

1H 2021 Results Presentation

Transportes Aéreos
Portugueses, S.A.



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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 the 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 and subsequently amended to include damages for COVID in the period between march 20 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 DGTF and subscription by this entity of 92.4 million of shares representing TAP 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 TAP shareholders' financial support and/or ability to obtain external financial resources that TAP may need namely through subsequent state aids in the context of COVID damages approved by the European Commission that may be granted to TAP until the Restructuring Plan approval (v) as well as 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.

The financial information included in this Earnings Release is not audited and therefore it is still subject to further adjustments.



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Conclusions and 2H2021 Outlook

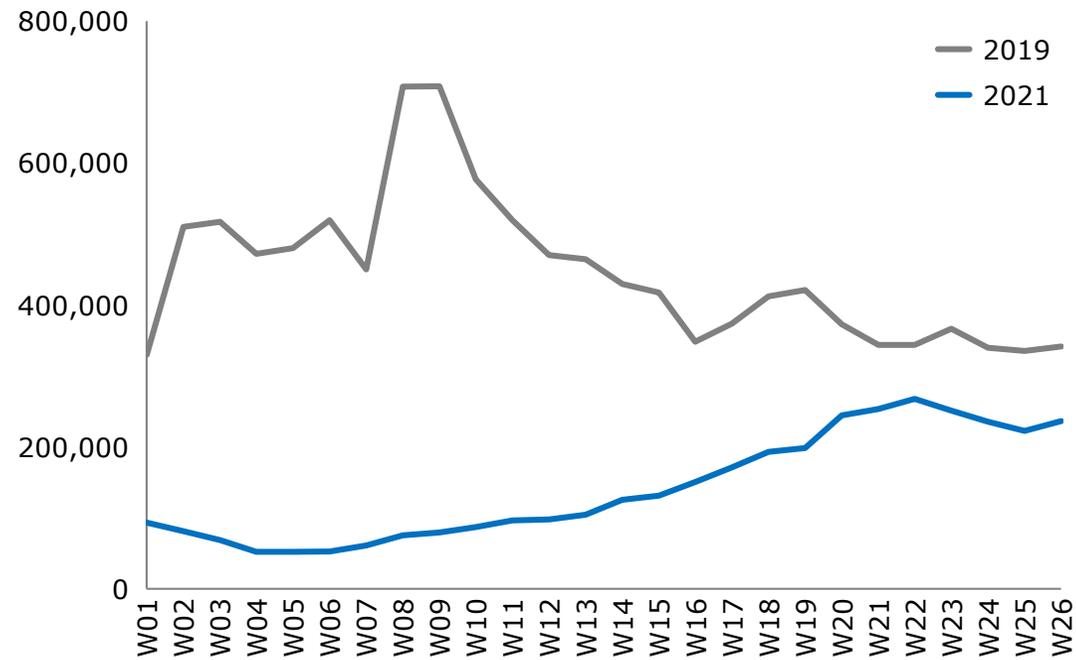
Appendix

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2nd quarter 2021 is showing signs of recovery but still well below 2019

Bookings have been strong during Q2

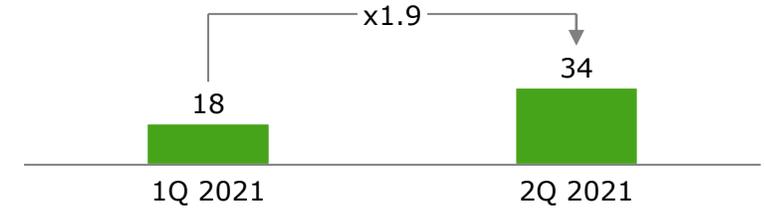
Number of Issued Coupons by week



Capacity and passengers doubling vs Q1

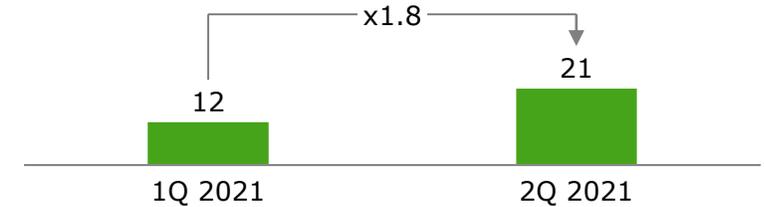
ASKs

% of 2019 levels



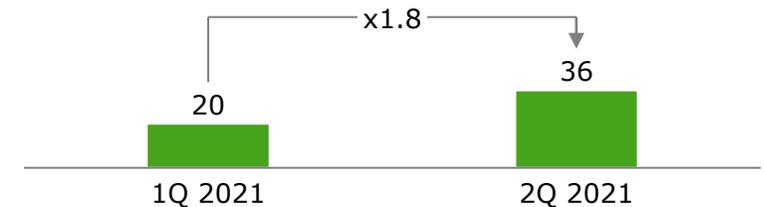
Passengers

% of 2019 levels



Departures

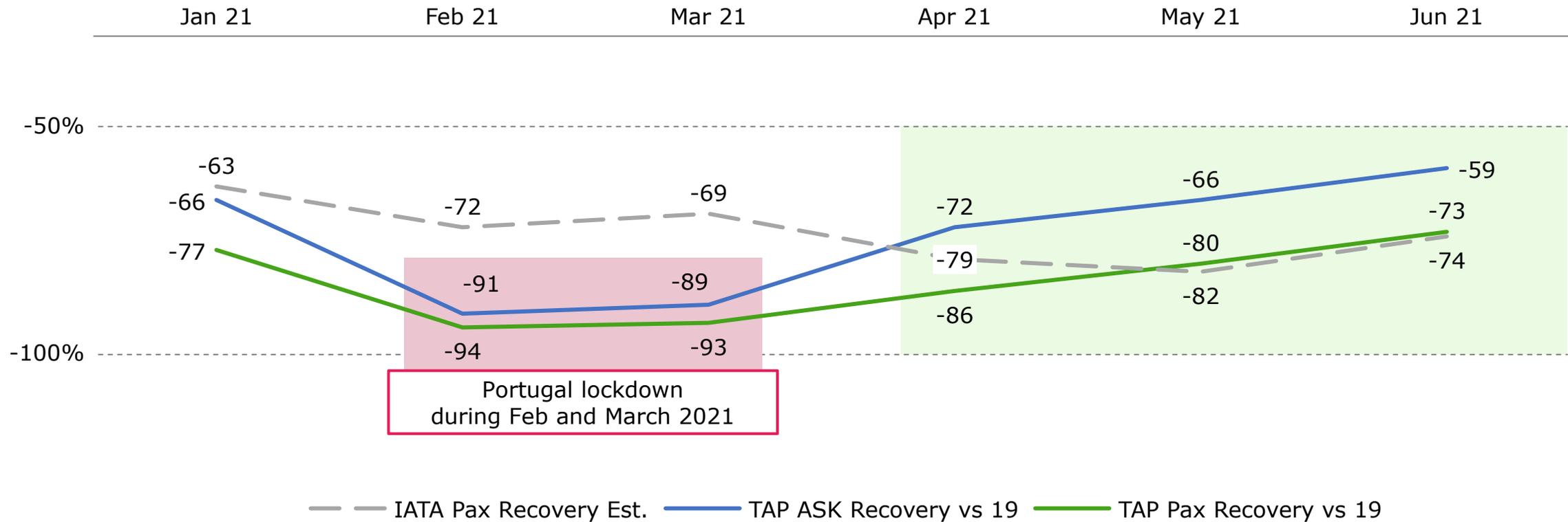
% of 2019 levels



1

Pax recovery in line with the IATA forecast

Traffic Recovery vs. 2019



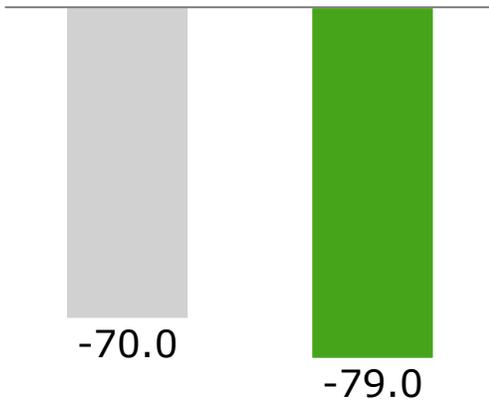
Note: IATA considers latest estimation of IATA for the moderate scenario Source: IATA & Oliver Wyman Recovery Dashboard & TAP Daily

1

TAP impacted by more severe travel restrictions in LatAm

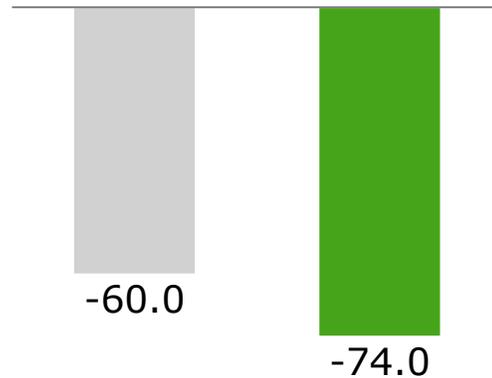
Europe

Q2 '21 vs. Q2 '19 (%)



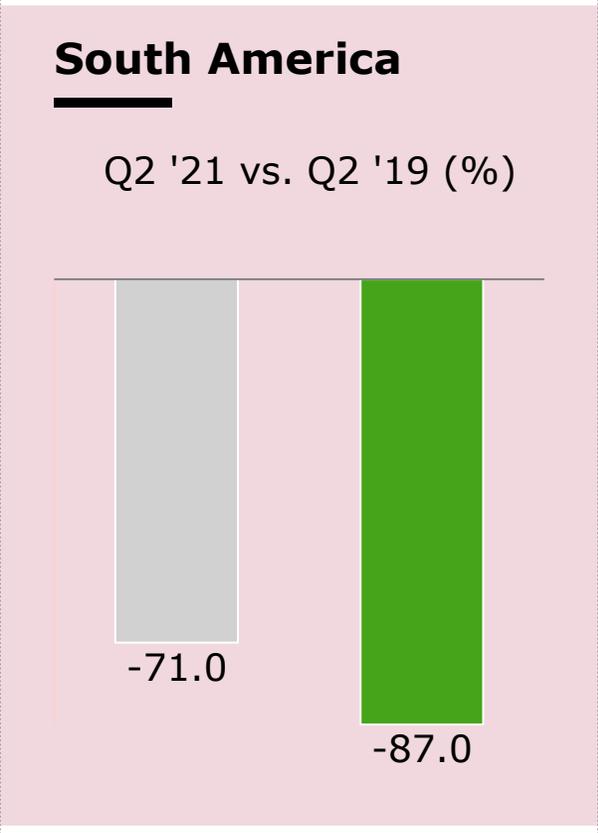
Africa

Q2 '21 vs. Q2 '19 (%)



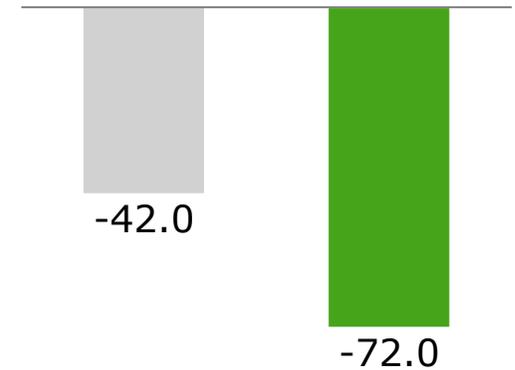
South America

Q2 '21 vs. Q2 '19 (%)



North America

Q2 '21 vs. Q2 '19 (%)



Ask Var '21 vs '19

Pax Var '21 vs '19

1

Improving financials due to higher revenues and lower costs ... but still with a significant gap vs pre pandemic

1st and 2nd Quarter evolution

Operating Revenue

M€



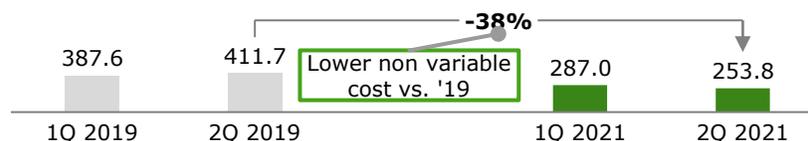
Pax Yield

EUR cents



Operating Cost ex fuel and ex traffic cost

M€

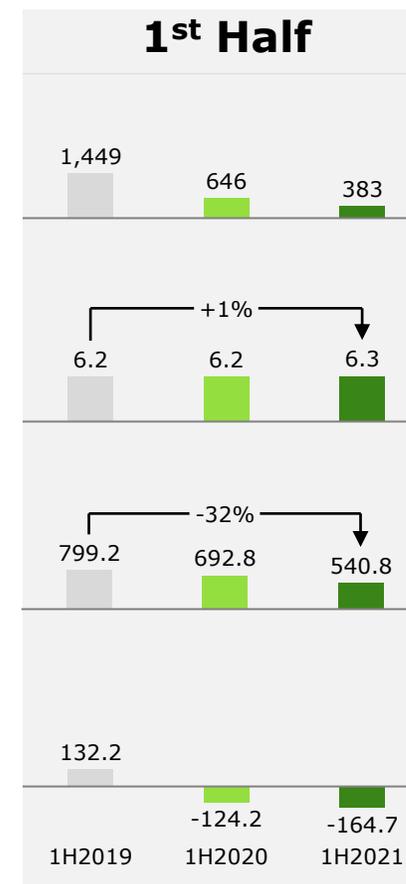


EBITDA (Recurring)¹

M€



1st Half



Comments

- Operating revenue has increased by more than 50% from Q1 '21 to Q2 '21, from 150 to 233 M€
- Cost not linked to operations have been reduced by 40% vs. 2019 levels
- As a result, there is a positive trend in EBITDA

1. Recurring EBITDA = Operating Result + Restructuring Costs + Non recurring items + Depreciation, amortization and impairment losses.

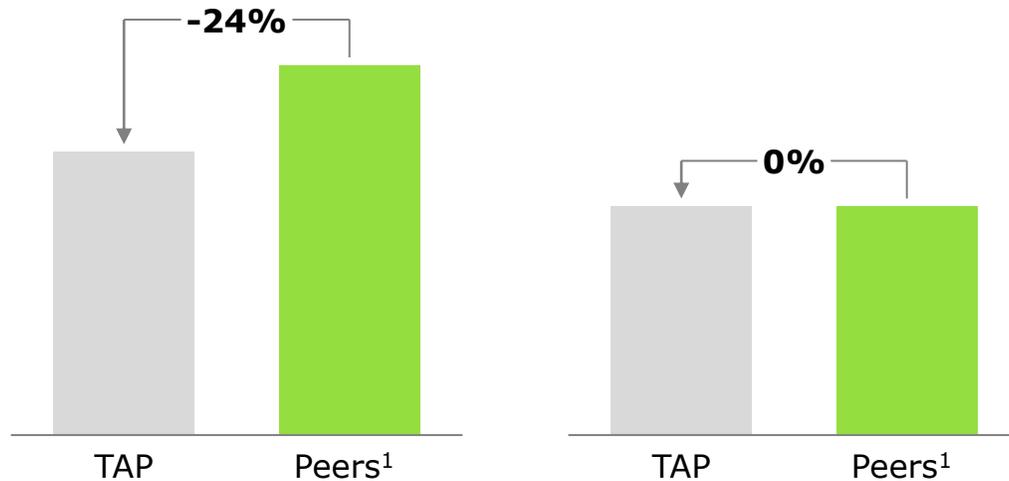
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Better revenue management is supporting financial recovery

TAP has been able to close RASK gap vs. other European airlines after COVID

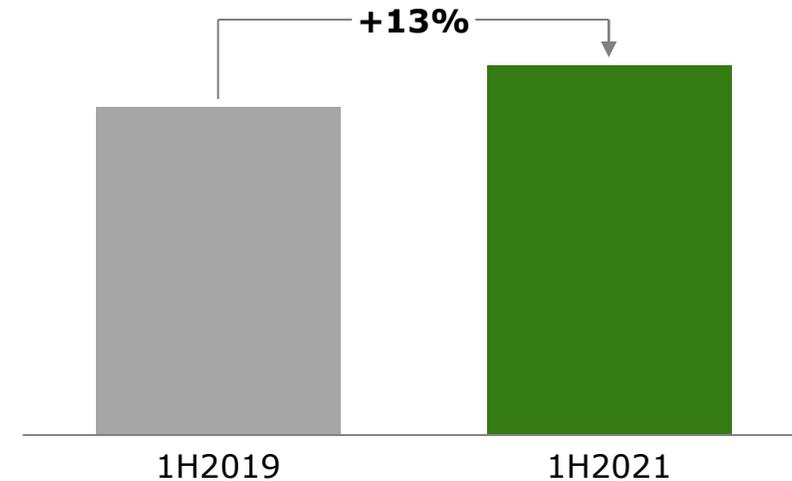
RASK adj. pre COVID
EUR cents

RASK adj. after COVID
EUR cents



With average fares increasing during 1H 2021 vs 2019

Average fare
EUR



1. Peers: European major network carriers

Note: RASK adjusted to stage length of 2,500 km Note2: PreCOVID data as April 19-Marc '20 and Post COVID as April '20 to March '21

1

Improvements in TAP's offer tackling an adverse environment

Several initiatives implemented in 1H 2021 to increase revenues ...



Accelerating digital initiatives: new ecommerce platform, new digital help desk, new covid services



Customer enhancements: increase ticket flexibility, reinforcement of the call center



Enhanced product offering: new ancillaries' initiatives



Reinforce the loyalty program through new partnerships



Optimized structure driving synergies

... while also controlling capacity and cost



C21 process — cancelation of flights below target margin to control cash and liquidity



Systematic downgauge of operations to less costly aircraft, adjusting demand response and improving profitability

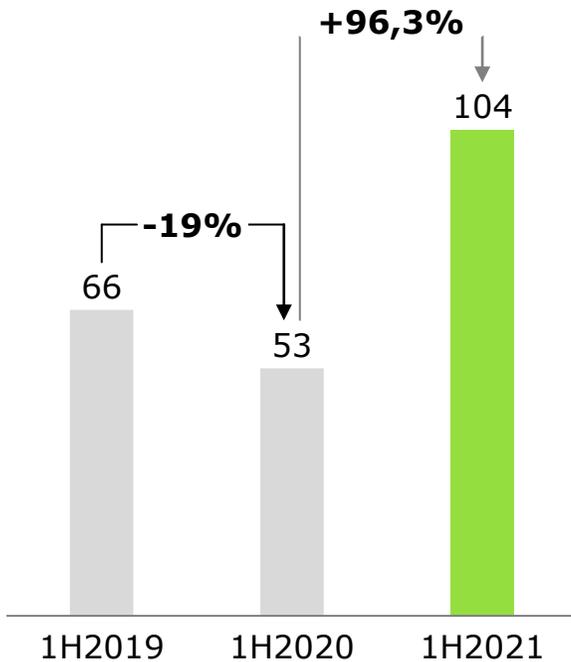


Full use slot alleviations to reduce operations where demand recovery is lower

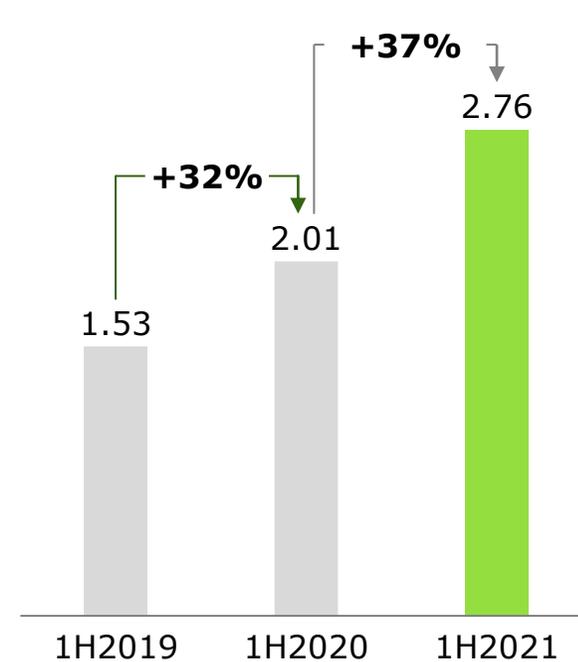
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Dedicated Cargo strategy keeps outperforming 2019 levels

Operating Revenue
EUR million



Cargo Yield
EUR cents/kg



Q1-Q2 2021 TAP's cargo yield keeps being higher than 2019

Cargo only flights were responsible for more than 40% **TAP Air Cargo's operating revenue in 1H21** –offsetting the decrease in cargo revenue in passenger flights ("belly" capacity)

3 332s being utilized by cargo, 2 of them **cargo-only aircraft**



1

Cash from Operating activities was positive in 2Q21

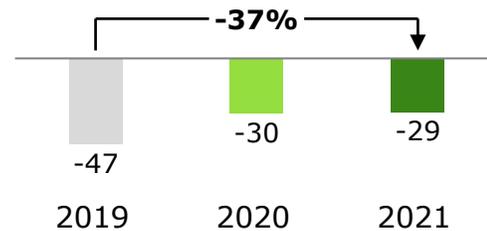
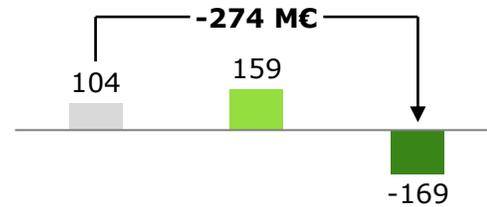
Cash from Operating activities

EUR million

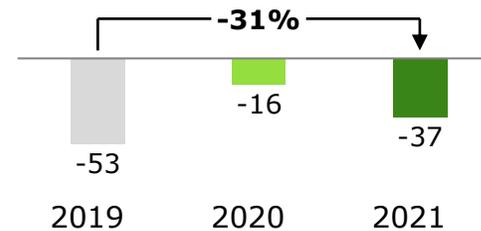
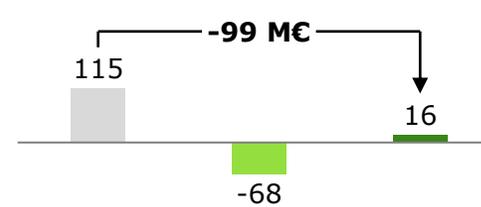
CAPEX¹

EUR million

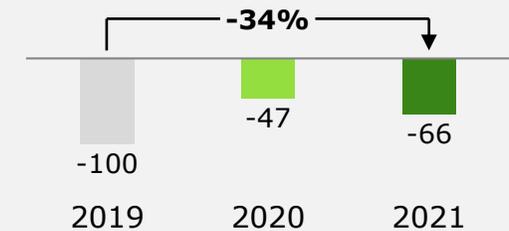
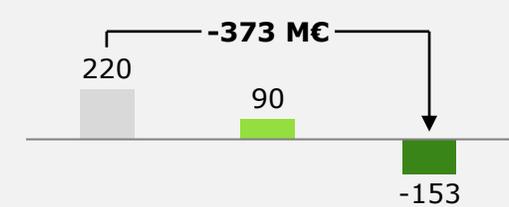
1st Quarter



2nd Quarter



1st Half



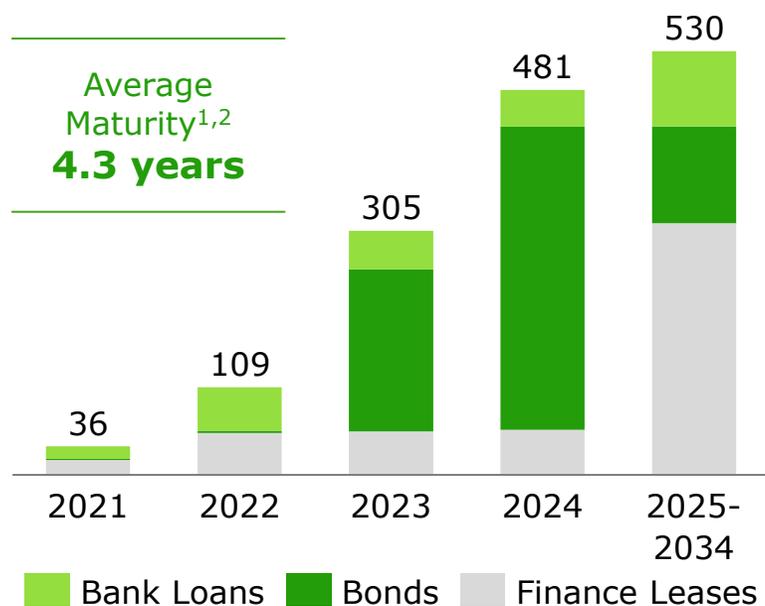
1. CAPEX = Payments of financial assets, tangible fixed assets and intangible fixed assets.

1

Significant part of TAP's debt only amortized from 2024 onwards

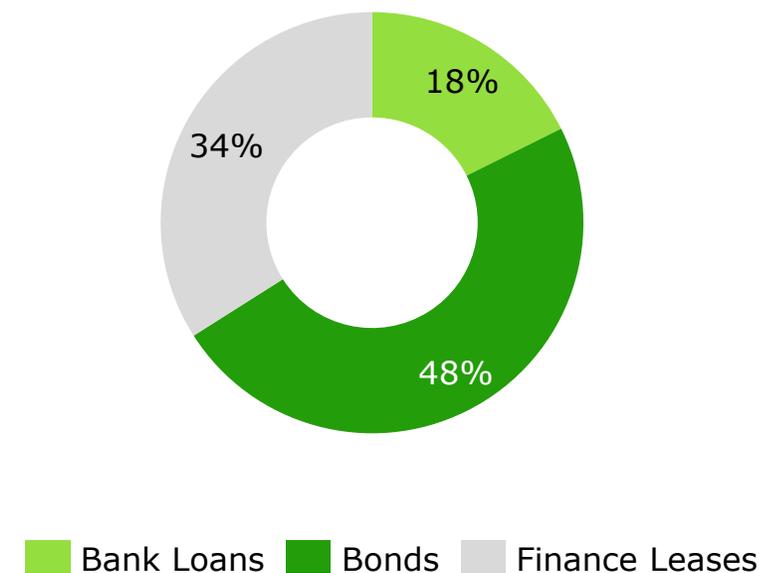
Debt Amortization Schedule^{1,2}

As of June 30, 2021
EUR million



Financial Debt Breakdown^{1,2}

As of June 30, 2021
EUR million



As of Jun 30, 2021, over 65% of TAP's financial debt to be amortized from 2024 onward

1. Gross financial debt, excluding operating leases, accruals and deferrals and Portuguese State loan (EUR 1,200 million). 2. Differs from the maturity schedule in the 1H21 financial statements, as the above: (i) does not include the loan from the Portuguese State (EUR 1,200 million), (ii) considers financing facilities whose waivers were not formalized prior to 30 June 2021 as non current liabilities. Considering the maturity schedule in the 1H21 financial statements, the average maturity of gross financial debt would be 1.9 years.

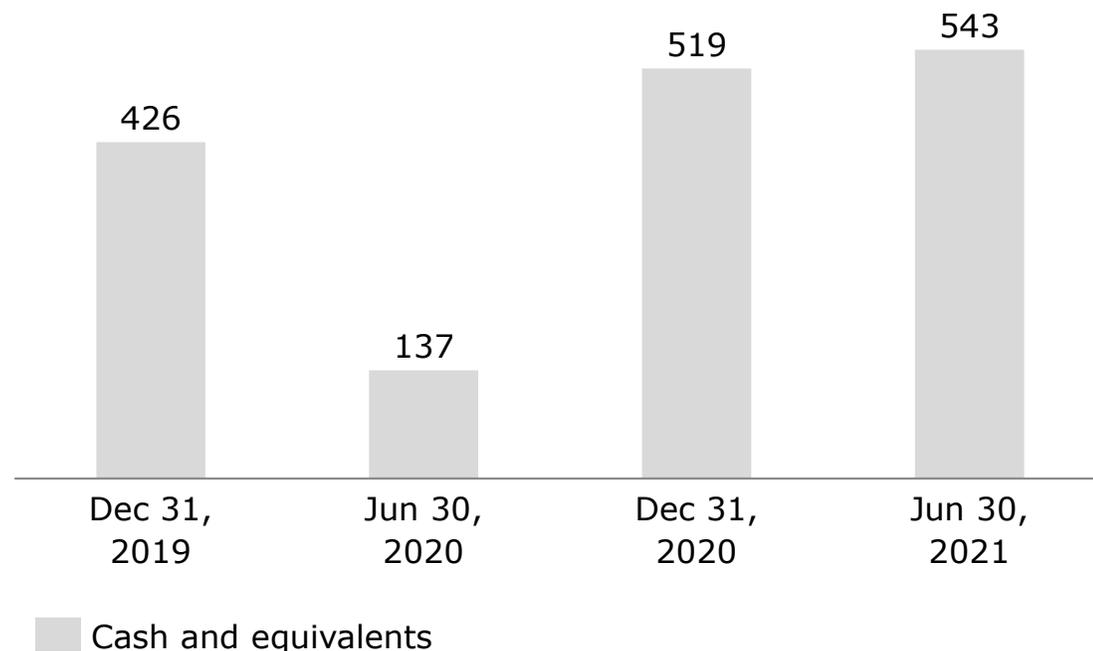
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Liquidity Position

TAP's capital increase coupled with cash preservation initiatives allow a cash like end of '19

Liquidity¹

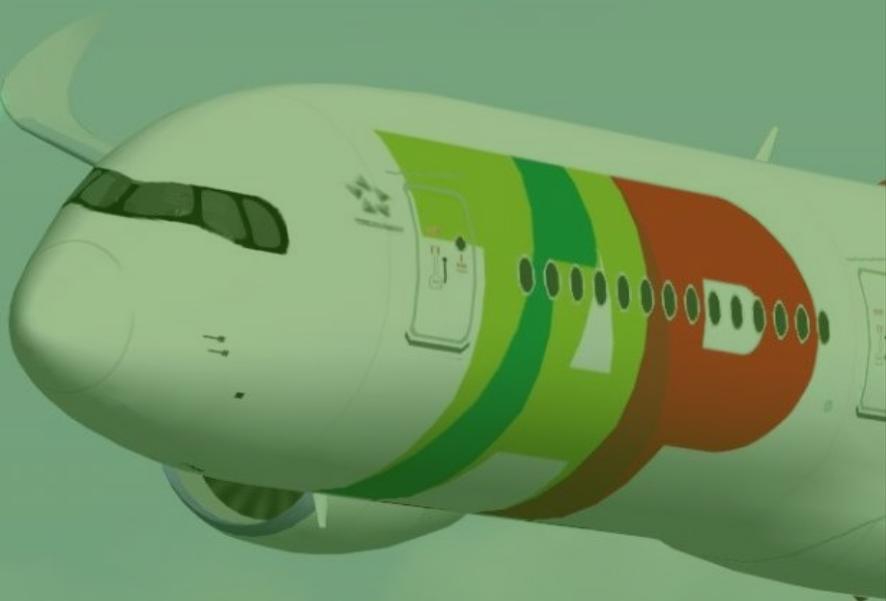
EUR million



- TAP's cash position as of June 30, 2021, was **EUR 543 million**, on the back of the **capital increase (EUR 462 million)**, as well as the ongoing capacity adjustments and cost-cutting initiatives.
- On future cash initiatives, TAP may be eligible for **further COVID-19 damage compensation**, as mobility restrictions had a significant impact on its operations during 2H20 and 1Q21.

13

1. Only includes cash in the Cash and Cash Equivalents caption.



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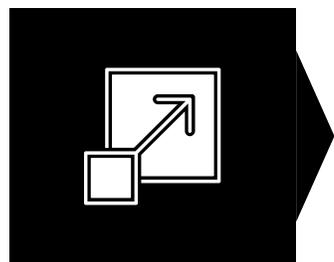
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Conclusions and 2H2021 Outlook

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Transformation Plan is being implemented across 3 pillars



Adjust capacity

- Phase out of 2 332s
- Sale of 320fam CEO
- E-Jet extensions negotiated with rent reductions
- Financing of A321LRs



Restructure costs

- Deep adjustment in labor costs and productivity
- Increased e-commerce footprint
- Negotiation with third-party suppliers
- Simplification of processes and logistics



Enhance revenues

- Yield optimization initiatives
- Rebalance of network planning to adapt to market restrictions
- Agility of short-term scheduling
- Conversion of 2 AC to cargo to take advantage of higher demand

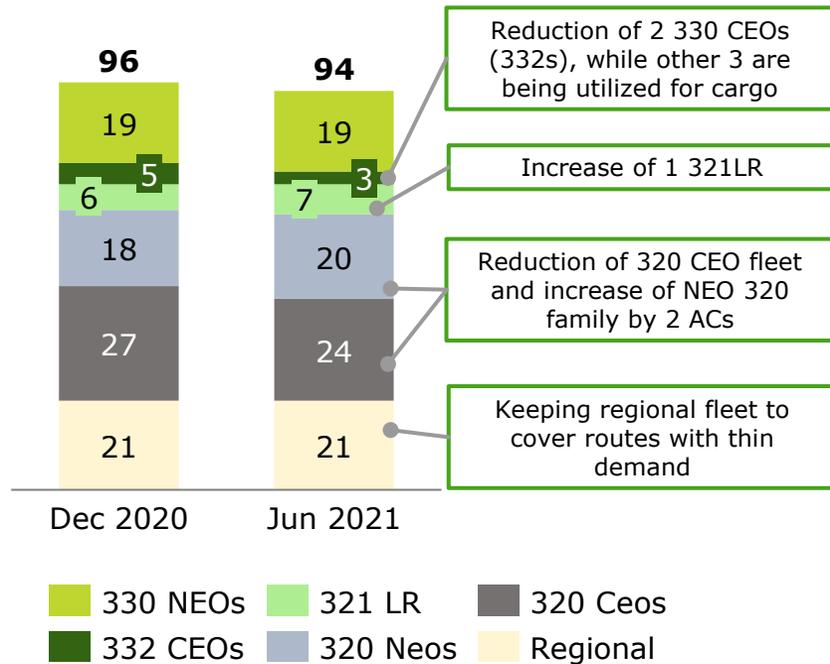
2

Adjust Capacity – Fleet

Fleet has been used in a very efficient way

Fleet¹

Number of aircraft



- **Higher utilization of regional fleet** during border restrictions due to thinner demand
- **Higher utilization of 321 LRs** due to international capillarity in US and Europe

1. Fleet: Considers 8 ATRs, but only 5 ATRs being operating ACs; Considers 3 A330ceo being operated for cargo

2

Deep Adjustments of Labour Costs



Emergency Labour Agreements signed for 4 years (i.e. until end of 2024)

Transversal salary reductions of up to 25%

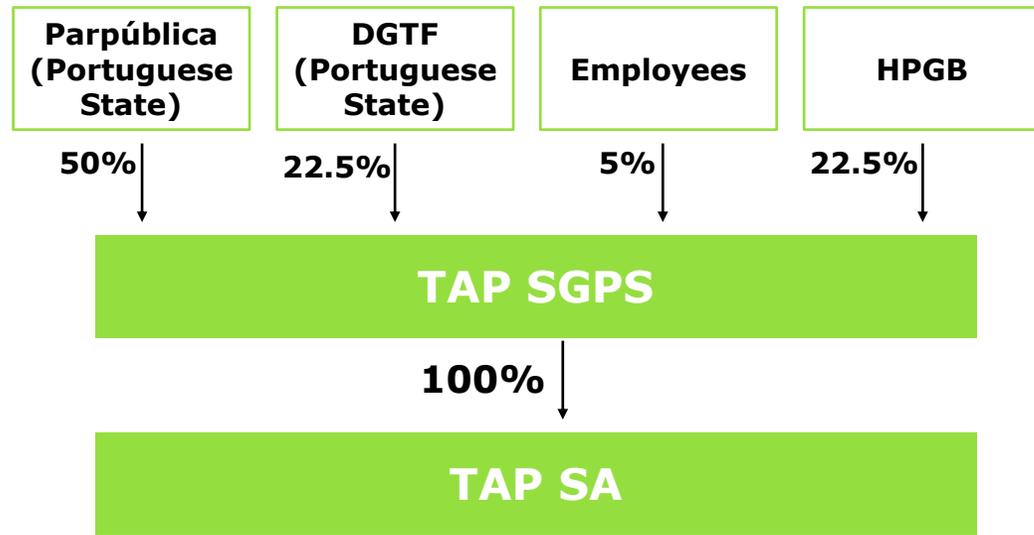
Capacity right-sizing above 3.000 FTEs in 2021 vs 2019

2

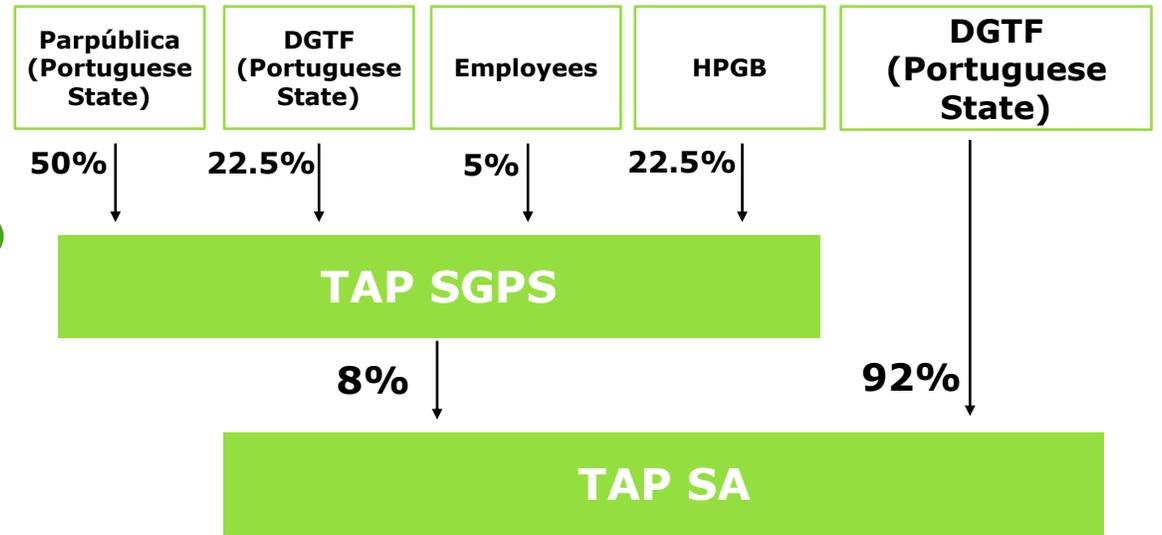
Portuguese Republic becomes a direct shareholder of TAP, SA with a 92% stake

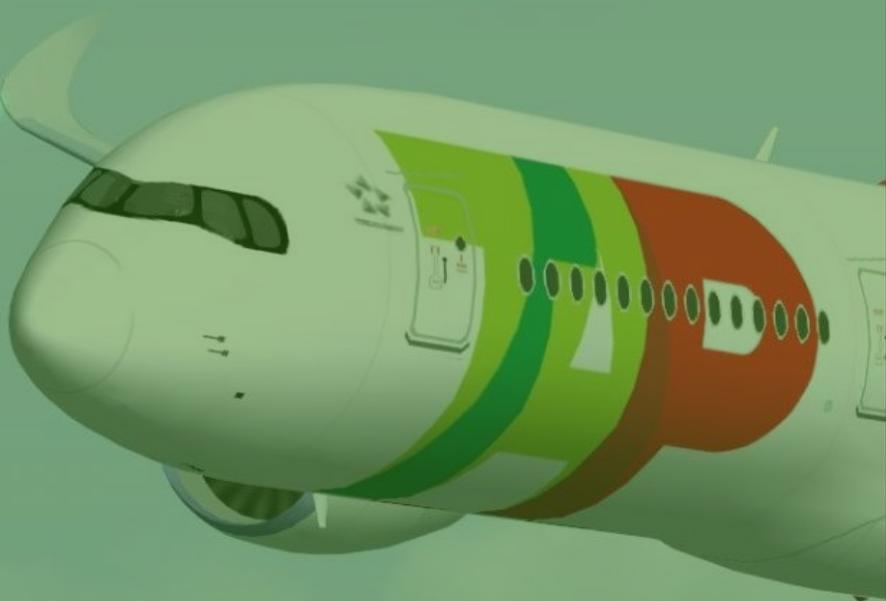
In May, the European Commission approved a compensation for the Covid-19 damages of EUR 462 million which was completed through a capital increase in TAP, SA directly by the Directorate General of Treasury and Finance ("DGTF")

Shareholder structure before the transaction



Shareholder structure after transaction





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Conclusions and 2H21 outlook

TAP has been delivering on transformation ...



Stronger distribution and revenue capabilities, adjusting to different regional ramp-up paths



More flexible and modern fleet to respond efficiently to demand fluctuations



Lower fixed costs and higher labor productivity to adjust to lower demand



Enhanced operations management with focus on cash control



... with positive signs of recovery but still challenges ahead



Travel restrictions are easing with higher vaccination levels



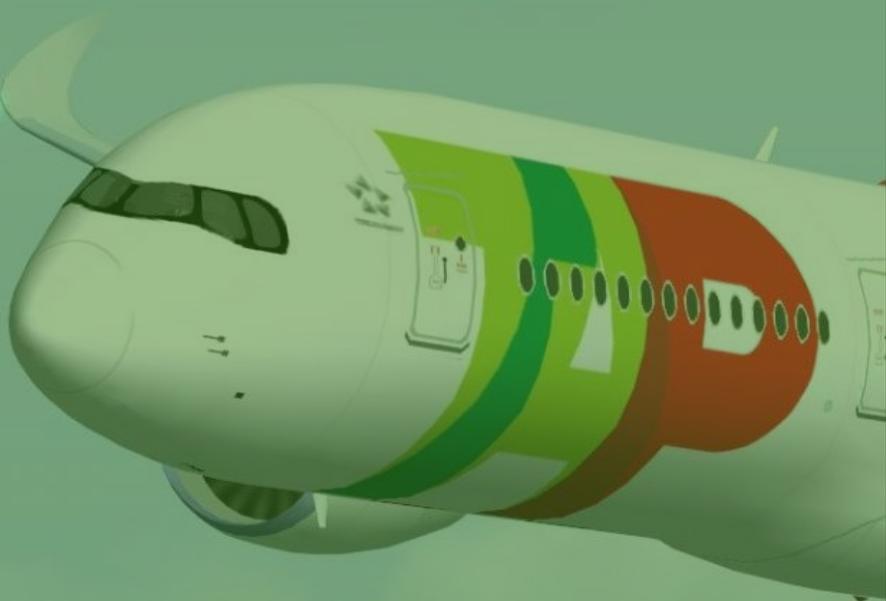
Forward bookings are improving thanks to better consumer confidence



New TAP management



Expected approval of the Restructuring Plan



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Subsequent Events - Recent Decision from European Commission

The European Commission adopted the following 2 separate decisions:

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

European Commission re-approved the €1.2 billion rescue loan to TAP SGPS, by further specifying the reasons for approving the aid (in connection with the situation of the TAP Group and its shareholders in June 2020).

This new decision of the European Commission confirms the previous decision adopted by this authority on June 10, 2020.

(ii) TAP Group's Restructuring Plan: Portugal notified to this authority a €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, 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 a process established in the applicable European rules and will give Portugal and interested third parties the opportunity to submit comments.

**July 16 – EUROPEAN
COMMISSION'S
DECISION**

Subsequent Events - Other

July 8 - INITIATION OF A COLLECTIVE DISMISSAL PROCESS

- Pursuant to the implementation of the Restructuring Plan and further to the execution of Temporary Emergency Agreements with Unions and to TAP's declaration as a company in a difficult economic situation, TAP deployed a set of labour measures on a voluntary and consensual basis for its employees. As a consequence, the downsizing target of the restructuring plan was adjusted downwards to 124 employees (circa 94% of the original target). These employees are distributed among TAP's main professional groups.
- As such, TAP initiated a collective dismissal process involving these 124 employees. Currently, and following the adherence of 42 employees to voluntary measures, the collective dismissal process targets only 82 employees.

July 19 - RESULTS GENERAL BONDHOLDERS' MEETING TAP 19-23

- The General Meeting approved the proposal submitted by TAP's Board of Directors, which has been passed with 96.46% of the votes cast, to amend the terms and conditions of "Obrigações TAP 2019-2023", through the deletion of a clause that determined 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, the leverage ratio (adjusted) is exceeded.

August 3 - DECLARATION OF INSOLVENCY OF SPdH

- After the release on May 2021, about the filing by TAP for the insolvency of SPdH -Serviços Portugueses de Handling, S.A., known by Groundforce Portugal ("SPdH"), the court decided to declare SPdH insolvent.
- 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, being worth to highlight: (i) the declaration of insolvency does not determine, on its own, the termination of the employment agreements with 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.

TAP
TAPGROUP

