order to obtain the approval of the Restructuring Plan by this entity, along with the ongoing interactions with the European Commission about the adequacy of the Restructuring Plan, the fundamental purpose of which is to ensure the financial and economic sustainability, viability and continuity of the operations of TAP Group.

There are risks and uncertainties that should be considered when analysing TAP’s financial statements as at June 30, 2021, 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 – including measures adopted by the authorities worldwide to contain the virus (such as quarantine regulations and border closures), which evolution cannot be anticipated, as well as support measures and waivers adopted by the authorities worldwide within the scope of the COVID-19 pandemic, such as the relief of slot usage rules, which may not be renewed or may be progressively terminated (at a pace not necessarily adjusted to TAP’s activity) (ii) no extension of waivers to financial covenants from financial debt creditors (iii) the outcome of the analysis and assessment of the Restructuring Plan by the European Commission, (iv) the outcome of any analysis or valuation or any decision taken by the European Commission or any other authority, judicial or other, in relation to the Portuguese Republic aids to any company of TAP Group, (v) the capacity of TAP obtaining additional financial support from its shareholders in particular additional State Aids from the Portuguese Republic, and (vi) the level of success in the implementation of the Restructuring Plan.

Operational Performance

TAP, S.A. Consolidated	2Q21	1Q21	2Q20	Change (%)		1H21	1H20	Change	
				2Q21 vs 1Q21	2Q21 vs 2Q20			Abs.	%
Passenger ('000)	928.1	393.0	41.0	+136.1%	>+200%	1,321.1	3,000.7	-1,679.5	-56.0%
RPK (million)	2,177.1	1,006.9	166.9	+116.2%	>+200%	3,184.1	7,862.5	-4,678.4	-59.5%
ASK (million)	4,503.0	2,007.0	253.7	+124.4%	>+200%	6,510.0	10,957.2	-4,447.2	-40.6%
Load Factor (%)	48.3	50.2	65.8	-1.8 p.p.	-17.4 p.p.	48.9	71.8	-22.8 p.p.	n.m.
Block Hours	38,865	21,079	3,022	+84.4%	>+200%	59,944	84,137	-24,192	-28.8%
Number of Departures	12,546	6,138	584	+104.4%	>+200%	18,684	27,096	-8,412.0	-31.0%
Average Stage Length (km)	2,091.0	2,394.1	3,922.3	-12.7%	-46.7%	2,189.9	2,035.5	154.4	+7.6%
Active Staff (end of period) [1]	6,804	7,526	9,143	-9.6%	-25.6%	6,804	8,593	-1,789	-20.8%

1) Includes active staff and staff in simplified layoff.

Due to the evolution of the pandemic and the corresponding travel restrictions, TAP's operating performance in 1H21 can be decomposed into two very distinct quarters: during the first quarter travel restrictions were at their maximum level, which was followed by a second quarter characterized by a gradual reopening of markets in which TAP operates, on the back of significant progress in the respective COVID-19 vaccination programs. As such, the 2Q21 presented an increase of 136.1% in the number of passengers transported when compared to the previous quarter and almost 23x higher than the homologous period of the previous year ("2Q20"). Nonetheless, the 1.3 million passengers transported during 1H21 still represent a gap of 56% when compared to the 3 million passengers transported during 1H20.

Following this trend, ASKs grew +124.4% in the 2Q21 compared to the previous quarter, whereas the load factor exhibited a slight decrease of 1.8 p.p. when compared to 1Q21. Despite the encouraging increase in ASKs between the first and second quarter of 2021, ASKs in 1H21 were still 40.6% lower when compared to 1H20. When compared to pre-COVID levels, this indicator is 73% below the first half of 2019 ("1H19"), while RPKs were 83% below 2019 levels – where the most significant headwind is Latin America, due to the weight of the Brazilian market in TAP's operations.

Lastly, despite the challenging environment, TAP was able to achieve a load factor of nearly 50% during 1H21, which highlights careful and continuous management of capacity, routes, and aircraft utilization.

Economic-Financial Performance

Financial Statement

TAP, S.A. Consolidated EUR million	**2Q21**	**1Q21**	**2Q20**	**Change (%)** **2Q21 vs 1Q21**	**2Q21 vs 2Q20**	**1H21**	**1H20**	**Change** **Abs.**	**%**
Operating Income	**233.2**	**150.0**	**62.9**	**+55.5%**	**>+200%**	**383.1**	**646.1**	**-263.0**	**-40.7%**
Passenger	153.6	86.7	32.1	+77.2%	>+200%	240.3	545.4	-305.2	-55.9%
Maintenance	10.2	6.7	6.5	+51.5%	+56.1%	16.9	38.5	-21.6	-56.2%
Cargo and mail	60.0	44.4	20.5	+35.1%	+192.3%	104.5	53.2	51.3	+96.3%
Other operating income	9.4	12.1	3.7	-22.7%	+154.3%	21.5	9.0	12.5	+140.0%
Operating Costs	**382.8**	**377.7**	**335.1**	**+1.4%**	**+14.2%**	**760.5**	**1,073.6**	**-313.1**	**-29.2%**
Aircraft fuel	59.5	37.6	9.7	+58.3%	>+200%	97.1	163.0	-65.9	-40.4%
Traffic operating costs	69.5	53.1	48.9	+31.1%	+42.1%	122.6	217.9	-95.3	-43.7%
Employee costs	83.0	119.3	58.5	-30.4%	+41.8%	202.3	221.2	-18.9	-8.6%
Aircraft maintenance costs	3.2	6.6	1.7	-51.9%	+86.9%	9.8	15.0	-5.3	-35.0%
Cost of materials consumed	2.6	5.3	6.2	-51.8%	-58.3%	7.9	29.3	-21.4	-73.0%
Commercial, communication and marketing costs	13.1	10.4	4.1	+25.9%	>+200%	23.5	49.0	-25.6	-52.2%
Impair. losses in inventories, receiv. and provisions	28.8	0.9	8.7	>+200%	>+200%	29.8	9.7	20.1	>+200%
Other operating expenses	28.4	26.6	27.4	+6.8%	+3.7%	54.9	65.1	-10.2	-15.7%
Restructuring	-23.9	0.0	1.1	<-200%	<-200%	-23.8	1.8	-25.6	<-200%
Other non recurrent items	0.0	0.0	2.8	-200.0%	-99.9%	0.0	2.8	-2.8	>+200%
Depreciation, amortisation and impairment losses	118.6	117.9	166.1	+0.6%	-28.6%	236.6	298.8	-62.2	-20.8%
EBIT (Operating Result)	**-149.6**	**-227.7**	**-272.2**	**+34.3%**	**+34.3%**	**-377.4**	**-427.6**	**50.2**	**+11.7%**
EBIT margin	***-64.2%***	***-151.9%***	***-433.0%***	**n.m.**	**n.m.**	***-98.5%***	***-66.2%***	**-32.3 p.p.**	**n.m.**
Recurring EBIT [1)]	**-173.5**	**-227.7**	**-268.4**	**+23.8%**	**+35.4%**	**-401.2**	**-423.0**	**21.8**	**+5.2%**
Recurring EBIT margin	***-74.4%***	***-151.9%***	***-426.9%***	**n.m.**	**n.m.**	***-104.7%***	***-65.5%***	**-39.2 p.p.**	**n.m.**
Interest and similar income	8.4	8.2	8.3	+1.6%	+1.1%	16.6	16.9	-0.3	-2.0%
Interests and similar expenses	-75.8	-73.5	-59.7	+3.1%	+26.9%	-149.2	-119.2	-30.1	+25.2%
Overhedge Costs	1.1	7.5	14.0	-84.8%	-91.8%	8.7	-136.3	145.0	-106.4%
Net currency exchange	46.9	-109.8	42.6	-142.8%	+10.3%	-62.8	-58.0	-4.9	+8.4%
Earnings before taxes	**-168.9**	**-395.2**	**-267.1**	**+57.3%**	**+36.8%**	**-564.2**	**-724.1**	**159.9**	**+22.1%**
Income tax	40.9	30.2	80.1	+35.5%	-49.0%	71.0	142.1	-71.1	-50.0%
Net income/ (loss)	**-128.1**	**-365.1**	**-187.0**	**+64.9%**	**+31.5%**	**-493.1**	**-582.0**	**88.8**	**+15.3%**
Recurring EBITDA [2)]	**-54.9**	**-109.8**	**-102.3**	**+50.0%**	**+46.4%**	**-164.7**	**-124.2**	**-40.4**	**-32.6%**
Recurring EBITDA margin	***-23.5%***	***-73.2%***	***-162.7%***	**n.m.**	**n.m.**	***-43.0%***	***-19.2%***	**-23.7 p.p.**	**n.m.**

EBITDA = Operating Result + Depreciation, amortization and impairment losses.

TAP presented a total operating income of EUR 383.1 million in 1H21, which was strongly affected by the 1Q21 travel restrictions, with a decrease of 40.7% when compared to 1H20 and of 73.6% when compared to 1H19. The breakdown shows a decrease in passenger revenues of EUR 305.2 million (-55.9% YoY), bringing the 1H21 figure to EUR 240.3 million, which was partially offset by the performance of the cargo and mail segment, which increased EUR 51.3 million (+96.3% YoY).

In fact, cargo and mail continued to perform very well, presenting an increase of 96.3% YoY to EUR 104.5 million, which represented 27% of total revenues in 1H21. TAP's cargo yield in 1H21 was also higher when compared to the homologous period in both 2020 and 2019, and cargo-only flights were responsible for more than 40% of TAP Air Cargo's operating revenue in 1H21, which offset the decrease in cargo revenue in passenger flights ("belly" capacity).

Total operating costs amounted to EUR 760.5 million in 1H21, a decrease of EUR 313.1 million (-29.2%) when compared to 1H20, mainly explained by the material reduction of the following captions: fuel costs (-40.4%), traffic operating costs (-43.7%), personnel costs (-8.6%), and depreciation and amortization (-20.8%).

The reduction in personnel costs is the result of the restructuring measures executed by the Group, namely in headcount – since December 31, 2020, a total of 1,302 employees left TAP, representing a decrease of 16% in total labour workforce number – as well as the negotiation of the agreements with unions by which salary revisions were defined.

Operating Result (EBIT) was negative in EUR 377.4 million but registered an improvement of EUR 50.2 million YoY (+11.7%). When adjusted for non-recurring items and restructuring costs, recurring EBIT came in at EUR -401.2 million (+5.2% YoY), while recurring EBITDA registered EUR -164.7 million (-32.6% YoY).

Half-year 2021 net income was negative in EUR 493.1 million, which represents an increase of EUR 88.8 million when compared to the homologous period of 2020. The most relevant captions were interest expense (EUR -149.2 million) and foreign exchange differences (EUR -62.8 million), where the latter is mostly related to the EUR depreciation against USD, although the majority represents a non-cash impact, as it relates to future rents. Lastly, it is worth mentioning the positive impact of Jet Fuel over hedge of EUR 8.7 million.

Financial Position

TAP, S.A. Consolidated EUR million	30 -Jun-21	31-Dec-20	Variação	
			Abs.	%
Total Assets	**4,938.8**	**4,957.1**	**-18.3**	**-0.4%**
Non-current assets	3,170.1	3,216.4	-46.3	-1.4%
Current Assets	1,768.7	1,740.7	28.0	+1.6%
Equity	**-1,153.5**	**-1,154.3**	**0.8**	**-0.1%**
Total Liabilities	**6,092.3**	**6,111.4**	**-19.0**	**-0.3%**
Non-current liabilities	2,994.3	3,024.4	-30.1	-1.0%
Current Liabilities	3,098.1	3,087.0	11.1	+0.4%

As previously mentioned, a capital increase of EUR 462 million took place on May 24, 2021, with TAP's share capital increasing from EUR 41.5 million to EUR 503.5 million, which nearly covered the negative net income of EUR 493.1 million for 1H21. As such, Equity registered a small variation of less than EUR 1 million during this period.

Financing and Lease Liabilities

TAP, S.A. Consolidated EUR million	30 -Jun-21	31-Dec-20	Variation	
			Abs.	%
Financial Debt	**2,670.4**	**2,590.4**	**80.0**	**+3.1%**
Bank Loans & Bonds	942.4	941.0	1.5	+0.2%
Portuguese State Loan	1,238.2	1,210.8	27.3	+2.3%
Lease liabilities with purchase option	489.8	438.6	51.2	+11.7%
Cash and cash equivalents	**542.8**	**518.8**	**24.0**	**+4.6%**
Net Financial Debt	**2,127.6**	**2,071.6**	**56.0**	**+2.7%**
Lease liabilities without purchase option	**2,019.9**	**2,038.6**	**-18.8**	**-0.9%**

Gross financial debt, which excludes lease liabilities without purchase option, increased by EUR 80 million when compared to December 31, 2020, a result of the increase of lease liabilities with purchase option (EUR 51.2 million) and of the increase on the Portuguese Republic loan capitalized interests (EUR 27.3 million).

Cash and cash equivalents increased EUR 24 million to EUR 542.8 million in the semester.

TAP maintained its long-term issuer credit rating assigned by S&P Global Ratings Europe Limited ("S&P") as B- (CreditWatch negative) and the Corporate Family Rating assigned by Moody's Investors Service ("Moody's") as Caa2 (Outlook negative).

1.4. Transformation Plan

In the context of TAP's transformation plan, several initiatives were implemented during 1H21, out of which the following should be highlighted:

- Capacity adjustment
    - Phase-out of 2 332s and 3 320 and phase-in of 2 320neo and 1 A321neoLR
    - E-Jet extensions negotiated with rent reductions
    - Financing of A320neo family aircraft
- Cost restructuring
    - Material adjustment in labor costs and productivity
    - Increase of e-commerce footprint
    - Negotiation with third-party suppliers
    - Simplification of processes and logistics
- Revenues enhancing
    - Yield optimization initiatives
    - Rebalance of network planning to adapt to market restrictions
    - Agility of short-term scheduling
    - Conversion of 2 aircraft (A330ceo) to cargo to take advantage of higher demand

Other measures worth mentioning include digital initiatives, namely: a new e-commerce platform, a new digital help desk, and new COVID-19 services. Furthermore, TAP's product offering was enhanced with new ancillaries and its loyalty program Miles&Go was reinforced with new partnerships.

Focusing on TAP's network and aircraft utilization, capacity was carefully deployed while a process for the cancelation of flights below target margin was introduced, together with a systematic downgauge of operations to aircraft with lower trip costs, conditional on the demand for each route. In line with the rest of the aviation industry, TAP used slot alleviations to reduce operations where demand recovery was lower.

1.5. Network and Fleet

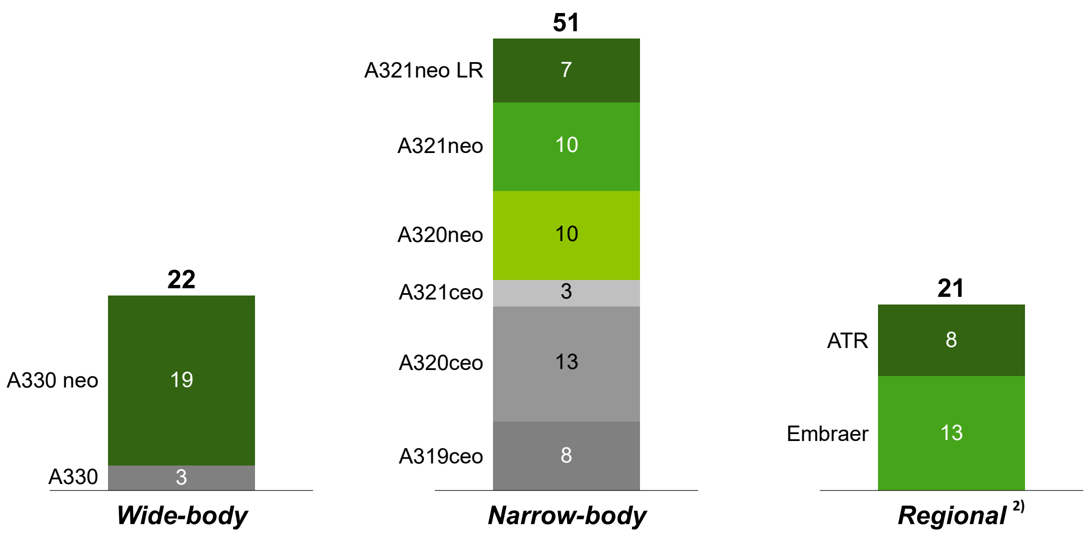
While TAP remains fully committed to its strategy of evolving the Lisbon hub to connect Europe and Africa with Brazil and the U.S., it also launched a diversification strategy, which resulted in the opening of several routes, such as Zagreb, Fuerteventura, Agadir and Cancun.

Regarding operating fleet, during the 1H21, TAP went through a net reduction of 2 aircraft to 94 aircraft, with the phase-out of 2 Airbus A330 and 3 Airbus A320, while 1 A321LR and 2 A320 Neo were phased-in, with TAP successfully securing financing arrangements for these aircraft.

The new aircraft that joined TAP's operating fleet reinforce the Group's strategy of using more efficient aircraft, and thus lower fuel consumption, which allows TAP to adapt its operation according to the pace of the recovery in demand. The utilization of TAP's regional fleet also increased, particularly during heightened border restrictions, coupled with a higher utilization of A321LRs due to international capillarity in U.S.A. and Europe. Moreover, the conversion of 2 332s to cargo-only aircraft has been crucial to respond to increasing demand in the segment, which had a meaningful impact on TAP's operating income.

Prior to the pandemic, TAP was among the European carriers with the newest fleets, on the back of the fleet renewal program that started after the privatization of the TAP Group in November 2015. Nonetheless, the impact of the COVID-19 pandemic accelerated the phase-out of less efficient aircraft across the entire industry and TAP was no exception. On the phase-ins, as per the agreement reached with Airbus in 2020, TAP was able to adjust its fleet delivery schedule in relation to the A320neo and A330neo aircraft family, having delayed a significant number of aircraft deliveries.

Composition of TAP's operating fleet[1)] as of 30 June 2021



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 2021

Although there are signs of recovery in the sector and in TAP's activity, the Group understands there are still significant challenges and risks ahead that may impact the economic and financial performance of TAP.

It is undeniable that the sector is recovering as the number of vaccinated individuals continues to increase, and group immunity is expected to be reached in Portugal and in some countries where TAP operates. However, with the resurgence of new variants in different countries, there remains uncertainty over how quickly traffic will recover and whether it will be gradual or in spikes, depending on several factors. These situations can result in travel restrictions imposed at short notice with each country taking its own measures and therefore limiting airlines' activity.

TAP will continue to monitor the demand recovery on a region and route basis, and adjust its capacity, network and aircraft utilization. TAP will also monitor the demand forecasts from entities such as IATA and Eurocontrol – out of which TAP has been following IATA's moderate scenario, which foresees for year 2021 an aircraft activity in Europe of 51% of pre-COVID levels (2019).

TAP expects an improvement in its forward bookings and the recent reopening of Brazil should represent additional progress in the bookings curve – although there is still significant uncertainty if this is sustainable. Also, TAP has already announced the plan for the IATA winter season of 941 flights per week, which represents an increase of 91 flights to the current offer, returning with the routes to the U.S.A. and Canada, besides Brazil. These plans are based on a set of assumptions in terms of border restrictions and if those assumptions prove inaccurate, the said estimates will be jeopardized. As such, the financial outlook for the second semester of 2021 is conditional on the course of the pandemic, namely if there are new variants of the virus and the vaccination pace, which may result in new restrictions that affect the Group's forecasts.

In the second semester of 2021, TAP will continue to focus on its transformation.

TAP's new management team is working in coordination with the Portuguese Government to have the Restructuring Plan approved by the European Commission. Nonetheless, this process is not controlled by TAP and further delays may impact the Group's liquidity.

Lastly, the Board of Directors expresses its profound gratitude to all Employees for their daily effort, dedication, and spirit of mission in such a difficult context, which will be instrumental to ensure TAP's recovery, sustainability, and future. TAP is also deeply grateful to all Portuguese citizens and to its clients, to whom it owes its 76 years old existence.

3. SUBSEQUENT EVENTS

BEGINNING OF A COLLECTIVE DISMISSAL PROCESS

- Pursuant to the implementation of the proposed Restructuring Plan submitted by the Portuguese State to the European Commission on December 10, 2020, which is still under assessment by the European Commission, and further to the execution of Temporary Emergency Agreements with all the Unions and to TAP's declaration as a company in a difficult economic situation (under the terms of Resolution of the Council of Ministers No. 3/2021, of 14 January 2021), TAP deployed, between February and June 2021, a set of labour measures on a voluntary and consensual basis for its employees, namely mutual agreement terminations, early retirement, pre-retirement, part-time work, unpaid leave, as well as applications for vacancies available at Portugália – Companhia Portuguesa de Transportes Aéreos, S.A.
- As a consequence of these voluntary measures, the initial downsizing target of the Restructuring Plan proposal submitted by the Portuguese State to the European Commission on December 10, 2020 could be adjusted downwards and enabled the reduction of the number of employees eligible

for unilateral measures to 124 employees – that is, an adjustment of circa 94% of the original target planned and required by the Restructuring Plan.

- As such, on July 8, 2021, TAP initiated a collective dismissal process involving these 124 employees, which will follow its procedure in accordance with an indicative timetable that is targeted to be completed in the last quarter of this year.
- Subsequently, there were 42 employees adhering to voluntary measures which made the collective dismissal process target only 82 employees.

EUROPEAN COMMISSION'S DECISIONS

- According to a press release issued by the European Commission on July 16, 2021 ("European Commission's Press Release"), this authority adopted the following two separate decisions:

  (i) Re-approval of the EUR 1.2 billion rescue aid
- The European Commission has decided to re-approve the EUR 1.2 billion rescue loan to TAP SGPS, which had previously been approved by a decision dated June 10, 2020, by further specifying the reasons for approving the aid (in connection with the situation of the TAP Group and its shareholders in June 2020), as required pursuant to the judgment of the General Court of the European Union of May 19, 2021 (case T-465/20), which annulled the initial rescue aid decision, while suspending the effects of the annulment pending the adoption of a new decision by the European Commission.
- Therefore, this new decision of the European Commission confirms the previous decision adopted by this authority on June 10, 2020, which found that the said EUR 1.2 billion rescue aid was compatible with the internal market, pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union and in accordance with the requirements of the European Commission's Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty ("R&R Guidelines").

  (ii) TAP Group's Restructuring Plan
- According to the European Commission's Press Release, on June 10, 2021, Portugal notified to this authority a EUR 3.2 billion restructuring aid, with the aim of financing a Restructuring Plan of TAP SGPS, which sets out a package of measures for streamlining TAP's operations and reducing costs.
- Following this notification of the Portuguese Republic, the European Commission has decided to open an in-depth investigation to further assess the compliance of the proposed Restructuring Plan and of the related aid with the conditions of the R&R Guidelines.

RESULTS OF THE GENERAL BONDHOLDERS' MEETING "OBRIGAÇÕES TAP 2019-2023"

- After the occurrence of the General Bondholders' Meeting, by reference to the bond issuance "OBRIGAÇÕES TAP 2019-2023", with ISIN PTTAPBOM0007, which took place, on second call, on July 19, 2021, by 4 PM (GMT+1) ("General Meeting"), in the absence of quorum in the first scheduled date, the following resolutions have been adopted:

- Regarding **Item One** of the agenda of the General Meeting – “To resolve on the appointment of the Bondholders’ common representative” – since no proposal has been submitted regarding this item within the 5-day period counting from publication of the convening notice (as detailed in section III of such notice), Item One of the agenda was not resolved upon, having been dismissed;
- Pursuant to **Item Two** of the agenda of the General Meeting – “Considering the information provided by the Board of Directors according to which from the 2020 annual reports and consolidated accounts of the Company, prepared in accordance with IFRS, results an excess of the ratio of Adjusted Net Debt / Adjusted EBITDAR of 7x, and also that the business plan (which includes the estimates of this ratio for the years of 2021 and 2022) does not foresee the reversal of such situation, to amend the terms and conditions of “Obrigações TAP 2019-2023”, through the deletion of subparagraph (a) of paragraph (i) of section 6.9.3 of said terms and conditions, that determines the right of the Bondholders to request the early repayment of their bonds if, at the end of each fiscal year and up to the maturity, said ratio is exceeded.” – it was resolved to approve the proposal submitted by TAP’s Board of Directors, which has been passed with 32,138 votes in favour (correspondent to 96.46% of the votes cast), 1,180 votes against (correspondent to 3.54% of the votes cast) and with no abstentions among the Bondholders admitted to participate and vote in the General Meeting;
- As a result of the approval of the proposal for Item Two of the agenda, as detailed above, **Item Three** of the agenda – “In case the resolution of Item Two of the agenda is not approved, to resolve the amendment of subparagraph (a) of paragraph (iii) of section 6.9.3 of the terms and conditions of “Obrigações TAP 2019-2023”, as follows: «(a) considering the information of the annual reports and consolidated accounts (or individual accounts, in the case the Issuer does not present consolidated accounts) approved by the Issuer, prepared in accordance with IFRS, and the definitions of this Prospectus, the Issuer exceeds the ratio of Adjusted Net Debt / Adjusted EBITDAR of 7x and such excess is not remedied within 60 (sixty) days as of the date of approval of the relevant annual reports and accounts (if the reports and accounts are approved within the term set forth in the applicable law) or as of the term for the approval of the reports and accounts set forth in the applicable law (if the reports and accounts are not approved within the term set forth in the applicable law), as applicable, and as evidenced by certificate signed by two directors of the Issuer and audited, except for the fiscal year of 2020, in relation to which this subparagraph (a) shall not apply».” – has been dismissed, not having been subject to resolution.

DECLARATION OF INSOLVENCY OF SPDH –SERVIÇOS PORTUGUESES DE HANDLING, S.A.

- Bearing in mind the release published on May 10, 2021, about the filing by TAP for the insolvency of SPdH – Serviços Portugueses de Handling, S.A., also known by its trademark Groundforce Portugal (“SPdH”), on August 3, 2021, the court decided to declare SPdH insolvent in the case 11437/21.1T8LSB pending before the Commercial Court of Lisbon of the Judicial Court of the District of Lisbon – Judge 2.
- The court’s decision has been appealed by SPdH on September 8, 2021.
- The procedural steps of the insolvency proceedings will ensue, with the highlight on the following topics:

(i) the declaration of insolvency does not determine, on its own, the termination of the employment agreements with SPdH’s workers nor the suspension of long-term services agreements of SPdH, including the ground handling services agreement with TAP;

(ii) if it proves viable, the possibility of the continuity of SPdH's activity may be evaluated in the insolvency proceedings and the creditors may decide to approve a recovery plan of this company.

- Also, TAP was elected by Court as a member of the SPdH Creditors’ Commission.

INFORMATION ON THE FINANCING AGREEMENT ENTERED INTO WITH THE PORTUGUESE REPUBLIC

Considering the information previously released by TAP concerning the reimbursement date of the loan granted to it under the financing agreement entered into, among others, the Portuguese Republic, as lender, and TAP, as borrower, on 17 July 2020, in the amount of 1.2 billion Euro (the “Financing Agreement”), TAP informed that the referred reimbursement date has been extended.

Accordingly, the deadline for the reimbursement of the loan that was granted to TAP under the Financing Agreement expires on 31 December 2021 (and not on 1 September 2021 as initially set forth under the Financing Agreement) in case of non-adoption of a final decision by the European Commission on the restructuring aid until that date.

In case a final favourable decision on the restructuring aid is adopted by the European Commission until 31 December 2021, the reimbursement date of the said loan remains the one that shall be contemplated in the restructuring plan of TAP Group approved by the European Commission.

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 monitored risk level is within the range established by the organisation.
- Share/Transfer - by establishing insurance contracts or outsourcing functions.
- Mitigate - through procedures allowing minimum impact, as well as controlling the process to a risk level 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 2020 Management Report.

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

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

Among financial risks faced by TAP, some are directly related to the airline sector, such as jet fuel price and CO_2 licences price, while others are more generic, such as exchange rate fluctuations, interest rates, liquidity, credit and capital management.

Additionally, considering the current context, it should be highlighted, that the activity resumption resulting from the COVID-19 pandemic outbreak has inherent risks to the airline industry and to TAP's operation, which depend on factors such as:

- The review and implementation of more restrictive measures to be applied by countries where TAP operates to passengers flying from Portugal, creating operational disruption, such as the cancellation of scheduled flights and consequent financial and reputational impacts.
- TAP operation's adjustment identifying main market trends combined with the management of existing slots and the rules in force for their maintenance.
- Global economic evolution, more specifically the recovery from the economic crisis, and purchasing power, as well as consumer confidence level in markets where TAP operates, which depends on the vaccination's effect controlling the pandemic.
- The evolution of TAP's main cost factors.
- The evolution of the pandemic and sanitary conditions associated with COVID-19, with a direct and indirect impact on employees' physical and psychological health.
- Effects of headcount reduction.
- Impact of the pandemic on the activity of TAP 's strategic partners, such as the ground handling company – SPdH.
- Application of national and international standards, namely environmental ones, and its impact on air transport activity.

The European Commission, in collaboration with the Portuguese Government, is analysing TAP Group's Restructuring Plan and some measures have been implemented since the beginning of 2021, such as fleet and staff reductions – namely, through voluntary measures - and studies for capacity and cost structure adjustments.

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 2021 was the following:

Three-year period 2018-2020

Governing bodies until June 24, 2021:

Board of the General Meeting

Chairman	Vítor Pereira das Neves
Company Secretary	Ana Maria Sirgado Malheiro

Board of Directors

Chairman	Miguel Jorge Reis Antunes Frasquilho
Member	Alexandra Margarida Vieira Reis
Member	José Manuel Silva Rodrigues
Member	Ramiro José Oliveira Sequeira

Executive Committee

Chairman	Ramiro José Oliveira Sequeira
Member	Alexandra Margarida Vieira Reis
Member	Raffael Guarita Quintas Alves

Company Secretary

Company Secretary	Ana Maria Sirgado Malheiro
Deputy Company Secretary	Carlos Alberto Neves Almeida

Supervisory Board

Transportes Aéreos Portugueses, S.A.

Mandate (Start - End)	Position	Name	Appointment Doc.	Mandates held in the Company	
				Number	Date of 1st appointment to the SB
2018-2020	Supervisory Board	Baker Tilly, PG & Associados, SROC, S.A, representada por Paulo Jorge Duarte Gil Galvão André	Unanimous written resolution	2	13.nov.2015
		Maria Susana da Mota Furtado e Almeida Rodrigues	Unanimous written resolution	2	13.nov.2015
	Deputy	João Miguel Guerreiro Aranha	Unanimous written resolution	1	31.jan.2018

Certified Public Accountant

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

Four-Year Period 2021-2024

Governing Bodies elected on June 24, 2021

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	Alexandra Margarida Vieira Reis
Member	Ana Teresa C. P. Tavares Lehmann
Member	Christine Ourmières-Widener
Member	Gonçalo Neves Costa Monteiro Pires
Member	João Pedro Conceição Duarte
Member	João Weber Ramos dos Reis Gameiro
Member	José Manuel Silva Rodrigues
Member	Patrício Ramos Castro
Member	Ramiro José Oliveira Sequeira
Member	Silvia Mosquera González

Executive Committee (elected in the Board of Directors' meeting of June 28, 2021)

Chairman	Christine Ourmières-Widener
Member	Alexandra Margarida Vieira Reis
Member	João Weber Ramos dos Reis Gameiro
Member	Ramiro José Oliveira Sequeira
Member	Silvia Mosquera González

Company Secretary (elected in the Board of Directors' meeting of June 28, 2021)

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

Supervisory Board

Transportes Aéreos Portugueses, S.A.

Mandate (Start - End)	Position	Name	Appointment Doc.	Mandates held in the Company	
				Number	Date of 1st appointment to the SB
2021-2024	Supervisory Board	Baker Tilly, PG & Associados, SROC, S.A, represented by Paulo Jorge Duarte Gil Galvão André	General Assembly	3	13.nov.2015
	Member	Sérgio Sambade Nunes Rodrigues	General Assembly	3	13.nov.2015
	Member	Maria de Fátima Castanheira Cortês Damásio Geada	General Assembly	1	24.jun.2021
	Deputy	José Manuel Fusco Gato	General Assembly	1	24.jun.2021

Certified Public Accountant

Permanent António Joaquim Brochado Correia or Hugo Miguel Patrício Dias, 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, 2021

Shareholders with Qualified Holdings	Capital/Voting Rights (%)	Number of Shares
<u>Direct Shareholders:</u>		
• República Portuguesa, through Direção-Geral do Tesouro e Finanças	91.8%	92,400,000
• TAP – Transportes Aéreos Portugueses, SGPS, S.A.	8.2%	8,300,000
<u>Indirect Shareholders</u>: shareholders of TAP – Transportes Aéreos Portugueses, SGPS, S.A., distributed as follows:		
▪ Parpública – Participações Públicas (SGPS), S.A.	50%	750,000
▪ República Portuguesa, through Direção-Geral do Tesouro e Finanças	22.5%	337,500
▪ HPGB, SGPS, S.A.	22.5%	337,500
▪ Others	5%	75,000

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

(Article 447.º, number 5 of the Portuguese Companies Code)

João Pedro da Conceição Duarte, Member of the Board of Directors of TAP owns a total of 160 (one hundred and sixty) shares of TAP SGPS, acquired in the context of the public offer for employees of 5% of TAP SGPS share capital in a total amount of EUR 1.600 (one thousand six hundred euros), maintaining this position as of June 30, 2021.

3. Statement issued in accordance with article 246 of the Portuguese Securities Code

In accordance and for the purposes of article 246, 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 2021 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, 21st September 2021

BOARD OF DIRECTORS

____

Manuel Amaral Beja

Chairman of the Board of Directors

____

Christine Ourmières-Widener

Member of the Board of Directors and Chairman of the Executive Committee

____

João Weber Ramos dos Reis Gameiro

Member of the Board of Directors and Member of the Executive Committee

____

Ramiro José Oliveira Sequeira

Member of the Board of Directors and Member of the Executive Committee

____

Silvia Mosquera González

Member of the Board of Directors and Member of the Executive Committee

Alexandra Margarida Vieira Reis
Member of the Board of Directors and Member of the Executive Committee

Patrício Ramos Castro
Member of the Board of Directors

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

Gonçalo Neves Costa Monteiro Pires
Member of the Board of Directors

João Pedro Conceição Duarte
Member of the Board of Directors

José Manuel Silva Rodrigues
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.

Block Hours: Number of hours between departure and arrival of a flight, measured from the time the chocks are off or on.

Code-share Agreement between two companies operating in partnership, whereby they offer services on the same aircraft, maintaining their respective IATA codes, flight numbers and brands.

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.

Shop Visit: Maintenance event of an engine in workshop.

Wet lease: Contract in which an airline provides the aircraft, the complete crew, carries out maintenance and covers the aircraft insurance (ACMI-Aircraft, Crew, Maintenance and Insurance), receiving, in return, the payment for the hours operated. The company that contracts this service covers the remaining costs such as fuel, airport fees and reservations.

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

YoY: Year-over-year.

IV – CONSOLIDATED FINANCIAL STATEMENTS

TAP SA GRUPO

TRANSPORTES AÉREOS PORTUGUESES, S.A.

CONSOLIDATED FINANCIAL STATEMENTS CONDENSED
30 JUNE 2021

INDEX

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amount stated in euros	Notes	Jun 2021	Dec 2020
ASSETS			
Non-current assets			
Tangible fixed assets	3	2,863,064,044	2,944,258,588
Investment Properties	4	1,571,955	1,543,825
Intagible assets	5	24,357,647	24,872,065
Investments in associates	0	172,310	172,310
Other financial assets	6	488,730	488,730
Other non current assets	11	24,421,344	23,784,741
Deferred tax assets	7	156,165,954	129,070,918
Other receivables	8	99,842,569	92,173,501
		3,170,084,553	**3,216,364,678**
Current Assets			
Inventories	9	72,220,854	80,166,181
Other receivables	8	1,126,671,434	1,115,559,061
Income tax receivable	10	76,567	291,037
Other current assets	11	26,975,543	25,964,000
Cash and cash equivalents	12	542,801,166	518,756,607
		1,768,745,564	**1,740,736,886**
Total Assets		**4,938,830,117**	**4,957,101,564**
EQUITY AND LIABILITIES			
Equity			
Share Capital	13	503,500,000	41,500,000
Supplementary capital contributions	14	154,353,400	154,353,400
Legal reserves	14	8,300,000	8,300,000
Hedge reserves	14	4,549,144	(22,921,191)
Other reserves	14	(200,588)	(200,588)
Retained earnings	14	(1,330,855,811)	(105,028,018)
Net income/(loss) for the year		(493,134,881)	(1,230,255,776)
Total equity		**(1,153,488,736)**	**(1,154,252,173)**
Non-current liabilities			
Deferred tax liabilities	7	73,005,618	108,025,578
Post-employment benefits obligations	15	95,785,055	109,569,660
Provisions	16	141,869,218	108,971,298
Restructuring provision	16	36,348,199	93,197,493
Borrowings	17	587,501,519	596,023,660
Lease liabilities with purchase option	17	443,365,659	397,235,680
Lease liabilities without purchase option	17	1,616,383,929	1,611,374,047
		2,994,259,197	**3,024,397,416**
Current Liabilities			
Borrowings	17	1,593,118,072	1,555,785,594
Lease liabilities with purchase option	17	46,412,132	41,343,311
Lease liabilities without purchase option	17	403,485,159	427,266,305
Other payables	18	338,117,396	386,515,799
Income tax payable	10	17,430	17,430
Other current liabilities	19	59,365,532	74,038,599
Liabilities from unused flight documents	20	657,543,935	601,989,283
		3,098,059,656	**3,086,956,321**
Total liabilities		**6,092,318,853**	**6,111,353,737**
Total equity and liabilities		**4,938,830,117**	**4,957,101,564**

The accompanying notes from an integral part of the consolidated statement of financial position as at June 30, 2021.

CONSOLIDATED INCOME STATEMENT

Amounts stated in euros	Notes	Jun 2021	Jun 2020
Operating Income			
Revenue			
Passenger	22	240,284,579	545,443,436
Maintenance	22	16,861,479	38,467,302
Cargo and mail	22	104,498,406	53,224,795
Other operating income	22 and 23	21,497,775	8,956,773
		383,142,239	**646,092,306**
Operating costs			
Aircraft fuel	24	(97,067,269)	(162,959,351)
Traffic operating costs	24	(122,590,019)	(217,894,683)
Aircraft maintenance costs	24	(9,752,400)	(15,008,100)
Cost of materials consumed	24	(7,916,817)	(29,319,190)
Comercial, communication and marketing costs	24	(23,452,478)	(49,048,033)
Employee costs	25	(202,328,883)	(221,247,767)
Impairment losses in inventories and receivables	26	(16,007,512)	(9,463,725)
Provisions	26	(13,771,771)	(237,108)
Other operating expenses	27	(54,906,675)	(65,122,234)
Restructuring	28	23,845,792	(1,783,836)
Other non recurrent items	29	-	(2,770,484)
Depreciation, amortisation and impairment losses	30	(236,550,274)	(298,787,956)
Operating income/(loss)		**(377,356,067)**	**(427,550,161)**
Interests and similar income	31	16,589,094	16,926,908
Interests and similar expenses	31	(149,248,316)	(119,188,768)
Overhedge cost	33	8,677,082	(136,288,148)
Net currency exchange	31	(62,825,153)	(57,968,435)
Net income/(loss) before income tax		**(564,163,360)**	**(724,068,604)**
Income tax for the year	32	71,028,479	142,100,290
Net income/(loss) for the year		**(493,134,881)**	**(581,968,314)**
Net income/(loss) attributable to owners of TAP SA		**(493,134,881)**	**(581,968,314)**
Net income/(loss) attributable to non-controlling interests		**-**	**-**
Results per share			
Basic and diluted earnings per share	33	(4.9)	(70.1)

The accompanying notes form an integral part of the consolidated income statement as at June 30, 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts stated in euros	Notes	Jun 2021	Jun 2020
Net income/(loss) for the year		**(493,134,881)**	**(581,968,314)**
Items that may be reclassified to income statement:			
Gains and losses in derivate financial instruments - cash flow hedge	21	34,772,576	(139,755,882)
Deferred tax on derivative financial instruments - cash flow hedge	7	(7,302,241)	31,865,240
Items that will not be reclassified to income statement:			
Remeasurements of defined benefit plans	15	6,280,826	(10,798,587)
Deferred tax on remeasurements	7	(1,852,843)	1,911,756
Other comprehensive income/(loss) net of tax		**31,898,318**	**(116,777,473)**
Comprehensive income/(loss) for the year		**(461,236,563)**	**(698,745,787)**
Attributable to:			
Owners of TAP SA		(461,236,563)	(698,745,787)
Non-controlling interests		-	-
		(461,236,563)	**(698,745,787)**

The accompanying notes form an integral part of the consolidated statement of comprehensive income as at June 30, 2021.

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 at January 1, 2020		**41,500,000**	**154,353,400**	**8,300,000**	**16,417,199**	**(200,588)**	**9,804,345**	**(95,637,433)**	**134,536,923**	**-**	**134,536,923**
Application of net income/(loss) of the year 2019		-	-	-	-	-	(95,637,433)	95,637,433	-	-	-
Remeasurement*	7 and 15	-	-	-	-	-	(19,194,930)	-	(19,194,930)	-	(19,194,930)
Fair value of derivative financial instruments*	7 and 21	-	-	-	(39,338,390)	-	-	-	(39,338,390)	-	(39,338,390)
Net income/(loss) for the year		-	-	-	-	-	-	(1,230,255,776)	(1,230,255,776)	-	(1,230,255,776)
Equity as at December 31, 2020		**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		462,000,000	-	-	-	-	-	-	462,000,000	-	462,000,000
Remeasurement*	7 and 15	-	-	-	-	-	4,427,983	-	4,427,983	-	4,427,983
Fair value of derivative financial instruments*	7 and 21	-	-	-	27,470,335	-	-	-	27,470,335	-	27,470,335
Net income/(loss) for the year		-	-	-	-	-	-	(493,134,881)	(493,134,881)	-	(493,134,881)
Equity as at June 30, 2021		**503,500,000**	**154,353,400**	**8,300,000**	**4,549,144**	**(200,588)**	**(1,330,855,811)**	**(493,134,881)**	**(1,153,488,736)**	**-**	**(1,153,488,736)**

*Amounts net of deferred taxes, when applicable

The accompanying notes form an integral part of the consolidated statement of changes in equity as June 30, 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Jun 2021	Jun 2020
Operating activities:			
Receipts from customers		449,266,876	940,452,198
Payments to suppliers		(350,077,964)	(623,856,784)
Payments to employees		(251,398,356)	(227,247,651)
Payments of low value and short-term leases		(2,911,795)	(3,535,183)
Cash generated from operations		**(155,121,239)**	**85,812,580**
Income tax (payment)/receipt		(1,339)	(310,566)
Other receipts/payments relating to operating activities		1,645,764	4,745,440
Cash flow from operating activities (1)		**(153,476,814)**	**90,247,454**
Receipts from:			
Financial investments			
Other financial assets	6 and 8	19,560,167	10,070,217
Tangible fixed assets		38,650,099	-
Investment grants		-	459,301
Loans granted		317,590,000	316,750,000
Interests and similar income		12,903,082	14,376,706
		388,703,348	**341,656,224**
Payments relating to:			
Financial investments	6 and 8	(33,020,354)	(26,713,948)
Tangible fixed assets		(31,604,141)	(18,196,384)
Intangible assets		(1,409,015)	(1,861,088)
Loans granted		(332,910,000)	(343,520,000)
		(398,943,510)	**(390,291,420)**
Cash flow from investment activities (2)		**(10,240,162)**	**(48,635,196)**
Financing activities:			
Receipts from:			
Borrowings	17	-	25,011,144
Capital increases		462,000,000	-
Lease liabilities with purchase option	17	-	16,311,909
		462,000,000	**41,323,053**
Payments relating to:			
Borrowings	17	(5,498,236)	(172,077,336)
Lease liabilities with purchase option	17	(14,412,568)	(17,933,144)
Lease liabilities without purchase option	17	(201,101,729)	(77,652,337)
Interests and similar costs		(28,266,873)	(33,611,451)
Interest elements of lease liabilities without purchase option		(15,136,689)	(11,775,216)
Over-hedge fuel derivatives	21	(11,586,309)	(51,827,774)
		(264,416,095)	**(364,877,258)**
Cash flow from financing activities (3)		**197,583,905**	**(323,554,205)**
Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)		22,280,620	(281,941,947)
Effects of currency exchange differences		1,763,939	(7,455,415)
Cash and cash equivalents at the beginning of the year	12	518,756,607	426,290,329
Cash and cash equivalents at the end of the year	12	**542,801,166**	**136,892,967**

The accompanying notes form an integral part of the consolidated statement of cash flows as at June 30, 2021.

1 Introduction

Transportes Aéreos Portugueses, S.A. ("TAP Air Portugal", "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"). 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 503,500,000 EUR
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 privatizing TAP - Transportes Aéreos Portugueses, SGPS, S.A. ("TAP SGPS"), 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 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 had 750,000 category B shares, representing 50% of the share capital and voting rights and 5% of TAP SGPS' economic rights;
- Atlantic Gateway had 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 jointly had 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 SGPS, TAP S.A. and Portugália – Companhia Portuguesa de

Transportes Aéreos, S.A. (“Portugália”); together referred to as the "TAP Group"), as borrowers, and Parpública and Atlantic Gateway as shareholders ("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.

Under the AAMPF, the TAP Group conducted the early amortization 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 Air Portugal destination countries to limit the spread of Covid-19.

To address the pandemic impact of 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 TAP SGPS, 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, the private (direct and indirect) shareholders of TAP SGPS and the TAP Group, a number of contractual instruments have been concluded, in summary:

(i) 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 formalized 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);

(ii) The acquisition by the Portuguese state, through the Treasury and Finance Directorate-General, of shares, economic rights and some of the incidental benefits held by Atlantic Gateway in TAP SGPS, so that the Portuguese state would have a total shareholding of 72.5% and the corresponding economic rights in TAP SGPS;

(iii) The waiver by Parpública and Azul S.A. (“Azul”) of their conversion right as holders of convertible bonds issued by TAP SGPS in 2016 at their face value of EUR 30 million and EUR 90 million respectively (the memorandum of understanding providing for such a waiver was entered into on 15 July 2020 by the Portuguese Republic, TAP SGPS, Parpública, Azul and Azul Linhas Aéreas Brasileiras S.A.); and

(iv) The transmission to HPGB, SGPS, SA ("HPGB") of shares representing 22.5% of the share capital and voting rights of TAP SGPS, as well as incidental benefits held by Atlantic Gateway in TAP SGPS, meaning Atlantic Gateway was no longer a shareholder of TAP SGPS.

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.. In addition, the Portuguese state may use any shares it holds in TAP S.A. as a result of the conversion of the credit used under the interest-bearing loan or the performance of the aforementioned pledge to carry out a capital increase in kind at TAP SGPS. To this end, in the Special General Assembly of TAP SGPS held on 3 September 2020, the decision on the increase in capital of the company [TAP SGPS] in kind of EUR 15,000,000 was approved up to EUR 1,200,000,000, carried out by one or more entries in kind by the Portuguese Republic or entity indicated by it in the terms and for the purposes of Article 87 of the Companies’ Code.

Following the completion of the Ordinary General Assembly of Bond Owners, regarding the issue of "TAP BONDS 2019-2023", with the ISIN PTTAPBOM0007, which took place on 14 September 2020, the proposal of the Board of Directors of TAP Air Portugal concerning the one-off waiver of the obligation to maintain the group relationship was approved in full between TAP – Transportes Aéreos Portugueses, SGPS, S.A. and Transportes Aéreos Portugueses, S.A. as a result of the potential holding, directly by the Portuguese state, of shares representing the share capital of Transportes Aéreos Portugueses, S.A.

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

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

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

In this context, TAP SGPS currently has the following share structure:

- Parpública owns 750,000 ordinary shares, representing 50% of the share capital and voting rights of TAP SGPS;
- The Portuguese state, through the Treasury and Finance Directorate-General, owns 337,500 ordinary shares, representing 22.5% of the share capital, voting rights and economic rights of TAP SGPS;
- HPGB owns 337,500 ordinary shares representing 22.5% of the share capital, voting rights and economic rights of TAP SGPS;
- A number of shareholders jointly hold 75,000 ordinary shares, representing 5% of the share capital, voting rights and economic rights of TAP SGPS.

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

In this context, the shareholder structure is now detailed as follows:

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

On August 31, 2021, the financing repayment date was extended, with the repayment term of the loan granted to TAP SA under the Financing Agreement being extended to December 31, 2021 (and not September 1, 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.

If a final favourable decision is adopted by the European Commission on the restructuring aid until December 31, 2021, the date for repayment of said loan shall be maintained as that which may be established in the TAP Group's restructuring plan approved by the European Commission.

Additionally, within the scope of the impacts generated by the COVID-19 pandemic in the handling sector and in view of the worsening financial situation of SPdH – Serviços Portugueses de Handling, SA, TAP SA, as creditor of the aforementioned Company, filed on 10 May of 2021, with the Lisbon Commercial Court of the Judicial Court of the District of Lisbon, the declaration of insolvency of SPdH, which handed down the sentence of declaration of insolvency of SPdH on August 4, 2021.

These consolidated financial statements for the period ended June 30, 2021, approved at a meeting of the Board of Directors held on 21 September 2021, were prepared with the objective of presentation to the various stakeholders. The statutory financial statements of the Group are prepared in accordance with the Accounting Standards System.

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

Ongoing Restructuring Plan for the TAP Group - State Aid

Under the decision of the European Commission of 10 June 2020 that authorized the granting of State aid to the sole shareholder of Transportes Aéreos Portugueses, SA (“TAP SA”), TAP – Transportes Aéreos Portugueses, SGPS, SA (“TAP SGPS”), in the form of a loan, in the amount of 1.2 billion Euros (“Decision of the European Commission”), and the financing agreement signed on July 17, 2020, between the Portuguese Republic , TAP SA, TAP SGPS and Portugália – Companhia Portuguesa de Transportes Aéreos, SA (“Portugália”) which carried out the concession of the aforementioned State aid to Grupo TAP, the possibility of the repayment date of the loan granted was foreseen. to Grupo TAP, initially fixed on December 10, 2020, to be extended if the Portuguese State submitted a Restructuring Plan for Grupo TAP (“Restructuring Plan”) to the European Commission until that date, ie within 6 (six) months counted from the date of the European Commission Decision.

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

As part of the preparation of the Restructuring Plan, which involved the key areas of Grupo TAP, a steering committee was created and a strategic consultant was hired to assist TAP SGPS in preparing the Plan.

The aforementioned Restructuring Plan presented incorporates a significant transformation of TAP's operation, in order to ensure economic viability in 2023 and sustainability in 2025. This restructuring encompasses measures to improve operational efficiency, a fleet resizing and reduction of expenses with employees.

The Restructuring Plan project submitted to the European Commission aims to ensure the survival and the sustainability of Group TAP, the maintenance of about 7 (seven) thousand direct employees as well as preserve all the structure of suppliers of Group TAP, ensuring its ongoing contribution to the Portuguese economy.

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

In the course of preparation of the Restructuring Plan, updated projections of reference entities in the sector were used, in particular the International Air Transport Association (IATA) projections, considering their greater suitability to the operational reality of TAP SA, with a business model based on connecting flights and long-haul operations, without, however, disregarding the Eurocontrol projections (together, the "Projections"). These Projections indicated that the 2019 activity figures would only be reached again in 2025, estimating a 50% recovery of the operation in 2021 compared to the 2019 operation.

In this framework, and with a view to adjusting its capacity, the draft Restructuring Plan presented to the European Commission assumed the goal of reducing the TAP Group's fleet to 88 aircraft, a number of aircraft higher than the 75 aircraft that made up their fleet in 2015.

In terms of the optimization of operational costs, 1.3 billion Euros were expected to arise from fleet-related negotiations, as well as EUR 200 million to EUR 225 million per year in negotiations with other operational suppliers of the TAP Group. From the labour costs perspective, it was foreseen to redimension the TAP Group's operations, though, 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 SA, will be large enough to respond to the upturn as soon as it happens, while preserving its leadership of the Lisbon hub and its strategy of connecting Europe, the Americas and Africa.

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

In accordance with this determination, a process of joint negotiation was developed between unions, management and the Portuguese Government, with a view to the execution of the aforementioned emergency agreements, seeking to find a consensual solution on the path to make restructuring and recovery viable of TAP. This process ended favourably, with all unions representing a vast majority of TAP workers ratifying the negotiated emergency agreements (“Emergency Agreements”). The Emergency Agreements entered into force on March 1, 2021, allowing, without harming the metrics proposed under the Restructuring Plan, the protection of a greater number of jobs, when compared to the replacement regime. TAP Employees who are not unionized will benefit from a substitute regime equal to the Emergency Agreements in force in their professional group.

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

During this collective dismissal process, TAP will, during an initial phase, continue 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 applying for the remaining vacancies in Portugália, hoping, with these initiatives, to be able to continue to reduce the number of workers with unilateral departures in the process of collective dismissal.

In the context of State aid to TAP SA, approved by the European Commission by decision of April 23 of 2021, as compensation for Covid-19 damages verified during the period from March 19 to June 30, 2020, on May 24, 2021, a capital increase of TAP SA was carried out, through a contribution in cash, in the amount of €462,000,000, by the Portuguese Republic, through the General Directorate of Treasury and Finance, and the subscription, by the latter, of 92,400,000 new ordinary shares representing the Company's share capital, with a unit face value of €5.00. Following the aforementioned capital increase, the share capital of TAP SA was increased from €41,500,000 to €503,500,000, with TAP SA 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 over the months, on June 10, 2021, the Portuguese State updated the Restructuring Plan initially submitted on December 10, 2020, having notified the European Commission of a €3.2 billion restructuring aid, with the objective of financing a restructuring plan for TAP SGPS, which establishes a package of measures to rationalize TAP's operations and to reduce costs (under which, for example, it is foreseen that TAP will reduce its fleet, rationalize its network and adapt to reduced demand before 2023).

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

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

The European Commission decided to re-approve the €1.2 billion emergency loan to TAP SGPS, which it had previously approved by decision of 10 June 2020, specifying the rationale for the approval of the aid (related to the situation of the TAP Group and its shareholders in June 2020), as required under the judgment of the General Court of the European Union of May 19, 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 €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.

It should be noted that the Restructuring Plan submitted on December 10, 2020, and amended on June 10, 2021, and the information regarding the same contained in this document are still preliminary and require approval by the European Commission. It should be noted that, on this date, negotiations continue with a view to the approval of the Restructuring Plan by the European Commission.

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 SA Group operates, with additional restrictions on economic activity being imposed in those markets. The Group's consolidated financial position and the results of the year ending 31 December 2020 were significantly impacted by the effects of the Covid-19 pandemic.

1.1.1 Impact on operational indicators

The evolution of the main operational indicators in first semester 2021 compare with first semester 2020 are detailed as follows:

Operational indicators	jun/21	jun/20	Variation	
			Value	%
Passenger (000)	1,321	3,001	-1,680	-56.0%
RPK (million)	3,184	7,863	-4,678	-59.5%
ASK (million)	6,510	10,957	-4,447	-40.6%
Load Factor	*48.9%*	*71.8%*	-22.9p.p.	n.a.
Block Hours	59,944	84,137	-24,192	-28.8%
Number of Departures	18,684	27,096	-8,412	-31.0%
Average Stage Length (km)	2,190	2,035	154	+7.6%

The drop-in activity from March 2020 as a result of the COVID-19 pandemic significantly impacted the Group's performance in the remaining months of 2020 and during the first half of 2021, having been significantly affected by the containment measures adopted by national and international authorities, which resulted in a sharp drop in demand and led the Group to reduce its operational capacity, translating into a deterioration of activity throughout 2020 and 2021.

In 2021, the number of passengers transported decreased by 56%, capacity (measured in ASKs) decreased by 40.6% and demand in terms of passenger traffic (expressed in RPKs) decreased by 59.5%, translating the load factor deteriorated by 22.9 pp.

1.1.2 Impact on financial indicators

The evolution of the main financial indicators in first semester 2021 compare with first semester 2020 are detailed as follows:

Financial indicators	jun/21	jun/20	Variation	
			Value	%
Income statement data				
Operating income	383,142,239	646,092,306	-262,950,067	-40.7%
Ticket revenue	240,284,579	545,443,436	-305,158,857	-55.9%
EBITDA *	-140,805,793	-128,762,205	-12,043,588	+9.4%
EBITDA Margin	*-36.8%*	*-19.9%*	*-16.8p.p.*	
Operational result (EBIT)	-377,356,067	-427,550,161	50,194,094	-11.7%
EBIT margin	*-98.5%*	*-66.2%*	*-32.3p.p.*	
Cash flow statement data				
Cash flow from operating activity	-153,476,814	90,247,454	-243,724,268	-270.1%
Cash flow from investment activities	-10,240,162	-48,635,196	38,395,034	-78.9%
Cash flow from financing activities	185,997,596	-323,554,205	509,551,801	-157.5%

Financial position data	jun/21	jun/20	Variation	
			Value	%
Total assets	4,938,830,117	4,957,101,564	-18,271,447	-0.4%
Total liabilities	6,092,318,853	6,111,353,737	-19,034,884	-0.3%
Total equity	-1,153,488,736	-1,154,252,173	763,437	+0.1%

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

Financial performance in 2021 was severely impacted by the reduction in activity as of March 2020 as a result of the COVID-19 pandemic, with a decrease in total operating income of 40.7% for the year and ticket revenues in 55.9%. EBITDA decreased from -128.7 million Euros to -140.8 million Euros and Operating Income (EBIT) went from -427.5 million Euros to -377.3 million Euros.

Regarding the variation shown in the consolidated statement of cash flows, there is a reduction of 243 million Euros in operating cash flows, essentially resulting from the deterioration of the Group's revenue, due to the impacts of the pandemic. In investment cash flows there was an increase of 38 million Euros as a result of the reduction in investment directly associated with the reduction in activity. With regard to cash flows from financing, there was an increase of 509 million Euros as a result of the capital increase of the Portuguese State (see Introductory Note).

1.1.3 Impact on key estimates

The impact of the COVID-19 pandemic on the main estimates of the Board of Directors is presented below in detail.

Without prejudice to the fact that the Restructuring Plan is currently under analysis by the European Commission and subject to ongoing interactions with the Portuguese State and the Group's Board of

Directors, it is the understanding of the Group's Board of Directors that the best estimate, as of June 30, 2021, is reflected in the projections included in the Restructuring Plan approved by the Board of Directors on December 2, 2020. Note that the update of the Restructuring Plan submitted on June 10, 2021 by the Portuguese State to the European Commission did not generate changes in the estimates with reference to June 30, 2021 vs December 31, 2020, carried out by the Company with reference to December 31, 2020.

It should be noted that any changes to the Restructuring Plan that may be approved by the European Commission, within the scope of ongoing interactions, may cause relevant impacts in the calculation of the recoverable amount of assets, as well as in the measurement of the Group's liabilities and consequently affect, significantly, the Group's financial and economic position.

Restructuring provision (Notes 16 and 28)

Within the scope of the Restructuring Plan in progress at Grupo TAP, organizational restructuring and operational efficiency measures were defined, including a reduction in the number of employees, in order to guarantee the Group's financial and economic sustainability.

Following the restructuring process of Grupo TAP employees included in the Restructuring Plan approved by the Board of Directors, on December 2, 2020, and subsequent communications made by the Management of Grupo TAP to its employees, a process of adherence to voluntary measures was initiated. volunteers that contemplated, mutually agreed terminations, early retirement, pre-retirement, part-time work and unpaid leave and 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 workers of ME Portugal
- 23 Headquarters workers

Consequently, on June 30, 2021, and taking into account the subsequent events to date, and the best estimate of the Board of Directors regarding the conclusion of the ongoing negotiation processes, the Group recorded a provision for expenses to be supported with the restructuring during the second half of 2021, in the amount of approximately 36.3 million Euros.

Other Provisions (Note 16)

The Group maintains provisions for various contingencies, and Management regularly assesses the criteria used to measure them.

With regard to the provision for redelivery costs, because the date of occurrence and the amount to be supported depends on the effective use of the equipment (mostly aircraft) and its state of repair at the date of delivery, the Board of Directors carried out the review of the provision considering the new information on the terms and costs associated with the phase-out process under the Restructuring Plan.

In the first half of 2021, Management reinforced the provision to cover charges with the redelivery of used equipment under lease contracts without a purchase option by approximately 14 million Euros.

Current asset impairment losses (Notes 8, 9 and 26)

The Group maintains provisions for impairment losses on certain current assets, and Management regularly assesses the criteria used to measure them.

On this date, the Board of Directors of Group TAP SA, together with its majority shareholder, is evaluating the recoverability of the balance receivable from TAP SGPS on 30 June 2021, in the amount of 893 million euros, within the scope of the TAP Group's ongoing Restructuring Plan. Therefore, the financial statements for the 6-month period ended June 30, 2021 do not reflect any possible impairment loss on this account receivable that may result from the conclusion of this assessment. This assessment can only be completed after the completion of ongoing interactions and approval by the European Commission of the Restructuring Plan under consideration

It should be noted that any changes to the Restructuring Plan that may be approved by the European Commission, within the scope of ongoing interactions, may cause relevant impacts in the calculation of the recoverable amount of the respective balance and consequently significantly affect the financial and economic position of the Group.

Non-current asset impairment losses – Air fleet (Notes 3 and 5)

As at 30 June 2021, the total of consolidated non-current assets related to the air fleet, subject to impairment tests pursuant to IAS 36, whenever there are signs of impairment, amounts to 2,846 million Euros.

The declaration of the pandemic by the World Health Organization resulted in a set of limitations to the mobility of populations, in addition to the economic and social effects of the pandemic itself, resulting in a strong reduction in the activities carried out by the Group, the Management understand that there is a need for carry out the respective impairment tests of non-current assets carried out under analysis.

The recoverable amount of these assets is calculated based on discounted cash flow models, which requires the use of estimates and assumptions by the Board of Directors, which depend on economic and market projections, particularly with regard to cash flows associated with the Group's operational activity, exchange rates, growth rates in perpetuity and discount rates to be used in the respective model.

Consequently, and taking into account the approval of the Restructuring Plan by the Board of Directors of TAP SGPS, on December 2, 2020, for the years 2021-2025, which was based on the respective presentation on December 10, 2020 to the European Commission, containing a set of medium and long-term assumptions related to the evolution of the air fleet and the level of activity and operational performance, which frame the current situation arising from the uncertainty associated with the future evolution of the COVID-19 pandemic and its impacts on the activity of the Air transport, this was the basis for the analysis of the recoverability of tangible and intangible fixed assets of air transport carried out by the Management of the Group on December 31, 2020.

It should be noted that the update of the Restructuring Plan submitted on June 10, 2021 by the Portuguese State to the European Commission did not change the impairment assessment of non-current assets carried out by the Company with reference to December 31, 2020.

Without prejudice to the fact that the Restructuring Plan is currently under analysis by the European Commission and subject to ongoing interactions with the Portuguese State and the Group's Board of Directors, it is the understanding of the Group's Board of Directors that the best estimate, as of this date, is reflected in the projections included in the impairment test carried out with reference to December 31, 2020.

It should be noted that any changes to the Restructuring Plan that may be approved by the European Commission, within the scope of ongoing interactions, may cause relevant impacts in the calculation of the recoverable amount of the Group's air fleet and consequently significantly affect the financial position and economic activity of the Group.

It should also be noted that current expectations regarding the recovery of air transport compared to expectations on the date of approval of the Restructuring Plan by the Board of Directors, do not change the conclusions regarding the analysis carried out in the impairment test with reference to December 31, 2020.

Consequently, there were no significant developments during the semester ended June 30, 2021 with a negative impact on the recoverable amount of these assets.

Discontinuance of coverage Accounting (Note 21)

Until the outbreak of the COVID-19 pandemic, the Group's policy to reduce the risk of volatility in the price of fuel used in the air transport activity was the contracting of jet fuel derivatives, usually negotiating contracts of up to 12 months and covering between 50% and 60% of estimated monthly consumption. The Group uses hedge accounting whenever the requirements of IFRS 9 are met.

With the reduction in air transport activity resulting from the COVID-19 pandemic and based on the best information available, the Board of Directors revised the short-term assumptions for fuel consumption, having identified that some of the contracts associated with coverage operations no longer comply with the requirements of IFRS 9, as it is verified that there are future transactions that are no longer highly probable. Under IFRS 9, hedge accounting was, in these cases, discontinued. The loss associated with discontinuation was recognized in a separate line called overhedge expenses, in accordance with the Group's accounting policy.

In the first half of 2021, approximately 8.7 million Euros of gains referring to the difference in the estimate for derivatives that on December 31, 2020 did not comply with the hedge accounting requirements, namely by variation of quantities actually consumed and the mark-to-market of said derivatives.

Deferred Taxes (Note 7)

The Group recognizes deferred taxes in accordance with IAS 12, recording deferred tax assets on tax losses whenever it is possible to assess their recoverability under the terms of the law.

As a result of the COVID-19 pandemic, in June 2020 a number of changes to tax legislation were approved under the Economic and Social Stabilization Plan, namely with regard to the expiry date and percentage of deduction of tax losses generated in 2020 and 2021, as well as the increase in the expiry period for another 2 years referring to tax losses generated before 2020.

On December 31, 2020 Grupo TAP SA had recorded deferred tax assets on tax losses reported for the years 2015, 2018 and 2019, corresponding to deferred taxes in the amount of 76.9 million Euros, and for which there was, by the Group, a perspective of recovery of the said amount, taking into account the projections of future taxable income to generate tax results for the period 2021 - 2025, as included in the Restructuring Plan approved by the Board of Directors of the Group on December 2, 2020.

Following the change in the shareholder structure of TAP SA in May 2021 which determined TAP SA'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 SA, deferred tax assets were derecognized for tax losses relating to 2018 and 2019 in the amount of 56.6 million Euros.

Consequently, on June 30, 2021, Grupo TAP SA has recorded deferred tax assets on tax losses reported for the fiscal years of 2015 and for the first half of 2021, corresponding to deferred taxes in the amount of 113.4 million euros, and for which there is, on the part of the Group, a perspective of recovery of the said amount, taking into account the projections of future taxable income to generate tax results for the period 2021 - 2025, as included in the Restructuring Plan approved by the Board of Directors of the Group on December 2, 2020, as well as the deadline for deducting said tax losses.

It should be noted that any changes to the Restructuring Plan that may be approved by the European Commission, within the scope of ongoing interactions, may cause relevant impacts in the calculation of the recoverable amount of deferred tax assets and consequently significantly affect the financial position and economic activity of the Group.

Unused flight tickets (Note 20)

As of June 30, 2021 and December 31, 2020, the total number of pending flight documents amounted to approximately 657.5 million Euros and 602 million Euros, respectively. The amount of pending flight documents as of June 30, 2021 and December 31, 2020 was significantly impacted by the effects of the COVID-19 pandemic.

Due to the reduction in activity after April 2020 and the cancellation of flights imposed on the aviation sector and on the Group, the pending flight documents as of June 30, 2021 include significant amounts referring to flights not carried out by that date, with the Group maintaining its responsibility for the provision of the service in the future or for its reimbursement under the contractual terms.

In this context, in the year 2020, the Board of Directors revised the policy for the use of pending flight documents, namely with regard to the possibility of rebooking tickets without additional costs and the reimbursement of voucher tickets with an increase and extended validity periods, which, together with the cancellation of trips due to the COVID-19 pandemic, resulted in an increase in registered liabilities.

The criteria used to estimate the valuation of pending flight documents were revised as a result of the aforementioned policy, including, among others, differentiated estimates regarding the future use of vouchers and the future use of tickets.

The estimated valuation of documents pending flight on June 30, 2021 was based on the methodology defined above.

Any changes to the policy for the use of documents pending flight and new relevant information may result in changes to the estimates made by the Administration regarding the valuation of this responsibility.

Customer loyalty programme (Note 19)

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

In 2020, in order to alleviate the impacts caused by the pandemic, TAP extended by 12 months the validity of the miles awarded to customers, for miles expiring between March and September 2020 and, as a matter of prudence, it did not change, with reference to December 31, 2020 and June 30, 2021, the stand-alone price calculated on December 31, 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 pass by granting new validity extensions, the Group's results may have a positive impact.

1.1.4 Mitigation measures for the COVID-19 pandemic effect

In the first semester, and in the same line of action followed since the beginning of the COVID-19 pandemic, the Group adopted liquidity protection measures, namely suspension or postponement of non-critical investments, renegotiation of contracts and payment terms with suppliers and lessors, cutting ancillary expenses and staff adjustment, as well as adherence to the layoff regime.

Providers and lessors

As a result of the reduction in activity and liquidity management, the Group continued to reduce the hiring of current service providers, reducing accounts payable and renegotiating, whenever possible, payment plans with the respective extension of the payment period.

As a result of the slowdown in commercial and operational activity, there were also contacts with lessors with a view to the contractual renegotiation of some conditions of the aircraft lease contracts, which represent almost the entire fleet. These negotiations that took place in 2020 and continued in 2021, representing savings of around 96 million Euros, focused mainly on the decrease and deferral of rent payments and maintenance reserves.

It should be noted that, taking into account the effects of the pandemic, in 2020 an agreement was negotiated with Airbus SAS ("Airbus") which amended the contracts for the acquisition of aircraft of the A320neo and A330neo families, allowing for a reduction in CAPEX in the years 2020 to 2022 in approximately 1,000 million dollars, in order to achieve a better alignment with the current market situation and the prospects of recovery for the coming years. With regard to the contract for the acquisition of A320neo family aircraft, the number of aircraft to be delivered in 2020 was reduced, postponing some deliveries to 2021. In addition, the agreement allowed for the postponement of most deliveries originally planned for 2021 and 2022 for the period between 2025 and 2027. With regard to the contract for the acquisition of A330neo aircraft, a postponement to 2024 was agreed for the 2 aircraft with delivery originally scheduled for 2022, guaranteeing TAP the deferral of commitments with the payment of Pre- Delivery Payments and the possibility of exchanging these aircraft for other models, to be evaluated based on the resumption of demand and the Company's future needs.

Layoff

The year 2021 began with the management of the evolution of the epidemiological situation, with the 3rd wave of the pandemic, in Portugal and in the world, with the adjacent dramatic effects at the health, humanitarian, operational and economic levels.

Temporary restrictions on all non-essential travel outside the country, as well as the ban and suspension of flights on air connections between Portugal and some countries, caused high and increased constraints to TAP activity.

In this scenario, with the abrupt reduction in the Group's revenue and activity, the Board of Directors decided to resort to the classic Layoff, pursuant to Articles 298 et seq. of the Labour Code. This is one of the support mechanisms available to companies in a difficult economic situation and took place in parallel with the current Restructuring Plan.

Adherence to this regime on March 1, 2021 may be extended up to 12 months, with this assessment being carried out monthly and individually, in accordance with the Group's needs.

In the first half of 2021, and as a result of joining the support scheme identified above, there was a saving in personnel costs of around 13 million Euros, due to the financial support provided by Social Security.

Government Support

Pursuant to the approval by the European Commission, on June 10, 2020, of the granting of State Aid by the Portuguese State to the TAP Group in the amount of 1.2 billion Euros (Introductory Note), a Plan for Long-term restructuring with a view to demonstrating the Group's economic viability was submitted to the European Commission. The Restructuring Plan is in an in-depth investigation phase and the outcome of this process is awaited, with the emergency aid of 1.2 billion Euros having been re-approved.

Also, in the context of State Aid to TAP SA, the European Commission approved by decision of April 23, 2021, an amount of 462 million Euros as compensation for Covid-19 damages verified during the period from March 19 to June 30, 2020, to be provided through a capital increase of TAP SA in cash, by the Portuguese Republic, through the General Directorate of Treasury and Finance in May 2021.

At the same time, the Group adhered to a set of supports to the economy that the Portuguese Government promoted in the context of the COVID-19 pandemic, namely: (i) the support mechanisms under the state of emergency, established in Decree-Law no. -E/2021, of January 15th; (ii) the application of the exceptional and temporary regime of suspension of judicial, administrative and tax deadlines, pursuant to Law No. 1-A/2020, of March 19, in its current wording, and (iii) the exceptional regime protection of corporate credits, within the scope of the COVID-19 disease pandemic, contained in Decree-Law No. 10-J/2020, of March 26, in its current wording.

Finally, there was the use of the classic lay off according to the Labour Code.

1.1.5 Financial risks

Market risk

The civil aviation market was deeply impacted by the Covid-19 pandemic, essentially as a result of the abrupt reduction in demand, either for economic reasons or for reasons of public health, and the reduction in the number of flights resulting from the limitations imposed by the various countries. According to IATA forecasts, the volume of the civil aviation market will only recover in 2024 to the levels observed in 2019 (last pre-pandemic year).

TAP had been implementing a destination diversification strategy based on the Lisbon Hub, with more than 75% of its revenues coming from the main international markets: Brazil, USA, Africa and Europe. During the 1st half of 2021 these markets had different levels of vaccination against Covid-19 and different levels of travel restrictions. In fact, as a result of the evolution of the pandemic and its variants, the various countries in Europe presented different restrictions throughout the semester, although in the 2nd quarter the Covid-19 Digital Certificate brought important progress to travel within the European Union. A different case has been Brazil, responsible for about 20% of TAP's sales before the pandemic, which had its circulation closed to non-residents throughout the 1st half of 2021.

In this context, in addition to the uncertainty of demand, there is a high market risk associated with the inability to predict the worsening of the virus or the emergence of new variants of Codiv 19 that could bring restrictions on the borders of the markets where TAP operates.

Fuel price risk

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

During the first half of 2021, the spot price of jet fuel showed a very significant increase following the recovery and opening of the main global economies, with a minimum of 439 USD per ton in January 2021 reaching a maximum of 628 USD per ton in June 2021. As a result of this fluctuation and price growth, there was an increase of around 40% compared to the closing price of December 31, 2020.

The fair value of jet fuel derivatives on June 30, 2021 started to present a favourable position of 5.8 million Euros. As of this date there are no derivatives in an overhedge situation (Note 8).

Any sharp variations in the price of jet fuel after June 30, 2021 could have a significant impact on the company's accounts.

Exchange risk

The Group acquires a significant part of the goods and services from third parties in USD, assuming a set of 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).

Since the beginning of the proliferation of the COVID-19 pandemic, the foreign exchange markets have shown increased volatility, in addition to other factors to which they are normally subject, since the 1st of January 2021, the USD and the BRL have appreciated 3,2% and 7.4% against the Euro, respectively.

In the first half of 2021, net foreign exchange losses of 62.8 million Euros were recorded, mainly including the negative effects related to the impact of the USD appreciation on registered liabilities, namely future rents.

Liquidity risk and capital management

The Covid-19 pandemic brought the greatest crisis in its history to the airline industry, which has been reflected in the difficulty of obtaining liquidity for its companies, with capital management in most companies in the sector being highly dependent on state aid.

TAP has been carrying out a very careful management of its cash throughout the first half of 2021, particularly during the first quarter in which the operation was very loss-making due to the restrictions on mobility imposed. In addition to all the cost-cutting measures carried out, the Company carried out negotiations with suppliers in order to negotiate new payment terms, and postponed supplies and non-essential investments.

The capital increase of 462 million Euros, as a result of compensation for damages incurred by COVID-19 in the second quarter of 2020, introduced an important contribution of liquidity to the Group, which has made it possible to finance the operating deficit. The Group ended the semester with a cash position of

542.8 million Euros. This level of liquidity associated with potential financial support resulting from COVID-19 compensation will ensure the fulfilment of its short-term obligations. However, within the scope of the state aid received as part of the Restructuring Plan still under approval, TAP SA has a loan of 1.2 billion Euros, maturing on December 31, 2021. If there is no approval of the Restructuring Plan until that date or the Portuguese Government does not extend the maturity of this financing, TAP SA does not have sufficient liquidity to meet its payment.

1.1.6. Continuity of Operations

The European Commission approved on June 10, 2020 a State Aid to be granted by the Portuguese State to the TAP Group in the amount of 1.2 billion Euros, formalized through a remunerated loan of 946 million Euros to TAP SA, to which added an additional amount of 254 million Euros (Introductory Note). This financing has a period of 6 (six) months, unless such period is extended by agreement of the parties and with the approval of the European Commission or if, within that period, a Group Restructuring Plan is finalized and presented to the European Commission. This was verified with the aforementioned Restructuring Plan being submitted for approval by the European Commission on December 10, 2020.

Therefore, TAP SA undertakes to repay the Loan to the Portuguese State, at a later date, whichever of the two scenarios bellow occurs earlier:

i. in the event of the adoption of a decision by the European Commission on the conditions for restructuring aid until 1 September 2021, on the date that may be fixed for this purpose in the Restructuring Plan approved by the European Commission; or
ii. in the event of non-adoption of a decision by the European Commission on the conditions for restructuring aid by September 1, 2021.

It should be noted that on August 31, 2021, the respective repayment period was extended by the Portuguese State until December 31, 2021.

Once the Restructuring Plan is approved by the European Commission, the loan will integrate the restructuring aid included therein.

As part of the negotiation of the Restructuring Plan between Portugal and the European Commission, in March 2021 it was accepted that an aid in the maximum amount of 462 million Euros could be notified, under the compensation scheme for damages suffered due to the COVID pandemic -19, in order to provide a more immediate response to TAP's current treasury needs.

In the context of State aid to TAP SA, approved by the European Commission by decision of April 23 of 2021, by way of compensation for COVID-19 damages verified during the period from March 19 to June 30, 2020, on May 24, 2021 a capital increase of TAP SA was carried out, upon the realization of a contribution in cash, in the amount of 462 million Euros, by the Portuguese Republic, through the General

Directorate of Treasury and Finance, and the subscription, by the latter, of 92,400,000 new ordinary shares representing the Company's share capital, with a unit face value of 5 Euros. Following the aforementioned capital increase, the share capital of TAP SA was increased from 41,500,000 Euros to 503,500,000 Euros, with TAP SA 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 SA, the remaining approximately 8% of the share capital of TAP SA continuing to be held directly by TAP SGPS.

Following interactions with the European Commission over the months, on June 10, 2021, the Portuguese State updated the Restructuring Plan initially submitted on December 10, 2020, having notified the European Commission a restructuring aid of 3,2 billion Euros, with the objective of financing a Restructuring Plan for TAP SGPS, which establishes a package of measures to rationalize the operations of TAP SA and to reduce costs (under which, for example, it is foreseen that TAP SA will reduce its fleet, rationalize its network and adapt to the reduced demand before 2023).

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

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

The European Commission decided to re-approve the emergency loan of 1.2 billion Euros, which it had previously approved by decision of 10 June 2020, specifying the grounds for the approval of the aid (related to the situation of the TAP Group and of the its shareholders in June 2020), as required under the judgment of the General Court of the European Union of May 19, 2021 (case T465/20), which overturned the initial rescue 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 aforementioned rescue aid of 1.2 billion Euros was compatible with the internal market, pursuant to 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 companies in difficulty.

(ii) TAP Group Restructuring Plan

The European Commission has decided to open 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.

It should be noted that the Restructuring Plan initiated on December 10, 2020, amended on June 10, 2021, and the information regarding the same contained in such document are still preliminary and require approval by the European Commission. It should be noted that, on this date, negotiations continue with a view to the approval of the Restructuring Plan by the European Commission.

Management has been monitoring liquidity needs supported by a short-term treasury plan, which is regularly reviewed based on the best available information regarding the expected evolution of its activity and the estimated evolution of external drivers (constraints) (i.e. price of fuel, exchange rates, debt payment agreements, limitations to the mobility of people, etc.), based on the financing contract with the State in the amount of 1,200 million Euros and the capital increase carried out by the State in the Company in the amount of 462 million Euros mentioned above, which since July 2020 have met the Group's liquidity needs.

It should be noted that the baseline scenario considered in the Restructuring Plan submitted to the European Commission presents estimated cash needs between 2020 and 2024 that can reach 3.5 billion Euros, of which approximately 1 billion Euros refer to the year of 2021.

The Group's Management understands that the preparation of TAP's financial statements on June 30, 2021 should be carried out based on the principle of continuity, based on (i) the approval by the European Commission, on June 10, 2020, of the aid from the Portuguese State to the TAP Group, in the form of a loan in the amount of 1.2 billion Euros (also considering that the judgment of the General Court of the European Union of May 19, 2021, which annulled the initial decision of the European Commission regarding this aid from the Portuguese State, suspended the effects of this annulment pending the adoption of a new decision by the European Commission, which was effectively adopted by this authority later, on July 16, 2021), (ii) the project of the Restructuring Plan presented by TAP on June 9, 2021, which presents a perspective of gradual growth of its activity, despite the relevant reduction embedded in the projections made with regard to the activity of TAP in comparison with the pre-pandemic levels of COVID-19, combined with a strategy to reduce fleet, operating and investment costs, although it is not possible to exclude a possible scenario of worsening of the pandemic situation or growth of TAP's activity below what is estimated in the Restructuring Plan project under consideration by the European Commission, (iii) the granting of aid from the Portuguese State to TAP, approved by the European Commission by decision of April 23, 2021, as subsequently amended, as compensation for COVID-19 damages verified during the period from March 19 to June 30, 2020, in the context of which, on May 24, 2021, a capital increase of TAP was carried out, upon the realization of a cash contribution, in the amount of 462 million Euros, by the Portuguese Republic, through the DGTF, and the subscription, by the same, of 92.4 million new ordinary shares representing the share capital of TAP, with a nominal unit value of 5 EUROS, (iv) the expectation, although without any commitment or certainty in this regard, as to obtaining financial support, direct or indirect, from TAP shareholders and/or the ability to obtain external financial resources that TAP may need, namely through the approval by the European Commission of subsequent State aid as compensation for COVID-19 damages that may have to be granted to TAP until the approval of the Restructuring Plan by the European Commission, (v) as well as the commitment and readiness assumed by the Portuguese Government to work with the European Commission in order to obtain the approval of the Restructuring Plan by this authority, together with the ongoing interactions with the European Commission on adequacy of the

Restructuring Plan, as well as the expectation regarding the approval of a Restructuring Plan by the European Commission, whose fundamental purpose is to ensure the financial and economic sustainability, viability and continuity of Grupo TAP's operations.

Taking into account the current situation in which the TAP Group finds itself, the continuity of operations depends on (i) the approval of a Restructuring Plan by the Committee (ii) the ability to obtain shareholder financial support and/or external financial resources, as well as the approval by the European Commission of support for compensation of COVID-19 damages until the date of approval of a Restructuring Plan by the European Commission and (iii) the evolution of the COVID-19 pandemic and the evolution of activity in the air transport sector, namely regarding the scenarios of a possible worsening of the pandemic or of a lower growth of the Group's activity compared to what is estimated in the Restructuring Plan that may be approved, which may lead to the need to obtain additional financial resources compared to those currently estimated. The potential impacts of these factors on the Group's future operating and financial activity, as well as on the air transport sector, represent a material uncertainty that may cast doubt on the Group's ability to maintain the continuity of its operations

Nevertheless, and taking into account the baseline scenario considered in the projections embedded in the Restructuring Plan of June 9, 2021 submitted by the Board of Directors of the TAP Group and the expectation regarding the approval of a Restructuring Plan by the European Commission, as well as for the ability to raise adequate financial resources up to the date of approval of the Restructuring Plan, the Board of Directors is convinced that the continuity of the Group's operations and liquidity are assured, based on the financing of the estimated treasury needs, to this date, for a period of twelve months.

The financial statements do not include any adjustment inherent to the possibility of verifying that the going concern assumption was not appropriate.

2 Summary of key accounting policies

The main accounting policies applied in the preparation of these financial statements are described below.

2.1. Preparation Base

The financial statements now presented refer to the period ended June 30, 2021, having been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS" - formerly known as International Accounting Standards - "IAS") issued by the International Accounting Standards Board ("IASB") and with the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC"), effective January 1, 2020. henceforth, the set of those standards and interpretations will be generically referred to as "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. Group financial statements for the year ended December 31, 2020.

Consequently, part of the notes contained in the financial statements of the year ended December 31, 2020, 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 December 31, 2020, 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.

The attached consolidated financial statements were prepared under the assumption of continuity of operations (Note 1.1.6), 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 2.4.

The values shown, unless otherwise indicated, are expressed in Euros.

2.2. New rules, changes to rules and interpretations as mandated

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

Description	Changes	Effective date
1. New Standards, Amendments to Standards Effective January 1, 2021		
• IFRS 16 - Income Bonuses Related to COVID-19	Application of exemption in the accounting of bonuses granted by lessors related to COVID-19, as modifications	June 1, 2020
• IFRS 4 - deferral of the application of IFRS 9	End of the deferral of the start of the application of IFRS 9 for entities with insurance activity, postponed to January 1, 2023	January 1, 2021
• IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of benchmark interest rates – phase 2	Additional exemptions related to the impacts of the reform of the reference interest rates ("IBOR"), and especially the replacement of a reference interest rate by another alternative in the financial instruments traded	January 1, 2021

2 . Standards (new and amended) that become effective after January 1 , 202 1 , 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	January 1, 20 23
• 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	January 1, 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	January 1, 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	January 1, 2022
• Improvement Cycle 2018 – 2020	Specific and specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	January 1, 2022

• IAS 1 – Disclosure of accounting policies	Requirement to disclose material accounting policies rather than significant accounting policies	January 1, 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	January 1, 2023
• IFRS 16 - Income Bonuses Related to COVID-19 after June 30, 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 June 30, 2022	1 of April of 202 1
• 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	January 1, 2023
• IFRS 17 - Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features	January 1, 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	January 1, 2023

The new standards and amendments to the standards referred to in item 1 above, which entered into force on January 1, 2021, did not impact the Group's financial statements for the first half of 2021. Regarding the new standards and amendments referred to in item 2, no it is estimated that they will have significant impacts on the Group's financial statements.

2.3. Comparability of financial Statements

The financial statements as of December 31, 2020 and June 30, 2021, presented for comparative purposes, are fully comparable.

Seasonality

The Group's activities have a high seasonality inherent to the air transport business. Consequently, the activity in the months of June to September is significantly higher than the activity average of the remaining months of the year.

Notwithstanding the high seasonality inherent to the business, the semester ended June 30, 2021 also was affected by the effect of the COVID-19 pandemic.

2.4. Estimates and judgements

The preparation of the financial statements requires the Group's management to 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 judgments of TAP SA's management, based on: (i) the best information and knowledge of present events and in some cases on reports from independent experts and (ii) the actions that the Group considers it may take in the future. However, on the date the operations are carried out, their results may differ from these estimates. As provided for in IAS 8, changes to these estimates, which occur after the date of the financial statements, are corrected in profit or loss prospectively. As a result of the COVID-19 pandemic, some of these estimates were materially affected as described in Note 1.1.3.

The estimates and assumptions that present a significant risk of causing a material adjustment to the book value of assets and liabilities in the following period are presented below:

✈ **Deferred taxes (Notes 1.1.3 and 7)**

The Group recognizes income tax net based on the results of operations calculated in accordance with current tax legislation. In accordance with IAS 12, the Group recognizes deferred tax assets and liabilities based on the difference between the book value and the tax bases of assets and liabilities. The Group periodically analyses the recoverability of deferred tax assets based on the projection of future taxable income and on the estimated period of reversal of temporal differences.

✈ **Post-employment benefits (Note 15)**

The present value of liabilities for retirement benefits is calculated based on actuarial methodologies, which use certain assumptions. Any changes in these assumptions will impact the book value of the liabilities. The main demographic and financial assumptions used in the calculation of postretirement benefit liabilities are described in Note 15. The Group's policy is to periodically review the main demographic and financial assumptions, if their impact is material on the consolidated financial statements.

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

The Group has several legal proceedings in progress for which, based on the opinion of its legal advisors, it makes a judgment to determine whether a provision for these contingencies should be recorded.

Impairments on accounts receivable are calculated based on the estimated credit risk for each customer profile and their financial situation.

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

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

The Group recognizes a contractual obligation, within the scope of the "TAP Miles&Go" customer loyalty program, based on the unit value of the mile, in compliance with the stand-alone price. Changes in the assumptions used by the Group in calculating this estimate could have a significant impact on the financial statements.

Changing the percentage of miles to expire by 10% would have an impact on results of 3,558 thousand Euros, and changing the stand-alone price by 10% would have an impact on results of 4,418 thousand Euros.

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

The Group carries out a periodic analysis of the balance of the item "Pending flight documents" in order to correct the values of tickets sold whose coupons are no longer valid. The estimate of the amount of these coupons, which cannot be exchanged or refunded, requires judgment by the Board of Directors, and changes in the assumptions used by the Group in calculating this estimate could have a significant impact on the consolidated financial statements.

Taking into account the impact of the COVID-19 pandemic, the Management revised the policy for the use of pending flight documents, namely with regard to the possibility of rebooking tickets without additional costs and the reimbursement of voucher tickets with an increase and extended validity periods , therefore, from the prudence perspective, no percentage of revenue associated with the history of tickets issued and not used was recognized (Note 1.1.3).

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

Determining the useful lives of assets, as well as determining the residual value and the depreciation method to be applied, is essential to determine the amount of depreciation to be recognized in the consolidated income statement for each period.

These parameters are defined in accordance with the best judgment of the Board of Directors for the assets in question, also considering the practices adopted by companies in the sector at an international level.

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

The Group recognizes the right to use lease assets and liabilities with and without a purchase option (rents maturing from lease contracts) whenever the contract provides for the right to control the use of an identifiable asset for a certain period, in exchange for a retribution. To assess the existence of control over the use of an identifiable asset, the Group assesses whether: i) the contract involves the use of an identifiable asset; ii) has the right to obtain substantially all the 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 lease contracts, namely with regard to the cancellation and renewal options provided for in the contracts and in determining the incremental financing rate to be applied to each identified lease portfolio, requires the use of judgment by the Group.

The Group determines the useful life of these assets based on the non-cancellable lease period and revises the terms for their use, whenever there are changes in the lease contracts that modify the non-cancellable lease period.

✈ **Redelivery provision (Notes 1.1.3, 3 and 16)**

Grupo TAP SA incurs liabilities for maintenance costs in relation to aircraft operated under a lease without a purchase option. These result from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To fulfil these obligations, the Group will normally have to carry out structural maintenance interventions during the lease period. Grupo TAP SA specializes this responsibility based on the actual use of the aircraft, namely hours or cycles flown. In measuring this responsibility, several assumptions are considered, the most relevant being: 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 main assumptions are periodically reviewed, taking into account the available information, and there may be circumstances that significantly change the aforementioned estimate, such as the renegotiation of the aircraft's redelivery conditions, significant change in the use of the aircraft and its airworthiness conditions, renegotiation of lease contracts, as well as changes in the cost of said structural maintenance.

Estimating the future cost of structural maintenance of aircraft requires judgment by the Board of Directors, and changes in the assumptions used by the Group in calculating this estimate could have a significant impact on the consolidated financial statements.

✈ **Recoverability of tangible and intangible fixed assets (Notes 1.1.3, 3 and 4)**

Pursuant to IAS 36, impairment tests must be carried out annually or whenever there is strong evidence that non-current assets may be impaired.

The Group reviews on an annual basis the assumptions underlying the judgment of the existence or not of impairment. The assumptions used were revised according to the macroeconomic environment, the sector's indicators and the strategic assumptions of the Restructuring Plan.

Considering the uncertainty regarding the recovery value of the net book value of tangible and intangible fixed assets as they are based on the best information available at the time, changes in assumptions could result in impacts on the determination of the level of impairment and, consequently, on the results.

✈ **Restructuring provision (Notes 1.1.3, 16 and 28)**

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 retirement, pre-retirement, part-time work, unpaid leave and transfers to PGA, with the objective of ensuring the operational balance metrics of the Restructuring Plan.

Bearing in mind the firm expectation of strong adherence by the Group's employees to these voluntary measures, combined with a final re-dimensioning phase, the Group recorded a provision for the costs to be incurred with the defined restructuring measures, based on the best information available to date, taking into account the target universe of employees and the measures applicable to each.

However, considering the uncertainty regarding the final number of employees and the specific measures applicable to each of the various available alternatives, changes in the assumptions associated with this estimate could result in impacts on the determination of the level of provision and, consequently on the results.

3 Tangible fixed assets

During the periods ended June 30, 2021 and December 31, 2020, the movement in the item Property, plant and equipment, as well as in the respective accumulated depreciation 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											
January 1, 2020	**41,125,597**	**156,024,418**	**1,073,552,123**	**2,270,501**	**27,912,533**	**66,751,616**	**12,726,109**	**40,017,604**	**75,228,289**	**2,741,459,859**	**4,237,068,649**
Acquisitions	-	1,047,094	251,526,999	2,417	2,156,009	666,949	171,766	8,547,154	8,617,354	379,960,050	652,695,792
Disposals	-	-	(483,759)	(18,678)	(35,796)	(20,106)	-	-	-	-	(558,339)
Regularisation, transfer and w rite-off	-	-	18,707,919	-	(11,940)	(14,588,333)	(5,437)	(26,421,566)	(22,202,182)	(144,712,404)	(189,233,943)
December 31, 2020	**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	-	203,303	67,934,502	42,331	397,573	207,645	263,023	1,132,793	11,702,102	92,841,080	174,724,352
Disposals	-	-	(267,164,722)	-	(516,828)	(16,078)	-	-	-	-	(267,697,628)
Regularisation, transfer and w rite-off	-	-	338,209	-	-	(14,536)	(16,880)	(2,455,906)	(3,001,877)	2,869,302	(2,281,688)
June 30, 2021	**41,125,597**	**157,274,815**	**1,144,411,271**	**2,296,571**	**29,901,551**	**52,987,157**	**13,138,581**	**20,820,079**	**70,343,686**	**3,072,417,887**	**4,604,717,195**
Accumulated deprec. and impairment losses											
January 1, 2020	**-**	**84,197,625**	**668,354,417**	**2,146,265**	**17,476,756**	**63,574,525**	**11,221,869**	**-**	**-**	**363,768,624**	**1,210,740,081**
Depreciations (Note 30)	-	5,522,652	74,527,228	45,302	796,512	1,330,473	282,060	-	-	486,658,675	569,162,902
Impairment losses (Note 30)	-	-	2,723,947	-	-	-	-	-	-	-	2,723,947
Disposals	-	-	(155,015)	(18,678)	(22,731)	(20,106)	-	-	-	-	(216,530)
Regularisation, transfer and w rite-off	-	-	(11,980,438)	-	(5,655)	(14,705,298)	(5,437)	-	-	-	(26,696,828)
December 31, 2020	**-**	**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)	-	2,771,966	29,324,976	30,699	391,669	353,590	125,983	-	-	193,696,335	226,695,218
Impairment losses (Note 30)	-	-	3,623,070	-	-	-	-	-	-	-	3,623,070
Disposals	-	-	(239,498,883)	-	(486,927)	(15,589)	-	-	-	-	(240,001,399)
Regularisation, transfer and w rite-off	-	-	(4,347,055)	-	-	(13,375)	(16,880)	-	-	-	(4,377,310)
June 30, 2021	**-**	**92,492,243**	**522,572,247**	**2,203,588**	**18,149,624**	**50,504,220**	**11,607,595**	**-**	**-**	**1,044,123,634**	**1,741,653,151**
Carrying amount as at December 31, 2020	**41,125,597**	**67,351,235**	**609,833,143**	**81,351**	**11,775,924**	**2,630,532**	**1,393,946**	**22,143,192**	**61,643,461**	**2,126,280,206**	**2,944,258,588**
Carrying amount as at June 30, 2021	**41,125,597**	**64,782,572**	**621,839,024**	**92,983**	**11,751,927**	**2,482,937**	**1,530,986**	**20,820,079**	**70,343,686**	**2,028,294,253**	**2,863,064,044**

On June 30, 2021 and December 31, 2020, the item "Right of use" had the following composition:

	Jun 2021					
	Buildings and other constructions	Basic equipment			Transport equipment	Total
		Aircraft and engine leases	ACMI	*Redelivery and Maintenance*		
Assets						
Opening balance	1,832,381	2,245,521,303	415,625,688	312,952,777	775,356	**2,976,707,505**
Additions	-	61,094,186	-	31,746,894	-	**92,841,080**
Other transfers/w rite-offs	-	1,927,262	1,271,096	(329,056)	-	**2,869,302**
Closing Balance	**1,832,381**	**2,308,542,751**	**416,896,784**	**344,370,615**	**775,356**	**3,072,417,887**
Accumulated depreciations						
Opening balance	1,424,510	428,663,086	265,528,423	154,278,489	532,791	**850,427,299**
Depreciations (Note 30)	305,903	108,244,593	48,211,208	36,811,401	123,230	**193,696,335**
Closing Balance	**1,730,413**	**536,907,679**	**313,739,631**	**191,089,890**	**656,021**	**1,044,123,634**
Carrying amount	**101,968**	**1,771,635,072**	**103,157,153**	**153,280,725**	**119,335**	**2,028,294,253**

	Dec 2020					
	Buildings and other constructions	Basic equipment			Transport equipment	Total
		Aircraft and engine leases	ACMI	*Redelivery and Maintenance*		
Assets						
Opening balance	1,832,381	2,191,073,278	431,433,719	116,228,192	892,289	**2,741,459,859**
Additions	-	163,245,404	-	216,714,646	-	**379,960,050**
Other transfers/w rite-offs	-	(108,797,379)	(15,808,031)	(19,990,061)	(116,933)	**(144,712,404)**
Closing Balance	**1,832,381**	**2,245,521,303**	**415,625,688**	**312,952,777**	**775,356**	**2,976,707,505**
Accumulated depreciations						
Opening balance	714,284	182,269,126	157,002,414	23,527,962	254,838	**363,768,624**
Depreciations (Note 30)	710,226	246,393,960	108,526,009	130,750,527	277,953	**486,658,675**
Closing Balance	**1,424,510**	**428,663,086**	**265,528,423**	**154,278,489**	**532,791**	**850,427,299**
Valor líquido	**407,871**	**1,816,858,217**	**150,097,265**	**158,674,288**	**242,565**	**2,126,280,206**

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

To guarantee the payment of amounts due under a loan agreement, with a national institution, in the amount of 75 million Euros, a mortgage was created on an urban property belonging to TAP SA, consisting of twenty-nine office buildings, workshops of construction material and others, located at Lisbon Airport. Additionally, in February 2020, a second mortgage was made on a loan in the amount of 25 million Euros. On June 30, 2021, the amount related to the loan agreement was approximately 68.3 million Euros.

The main movements that took place during the first half of 2021 are as follows:

- The additions of basic equipment in the amount of 67,935 thousand Euros refer mainly to: (i) acquisition of an aircraft in the amount of approximately 57,241 thousand Euros and (ii) acquisition of aircraft assistance equipment in the amount of 5,382 thousand of Euros, and (iii) capitalization of aircraft structural maintenance expenses in the amount of 3,324 thousand Euros;

- The sale of basic equipment with a net value of 27,666 thousand Euros, essentially refers to the sale of eight aircraft (six A319 and two A320), which generated a gain in the amount of 11,477 thousand Euros.

- As at 30 June 2021, additions to the right of use item essentially include: (i) two new lease contracts without a purchase option in the amount of 54,043 thousand Euros; (ii) increase in expenses with major maintenance capitalized in the amount of 22,093 thousand Euros, (iii) increase in the provision for redelivery in the amount of 14,046 thousand Euros and (iv) increase in the capitalization of expenses with non-recoverable maintenance reserves in the amount of 346 thousand Euros;

- Additions of other assets in progress in the amount of 1,133 thousand Euros refer essentially to: (i) expenses with major maintenance in progress in the amount of 942 thousand Euros, (ii) the Upgrade of Projects in the amount of 79 thousand Euros and (iii) simulator A320 in the amount of 72 thousand Euros;

- Additions of advances in the amount of 11,702 thousand Euros essentially concern pre-delivery payments.

- Total additions of basic equipment include the amount of 6,970 thousand Euros related to the acquisition of equipment from SPdH.

The main movements occurred during the year ended December 31, 2020 are as follows:

- The additions to basic equipment of 251,527 thousand Euros mainly relate to: (i) purchase of two aircraft amounting to approximately 200,789 thousand Euros and (ii) purchase of two engines under lease with a purchase option for 27,472 thousand Euros , and (iii) capitalisation of aircraft structural maintenance charges of 9,875 thousand Euros.

- Disposal of basic equipment for the net sum of 329 thousand Euros essentially relates to the sale of APU's (A340) and Spare Parts, which generated a gain of 28 thousand Euros.

- On 31 December 2020, additions under the Right of use item essentially include: (i) five new leasing contracts with no option to purchase in the amount of 159,317 thousand Euros; (ii) increase in capitalised large-scale maintenance spending by 57,430 thousand Euros, (iii) increase in the redelivery provision to the sum of 106,098 thousand Euros and (iv) increase in capitalization of non-recoverable maintenance reserves spending to the sum of 48,120 thousand Euros.

- In addition, settlements, transfers and write-offs under the Right of Use item essentially include: (i) reduction resulting from renegotiations of contracts with lessors amounting to approximately 100,622 thousand Euros and (ii) resulting from the revision of the redelivery provision, a reduction of 36,653 thousand Euros.

- Additions of other assets in progress amounting to 8,547 thousand Euros essentially relate to: (i) to an A330 flight simulator for an amount of 5,888 thousand Euros, (ii) spending on large-scale maintenance in progress in the amount of 1,491 thousand Euros, and (iii) building refurbishments in the amount of 922 thousand Euros.

✈ The decrease in Transfer and write-off of Other assets in progress includes the amount of 26,750 thousand Euros transferred in the merger of two aircraft;

✈ Additions of advances amounting to 8,617 thousand Euros essentially refer to pre-delivery payments

Depreciation of tangible fixed assets is fully recognized under “Depreciation, amortization and impairment losses” in the income statement (Note 30).

On June 30, 2021 and December 31, 2020, the item “Basic equipment” (own assets) had the following composition:

	Jun 2021			Dec 2020		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Flight equipment						
Aircraft	93,860,610	(50,588,745)	43,271,865	322,921,384	(260,195,337)	62,726,047
Spare engines	2,969,113	(2,104,592)	864,521	4,000,254	(2,699,214)	1,301,040
Spare parts	122,258,695	(79,725,486)	42,533,209	122,417,735	(78,486,005)	43,931,730
	219,088,418	(132,418,823)	86,669,595	449,339,373	(341,380,556)	107,958,817
Flight equipment under Leases w ith purcahse option						
Aircraft	719,081,278	(304,521,039)	414,560,239	693,681,606	(309,632,064)	384,049,542
Reserve engines	109,059,662	(14,617,797)	94,441,865	109,059,662	(12,040,881)	97,018,781
	828,140,940	(319,138,836)	509,002,104	802,741,268	(321,672,945)	481,068,323
Machinery and equipment	97,181,913	(71,014,589)	26,167,324	91,222,641	(70,416,638)	20,806,003
	1,144,411,271	**(522,572,248)**	**621,839,023**	**1,343,303,282**	**(733,470,139)**	**609,833,143**

As of June 30, 2021 and December 31, 2020, the Group's air fleet is broken down as follows:

	Jun 2021					Dec 2020				
	Owned by TAP Group	**Lease liabilities with purchase option**	**Lease liabilities without purchase option**	**ACMI**	**Total**	**Owned by TAP Group**	**Lease liabilities with purchase option**	**Lease liabilities without purchase option**	**ACMI**	**Total**
Airbus A330	-	-	4	-	**4**	-	-	7	-	**7**
Airbus A330 NEO	-	3	16	-	**19**	-	3	16	-	**19**
Airbus A319	-	3	5	-	**8**	6	3	5	-	**14**
Airbus A320	-	3	13	-	**16**	2	3	13	-	**18**
Airbus A320 NEO	-	-	10	-	**10**	-	-	8	-	**8**
Airbus A321	-	2	1	-	**3**	-	2	1	-	**3**
Airbus A321 NEO	-	-	10	-	**10**	-	-	10	-	**10**
Airbus A321 NEO LR	-	1	6	-	**7**	-	-	6	-	**6**
Embraer 190	-	-	-	9	**9**	-	-	-	9	**9**
Embraer 195	-	-	-	4	**4**	-	-	-	4	**4**
ATR 72	-	-	-	8	**8**	-	-	-	8	**8**
	-	**12**	**65**	**21**	**98**	**8**	**11**	**66**	**21**	**106**

Of the total fleet of 98 aircraft, 4 are, to date, in phase-out work and are therefore not in operation. TAP's fleet in operation on June 30, 2021 is thus made up of 94 aircraft.

TAP's fleet underwent a significant adjustment throughout 2021 as a result of the implementation of the restructuring plan measures.

Consequently, TAP ended the first half of 2021 with an operating fleet of 94 aircraft, a net decrease of 8 aircraft when compared to the end of 2020, when the Group had an operating fleet of 106 aircraft.

During 2021, 3 new generation Airbus aircraft (2 A320neo and 1 A321neo LR,) entered into operation and 11 aircraft (6 A319, 2 A320 and 3 A330) went out of operation.

4 Investment properties

On June 30, 2021 and December 31, 2020, the movements recorded in investment properties were as follows:

	Jun 2021	Dec 2020
Opening Value	**1,543,825**	**2,148,564**
Fair value adjustments	28,130	(604,739)
Closing Balance	**1,571,955**	**1,543,825**

5 Intangible assets

On June 30, 2021 and December 31, 2020, the movements in the item "Intangible assets" were as follows:

	Industrial property and other rights	Computer programmes	Assets in progress	Advances to suppliers of in tangible assets	Total
Acquisition cost					
Balance as at January 31, 2020	**11,951,704**	**37,559,887**	**3,709,913**	**1,491,662**	**54,713,166**
Acquisitions	-	10,432,421	3,339,740	-	**13,772,161**
Regularization, transfer and w rite-off	-	3,852,337	(3,852,337)	(1,491,662)	**(1,491,662)**
Balance as at December 31, 2020	**11,951,704**	**51,844,645**	**3,197,316**	**-**	**66,993,665**
Acquisitions	-	4,539,539	1,178,030	-	**5,717,569**
Regularization, transfer and w rite-off	-	545,009	(545,009)	-	**-**
Balance as at June 30, 2021	**11,951,704**	**56,929,193**	**3,830,337**	**-**	**72,711,234**
Accumulated amort. and impairment losses					
Balance as at December 31, 2019	**(11,951,704)**	**(17,384,685)**	**-**	**-**	**(29,336,389)**
Amortisations and impairment losses (Note 30)	-	(12,785,212)	-	-	(12,785,212)
Balance as at December 31, 2020	**(11,951,704)**	**(30,169,897)**	**-**	**-**	**(42,121,601)**
Amortisations and impairment losses (Note 30)	-	(6,231,986)	-	-	(6,231,986)
Balance as at June 30, 2021	**(11,951,704)**	**(36,401,883)**	**-**	**-**	**(48,353,587)**
Carrying amount as at December 31, 2020	**-**	**21,674,748**	**3,197,316**	**-**	**24,872,065**
Carrying amount as at June 30, 2021	**-**	**20,527,310**	**3,830,337**	**-**	**24,357,647**

The main movements that took place during the first half of 2021 are as follows:

✈ The increase in the caption Computer programs in the amount of 4,540 thousand Euros essentially refers to software licensing contracts.

✈ The increase in the item Assets in progress in the amount of 1,178 thousand Euros refers to several development and implementation projects in progress, in the areas of operations, sales and maintenance.

6 Other financial assets

On June 30, 2021 and December 31, 2020, the heading of other financial assets had the following composition:

	Jun 2021	Dec 2020
Bank deposits in Guinea Bissau	1,691,643	1,661,670
SITA Group Foundation	455,915	455,915
Other	47,373	47,373
	2,194,931	**2,164,958**
Impairment losses	(1,706,201)	(1,676,228)
	488,730	**488,730**

The amount shown 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 movement in this item, during the first half of 2021 and the year ended December 31, 2020, was as follows:

	Jun 2021		Dec 2020	
	Current	Non-Current	Current	Non-Current
Opening balance	-	488,730	4,880,346	481,040
Increases	-	29,973	-	7,690
Decreases	-	(29,973)	(4,880,346)	-
Closing balance	**-**	**488,730**	**-**	**488,730**

7 Deferred tax assets and liabilities

On June 30, 2021 and December 31, 2020, the tax rate used in Portugal for the calculation of deferred tax assets relating to tax losses carried forward and derivative financial instruments was 21% (in the case of derivatives, given its reversal in 2021). In the case of other temporary differences, the rate used was 29.5% in 2021 and 2020.

The tax benefits, as they are collection deductions, are considered at 100%, and in some cases, their full acceptance is still dependent on the approval of the authorities granting such tax benefits. Deferred taxes arising from tax benefits are recorded when they are approved by the authorities granting such benefits.

The main temporary differences between the accounting and taxable values on June 30, 2021 and December 31, 2020, the corresponding deferred tax assets and liabilities and the respective effect on the results for the periods ended June 30, 2021 and 31 December 2020, are as follows:

	Jun 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	36,473,598	-	113,375,605
Post-employment benefits obligations	32,308,940	(2,214,289)	(1,852,843)	28,241,808
Impairment losses in inventories	6,264,906	(48,607)	-	6,216,299
Impairment losses of receivables	6,929,807	831,477	-	7,761,284
Tax benefits	456,670	-	-	456,670
Other provisions and adjustments not accepted for tax purposes	115,613	(1,325)	-	114,288
Derivative financial instruments (Note 15)	6,092,975	-	(6,092,975)	-
	129,070,918	**35,040,854**	**(7,945,818)**	**156,165,954**
Deferred tax liabilities				
Revaluation of tangible fixed assets	17,134,632	(516,662)	-	16,617,970
Instrumentos financeiros derivados	-	-	1,209,266	1,209,266
Adjustments from IFRS 16	90,890,946	(35,712,564)	-	55,178,382
	108,025,578	**(36,229,226)**	**1,209,266**	**73,005,618**
	21,045,340	**71,270,080**	**(9,155,084)**	**83,160,336**

	Dec 2020			
	Opening balance	Effect in results (Note 32)	Effect in other comprehensive income	Closing balance
Deferred tax assets				
Tax losses carried forward	66,242,707	10,659,300	-	76,902,007
Post-employment benefits obligations	30,352,251	(4,268,385)	6,225,074	32,308,940
Impairment losses in inventories	7,158,124	(893,218)	-	6,264,906
Impairment losses of receivables	7,096,835	(167,028)	-	6,929,807
Tax benefits	-	456,670	-	456,670
Other provisions and adjustments not accepted for tax purposes	127,352	(11,739)	-	115,613
Derivative financial instruments	-	-	6,092,975	6,092,975
	110,977,269	**5,775,600**	**12,318,049**	**129,070,918**
Deferred tax liabilities				
Revaluation of tangible fixed assets	19,324,081	(2,189,449)	-	17,134,632
Derivative financial instruments	7,549,515	-	(7,549,515)	-
Ajustments due the adoption of IFRS 16	-	-	-	90,890,946
	59,837,627	**55,737,466**	**(7,549,515)**	**108,025,578**
	51,139,642	**(49,961,866)**	**19,867,564**	**21,045,340**

✈ Reportable Tax losses

Under 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 taxable income generated during that period, up to a limit of 70% of taxable income. During the first half of 2020, the two-year increase in the expiry period of each reporting period for periods prior to 2020 was published in the economic and social stabilization program, and the ten-year period for expiry of the losses generated in 2020, as well how the deduction percentage was changed.

The Group considers that part of the reportable tax losses is recoverable, through their use in the reduction of future taxable income (based on the individual financial statements of TAP SA, prepared in accordance with the SNC). It should be noted that, although the Group has been exercising its legitimate right to contest it, no deferred tax assets related to the tax losses carried forward resulting from the securitization operation in 2014 and 2015 were recorded in the amount of 99 million of Euros, currently under discussion in the tax court.

The change in the shareholder structure of TAP SA in May 2021, resulting from the capital increase carried out (Note 13), determined the exit of TAP SA 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 SA, with deferred tax assets having been derecognized for tax losses relating to the years 2018 and 2019 in the amount of 56.6 million of Euros. Additionally, deferred taxes were recognized for tax losses up to the first semester in the favourable amount of 92.1 million Euros.

The detail of the tax losses on June 30, 2021 is detailed as follows:

	Without securitization	Securation	Total	Deadline for deduction *
2014	-	31,071,827	31,071,827	2028
2015	96,780,011	67,927,000	164,707,011	2029
2021 (estimate)	438,538,819	-	438,538,819	2033
	535,318,830	**98,998,827**	**634,317,657**	

* According to the economic and social stabilisation programme.

8 Other accounts receivables

As of June 30, 2021 and December 31, 2020, the details of the heading of other accounts receivable are as follows:

	Jun 2021		Dec 2020	
	Current	Non-current	Current	Non-current
Customers	229,290,865	-	211,852,190	-
Security deposits of lease contracts	7,307,289	49,674,241	3,681,690	48,075,004
Recoverable maintenance reserves	-	49,909,460	-	43,848,514
Advances to suppliers	12,900,995	-	21,396,362	-
Accrued income	10,413,740	-	9,603,494	-
Swaps jet fuel (Note 21)	5,758,411	-	-	-
Other debtors	960,651,603	2,180,256	960,406,235	2,171,371
	1,226,322,903	**101,763,957**	**1,206,939,971**	**94,094,889**
Receivables impairment losses	(99,651,469)	(1,921,388)	(91,380,910)	(1,921,388)
	1,126,671,434	**99,842,569**	**1,115,559,061**	**92,173,501**

For the periods presented there are no differences between the book values and their fair value.

✈ **Customers**

On June 30, 2021 and December 31, 2020, the account of customers is broken down as follows:

	Jun 2021	Dec 2020
Private entities	98,098,289	102,562,859
Travel agency	29,916,827	12,981,721
Related parties (Note 36)	19,843,519	17,216,531
Airline companies	13,596,398	11,147,484
Other	7,576,016	7,690,122
Doubtful customers	60,259,816	60,253,473
	229,290,865	**211,852,190**
Impairment	(86,410,109)	(80,535,448)
	142,880,756	**131,316,742**

On June 30, 2021 the credit card entity Elavon made a retention of approximately 50 million Euros.

The variation in this item essentially consists of the increase recorded with amounts receivable from travel agencies.

Balances receivable from travel agencies and airlines are essentially settled through the IATA Billing and Settement Plan ("BSP") and IATA Clearing House systems.

✈ **Security deposits of lease contracts**

Security deposits are made under lease contracts with no option to purchase 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 2021, the expenses to be recognised item includes an amount of 24.4 million Euros 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.

✈ Accrued income

On June 30, 2021 and December 31, 2020, the item Accrued income is detailed as follows:

	Jun 2021	Dec 2020
Work for aviation companies	4,522,608	7,007,606
Related parties (Note 36)	851,846	1,661,846
Airport facilities - incentives	696,765	591,157
Other	4,342,521	342,885
	10,413,740	**9,603,494**

The reduction in the amount of work for airline companies results from the reduction in maintenance activity for third-party aircraft and reactors, as a result of the COVID-19 pandemic.

✈ Advances to suppliers

On June 30, 2021 and December 31, 2020, the item advances to suppliers are detailed as follows:

	Jun 2021	Dec 2020
Related parties (Note 36)	546,894	3,340,117
Others	12,354,101	18,056,245
	12,900,995	**21,396,362**

✈ Other debtors

On June 30, 2021 and December 31, 2020, the item other debtors are broken down as follows:

	Jun 2021		Dec 2020	
	Current	Non-current	Current	Non-current
Related parties (Note 36)	908,395,030	-	882,666,366	-
Interline and other invoicing	13,296,077	-	14,412,247	-
Doubtful accounts	4,409,144	-	10,845,462	-
Advances related to lease contracts	11,692,643	-	14,380,537	-
Employees	14,067,066	-	11,043,150	-
Deposits and guarantees	3,172,724	-	16,417,099	-
Representations VAT	1,557,330	-	2,422,079	-
Other	4,061,589	2,180,256	8,219,295	2,171,371
	960,651,603	**2,180,256**	**960,406,235**	**2,171,371**
Impairment	(4,409,144)	(1,921,388)	(10,845,462)	(1,921,388)
Impairment Related parties (Note 36)	(8,832,216)	-	-	-
	956,242,459	**258,868**	**949,560,773**	**249,983**

As at 30 June 2021, the caption related entities include an amount of 893,163,566 Euros receivable from TAP SGPS, which arises from its management of financial holdings in TAP ME Brasil, SPdH and Portugália.

The heading of advances related to lease contracts corresponds to amounts advanced to the lessor, recoverable on the date of delivery of the aircraft.

✈ Impairment losses on current receivables

The movement in the impairment losses on accounts receivable on June 30, 2021 and December 31, 2020 is as follows:

	Jun 2021		Dec 2020	
	Clients	Others	Clients	Others
Opening balance	80,535,448	10,845,462	61,755,150	4,172,605
Increases (Note 26)	6,447,730	2,417,201	20,243,982	6,686,434
Reversals (Note 26)	(11,571)	(21,303)	(340,788)	(13,577)
Utilisation	(561,498)	-	(1,122,896)	-
Closing balance	**86,410,109**	**13,241,360**	**80,535,448**	**10,845,462**

9 Inventories

The detail of the inventories as of June 30, 2021 and December 31, 2020 is as follows:

	Jun 2021	Dec 2020
Raw materials and consumables	93,293,053	101,403,150
Inventory impairment losses	(21,072,199)	(21,236,969)
	72,220,854	**80,166,181**

Raw, subsidiary and consumable materials refer to technical material for use in the maintenance and repair of our own aircraft and in works carried out for other airlines.

The movement in the inventory impairment losses item, in the periods ended June 30, 2021 and December 31, 2020, is as follows:

	Jun 2021	Dec 2020
Opening balance	21,236,969	22,724,204
Increases (Note 26)	7,175,830	5,300,972
Decreases (Note 26)	(375)	(37,577)
Utilisation	(7,340,225)	(6,750,630)
Closing balance	**21,072,199**	**21,236,969**

On June 30, 2021, the amount recorded as an increase in impairments results essentially from the low rotation of stocks, namely in the A330 and A320Family fleets.

10 Income tax receivable/payable

As of June 30, 2021 and December 31, 2020 the balances related to income tax receivable or payable are broken down as follows:

	Jun 2021		Dec 2020	
	Current assets	Current liabilities	Current assets	Current liabilities
RETGS: Related Parties (Note 36)				
Payments on account	(59,968)	-	122,893	-
Withholding taxes	314,356	-	314,356	-
Current income tax	(146,212)	-	(146,212)	-
	108,176	**-**	**291,037**	**-**
State and Other Public Entities				
Withholding taxes	27,131	-	-	-
Current income tax (Note 32)	(58,740)	-	-	-
Other	-	(17,430)	-	(17,430)
	(31,609)	**(17,430)**	**-**	**(17,430)**
	76,567	**(17,430)**	**291,037**	**(17,430)**

As a result of the change in the shareholder structure of TAP SA, the Company no longer belongs to the RETGS of TAP SGPS (Note 7).

11 Other current and non-current assets

Other current and non-current assets as of June 30, 2021 and December 31, 2020 are detailed as follows:

	Jun 2021		Dec 2020	
	Current	Non-Current	Current	Non-Current
Deferred costs	15,444,537	24,421,344	21,935,413	23,784,741
State	11,531,006	-	4,028,587	-
	26,975,543	**24,421,344**	**25,964,000**	**23,784,741**

✈ Expenses to be recognised

On June 30, 2021 and December 31, 2020, the item Expenses to be recognized is detailed as follows:

	Jun 2021		Dec 2020	
	Current	Non-Current	Current	Non-Current
Security deposits (Note 8)	-	24,421,344	-	23,784,741
Commissions	9,278,221	-	6,892,747	-
Related Parties (Note 36)	806,588	-	8,611,466	-
Specialized w ork	333	-	-	-
Rental costs	676,542	-	894,353	-
Other	4,682,853	-	5,536,847	-
	15,444,537	**24,421,344**	**21,935,413**	**23,784,741**

Commissions refer to amounts paid to agents for tickets sold but not yet flown and not expired. Its variation is due to the increase in activity that took place in 2021 compared to 2020.

✈ State

For the periods ended June 30, 2021 and December 31, 2020, the balances for this item are broken down as follows:

	Jun 2021	Dec 2020
VAT	1,971,766	2,395,060
Other	9,559,240	1,633,527
	11,531,006	**4,028,587**

As of June 30, 2021 and December 31, 2020, the outstanding VAT balance refers to requests for refunds, not yet received.

On June 30, 2021, the Remaining taxes caption includes 8,180,923 Euros (2020: 694,782 Euros) relating to the financial support borne by Social Security resulting from adherence to the classic layoff.

12 Cash and cash equivalents

On June 30, 2021 and December 31, 2020, the breakdown of cash and its equivalents presents the following values:

	Jun 2021	Dec 2020
Bank deposits available on demand	534,696,648	504,838,428
Term deposits	7,941,319	13,807,641
Other deposits	93,000	93,000
Cash	70,199	17,538
Cash and cash equivalents in the cash flow statement	**542,801,166**	**518,756,607**

13 Capital

The variation in this item is due to the share capital increase carried out on May 24, 2021, by the Portuguese Republic, through the General Directorate of Treasury and Finance, through the issue of 92,400,000 new common shares with a nominal value of 5 Euros.

On June 30, 2021, the share capital of TAP S.A. is fully subscribed and paid up, being represented by 100,700,000 shares with a nominal value of 5 Euros.

In this context, TAP S.A. currently has the following shareholder structure:

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

14 Supplementary capital contributions and reserves

Supplementary capital contributions

By resolution at the General Meeting of Shareholders, dated November 13, 2015, the shareholder TAP SGPS made a contribution in cash, fully paid, in the amount of 29,542,000 Euros in the form of supplementary payments. Additionally, on December 11, 2015, by unanimous written resolution, the provision of supplementary payments was approved by the shareholder TAP SGPS, in the total amount of 124,811,400 Euros, which came in cash in December.

Pursuant to current legislation, supplementary payments can only be returned to shareholders as long as equity capital is not less than the sum of share capital and legal reserve.

Reserves

- **Legal Reserves**

Commercial legislation establishes that at least 5% of the annual net income must be used to reinforce the legal reserve until it represents at least 20% of the capital.

This reserve is not distributable, except in the event of the Group's liquidation, but can be incorporated into the capital or used to absorb losses, after the other reserves have been exhausted.

As of June 30, 2021 and December 31, 2020, the legal reserve is fully constituted in accordance with current commercial legislation.

- **Fair value reserves**

As at 30 June 2021, the positive amount of 4,549,144 Euros, presented under the caption “Fair value reserves”, corresponds to the fair value of the financial instruments classified as hedging instruments (5,758,411 Euros, net of tax in the amount of 1,209 .266 Euros), since its effective consumption is estimated at this date. See Notes 7 and 21.

- **Other reserves**

This item refers to the reserve set up in 2010 resulting from the merger by the incorporation of Air Portugal Tours, S.A.

Retained earnings

The item “Retained earnings” corresponds to the net results of previous years, in accordance with resolutions made at the General Meetings. Changes arising from the application, for the first time, of International Financial Reporting Standards, as well as gains or losses with remeasurements of post-employment benefits, net of tax and adjustments arising from the adoption of the IFRS 16.

15 Pensions and other post-employment benefits

Assumptions used in the evaluation of liabilities

The Group's liabilities were determined by actuarial studies, reported on June 30, 2021 and December 31, 2020, prepared by independent entities, using the "Projected Credit Unit Method" and essentially using the following financial assumptions and demographics:

	Jun 2021		Dec 2020	
	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	0.75%	0.75%	0.75%	0.75%
Fund yield rate	0.75%	0.75%	0.75%	0.75%
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	66	65	66	65

The Group periodically reviews actuarial assumptions whenever relevant events occur, based on information from the financial markets and information on the universe of beneficiaries covered by the plans. On June 30, 2021, the VIVA and Jubilee discount rate used was 0.75%. The reduction in the salary growth rate results from the best estimate at the time, taking into account the Restructuring Plan underway in the Group.

The liabilities as of June 30, 2021 and December 31, 2020 are detailed as follows:

	Jun 2021					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	Total
Liabilities from past services						
- Active employees	1,671,650	6,692,078	-	87,157,735	0	95,521,463
- Early retirement	154,207	11,072,266	496,938	-	-	11,723,411
- Retired	11,348,288	25,504,557	3,062,896	-	32,557,543	72,473,284
Fair value of the fund	(15,466,346)	-	-	(35,909,214)	(32,607,657)	(83,983,217)
Defit/(surplus)	**(2,292,201)**	**43,268,901**	**3,559,834**	**51,248,521**	**(50,114)**	**95,734,941**

	Dec 2020					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	Total
Liabilities from past services						
- Active employees	1,071,326	2,872,138	-	99,759,690	-	103,703,154
- Early retirement	69,105	14,800,491	442,757	-	-	15,312,353
- Retired	11,679,575	28,258,481	2,765,200	-	31,073,490	73,776,746
Fair value of the fund	(15,234,853)	-	-	(36,914,250)	(31,121,319)	(83,270,422)
Defit/(surplus)	**(2,414,847)**	**45,931,110**	**3,207,957**	**62,845,440**	**(47,829)**	**109,521,831**

According to the actuarial study carried out by independent entities, the best estimate of contributions to pension benefit plans, for the second half of 2021, is around 6,000,000 Euros.

As of June 30, 2021 and December 31, 2020, the Group's defined benefit plans in Portugal (excluding the Representation of England) covered 1,348 and 1,814 active beneficiaries, respectively. The total number of retired and pre-retired employees entitled to a retirement pension supplement on June 30, 2021 and December 31, 2020 was 531 and 560 beneficiaries, respectively.

As of June 30, 2021 and December 31, 2020, the average maturity of the liabilities for the defined benefit plans “Fundo VIVA” and “Premios Jubileu” is 11 years.

Sensitivity analyses

- **Annual discount rate**

The increase (decrease) of 0.25% in the annual discount rate of the defined benefit plans “VIVA Plan” and “Jubileu Awards” would correspond to an impact on the Group's liabilities, on June 30, 2021 and December 31, 2020 , as follows:

Jun 2021	Rate	VIVA Plan*	Jubileu Bonus
Annual discount rate of pensions	0.75%	56,443,046	87,157,735
0.25% increase in the discount rate	1.00%	55,203,438	84,167,143
0.25% decrease in the discount rate	0.50%	57,743,649	90,287,400

* Includes "VIVA Pensions" and "VIVA Fund"

Dec 2020	Rate	VIVA Plan*	Jubileu Bonus
Annual discount rate of pensions	0.75%	58,751,116	99,759,690
0.25% increase in the discount rate	1.00%	57,795,059	96,209,232
0.25% decrease in the discount rate	0.50%	59,754,261	103,477,886

* Includes "VIVA Pensions" and "VIVA Fund"

✈ Health 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 at 30 June 2021 and 31 December 2020, is as follows:

	Rate	Jun 2021	Dec 2020
Annual growth rate of medical costs	1.50%	3,559,834	3,207,957
1% increase in the growth rate of medical costs	2.50%	3,847,607	3,467,511
1% decrease in the growth rate of medical costs	0.50%	3,306,179	2,978,852

✈ Pension growth rate

If the growth rate of the VIVA Plan Pensions registers an increase or decrease of 0.25 percentage points, the respective impact on the Group's liabilities, on June 30, 2021 and December 31, 2020, is as follows:

	Rate	Jun 2021	Dec 2020
Growth rate of VIVA Pension fund (*)	1.00%	56,443,046	58,751,116
0.25% increase in the Pension growth rate	1.25%	57,500,150	59,606,772
0.25% decrease in the Pension growth rate	0.75%	55,423,036	57,898,610

* 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 period ended June 30, 2021 and December 31, 2020, is as follows:

	Jun 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	-	-	-	-	1,484,053	1,484,053
Values recorded through profit or loss for the year:						
Current services	30,981	-	-	2,457,366	-	2,488,347
Net interest	48,075	(100,305)	12,029	370,717	-	330,516
Reestructuring - cuts (Note 28)	-	-	-	(3,489,947)	-	(3,489,947)
Actuarial gain and losses	562,402	426,501	339,848	(7,633,361)	-	(6,304,610)
Benefits paid	(287,319)	(2,988,405)	-	(4,306,730)	-	(7,582,454)
Liabilities at the end of the year	**13,174,145**	**43,268,901**	**3,559,834**	**87,157,735**	**32,557,543**	**179,718,158**

	Dec 2020					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	Total
Liabilities at the beginning of the year	10,312,666	47,392,828	3,224,073	100,979,484	16,919,499	178,828,550
Currency translation differences	-	-	-	-	(84,689)	(84,689)
Values recorded through profit or loss for the year:						
Current services	29,993	-	-	5,223,104	12,243,195	17,496,292
Net interest	154,690	710,892	48,363	1,483,843	450,486	2,848,274
Reestructuring - early retairment	-	932,552	-	-	-	932,552
Actuarial gain and losses	3,199,986	4,405,025	(64,479)	13,247,595	4,762,912	25,551,039
Benefits paid	(877,329)	(7,510,187)	-	(21,174,336)	(3,217,913)	(32,779,765)
Liabilities at the end of the year	**12,820,006**	**45,931,110**	**3,207,957**	**99,759,690**	**31,073,490**	**192,792,253**

Evolution of funds allocated to pensions benefit schemes

During the period ended June 30, 2021 and December 31, 2020, the evolution of the funds' assets was as follows:

	Jun 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	-	3,000,000	-	3,000,000
Net interest	518,812	325,478	-	844,290
Benefits paid	(287,319)	(4,306,730)	-	(4,594,049)
Return of plan assets	-	(23,784)	-	(23,784)
Exchange variation	-	-	1,486,338	1,486,338
Closing Balance	**15,466,346**	**35,909,214**	**32,607,657**	**83,983,217**

	Dec 2020			
	VIVA Fund	Jubileu Bonus	England Representation	Total
Opening balance	15,737,186	51,237,487	15,497,524	82,472,197
Contributions in the year	-	6,000,000	486,079	6,486,079
Net interest	374,996	720,063	18,598,492	19,693,551
Benefits paid	(877,329)	(21,174,336)	(3,217,913)	(25,269,578)
Return of plan assets	-	131,036	-	131,036
Exchange variation	-	-	(242,863)	(242,863)
Closing Balance	**15,234,853**	**36,914,250**	**31,121,319**	**83,270,422**

The composition of the funds and respective category of amounts included, as at 30 June 2021 and 31 December 2020, is as follows:

	Jun 2021				
	Fair value level	VIVA Fund	Jubileu Bonus	England Representation	Total
Shares	1	4,199,727	-	4,211,876	8,411,603
Bonds	1	5,704,967	35,629,122	1,788,940	43,123,029
Public debt	1	4,260,543	-	-	4,260,543
Real estate	1	486,801	-	-	486,801
Liquidity	1	814,308	280,092	659,635	1,754,035
Other current investments	1	-	-	25,947,206	25,947,206
		15,466,346	**35,909,214**	**32,607,657**	**83,983,217**

	Dec 2020				
	Fair value level	VIVA Fund	Jubileu Bonus	England Representation	Total
Shares	1	4,136,867	-	4,019,888	8,156,755
Bonds	1	5,619,578	36,626,319	1,707,396	43,953,293
Public debt	1	4,196,773	-	-	4,196,773
Real estate	1	479,515	-	-	479,515
Liquidity	1	802,120	287,931	629,567	1,719,618
Other current investments	1	-	-	24,764,468	24,764,468
		15,234,853	**36,914,250**	**31,121,319**	**83,270,422**

Expenses related to pensions and other post-employment benefits

Regarding expenses incurred with pensions and other post-employment benefits, the details are as follows:

	Jun 2021				
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	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 - Cuts (Note 28)	-	-	-	(3,489,947)	(3,489,947)
Total	**(439,756)**	**(100,305)**	**12,029**	**(987,342)**	**(1,515,374)**

	Jun 2020				
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Total
Current Services	14,996	-	-	2,634,845	2,649,841
Net interest	644,008	355,446	24,180	263,568	1,287,202
Sub-total (note 25)	**659,004**	**355,446**	**24,180**	**2,898,413**	**3,937,043**
Reestructuring - early retairment (Note 28)	-	713,461	-	-	713,461
Total	**659,004**	**1,068,907**	**24,180**	**2,898,413**	**4,650,504**

As mentioned, the Group's pilots, hired after June 1, 2007, benefit from a defined contribution plan. During the period ended 30 June 2021, an expense was recognized under the heading of expenses with post-employment benefits in the amount of 1,402 thousand Euros (2020: 1,451 thousand Euros), related to the contributions made in the year in favour of its employees (Note 25).

Costs with pensions and other post-employment benefits, during the years ended 30 June 2021 and 2020, are recorded under personnel costs (Note 25).

Remeasurement gains/losses

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

	Jun 2021					
	VIVA Fund	VIVA Pensons	Health Care	Jubileu Bonus	England Representation	Total
Remeasurements						
Return of assets, excluding amounts included in net income	-	-	-	23,784	-	23,784
	-	**-**	**-**	**23,784**	**-**	**23,784**
(Gains)/losses due to changes in financial assumptions	1	-	-	(4,663,129)	-	(4,663,128)
(Gains)/losses due to experience	562,401	426,501	339,848	(2,970,232)	-	(1,641,482)
	562,402	**426,501**	**339,848**	**(7,633,361)**	**-**	**(6,304,610)**
Total remeasurements	**562,402**	**426,501**	**339,848**	**(7,609,577)**	**-**	**(6,280,826)**

	Dec 2020					
	VIVA Fund	VIVA Pensons	Health Care	Jubileu Bonus	England Representation	Total
Remeasurements						
Return of assets, excluding amounts included in net income	-	-	-	(131,036)	-	(131,036)
	-	**-**	**-**	**(131,036)**	**-**	**(131,036)**
(Gains)/losses due to changes in financial assumptions	930,980	2,174,901	-	14,940,826	-	18,046,707
(Gains)/losses due to experience	2,269,006	2,230,124	(64,479)	-1,693,231	4,762,912	7,504,332
	3,199,986	**4,405,025**	**(64,479)**	**13,247,595**	**4,762,912**	**25,551,039**
Total remeasurements	**3,199,986**	**4,405,025**	**(64,479)**	**13,116,559**	**4,762,912**	**25,420,003**

Actuarial gains recognized in 2021 arising from changes in financial assumptions, in the total amount of 4,633,129 Euros, mainly arise from the change in the salary growth rate.

Gains/losses on remeasurements were recognized directly in the Group's comprehensive income.

16 Provisions

In the periods ended June 30, 2021 and December 31, 2020, the heading Provisions had the following movement:

	Provision for legal claims (Note 26)	Other (Note 26)	Redelivery costs (Note 3)	Restructuring provision (Note 28)	Total
January 1, 2020	**8,715,934**	**404,293**	**68,664,627**	**-**	**77,784,854**
Increases	1,836,833	10,410,000	109,194,100	93,197,493	214,638,426
Reversals	-	(12,385)	(37,579,811)	-	(37,592,196)
Utilisation	-	-	(44,484,268)	-	(44,484,268)
Exchanges and interests	-	-	(8,178,025)	-	(8,178,025)
December 31, 2020	**10,552,767**	**10,801,908**	**87,616,623**	**93,197,493**	**202,168,791**
Increases	13,761,689	10,082	14,045,642	-	27,817,413
Reversals	-	-	-	(20,355,037)	(20,355,037)
Utilisation	-	(14,572)	(406,886)	(36,494,257)	(36,915,715)
Exchange variation	-	-	5,501,965	-	5,501,965
June 30, 2021	**24,314,456**	**10,797,418**	**106,757,344**	**36,348,199**	**178,217,417**

✈ Provision for ongoing legal proceedings

Provisions for legal proceedings in progress are set up in accordance with the risk assessments carried out by the Group and its legal advisors, based on historical success rates by nature of the process and probability of an unfavourable outcome for the Group. As at 30 June 2021, the existing provision, in the amount of 24,314,456 Euros, is intended to cover various legal proceedings brought against the Group, in Portugal and abroad.

The increase in the amount of 13.8 million Euros verified in the provision for legal proceedings in progress essentially refers to the increase in administrative proceedings received in the USA arising from operational irregularities.

✈ Others

On December 31, 2020, as a result of the COVID-19 pandemic, a provision in the amount of 10.410 thousand Euros was set up for compensation to passengers, whose claims are being processed by the Group. As of June 30, 2021, the balance of this provision is 10,797 thousand Euros.

✈ **Redelivery costs (Note 3)**

Increases in the provision for redelivery are recognized against the right of use, and are subsequently subject to depreciation. The increase recognized compared to December 31, 2020 consists of the effect of the update of the redelivery estimate made on June 30, 2021, taking into account the information available on that date.

17 Borrowings and Lease liabilities with and without purchase option

As of June 30, 2021 and December 31, 2020 interest-bearing liabilities and lease liabilities with and without a call option are detailed as follows:

	Jun 2021		Dec 2020	
	Current	**Non-Current**	**Current**	**Non-Current**
State Aid	1,200,000,000	-	1,200,000,000	-
Interest accrued	38,170,745	-	10,825,439	-
State Aid	**1,238,170,745**	**-**	**1,210,825,439**	**-**
Bank loans	43,352,501	219,844,300	34,553,137	228,193,571
Interest accrued	1,571,979	-	1,495,224	-
Initial expenses	(696,788)	(2,256,045)	(1,417,234)	(2,220,723)
Remunerated bank debt	**44,227,692**	**217,588,255**	**34,631,127**	**225,972,848**
Bonds	319,767,617	375,000,000	321,099,187	375,000,000
Interest accrued	2,496,889	-	2,602,732	-
Initial expenses	(11,544,871)	(5,086,736)	(13,372,891)	(4,949,188)
Bond issuance	**310,719,635**	**369,913,264**	**310,329,028**	**370,050,812**
Lease liabilities with purchase option	45,044,131	445,850,665	40,331,578	399,700,211
Interest accrued	1,745,699	-	1,797,633	-
Initial expenses	(377,698)	(2,485,006)	(785,900)	(2,464,531)
Lease liabilities with purchase option	**46,412,132**	**443,365,659**	**41,343,311**	**397,235,680**
Lease liabilities without purchase option	**403,485,159**	**1,616,383,929**	**427,266,305**	**1,611,374,047**
Total Borrowings	**2,043,015,363**	**2,647,251,107**	**2,024,395,210**	**2,604,633,387**

✈ Net debt

As of June 30, 2021 and December 31, 2020, the net interest-bearing debt is broken down as follows:

	Jun 2021	Dec 2020
Borrowings except Lease liabilities without purchase option		
Non-Current	1,030,867,178	993,259,340
Current	1,639,530,204	1,597,128,905
	2,670,397,382	**2,590,388,245**
Cash and Cash Equivalents (Note 12)		
Cash	70,199	17,538
Bank deposits available on demand	534,696,648	504,838,428
Other deposits	8,034,319	13,900,641
	542,801,166	**518,756,607**
Net debt	**2,127,596,216**	**2,071,631,638**
Net debt without State Aid	**889,425,471**	**860,806,199**

As of June 30, 2021 and December 31, 2020, interest-bearing debt and lease liabilities with a call option, by maturity and by type of interest rate, are broken down as follows:

	Jun 2021	Dec 2020
Variable rate		
Up to 1 year	1,286,566,815	1,250,012,550
1 to 2 years	62,456,408	63,491,465
2 to 3 years	63,416,848	64,443,846
Over 3 years	154,041,083	154,789,318
	1,566,481,154	**1,532,737,179**
Fixed rate		
Up to 1 year	352,963,389	347,116,355
1 to 2 years	39,112,775	35,831,483
2 to 3 years	34,635,110	31,055,984
Over 3 years	677,204,954	643,647,244
	1,103,916,228	**1,057,651,066**
	2,670,397,382	**2,590,388,245**

✈ State Aid

This item includes the interest-bearing loan from the Portuguese State in the amount of 1.2 billion Euros, distributed in 7 tranches up to 30 December 2020 (see Introductory note).

✈ Bank loans

This item includes 149 million Euros related to a loan with a syndicate of banks. In accordance with the conditions established in the Share Purchase Agreement, complemented with the TAP Group's debt Restructuring and Monitoring agreement, referred to in Note 1, on June 30, 2017, the bank debt was restructured, with the main changes being related with the maturities and conditions of the financing, namely the applicable interest rate and spread.

Additionally, the heading bank loans includes two financings with a national credit institution, in the amount of 94 million euros, and a financing of a Luxembourg financial institution in the amount of 14.6 million euros.

This item also includes financing carried out in 2020 and 2021 with Apple Bank in the total amount of 5.4 million Euros.

✈ Bond Loans

TAP SA issued a bond issue by private offer, fully subscribed on January 14, 2019, in the amount of 137.2 million Euros and maturing in 2034. depositary bank guarantee set up by the issuer for a specific purpose (presented in the Balance Sheet as a deduction from the gross financial debt) and additional guarantees on contractual rights that do not affect any asset recognized in the Group's financial position.

TAP SA made a public offer of 4-year bonds with a fixed interest rate of 4.375% per annum, in the amount of 200 million Euros, called Bonds “TAP 2019-2023”. The issue, financial and physical settlement of the transaction, as well as the admission to trading of the bonds, took place on June 24, 2019 on Euronext Lisbon.

In December 2019, TAP SA also made an offer of 5-year bonds, with a fixed interest rate of 5.625% per year, in the amount of 375 million Euros, called “TAP 2019-2024 Bonds”. The issuance, financial and physical settlement of the transaction, as well as the admission to trading of the bonds, took place on December 2, 2019.

As of June 30, 2021 and December 31, 2020, all loans are denominated in Euros.

✈ Lease liabilities with purchase option

As of June 30, 2021 and December 31, 2020, lease liabilities with a purchase option (plus interest expenses and deducting initial charges), essentially refer to aircraft and reactors.

Leases with a purchase option are denominated in the following currencies:

	Jun 2021	Dec 2020
Lease liabilities in EUR	127,284,883	106,621,809
Lease liabilities in USD	362,492,907	331,957,182
	489,777,790	**438,578,991**

As of June 30, 2021 and December 31, 2020, lease liabilities with a call option, by maturity, are broken down as follows:

	Jun 2021	Dec 2020
Up to 1 year	46,412,132	41,343,310
1 to 2 years	51,387,029	45,618,373
2 to 3 years	53,490,480	47,564,335
3 to 4 years	55,854,548	49,804,162
4 to 5 years	55,696,224	51,561,853
More than 5 years	226,937,377	202,686,958
	489,777,790	**438,578,991**

✈ **Lease liabilities without purchase option**

The heading Lease liabilities without a call option essentially refers to non-cancellable lease payments, which vary up to 14 years and can be extended by express will of the contracting parties, which are recognized in the consolidated statement of financial position as from of January 1, 2019 with the adoption of IFRS 16.

As of June 30, 2021, there are 65 aircraft, 7 engines under lease agreements without a purchase option and 21 aircraft under ACMI (as per Note 3).

As of June 30, 2021 and December 31, 2020, lease liabilities without a call option, by maturity, are detailed as follows:

	Jun 2021	Dec 2020
Up to 1 year	403,485,159	427,266,305
1 to 2 years	297,667,460	309,723,157
2 to 3 years	212,994,128	223,928,336
3 to 4 years	191,040,173	181,756,599
4 to 5 years	177,824,921	166,862,717
Over 5 years	736,857,247	729,103,238
	2,019,869,088	**2,038,640,352**

Liabilities with no-purchase leases are mostly denominated in USD.

✈ **Financial covenants**

The financial covenants contained in leasing and financing contracts are the usual ones in operations of this nature, including provisions such as the obligation to maintain the activity as an airline operator, commitments to periodically provide available financial information, as well as, in the specific case of leases without an option to purchase, operational obligations relating to registration with official entities, information regarding aircraft on lease, strict compliance with all regulations, procedures defined by the authorities, among others.

Additionally, following the restructuring of the aforementioned financial debt and issuance of debenture loans, commitments were assumed to monitor the financial performance of the TAP Group, through the analysis and compliance with certain ratios related to the consolidated financial statements of the TAP SGPS Group, namely, with equity, EBITDAR, Net Debt/EBITDAR and unsecured net financial debt and minimum cash value and unrestricted cash equivalents. These ratios are intended to monitor the financial situation of the TAP Group and assess its ability to guarantee debt service.

Due to the COVID-19 pandemic and the consequent deterioration of EBITDAR with the downturn in activity in 2020 and 2021, the Group breached certain financial covenants, namely those relating to the maintenance of Equity and compliance with the Net Debt/EBITDAR ratio of the TAP SGPS Group as set forth in certain financings.

Regarding the syndicated financing of the Portuguese Banks in the amount of 149 million Euros outstanding, waivers were obtained from the Banks regarding the breach of their financial covenants as of 30 June 2021.

Regarding the issue of bonds by private offer placed with foreign institutional investors in the amount of 113.5 million Euros on June 30, 2021, the financial covenant of the Adjusted Net Debt/EBITDAR ratio with reference to the financial statements on this date is higher than the contractual limit agreed, with the Group reclassifying the debt to Current Liabilities. On the date of approval of these financial statements, the waiver is expected to be obtained within the permitted period.

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

✈ Reconciliation of finance cash flows

The evolution of interest-earning liabilities and lease liabilities with call option and their reconciliation with the consolidated statement of cash flows is as follows:

	Remunerated bank debt and Bonds	Leases with purchase option	Leases without purchase option	Total
January 1, 2020	**1,083,402,487**	**274,892,757**	**2,278,678,486**	**3,636,973,730**
Receipts	1,225,011,144	16,311,909	-	1,241,323,053
Payments	(226,677,585)	(50,722,069)	(245,986,517)	(523,386,171)
New lease agreements	-	248,238,399	159,316,917	407,555,316
Currency translation differences	270,102	(39,493,270)	(160,876,996)	(200,100,164)
Other	69,803,106	(10,648,735)	7,508,462	66,662,833
31 December 31, 2020	**2,151,809,254**	**438,578,991**	**2,038,640,352**	**4,629,028,597**
Receipts	-	-	-	-
Payments	(33,765,109)	(14,412,568)	(216,238,418)	(264,416,095)
New lease agreements	-	55,077,015	58,356,112	113,433,127
Currency translation differences	138,621	10,092,221	57,109,428	67,340,270
Other	62,436,826	442,131	82,001,614	144,880,571
June 30, 2021	**2,180,619,592**	**489,777,790**	**2,019,869,088**	**4,690,266,470**

The amounts considered in Others refer essentially to the impact of the recognition of the effective interest rate.

18 Other accounts payable

As of June 30, 2021 and December 31, 2020, the details of the item other payables are as follows:

	Jun 2021	Dec 2020
Accrued expenses	167,061,117	185,162,637
Suppliers	64,973,752	69,627,086
Swaps jet fuel (Note 21)	-	42,896,210
Advances from customers	506,079	548,038
Other	105,576,448	88,281,828
	338,117,396	**386,515,799**

✈ Suppliers

On June 30, 2021 and December 31, 2020, the item Suppliers is as follows:

	Jun 2021	Dec 2020
Suppliers - pending invoices	48,660,642	32,613,419
Suppliers - current account	5,236,878	30,461,814
Suppliers - related parties (Note 36)	11,076,232	6,551,853
	64,973,752	**69,627,086**

✈ Accrued expenses

As of June 30, 2021 and December 31, 2020, the expense accruals item is broken down as follows:

	Jun 2021	Dec 2020
Remunerations	84,089,903	99,823,149
Aircraft fuels and licenses and CO2 emissions	21,513,241	25,784,370
Insurance to be settled	20,050,478	12,442,894
Specialized w ork	9,578,051	8,278,771
Navigation fees	7,939,033	5,546,989
Handling services	7,076,104	6,146,494
Remuneration - air crew	2,999,404	2,857,144
Related parties (Note 36)	2,913,883	6,839,784
Special sales charge	2,800,397	3,661,684
Other accrued expenses	8,100,623	13,781,358
	167,061,117	**185,162,637**

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

✈ Others

As of June 30, 2021 and December 31, 2020, the item Other is broken down as follows:

	Jun 2021	Dec 2020
Taxes and fees	85,976,023	63,835,545
Fixed assets suppliers	5,964,786	4,577,042
Compensation for accidents at w ork	983,743	859,724
Personal	1,556,577	359,685
Related Parties (Note 36)	2,547	13,551
Other	11,092,772	18,636,281
	105,576,448	**88,281,828**

The heading of fees and taxes payable essentially refers to amounts payable to various entities, related to fees charged to customers on issued tickets. The variation compared to December 31, 2020 is essentially due to the increase in fees and taxes payable at airports and ticket issuance.

19 Other current liabilities

On June 30, 2021 and December 31, 2020, the heading of other current liabilities essentially refers to:

	Jun 2021	Dec 2020
Deferred income	46,433,296	53,523,983
State	12,932,236	20,514,616
	59,365,532	**74,038,599**

✈ Deferred gains

As of June 30, 2021 and December 31, 2020, the deferred earnings item is broken down as follows:

	Jun 2021	Dec 2020
Customer loyalty program	46,113,756	52,619,203
Related Parties (Note 36)	318,011	317,066
Investment grants	-	586,194
Other deferred income	1,529	1,520
	46,433,296	**53,523,983**

Within the scope of the application of IFRS 15 - Revenue from contracts with customers, in the attribution of miles to customers adherent to the loyalty program called “TAP Miles&Go”, a contractual obligation is recognized based on the unit value of the mile. The decrease in this item results from the greater use of miles that took place.

✈ State

As of June 30, 2021 and December 31, 2020, the balances for this item are detailed as follows:

	Jun 2021	Dec 2020
Personal income tax	5,303,252	10,680,153
Social security contribution	7,109,871	9,447,787
Others	519,113	386,676
	12,932,236	**20,514,616**

The variation in the balance to be paid to the State results, essentially, from the reduction in the workforce resulting from the restructuring plan in force.

20 Unused flights tickets

As of June 30, 2021 and December 31, 2020, the pending flight item refers to the amount of the Group's responsibility, referring to tickets issued and not used, was as follows:

	Jun 2021	Dec 2020
Passengers	407,373,731	319,340,615
Voucher	249,815,043	282,488,168
Cargo	355,161	160,500
	657,543,935	**601,989,283**

Due to the significant reduction in activity after April 2020 and the cancellation of flights imposed on the aviation sector and the Group, the pending flight documents as of June 30, 2021 include significant amounts referring to flights not carried out by that date, maintaining the Group its responsibility for the provision of the service in the future or for reimbursement under the contractual terms. It should also be noted that the amounts included in the pending flight item include vouchers and tickets not flown for cancelled flights.

21 Derivatives

On June 30, 2021 and June 31, 2020, the Group had traded derivative financial instruments, relating to jet fuel swaps.

The Group's current 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. However, as a result of the COVID-19 pandemic, which started in March 2020, the Group's activity was abruptly interrupted, significantly altering the estimates of jet fuel consumption for the following months. In this framework, the assumptions for the accounting purposes of the coverage of jet fuel derivatives entered into were revised, and it was concluded that there was an excess of coverage.

On June 30, 2021, approximately 8.7 million Euros of gains referring to the difference in the estimate of derivatives that on December 31, 2020 did not meet the hedge accounting requirements were recorded in financial results.

For contracts in which it was possible to ensure compliance with the hedge accounting requirements, on June 30, 2021, an amount of approximately 5.8 million Euros relating to the change in the fair value of the derivatives still open at this date. On June 30, 2021, the Group had contracted derivatives on 210,000 tons of jet fuel whose market value at that date was positive at 5,758 thousand Euros and with maturities between July and December 2021. The Group is reviewing its management policy of jet fuel risk coverage.

22 Segment Reporting

The following operating segments were identified: air transport and maintenance. The results of each segment correspond to those that are directly attributable to it, as well as those that, on a reasonable basis, can be attributed to them. Activities aggregated under “Others” do not qualify to report separately.

The financial information, by business segments, as of June 30, 2021 and 2020, is analysed as follows:

	Jun 2021				Jun 2020			
	Air Transport	Maintenance and engeneering	Other	Total	Air Transport	Maintenance and engeneering	Other	Total
Operating Income	358,132,530	18,728,795	6,280,914	383,142,239	601,797,694	40,350,366	3,944,246	646,092,306
Operating results	(346,195,347)	(4,209,390)	(26,951,330)	(377,356,067)	(384,566,985)	(8,605,374)	(34,377,802)	(427,550,161)
External net financial results	(185,223,821)	(1,583,472)	-	(186,807,293)	(292,676,184)	(3,842,259)	-	(296,518,443)
Income tax	68,418,726	461,698	2,148,055	71,028,479	132,317,714	2,600,508	7,182,068	142,100,290
Net Income	**(463,000,442)**	**(5,331,164)**	**(24,803,275)**	**(493,134,881)**	**(544,925,455)**	**(9,847,125)**	**(27,195,734)**	**(581,968,314)**

The Group does not present segmental assets and liabilities, considering that this information is not presented to the main person responsible for taking operational decisions.

The item Operating income and gains for the year ended June 30, 2021 and 2020 is as follows:

	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**

	Jun 2020				
	Passenger	Maintenance	Cargo and Mail	Other	Total
Revenue					
Sales	-	611,198	-	19,168	**630,366**
Services provided	545,443,436	37,856,104	53,224,795	2,900,073	**639,424,408**
Other income	-	-	-	6,037,532	**6,037,532**
	545,443,436	**38,467,302**	**53,224,795**	**8,956,773**	**646,092,306**

Sales and services provided by market and by geographic area for the year ended June 30, 2021 and 2020 are as follows:

	Jun 2021					Jun 2020				
	Air Transport	Maintenance	Cargo and Mail	Other	Total	Air Transport	Maintenance	Cargo and Mail	Other	Total
Mainland and islands	27,995,297	6,482,758	2,198,267	2,750,578	39,426,900	42,561,367	3,113,381	2,635,574	2,334,186	50,644,508
Europe	87,025,596	6,215,237	3,688,014	369,573	97,298,420	190,954,935	28,526,335	2,661,022	346,045	222,488,337
South Atlantic	37,696,697	3,171,000	63,002,465	47,061	103,917,223	156,948,228	6,333,814	24,140,679	108,563	187,531,284
North Atlantic	34,600,976	657,747	23,750,344	50,672	59,059,739	77,305,646	121,087	8,175,559	61,666	85,663,958
Mid Atlantic	228,384	-	3,823,981	-	4,052,365	2,035,574	-	102,056	923	2,138,553
Africa	52,732,226	56,824	7,597,298	97,221	60,483,569	72,971,587	102,415	7,430,034	64,999	80,569,035
Other	5,403	277,913	438,037	-	721,353	2,666,099	270,270	8,079,871	2,859	11,019,099
	240,284,579	**16,861,479**	**104,498,406**	**3,315,105**	**364,959,569**	**545,443,436**	**38,467,302**	**53,224,795**	**2,919,241**	**640,054,774**

23 Other income

On June 30, 2021 and 2020, the Other income item is detailed as follows:

	Jun 2021	Jun 2020
Gains from tangible fixed assets	11,533,966	400
Rents and Subleases	3,624,082	1,463,554
Shared Services	3,222,515	2,900,073
Operating government grants	862,489	770,830
Recovered w arehouse material	848,889	1,284,598
Publicity	9,913	406,182
Other supplemental operating income	1,395,921	2,131,136
	21,497,775	**8,956,773**

The value of gains on tangible fixed assets mainly refers to the capital gain obtained from the sale of eight fleet aircraft to A320Family (Note 3).

24 Expenses by nature

During the first half of 2021 and 2020, operating expenses by nature are as follows:

	Jun 2021	Jun 2020
Traffic operating costs	122,590,019	217,894,683
Aircraft fuel	97,067,269	162,959,351
Comercial, communication and marketing costs	23,452,478	49,048,033
Cost of materials consumed	7,916,817	29,319,190
Aircraft maintenance costs	9,752,400	15,008,100
	260,778,983	**474,229,357**

✈ Aircraft fuel

On June 30, 2021 and 2020, the heading Fuel for aircraft has the following detail:

	Jun 2021	Jun 2020
Aircraft fuel		
Consumption	86,186,828	146,035,117
Jetfuel hedge	5,905,699	14,342,890
CO2 emission licences	4,974,742	2,581,344
	97,067,269	**162,959,351**

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

The reduction in CO_2 emission allowances is mainly due to the decrease in the amounts emitted.

✈ Traffic operating costs

In the year ended June 30, 2021 and 2020, the Traffic operating costs item has the following detail:

	Jun 2021	Jun 2020
Handling services	33,242,617	44,691,677
Navigation fees	22,444,603	32,764,105
Landing charges	19,992,971	30,483,886
Operational irregularities	15,764,258	43,806,432
In-flight expenses	13,659,342	21,837,918
Baggage, cargo and mail charges	7,794,342	7,950,943
Aircraft charters	6,276,554	8,293,912
Accommodation and meals during stopovers	4,682,725	9,439,606
Air traffic control charges	4,207,321	6,341,274
Ground costs related to executive class passengers	627,771	2,378,283
Facilities at airports	(7,267,581)	6,717,085
Other traffic operating costs	1,165,096	3,189,562
	122,590,019	**217,894,683**

The reduction in most items results essentially from the reduction in the Group's activity during the COVID-19 pandemic.

The caption Airport facilities on June 30, 2021 essentially refers to a credit from ANA Aeroportos relating to the adjustment of regulated revenue.

✈ Aircraft maintenance costs

In the year ended June 30, 2021 and 2020, the item Aircraft maintenance expenses has the following detail:

	Jun 2021	Jun 2020
Maintenance subcontracting of TAP flight equipment	5,668,882	10,591,977
Consumed inventories	4,083,518	4,416,123
	9,752,400	**15,008,100**

The heading of aircraft maintenance costs refers to recurring maintenance costs, including line maintenance, of the TAP fleet. The variation verified is a consequence of the significant reduction in maintenance activity.

✈ Costs of materials consumed

On June 30, 2021 and 2020, the item Costs of materials consumed has the following detail:

	Jun 2021	Jun 2020
Sold and consumed inventories	6,007,084	21,467,856
Maintenance subcontracting for third parties flight equipment	1,909,733	7,851,334
	7,916,817	**29,319,190**

The variation verified is a consequence of the significant reduction in maintenance activity for third parties during the COVID-19 pandemic.

✈ Business, marketing and communication costs

The heading Commercial, marketing and communication costs, for the year ended June 30, 2021 and 2020, is made up as follows:

	Jun 2021	Jun 2020
Booking fees	10,328,498	14,260,773
Commissions	6,227,309	16,163,176
Publicity	3,352,759	8,933,144
Special sales charges - air transport	2,033,895	6,736,466
Specialised w ork	1,494,381	2,856,915
Other comercial, communication and marketing expeses	15,636	97,559
	23,452,478	**49,048,033**

The reduction in most items results essentially from the reduction in the Group's activity during the COVID-19 pandemic.

25 Personnel costs

The item Personnel costs, in the year ended June 30, 2021 and 2020, had the following detail:

	Jun 2021	Jun 2020
Fixed remuneration	119,851,553	133,339,129
Social security contributions	37,670,042	28,102,617
Variable remuneration	19,248,141	32,199,529
Insurance	8,622,007	9,791,213
Social action costs	3,860,702	4,917,051
Post-employment benefits (Note 15)	3,376,930	5,387,584
Work accident insurance	6,122,123	2,408,074
Meals allowance	2,567,700	2,124,271
Uniform and work clothes	352,067	477,672
Training and recruitment	193,908	1,876,836
Other expenses with employees	463,710	623,791
	202,328,883	**221,247,767**

The decrease recorded on June 30, 2021 compared to 2020 in the Personnel expenses item is essentially due to the decrease in the number of employees compared to the same period of the previous year and the salary cuts agreed with employees under the Restructuring Plan, as well as the adherence to the classic layoff regime.

26 Impairment losses in inventories, receivables and provisions

In the years ended June 30, 2021 and 2020, the item Impairment of accounts receivable, inventories and provisions was as follows:

	Jun 2021	Jun 2020
Receivables impairment (Note 8)	8,832,057	6,655,474
Inventory impairment (Note 9)	7,175,455	2,808,251
Provisions (Nota 16)	13,771,771	237,108
	29,779,283	**9,700,833**

27 Other expenses

The item Other expenses, in the year ended June 30, 2021 and 2020, had the following detail:

	Jun 2021	Jun 2020
Specialised w ork and subcontracts	35,405,550	36,002,670
Rents	3,492,932	4,407,956
Conservation and repair of other assets	3,059,856	4,468,700
Comunication	2,645,688	5,145,689
Insurance	1,996,439	2,014,445
Surveillance and security	1,367,145	1,368,941
Cleaning, hygiene and comfort	1,325,717	708,463
Transportation	1,217,430	2,124,219
Electricity	853,390	890,074
Stock losses	491,178	508,963
Books and technical documentation	481,893	1,109,670
Litigation and notary	348,308	527,613
Taxes	332,330	318,732
Other operating expenses	1,888,819	5,526,099
	54,906,675	**65,122,234**

The Rents and Leases item includes short term lease contracts relating essentially to offices and software in the amount of 2.9 million Euros.

28 Restructuring

The Restructuring item, in the year ended June 30, 2021 and 2020, had the following detail:

	Jun 2021	Jun 2020
Restructuring provision (Note 16)	(20,355,037)	-
Cuts (Note 15)	(3,489,947)	-
Employee indemnities	(808)	1,070,375
Early retirements (Note 15)	-	713,461
	(23,845,792)	**1,783,836**

On June 30, 2021, the Cuts item refers to gains with the departure of employees from the post-employment benefit plan due to adherence to the voluntary measures contemplated in the Restructuring Plan.

29 Other non-recurring items

In the year ended June 30, 2021 and 2020, the item Other non-recurring items has the following detail:

	Jun 2021	Jun 2020
Seniority - compensatory benefits to crew employees	-	46,035
Aircraft preservation costs	-	2,724,449
	-	**2,770,484**

✈ Aircraft preservation costs

As of June 30, 2020 aircraft preservation costs refer to non-recurring costs incurred as a result of the maintenance of aircraft that were stopped as a result of the COVID-19 pandemic.

Given their framework and nature, these situations were considered by the Board of Directors as non-recurring.

30 Depreciation, amortisation and impairment losses

In the year ended June 30, 2021 and 2020, the item depreciation, amortization and impairment losses is broken down as follows:

	Jun 2021	Jun 2020
Depreciation of Tangible Fixed Assets (Note 3)		
Buildings and other constructions	2,771,966	2,753,880
Basic equipment	29,324,976	43,126,726
Transport equipment	30,699	24,255
Tools and utensils	391,669	364,595
Administrative equipment	353,590	596,291
Other tangible fixed assets	125,983	126,453
	32,998,883	**46,992,200**
Depreciation of Right-of-use (Note 3)		
Buildings and other constructions	305,903	357,142
Basic equipment	193,267,202	244,627,770
Transport equipment	123,230	127,419
	193,696,335	**245,112,331**
Amortisation of Intangible Assets (Note 3)		
Computer Programs	6,231,986	5,344,225
	6,231,986	**5,344,225**
Impairment losses in tangible assets (Note 3)		
Basic equipment	3,623,070	1,339,200
Total	**236,550,274**	**298,787,956**

31 Financial results

The item financial results for the year ended June 30, 2021 and 2020 has the following detail:

	Jun 2021	Jun 2020
Interest expenses	(60,536,299)	(31,790,112)
Lease interests related w ith contracts w ithout purchase option	(74,713,104)	(76,792,852)
Other financial expenses	(13,998,913)	(10,605,804)
Interests and similar expenses	**(149,248,316)**	**(119,188,768)**
Interest income	16,589,094	16,926,908
Interests and similar income	**16,589,094**	**16,926,908**
	-	-
Net foreign exchange differences	(62,825,153)	(57,968,435)
Net currency exchange	**(62,825,153)**	**(57,968,435)**
	-	-
Overhedge cost (Note 21)	8,677,082	(136,288,148)
Overhedge cost	**8,677,082**	**(136,288,148)**
Total	**(186,807,293)**	**(296,518,443)**

The unfavourable exchange differences that occurred in the semesters ended June 30, 2021 and 2020 were essentially due to the appreciation of the dollar and the real. These exchange differences are essentially 60 million Euros relating to lease liabilities without a purchase option.

The increase in interest paid on June 30, 2021 is essentially due to the increase in debt, namely arising from the State support loan, as well as from leasing contracts.

32 Income tax

The item Income tax on June 30, 2021 and 2020 has the following detail:

	Jun 2021	Jun 2020
Deferred taxes (Note 7)	(71,270,080)	(142,180,389)
Current taxes (Note 10)	58,740	80,100
Differences from tax estimates	182,861	(1)
	(71,028,479)	**(142,100,290)**

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

The reconciliation of the Income Tax rate for the year ended June 30, 2021 and 2020 is as follows:

	Jun 2021	Jun 2020
Net income/(loss) before income tax	(564,163,360)	(724,068,604)
Nominal tax rate	21.0%	21.0%
Expected tax	(118,474,306)	(152,054,407)
Permanent differences	(9,373,978)	9,874,017
Reversal of deferred tax associated with unrecovered tax losses	56,578,204	-
Autonomous taxation	58,740	80,100
Differences from tax estimates for the previous year	182,861	-
	(71,028,479)	**(142,100,290)**
Effective tax rate	13%	20%

33 Earnings per share

There are no convertible financial instruments on TAP S.A. shares, so there is no dilution of results. The breakdown of earnings per share for the year ended June 30, 2021 and 2020 is as follows:

	Jun 2021	Jun 2020
Net income/(loss) for the year	(493,134,881)	(581,968,314)
Wheighted average number of shares	100,700,000	8,300,000
Basic and diluted earnings per share	(4.9)	(70.1)

34 Commitments

The aircraft acquisition contract with Airbus for the acquisition of 53 aircraft (39 A320 NEO Family and 14 A330 NEO), initially expected to be receive between 2018 and 2025, was renegotiated with a view to deferring the delivery of some of the aircraft given the impacts of the COVID-19 pandemic on the commercial aviation sector. The 2 A330NEO aircraft not delivered to date were subject to replanning from 2022 to 2024. With regard to the A320NEO Family aircraft, 13 aircraft initially scheduled for delivery in the period 2021-2022 were subject to replanning for 2025-2027. This acquisition agreement arises from the novation to TAP S.A. of the acquisition agreement previously negotiated and signed between Airbus and DGN Corporation.

In the 1st half of 2021, 2 sale & leaseback contracts and 1 financial leasing agreement were signed with an option to purchase the aircraft at the end of the period, in addition to the agreements entered into in previous periods.

A contract with CFM International Inc., S.A. is also in effect for the acquisition of 83 LEAP-A1 reactors, including 5 reserve reactors, which will equip and service the new fleet of A320NEO Family aircraft. Note that these reactors will be purchased directly by Airbus, with the exception of reserve reactors. Regarding the reserve reactors, of the 5 planned, 3.were already delivered.

It also results from the commitments assumed in the contract with CFM, the acquisition of a LEAP spare reactor scheduled for delivery in December 2021, which results in the payment of a pre-delivery payment during the year.

Contract signed with Rolls-Royce that includes maintenance support for all TRENT 7000 reactors that equip the A330 NEO aircraft.

The payment of USD 20.1 million in pre-delivery payments for the 2nd half of the year 2021 also results from the commitments assumed in the contract with Airbus, referring to the future entry of aircraft.

35 Contingencies

As of June 30, 2021 and December 31, 2020 the Group does not have contingent assets subject to disclosure, and the contingent liabilities were as follows:

	Jun 2021	Dec 2020
Tax contingencies	16,402	864,894
Civil contingencies	7,330,407	8,985,071
Regulatory contingencies	9,355,591	7,636,358
Total	**16,702,399**	**17,486,323**

Regulatory contingencies essentially include lawsuits filed by customers regarding irregularities in the activity. The Group, supported by the opinion of the Lawyers, considered that an unfavourable outcome of these processes is not likely.

Guarantees provided

As of June 30, 2021 and December 31, 2020, the guarantees provided by the Group are broken down as follows:

	Jun 2021	Dec 2020
Bank guarantees provided by Head Office		
Aircrafts	36,430,028	42,683,205
Portuguese State - Operation of the Azores routes	1,653,985	1,653,985
Airports	972,786	942,643
Fuel	841,468	814,930
Labour Court	450,962	540,622
Other	6,228,452	6,228,452
Bank guarantees provided by Representations	2,157,408	2,107,124
	48,735,088	**54,970,960**

36 Related parties

As of June 30, 2021, the identified related parties are as follows:

Aeropar	Laso Transportes, SA	Rodoviária do Alentejo, S.A.
Atlantic Cargo-Soc.Transportes, S.A.	MTS - Metro Transportes do Sul, S.A.	Rodoviária do Tejo, S.A.
Barraqueiro Transportes, S.A.	Parpública - Participações Públicas, SGPS, S.A.	SPdH - Serviços Portugueses de Handling, S.A.
Cateringpor	PGA	TAP ME Brasil
Cityrama - Viagens e Turismo, S.A.	RDL - Rodoviária do Lis, Lda.	TAP SGPS
Estado Português	RDO – Rodoviária do Oeste, Lda	TAPGER
Eva Transportes, S.A.	RNE - Rede Nac. Expressos, Lda	UCS
Fertagus-Travessia do Tejo Transportes, S.A.	Rodo Cargo - Transp. Rodoviário de Mercadorias,S.A.	
Frota Azul (Algarve), Lda.	Rodoviária de Lisboa, S.A.	

Within the scope of the identification of related parties, for the purposes of financial reporting, the members of the Board of Directors and other Governing Bodies were also evaluated as related parties. See Management Report.

The balances and transactions, with related entities as of June 30, 2021 and December 31, 2020, are as follows:

✈ Balances

	Jun 2021 - Assets							
	Customers (Note 8)	Advances to suppliers (Note 8)	Accrued income (Note 8)	Income tax receivable (Note 10)	Right-of-use assets	Other receivables current (Note 8)	Impairment of accounts receivable (Note 8)	Total
Portuguese State	-	-	-	-	-	-	-	**-**
TAP SGPS	3,503	-	885	108,176	-	893,163,566	-	**893,276,130**
TAPGER	-	-	-	-	-	-	-	**-**
PGA	666,214	-	850,961	-	85,225,603	126,036	-	**86,868,814**
SPdH	3,841,531	-	-	-	-	4,092,625	-	**7,934,156**
TAP ME Brasil	14,426,693	545,894	806,588	-	-	8,832,216	(24,344,712)	**266,679**
Cateringpor	615,887	-	-	-	-	1,948,000	-	**2,563,887**
UCS	288,102	1,000	-	-	-	232,587	-	**521,689**
Grupo Barraqueiro	1,589	-	-	-	-	-	-	**1,589**
	19,843,519	**546,894**	**1,658,434**	**108,176**	**85,225,603**	**908,395,030**	**(24,344,712)**	**991,432,944**

	Dec 2020 - Assets								
	Customers (Note 8)	Advances to suppliers (Note 8)	Accrued income (Note 8)	Deferred expenses (Note 11)	Income tax receivable (Note 10)	Right-of-use assets	Other receivables current (Note 8)	Impairment of accounts receivable (Note 8)	Total
Portuguese State	-	-	-	-	-	-	-	-	**-**
TAP SGPS	70,812	-	810,885	-	291,037	-	874,123,772	-	**875,296,506**
Azul S.A.	-	-	-	-	-	-	-	-	**-**
TAPGER	-	-	-	-	-	-	-	-	**-**
PGA	1,194,164	-	850,961	1,092,006	-	116,796,416	91,282	-	**120,024,829**
SPdH	563,580	3,300,000	-	1,471,775	-	-	391,006	-	**5,726,361**
TAP ME Brasil	14,034,564	39,117	-	6,047,685	-	-	6,686,434	(18,877,760)	**7,930,040**
Cateringpor	617,784	-	-	-	-	-	1,326,501	-	**1,944,285**
UCS	732,394	1,000	-	-	-	-	47,371	-	**780,765**
Grupo Barraqueiro	3,233	-	-	-	-	-	-	-	**3,233**
	17,216,531	**3,340,117**	**1,661,846**	**8,611,466**	**291,037**	**116,796,416**	**882,666,366**	**(18,877,760)**	**1,011,706,019**

	Jun 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
Portuguese State	-	-	-	-	(1,238,170,745)	-	**(1,238,170,745)**
TAP SGPS	(41,323)	-	-	-	-	246	**(41,077)**
TAPGER	-	-	-	-	-	-	**-**
PGA	(570,771)	(16,862)	-	(42,213,105)	(61,170,866)	344	**(103,971,260)**
SPdH	(6,411,051)	(1,665,633)	(81,794)	-	-	3,932	**(8,154,546)**
TAP ME Brasil	553,457	(13,548)	-	-	-	-	**539,909**
Cateringpor	(4,430,291)	(1,121,263)	(207,234)	-	-	-	**(5,758,788)**
UCS	(159,042)	(96,577)	(28,983)	-	-	(7,069)	**(291,671)**
Barraqueiro Group	(17,211)	-	-	-	-	-	**(17,211)**
	(11,076,232)	**(2,913,883)**	**(318,011)**	**(42,213,105)**	**(1,299,341,611)**	**(2,547)**	**(1,355,865,389)**

	Dec 2020 - Liabilities						
	Suppliers (Note 18)	Accrued expenses (Note 18)	Deferred income (Note 19)	Lease liabilities without purchase option non-current	Lease liabilities without purchase option current	Other payables current (Note 18)	Total
Portuguese State	-	-	-	-	(1,210,825,439)	-	**(1,210,825,439)**
TAP SGPS	(164,851)	-	-	-	-	-	**(164,851)**
TAPGER	-	-	-	-	-	-	**-**
PGA	(3,726,749)	(285,272)	-	(60,475,742)	(70,240,234)	-	**(134,727,997)**
SPdH	545,840	(1,358,392)	(82,636)	-	-	(82)	**(895,270)**
TAP ME Brasil	(1,869,803)	(12,552)	-	-	-	-	**(1,882,355)**
Cateringpor	(876,421)	(5,183,568)	(205,447)	-	-	-	**(6,265,436)**
UCS	(457,472)	-	(28,983)	-	-	(13,469)	**(499,924)**
Barraqueiro Group	(2,397)	-	-	-	-	-	**(2,397)**
	(6,551,853)	**(6,839,784)**	**(317,066)**	**(60,475,742)**	**(1,281,065,673)**	**(13,551)**	**(1,355,263,669)**

✈ Transactions

	Jun 2021					
	Operating income	Operating expenses	Depreciation right-of-use	Interest income	Interest expenses	Total
Portuguese State	-	-	-	-	(27,345,306)	(27,345,306)
Parpública - Participações Públicas, SGPS, S.A.	-	-	-	-	-	-
TAP SGPS	-	(300,000)	-	16,495,263	-	16,195,263
TAPGER	-	-	-	-	-	-
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)
Grupo Barraqueiro	855	-	-	-	-	855
	7,519,877	**(36,678,917)**	**(35,883,723)**	**16,495,263**	**(33,225,706)**	**(81,773,206)**

	Jun 2020					
	Operating income	Operating expenses	Depreciation right-of-use	Interest income	Interest expenses	Total
TAP SGPS	-	(1,599,517)	-	15,918,358	-	14,318,841
Azul S.A.	173,276	(21,157)	-	-	-	152,119
TAPGER	-	-	-	-	-	-
PGA	1,011,240	(2,605,700)	(44,230,119)	-	(8,290,732)	(54,115,311)
SPdH	2,986,117	(24,166,832)	-	-	-	(21,180,715)
TAP ME Brasil	197,006	(447,488)	-	-	-	(250,482)
Cateringpor	761,204	(9,888,166)	-	-	-	(9,126,962)
UCS	339,144	(1,958,966)	-	-	-	(1,619,822)
Aigle Azur Compagnie de Transport Aérien	441,780	(22)	-	-	-	441,758
Barraqueiro Group	16	(11,163)	-	-	-	(11,147)
	5,909,783	**(40,699,011)**	**(44,230,119)**	**15,918,358**	**(8,290,732)**	**(71,391,721)**

Operating expenses with SPdH refer to ground handling services provided by SPdH to support aircraft, passengers, baggage, cargo and mail.

Operating income with SPdH essentially refers to rents from the equipment rental contract acquired in the first half of 2021 (Note 3).

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

37 Subsequent events

BEGINNING OF A COLLECTIVE DISMISSAL PROCESS

Pursuant to the implementation of the proposed Restructuring Plan submitted by the Portuguese State to the European Commission on December 10, 2020, which is still under assessment by the European Commission, and further to the execution of Temporary Emergency Agreements with all the Unions and to TAP's declaration as a company in a difficult economic situation (under the terms of Resolution of the Council of Ministers No. 3/2021, of 14 January 2021), TAP deployed, between February and June 2021, a set of labour measures on a voluntary and consensual basis for its employees, namely mutual agreement terminations, early retirement, pre-retirement, part-time work, unpaid leave, as well as applications for vacancies available at Portugália – Companhia Portuguesa de Transportes Aéreos, S.A.

As a consequence of these voluntary measures, the initial downsizing target of the Restructuring Plan proposal submitted by the Portuguese State to the European Commission on December 10, 2020 could be adjusted downwards and enabled the reduction of the number of employees eligible for unilateral measures to 124 employees – that is, an adjustment of circa 94% of the original target planned and required by the Restructuring Plan.

As such, on July 8, 2021, TAP initiated a collective dismissal process involving these 124 employees, which will follow its procedure in accordance with an indicative timetable that is targeted to be completed in the last quarter of this year.

Subsequently, 48 employees adhered to voluntary measures, which means that the collective dismissal process is aimed at only 76 employees.

EUROPEAN COMMISSION'S DECISIONS

According to a press release issued by the European Commission on July 16, 2021 ("European Commission's Press Release"), this authority adopted the following two separate decisions:

(i) Re-approval of the EUR 1.2 billion rescue aid
The European Commission has decided to re-approve the EUR 1.2 billion rescue loan to TAP SGPS, which had previously been approved by a decision dated June 10, 2020, by further specifying the reasons for

approving the aid (in connection with the situation of the TAP Group and its shareholders in June 2020), as required pursuant to the judgment of the General Court of the European Union of May 19, 2021 (case T-465/20), which annulled the initial rescue aid decision, while suspending the effects of the annulment pending the adoption of a new decision by the European Commission.

Therefore, this new decision of the European Commission confirms the previous decision adopted by this authority on June 10, 2020, which found that the said EUR 1.2 billion rescue aid was compatible with the internal market, pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union and in accordance with the requirements of the European Commission's Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty ("R&R Guidelines").

(ii) TAP Group's Restructuring Plan

According to the European Commission's Press Release, on June 10, 2021, Portugal notified to this authority a EUR 3.2 billion restructuring aid, with the aim of financing a restructuring plan of TAP SGPS, which sets out a package of measures for streamlining TAP's operations and reducing costs.

Following this notification of the Portuguese Republic, the European Commission has decided to open an in-depth investigation to further assess the compliance of the proposed Restructuring Plan and of the related aid with the conditions of the R&R Guidelines.

This investigation is ongoing.

RESULTS OF THE GENERAL BONDHOLDERS' MEETING "OBRIGAÇÕES TAP 2019-2023"

After the occurrence of the General Bondholders' Meeting, by reference to the bond issuance "OBRIGAÇÕES TAP 2019-2023", with ISIN PTTAPBOM0007, which took place, on second call, on July 19, 2021, by 4 PM (GMT+1) ("General Meeting"), in the absence of quorum in the first scheduled date, the following resolution have been adopted:

- Considering the information provided by the Board of Directors according to which the 2020 annual reports and consolidated accounts of the Company, prepared in accordance with IFRS, result in an excess of the Adjusted Net Debt / Adjusted EBITDAR ratio of 7x, and also that the plan of business (which includes the estimates of this ratio for the years 2021 and 2022) does not foresee the reversal of this situation, to change the terms and conditions of the "TAP Bonds 2019-2023", by deleting subparagraph (a) of paragraph (i)) of section 6.9.3 of the aforementioned terms and conditions, which determines the Bondholders' right to request early repayment of their securities if, at the end of each fiscal year and until maturity, this ratio is exceeded.

DECLARATION OF INSOLVENCY OF SPDH – SERVIÇOS PORTUGUESES DE HANDLING, S.A.

Bearing in mind the release published on May 10, 2021, about the filing by TAP for the insolvency of SPdH -Serviços Portugueses de Handling, S.A., also known by its trademark Groundforce Portugal (“SPdH”), on August 3, 2021, the court decided to declare SPdH insolvent in the case 11437/21.1T8LSB pending before the Commercial Court of Lisbon of the Judicial Court of the District of Lisbon.

Notwithstanding the possibility of the court’s decision being appealed in accordance with the relevant legal provisions, the procedural steps of the insolvency proceedings will ensue, with the highlight on the following topics:

(i) the declaration of insolvency does not determine, on its own, the termination of the employment agreements with SPdH’s workers nor the suspension of long-term services agreements of SPdH, including the ground handling services agreement with TAP;

(ii) if it proves viable, the possibility of the continuity of SPdH's activity may be evaluated in the insolvency proceedings and the creditors may decide to approve a recovery plan of this company.
Also, TAP was elected by Court as member of the SPdH Creditors Commission.

INFORMATION ON THE FINANCING AGREEMENT ENTERED INTO WITH THE PORTUGUESE REPUBLIC

Considering the information previously released by TAP concerning the reimbursement date of the loan granted to it under the financing agreement entered into, among others, the Portuguese Republic, as lender, and TAP, as borrower, on 17 July 2020, in the amount of 1.2 billion Euro (the “Financing Agreement”), TAP informed that the referred reimbursement date has been extended.

Accordingly, the deadline for the reimbursement of the loan that was granted to TAP under the Financing Agreement expires on 31 December 2021 (and not on 1 September 2021 as initially set forth under the Financing Agreement) in case of non-adoption of a final decision by the European Commission on the restructuring aid until that date.

In case a final favourable decision on the restructuring aid is adopted by the European Commission until 31 December 2021, the reimbursement date of the said loan remains the one that shall be contemplated in the restructuring plan of TAP Group approved by the European Commission.

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	BOARD OF DIRECTORS
João Carlos da Silva Bernardes	Manuel Amaral Beja Chairman
	Christine Ourmières-Widener Director
	Alexandra Margarida Vieira Reis Director
	Ana Teresa C. P. Tavares Lehmann Director
	Gonçalo Neves Costa Monteiro Pires Director
	João Weber Ramos dos Reis Gameiro Director
	José Manuel Silva Rodrigues Director
	João Pedro Conceição Duarte Director

Patrício Ramos Castro

Director

Ramiro José Oliveira Sequeira

Director

Silvia Mosquera González

Director

Review Report on the Condensed Consolidated Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Transportes Aéreos Portugueses, S.A. (the Group), which comprise the consolidated statement of financial position as at June 30, 2021 (which shows total assets of Euros 4,938,830,117 and total negative shareholder's equity of Euros 1,153,488,736, including a net loss of Euros 493,134,881, 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.

Basis for qualified conclusion

As disclosed in the condensed consolidated financial statements containing the accompanying notes, under (i) the reapproval by the European Commission, on July 16, 2021, of a State Aid, initially approved on June 10, 2020, to be granted by the Portuguese State to TAP Group, in the form of a loan conceded in 2020 in the amount of Eur 1.2 thousand million, which implied the submission by TAP Group of a Restructuring Plan on December 10, 2020 (ii) the European Commission's decision of July 16, 2021 to initiate an investigation to assess whether the Restructuring Aid that the State intends to grant to TAP is in compliance with the European rules for authorising State Aid to companies (iii) the ongoing interactions with the European Commission on the adequacy of the Restructuring Plan and its updates occurred during the first semester of 2021, as well as (iv) the approval by the European Commission, on April 23, 2021,of a State Aid to be granted by the Portuguese State to TAP Group, through Direção-Geral do Tesouro e Finanças, in the form of a capital increase in the Company, on May 24, 2021 by the Portuguese Republic, in the amount of Eur 462 million, as a compensation for COVID 19 damages incurred during the period from March 19, 2020 to June 30, 2020, which generated a change of the financial participation of TAP SGPS from 100% to 8% in the share capital of TAP SA, a corporate reorganization in TAP Group is foreseen in the Restructuring Plan process in progress.

As also disclosed in note 1.1.3 of the accompanying notes to the financial statements, at this date, under the Restructuring Plan in progress, it is being prepared by TAP SA Board of Directors, articulated with the main shareholder, a recoverability analysis on the receivable balance from TAP SGPS, in the amount of Eur 893 million, therefore, the condensed consolidated financial statements for the period of six months ended on June 30, 2021 do not reflect the impacts of the recoverability analysis.

Taking into account the abovementioned facts, we consider that other receivables related to the TAP SGPS balance is overstated, and the net loss for the period is understated, by an amount that, in the present circumstances, we cannot quantify, given the uncertainty inherent to the Restructuring Plan in progress.

Qualified conclusion

Based on our review, except for the effects of the matter referred to in paragraph above in the “Basis for qualified conclusion” section, 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, 2021 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 contained in note 1.1.6 of the condensed consolidated financial statements containing the accompanying notes, in which the Board of Directors reports that the financial statements for the semester ended on June 30, 2021 were prepared on a going concern basis, based on (i) the reapproval by the European Commission, on July 16, 2021, of a State Aid to be granted by the Portuguese State to TAP Group, in the form of a loan in the amount of up to Euros 1,2 thousand million, (ii) the approval by the European Commission, on April 23, 2021, of a State Aid to be granted by the Portuguese State to TAP Group, in the form of a capital increase in the Company, through Direção-Geral do Tesouro e Finanças, on May 24, 2021 by the Portuguese Republic, in the amount of Euros 462 million, as a compensation for COVID-19 damages incurred during the period from March 19, 2020 to June 30, 2020 (iii) the Restructuring Plan submitted by TAP Group Board of Directors on December 10, 2020 and updated on June 9, 2021, which presents a perspective of gradual growth of its activity, despite the significant reduction embedded in the projections in relation of its COVID-19 pre-pandemic activity, combined with a strategy of fleet reducing, operating costs reducing and reducing investment, (iv) shareholder financial support and / or ability to obtain external financial resources, as well as (v) ongoing interactions with the European Commission on the adequacy of the Restructuring Plan, under the terms of the European rules for authorising State Aid to companies, which fundamental purpose is to ensure the financial and economic sustainability, viability and continuity of the TAP Group's operations.

As also disclosed in note 1.1.6 of the condensed consolidated financial statements containing the accompanying notes, considering the current situation of TAP Group, it is important to emphasize that the continuity of operations is dependent on (i) the approval of the Restructuring Plan by the European Commission, (ii) the capacity to obtain shareholder financial support and / or external financial resources, as well the European Commission approval of the compensation scheme for damages suffered as a result of COVID-19 pandemic up to the date of the approval of a Restructuring Plan by the European Commission and (iii) the evolution of the COVID-19 pandemic and the evolution of the air transport activity, namely regarding the scenario of a possible worsening of the pandemic or a lower growth of the Group's activity beyond what is estimated in the Restructuring Plan to be approved, which may lead to the need to obtain additional financial resources compared to those currently estimated.

Taking into account the potential impacts on the air transport sector and in the operational and financial future activity of the Group, the factors described above represent an uncertainty material that may raise doubts about the Group's ability to operate on a going concern basis.

However, taking into account the base scenario considered in the projections embedded in the Restructuring Plan submitted by TAP Group Board of Directors on December 10, 2020 and updated on June 9, 2021, and the expectation regarding its approval by the European Commission and obtaining financial resources up to the date of that approval, the Board of Directors believes that the continuity of the Group's operations and its liquidity are granted, based on the financing of the estimated cash requirements, at this date, for a period of twelve months.

The condensed consolidated financial statements do not include the adjustments that would result if the Group was unable to continue on a going concern basis.

September 21, 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

Hugo Miguel Patrício Dias, R.O.C.