

Results Presentation

TAP Group

Lisbon, February 20, 2020





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This document shall be read jointly with 2019 results of Transportes Aéreos Portugueses, S.A. disclosed today in www.cmvm.pt.

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The financial information included in this presentation is not audited. TAP has not yet issued its audited financial statements for 2019, nor has the financial information included herein been legally certified by a certified public accountant.

TAP’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. TAP adopted on January 1, 2019 IFRS 16 – Leases, having selected the modified retrospective model as of the transition date, which does not foresee the restatement of the financial statements from previous years. 2018 Consolidated Financial Statements have not been adjusted for IFRS 16 effects, therefore they are not comparable to 2019 Consolidated Financial Statements.



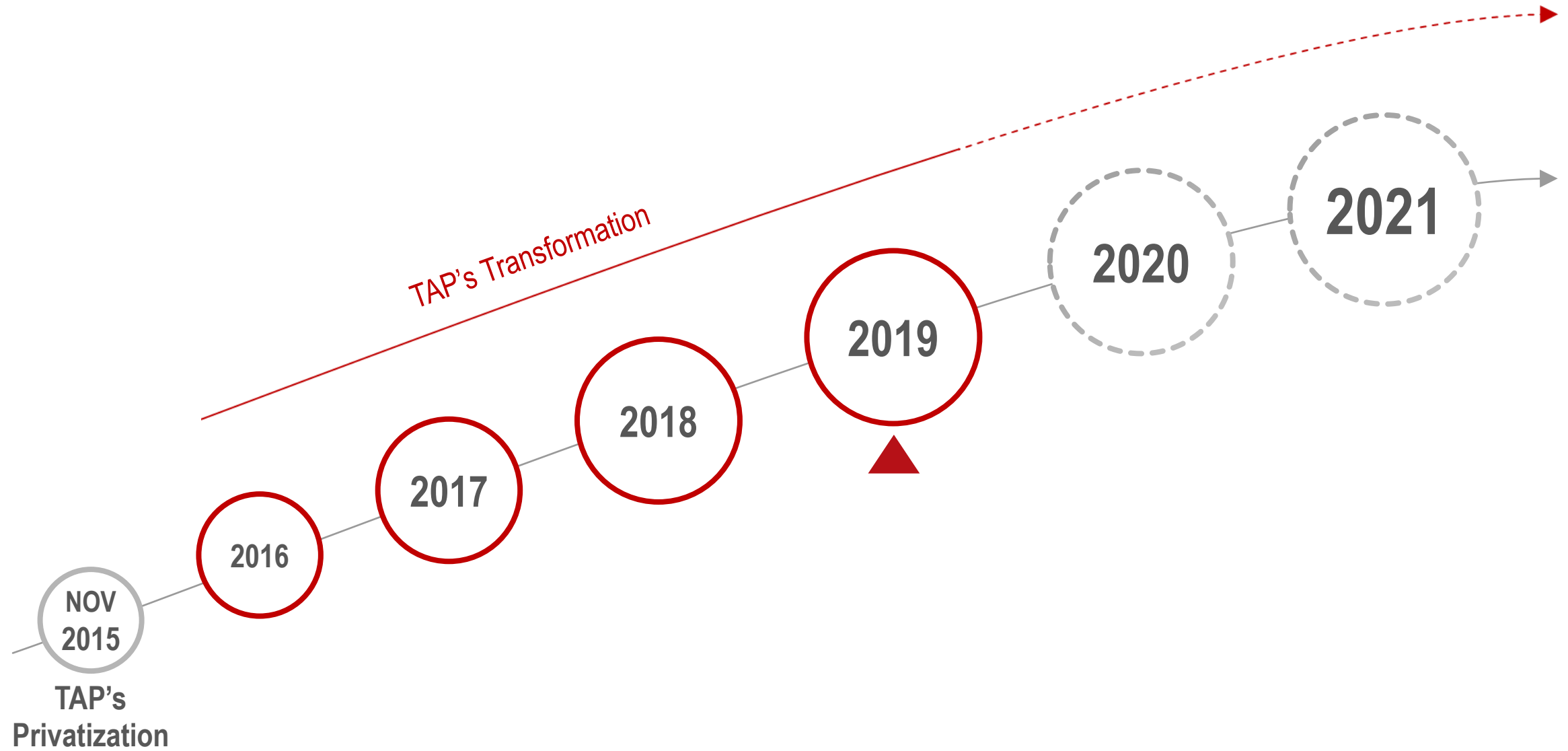
Agenda

1. Transformation update

2. 2019 Results

3. Priorities for 2020

It has been 4 years since privatization



Starting point

In 2015, TAP had distinctive conditions ...



Geographic position
of TAP's hub



Leading position in
Europe-Brazil market



Quality of the
workforce



Growth
potential

Starting point

...but also structural challenges



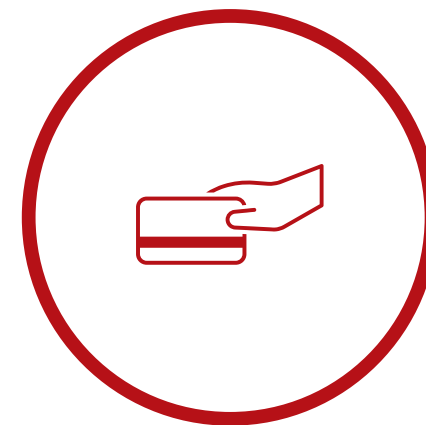
Increased competition
from Low Cost Carriers



Aged fleet requiring
renewal



Key markets
slowing down



Treasury difficulties and
lack of capital

Key milestones in TAP's transformation



2016

- TAP Express (Regional)
- **Regional Fleet renewal**
- **Hub restructuring**
- Network redesign
- NPS introduction
- **Portugal Stopover** program
- **Lisbon-Oporto air shuttle**



2017

- **Narrow-body retrofit** (Densification)
- **USA expansion**
- **Hub recovery (+50% share)**
- Unbundling fares
- Aircraft financing
- Crew System optimization



2018

- **Start of NEOs arrivals**
- **M&E Brasil turnaround**
- **Repatriation of 130 M€ from Angola**
- **+300 Pilots** hired
- **+1,000 Flight Attendants** hired
- **+ 115 M€ Costs reduction**
- **Social peace** (5 years)



2019

- Doubled USA footprint
- **30 new aircraft** (70% of NEOs in the WB fleet)
- **A321LR**
- **Bonds Issuance** (575 M€)
- Positive result form M&E Brasil
- **Fuel Hedging**
- **100th Aircraft**
- **EconomyXtra**
- **990 new Employees**
- **11 new routes**

Every incremental aircraft from TAP has a strong impact on the Portuguese economy



TAP Air Portugal

+ 36 M€
of income

+ 76
jobs



Tourism

+ 29 M€
of income

+ 567
jobs



Other Sectors

+ 31 M€
of income

+ 1,000
jobs



Tax Contribution

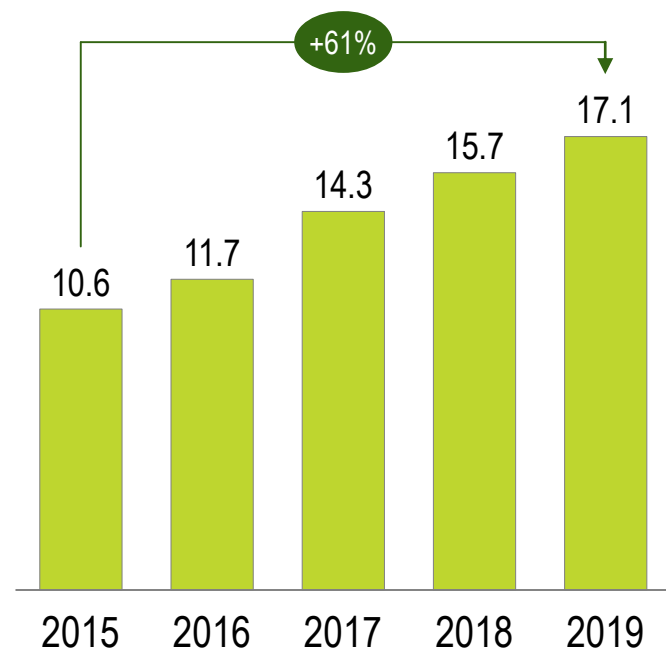
+ 24 M€
VAT, IRS¹, IRC², SS³

1. Personal Income Tax (IRS)
2. Corporate Income Tax (IRC)
3. Social Security (SS)

TAP is fundamental to the growth of the Portuguese economy

Number of passengers carried by TAP

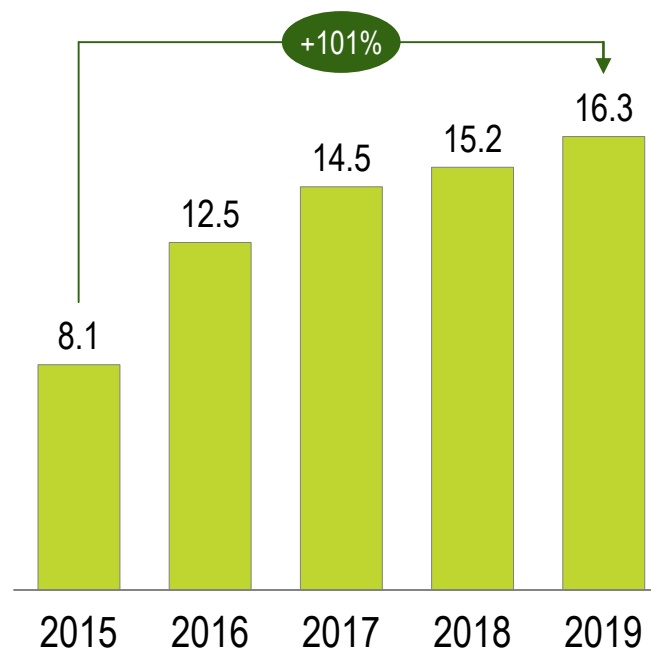
Millions of passengers



Number of foreign tourists

Millions of visitants

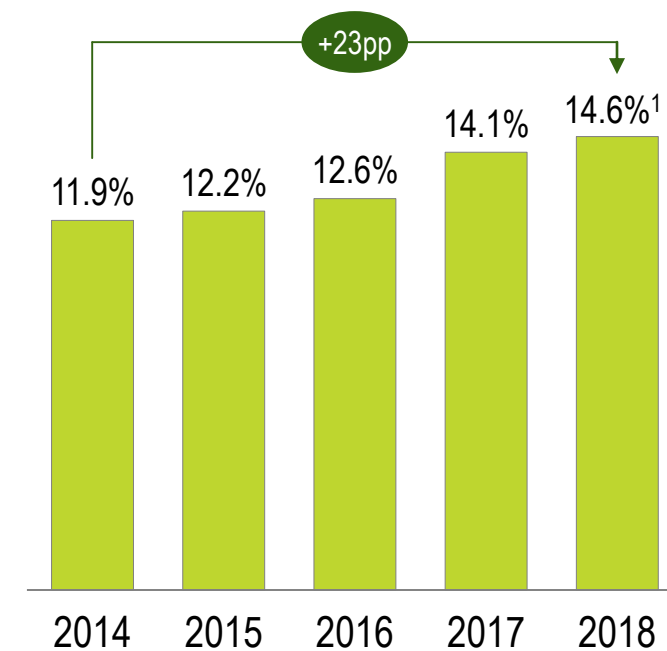
 ~80% of international arrival by air



Tourism contribution to GDP

Percentage

 TAP represents a weight of ~2% in Portugal's GDP



1. First estimate of 2018
Source: Tourism of Portugal, Statistics Portugal, CTP

TAP also has a high social impact in Portugal



Employment

- TAP Group ended 2019 with more than **10.6 thousand direct employees** in Portugal, **from ~8.6 thousand in 2015 (2 thousand more)**
- During 2019, **990 employees** were hired
- Strengthening of the Lisbon hub in international connections with **strong generation of indirect employment**



Wages Increase

- Employees hired in 2018 and 2019 represent a wage amount of **~80 M€/year**
- TAP's personnel costs in Portugal exceeded **740 M€** in 2019, placing TAP among the largest employers in the country

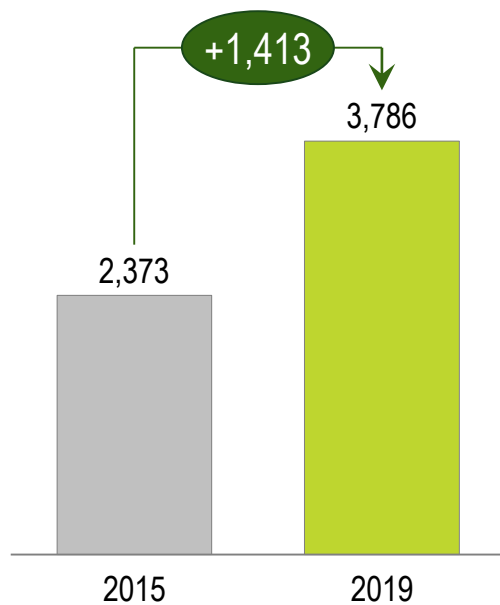


Tax Contribution

- During 2019, TAP paid **328 M€** in taxes and social contributions

TAP has today 2,000 more jobs in Portugal compared to 2015

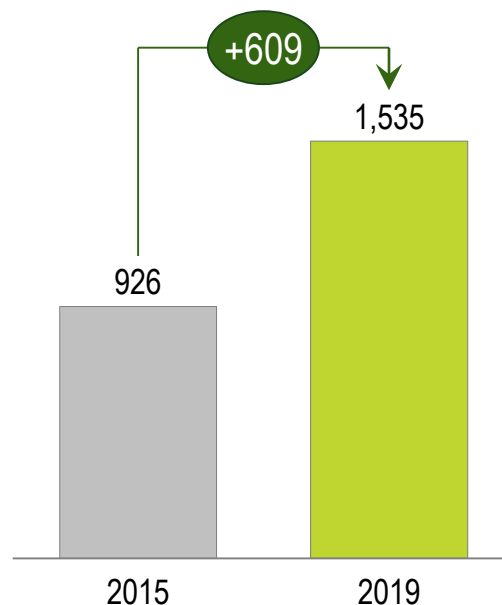
Number of Cabin Crew



1,780

Cabin Crew Progressions
(2016 – 2019)

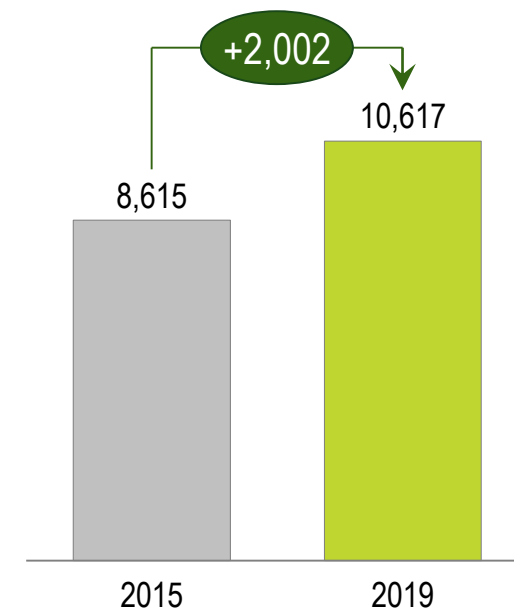
Number of Pilots



470

Pilots Progressions
(2016 – 2019)

Total number of Employees



More satisfied Employees

Results of the internal satisfaction survey

Categories with largest variation compared to 2018



Implemented Measures

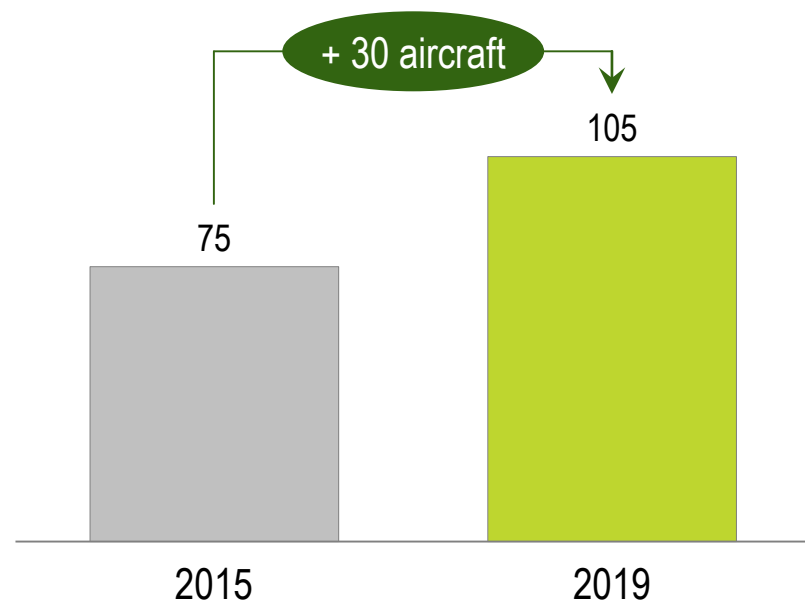
- 100% attendance
- Leadership meetings twice per year
- 360° Assessment
- Internal satisfaction survey
- Recognition:
 - Promotion to Control, Team Leader and Supervisor
 - NPS Top Performers
 - TAP Stars



TAP has a larger and more sustainable fleet...

Fleet growth with more 30 aircraft in 4 years

TAP's Fleet 2015-19 (end of the period)

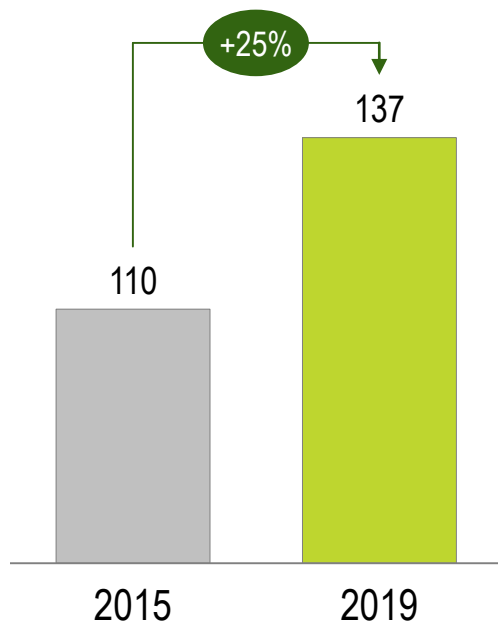


Fleet growth with focus on the new NEOs

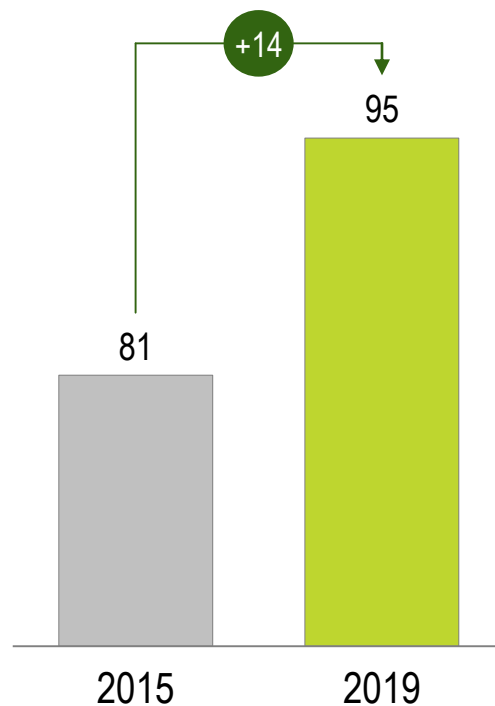
- Reception of **30 NEOs** in 2019
- Reduction of the average age of the long-haul fleet **from 15.2 years**, by the end of 2018, **to 3.9 years**, by the end of 2019
- **Single airline in the world to renew 70% of its long-haul fleet in 1 year**
- **Introduction of the A321LR**, leveraging privileged geographical position
- **Lower fuel consumption** and **CO2 emissions**
- Higher **quality** and cabin **comfort**

... which enabled a significant expansion in activity

TAP has today 25% more flights
Number of flights (thousands)



14 additional destinations
Number of destinations



- | | |
|---------------|----------|
| DUBLIN | MACEIÓ |
| TEL AVIV | NAPLES |
| COMPOSTELA | TENERIFE |
| SAN FRANCISCO | CONAKRY |
| MONTREAL | TORONTO |
| CHICAGO | BANJUL |
| WASHINGTON | FLORENCE |

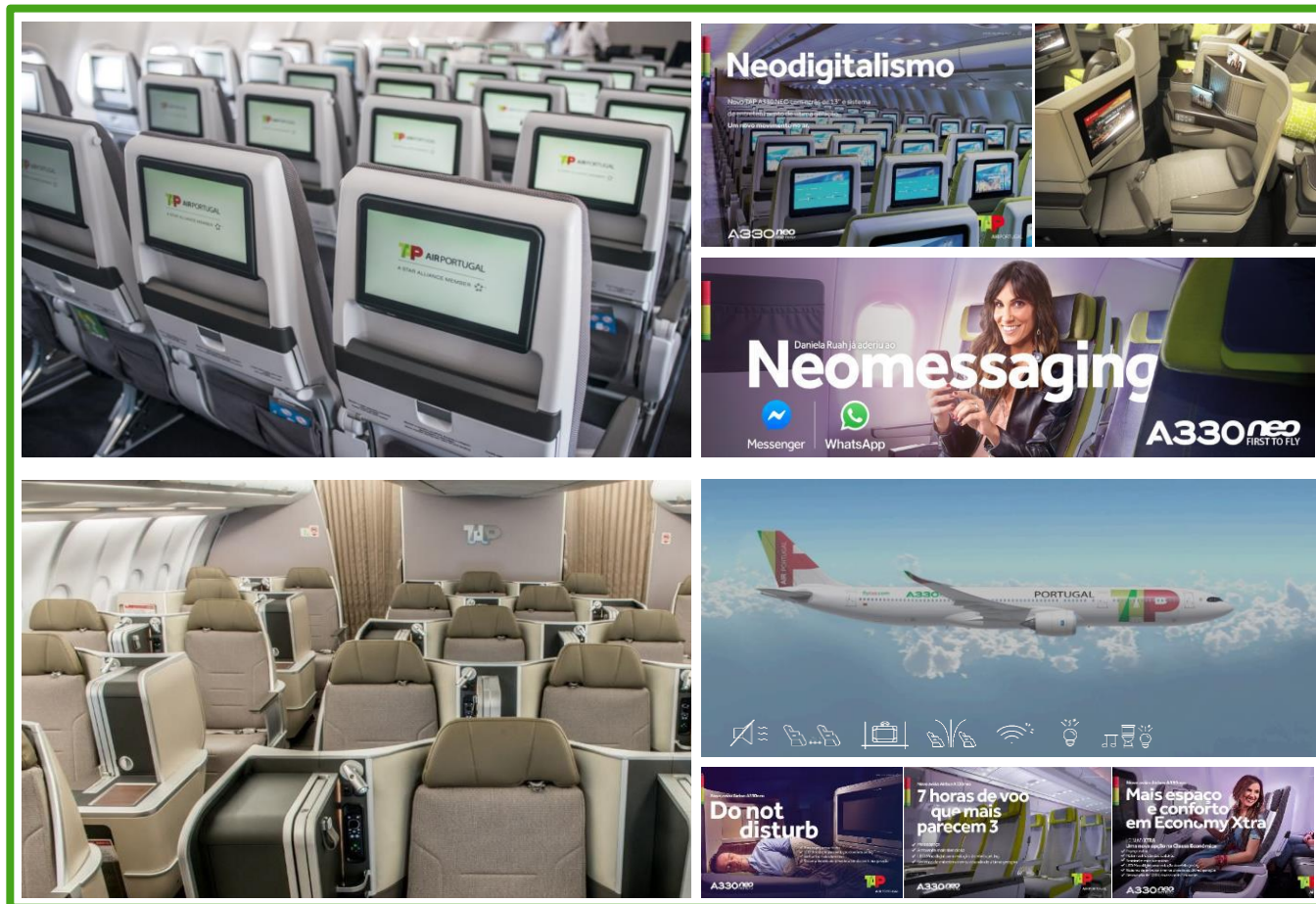
TAP invested more than 1.5 Bn€ in 2019 on its fleet renewal

Before



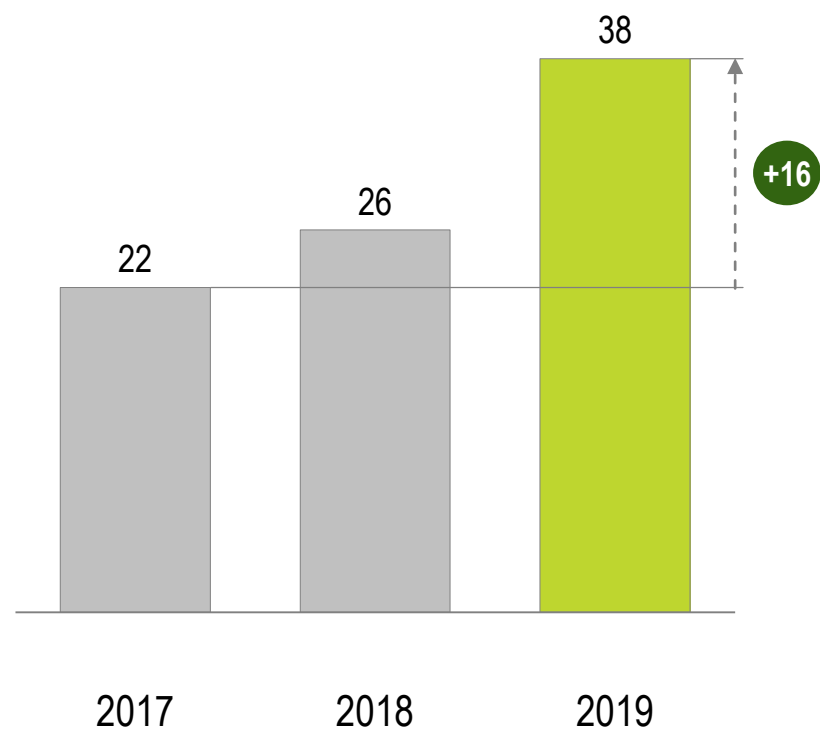
+ 30 NEOs
in 2019

After

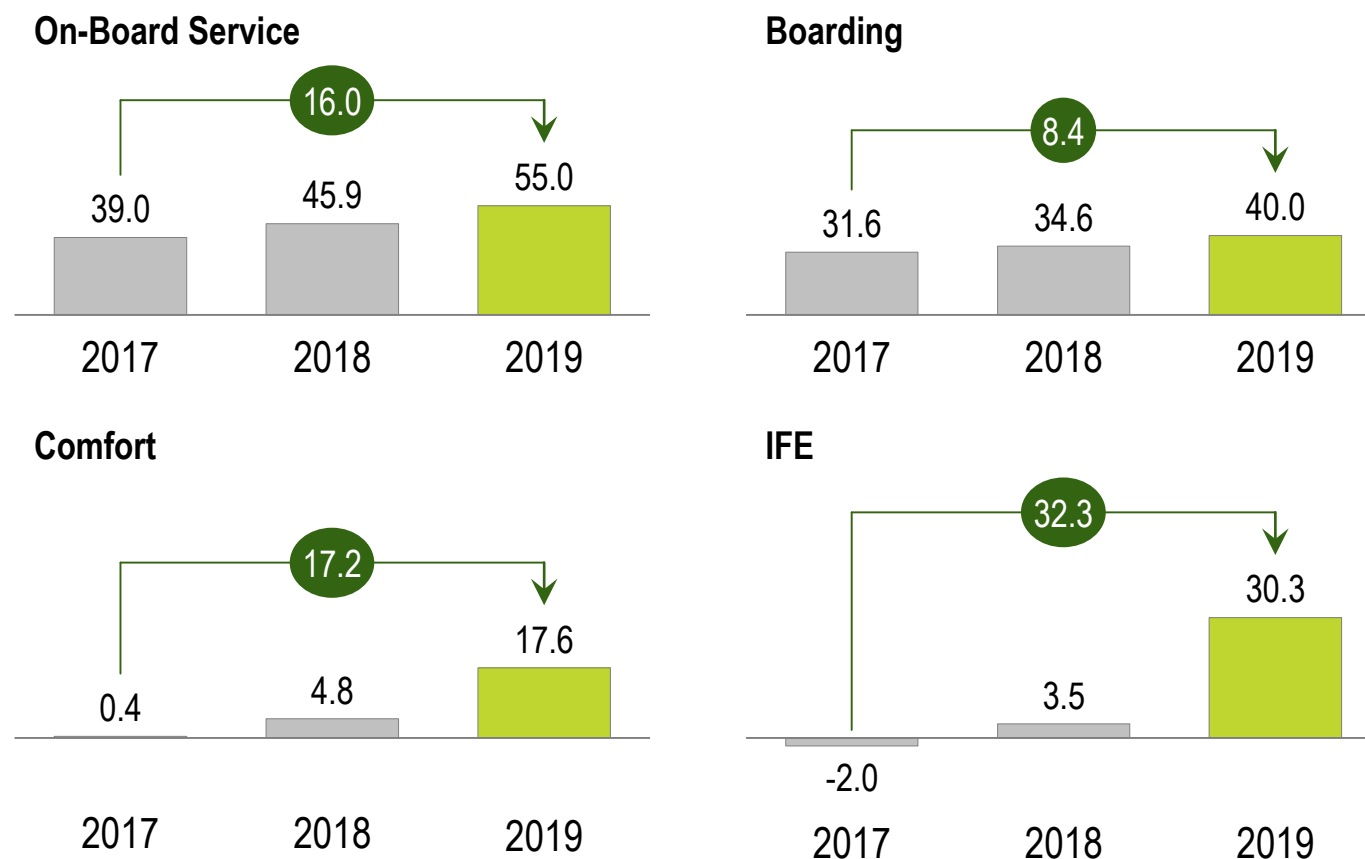


At the same time, TAP has almost doubled the satisfaction of its customers

NPS¹ increased from 22 to 38



Evolution of the main variables¹

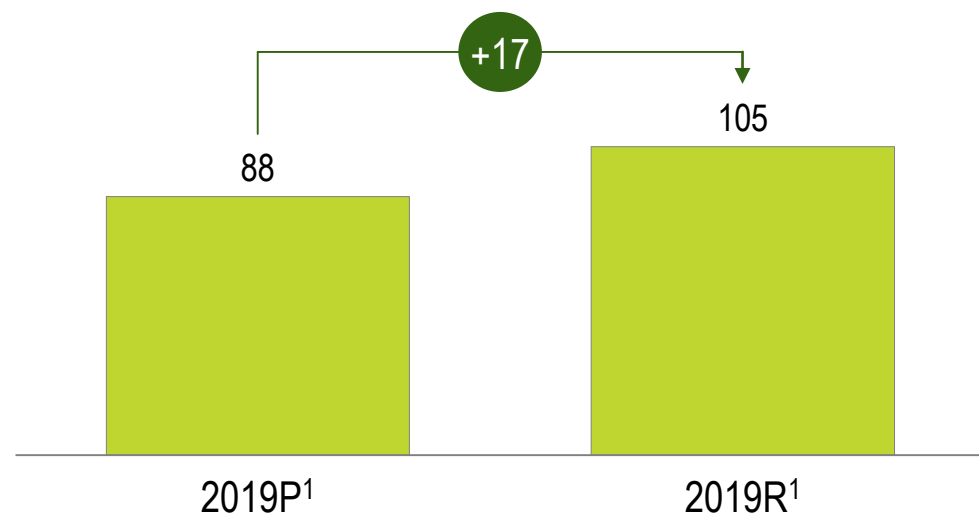


1. NPS D15

Fleet expansion was larger than foreseen in the strategic plan to take advantage of opportunities

Acceleration of the fleet expansion in 17 aircraft

TAP's Fleet (end of the period)



Acceleration motivated by 3 factors

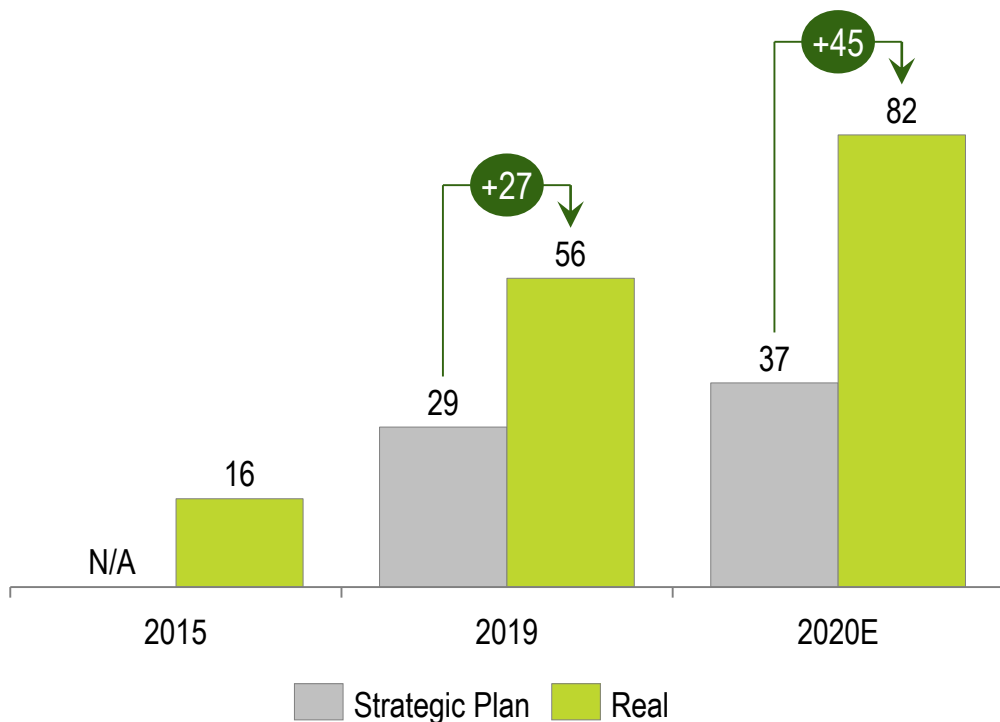
- **Serve new unplanned routes** and add supply capacity in Mainland Portugal and Islands
- **Offset Brazil's slowdown** in 2018-2019 with USA growth
- Anticipate the fleet renewal **to face the increase in fuel prices**
- **Increase expansion to North America**, with 2.5x more weekly frequencies than planned

1. 2019P (Planned), 2019R (Real)

Expansion in North America is crucial to TAP's sustainability ...

North America with 5 out of the 7 most profitable routes

Number of weekly frequencies to North America



Expected routes in 2020

Route	Privatization plan	Real
LIS-MIA	✓	✓
LIS-BOS	✓	✓
LIS-IAD	✓	✓
LIS-EWR	✓	✓
LIS-JFK		✓
LIS-ORD		✓
LIS-SFO		✓
OPO-EWR		✓
LIS-YYZ		✓
LIS-YUL		✓
PDL-BOS		✓

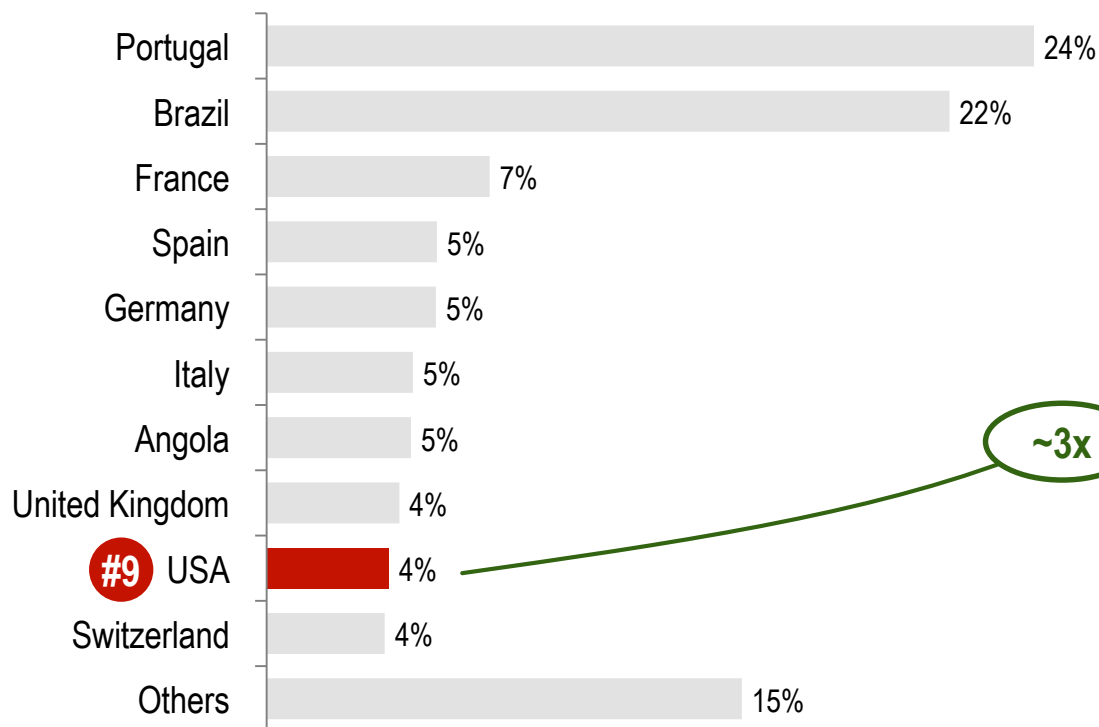
+ 7 routes¹

+ 45 weekly frequencies

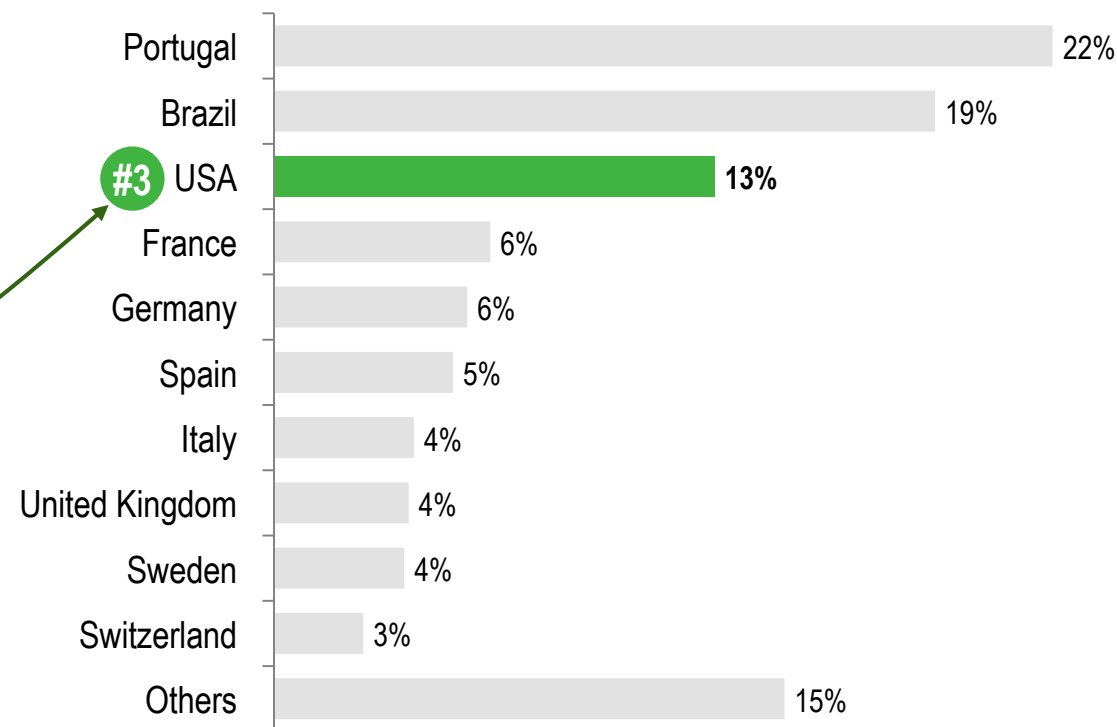
Note: Based on the summer schedule (Summer Peak)
 1. 3 routes in 2015, 9 routes in 2019 and 11 routes planned for 2020

... with the USA representing 13% of sales in 2019

Ranking of sales 2014 (%)¹



Ranking of sales 2019 (%)¹



~3x

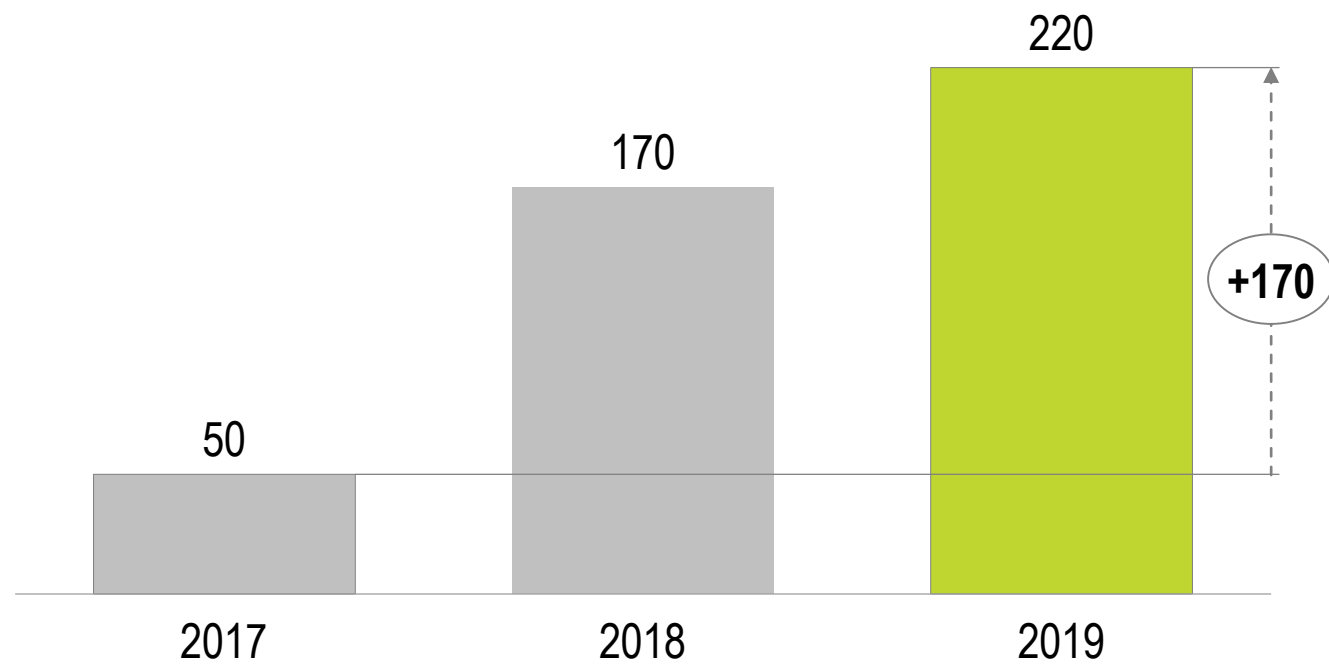
1. Total ticket revenues (amounts paid by passengers and tickets issued in EUR)



The Portugal Stopover Program has been a success

Passenger growth

Thousands of passengers



Porto



Lisboa



Funchal



Faro



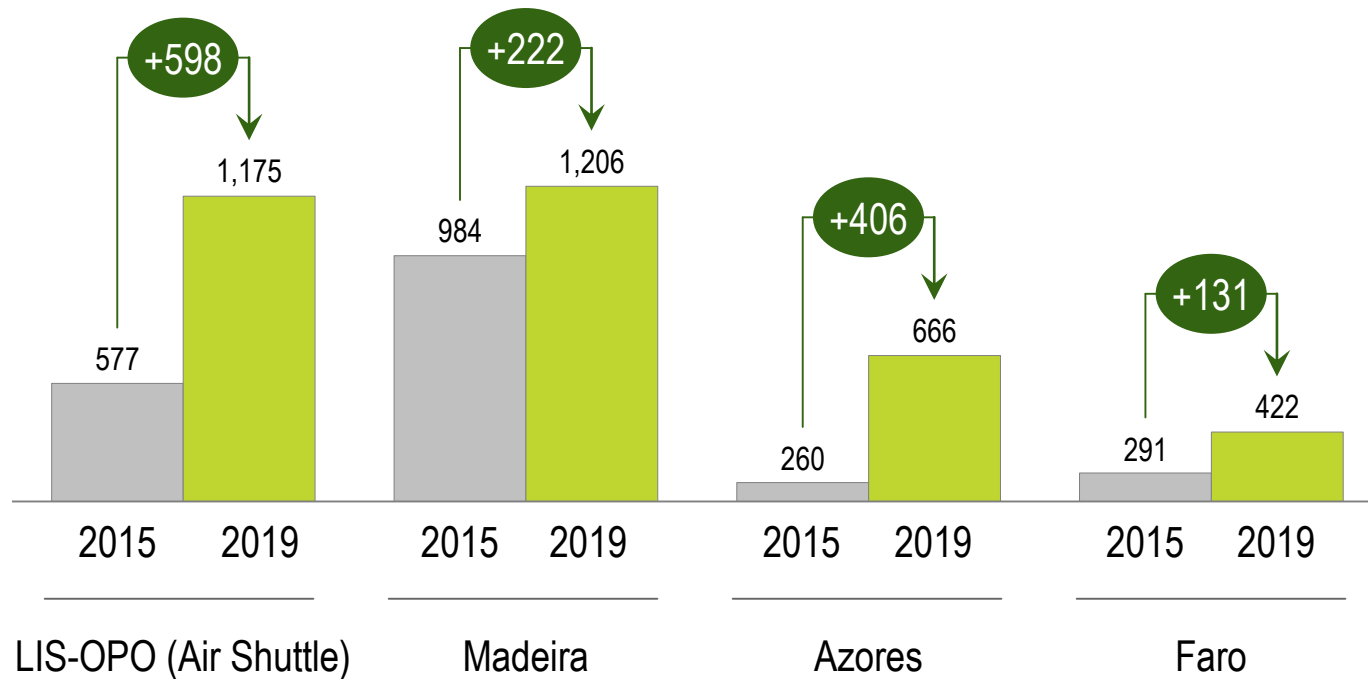
Ponta Delgada



1 million additional seats per year in Portugal compared with 2015

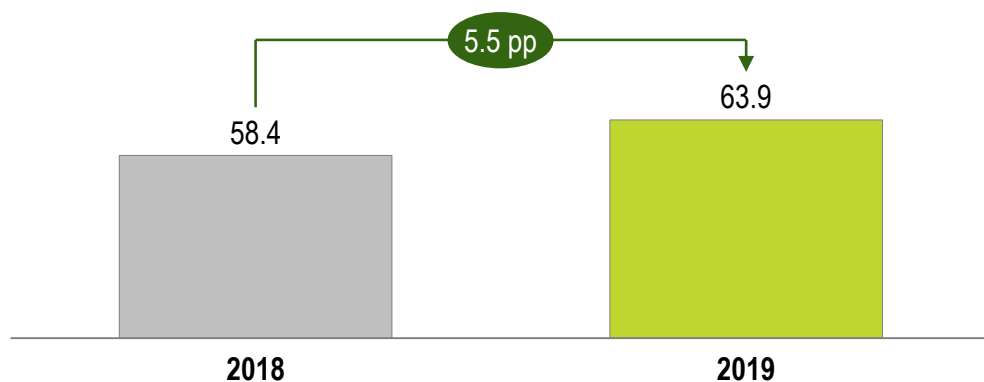
Seats available

Thousands of seats

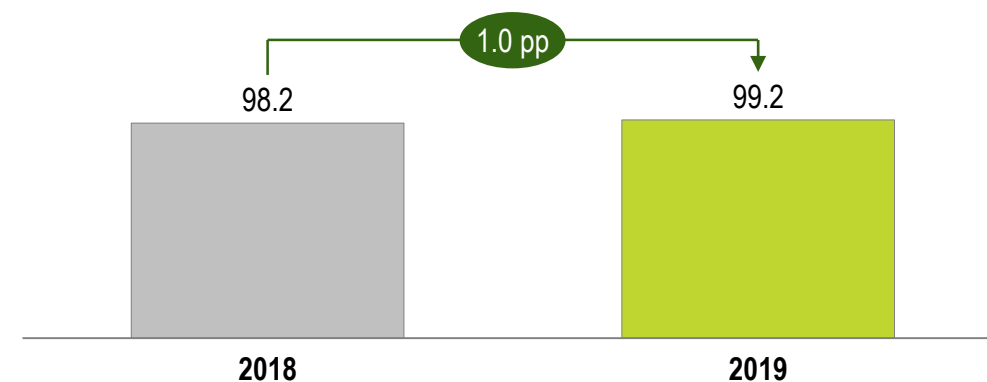


Improvement of punctuality and regularity in 2019 ...

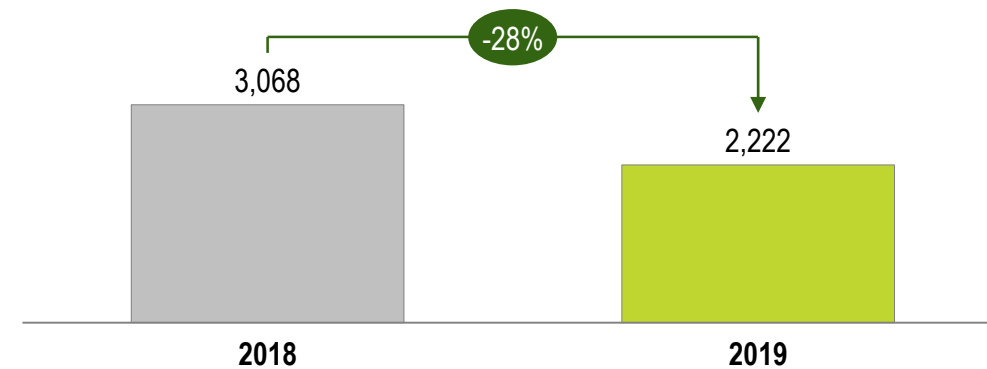
D15 Network (%)



Regularity (%)



Number of Delays > 2h



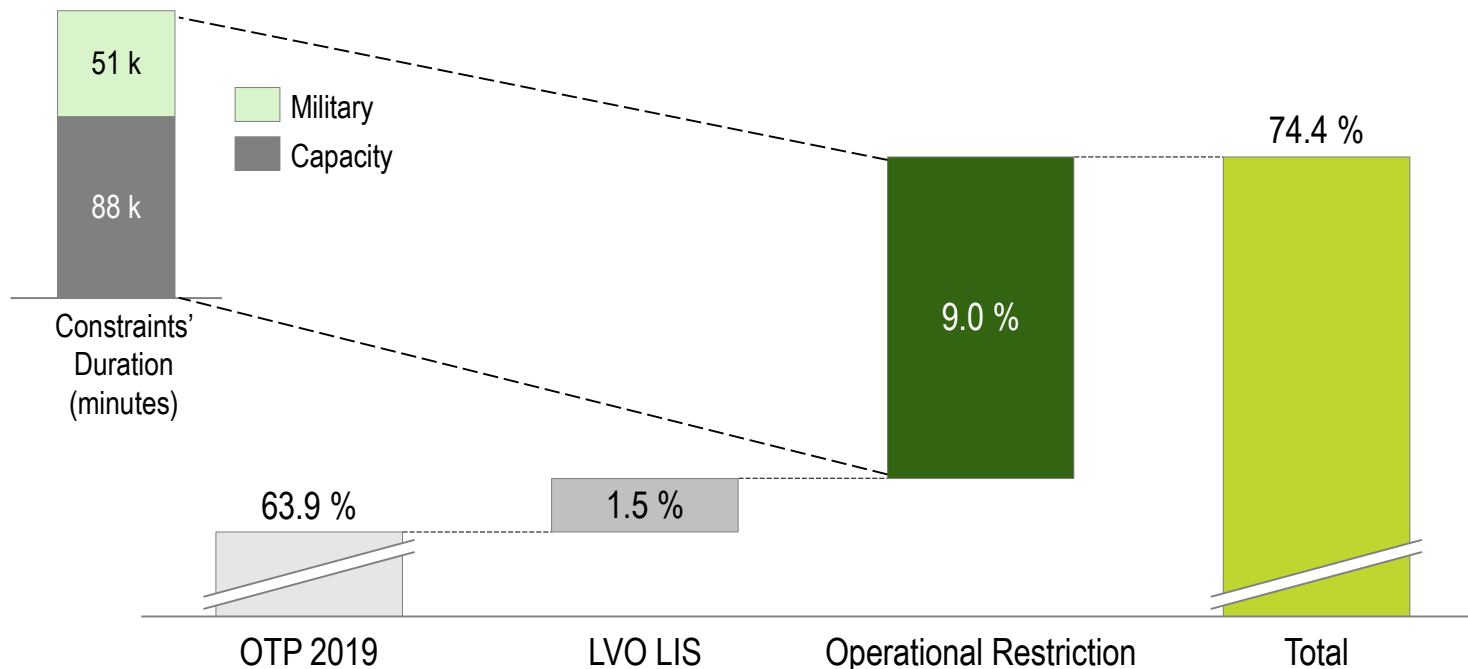
- **End of the year impacted by:**

- Bad weather conditions (LVO) in Lisbon
- ATC strikes in French airspace
- Special incidence in the weeks before Christmas

... despite the constraints of infrastructure and airspace

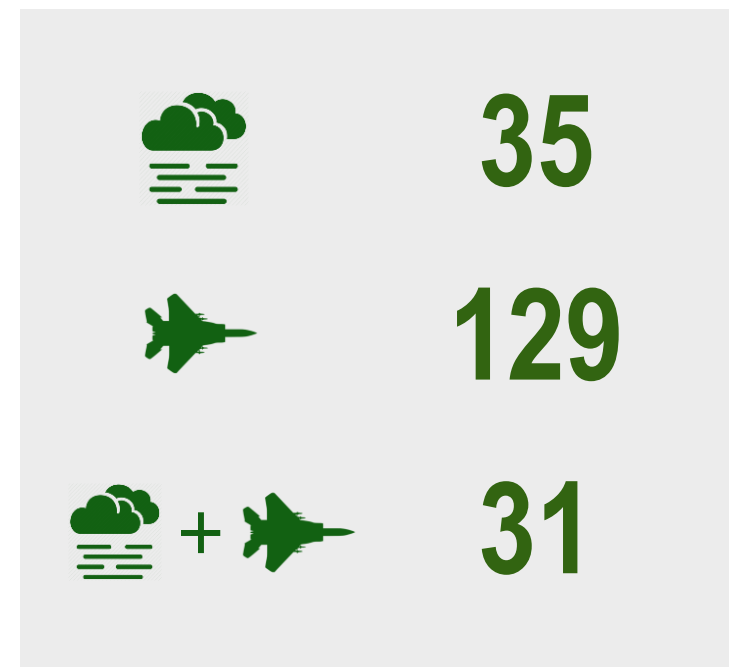
D15 Network Punctuality (%)

Impact from LVO, Military and Congestion



Disruptions

Number of affected days



- In Lisbon, +50% of the year was affected by weather conditions, military exercises or both
- **ILS CAT III B for track 03 is not yet approved**
- July 2019 - Agreement between NAV and Air Force to reduce the impact of exercises in Lisbon. It terminated in the end of September, resulting in an increase of affected days in October

External recognition confirms strategic execution



- BEST GLOBAL PROMOTION
- BEST CUSTOMER SERVICE
- PROGRAM OF THE YEAR

Europa e de África



- BEST INTERNATIONAL LOYALTY PROGRAM

Brasil



4TH QUARTER 2019



2ND IN EUROPE & 13TH IN THE WORLD
TOP 20 SAFEST AIRLINES 2020

1. Qantas
2. Air New Zealand
3. EVA Air
4. Etihad
5. Qatar Airways
6. Singapore Airlines
7. Emirates
8. Alaska Airlines
9. Cathay Pacific Airways
10. Virgin Australia
11. Hawaiian Airlines
12. Virgin Atlantic Airlines
13. **TAP** AIRPORTUGAL
14. SAS
15. Royal Jordanian
16. Swiss
17. Finnair
18. Lufthansa
19. Aer Lingus
20. KLM



1ST IN EUROPE AND 6TH IN THE WORLD
BEST ECONOMY CLASS 2020

1. American Airlines
2. AirAsia
3. Delta Air Lines
4. Southwest Airlines
5. JetBlue
6. **TAP** AIRPORTUGAL
7. Emirates
8. Singapore Airlines
9. Virgin Atlantic
10. Cathay Pacific



JANUARY 2020



EUROPEAN DEBT
DEAL OF THE YEAR



Issuance of 375 M€ in 5-year bonds with several prominent international institutional investors (American and European)

December 2019



- TRUST AND CREDIBILITY IN THE DOMESTIC AND INTERNATIONAL FINANCIAL MARKET



ISSUER OF THE YEAR



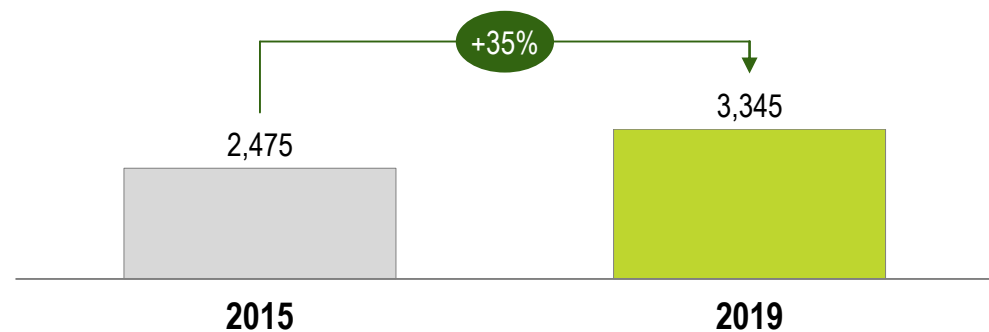
TAP's inaugural offer on the Portuguese bond market, issuing 200 M€ with Portuguese investors (retail and institutional).

June 2019

The transformation presents unquestionable results

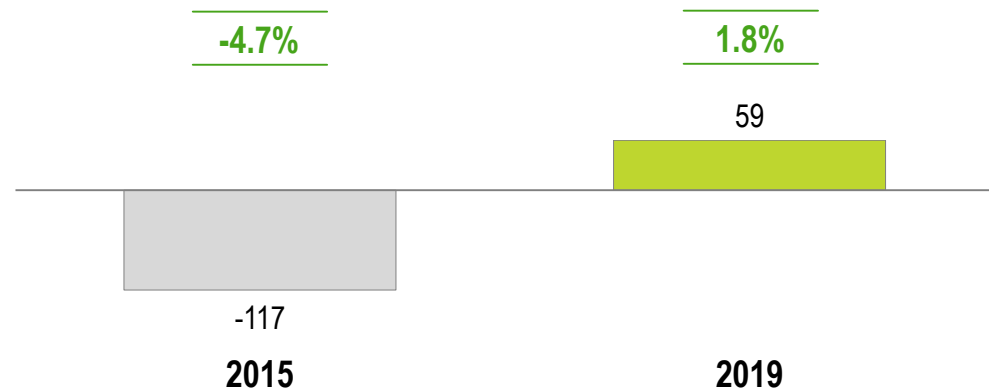
Operating Income

EUR million



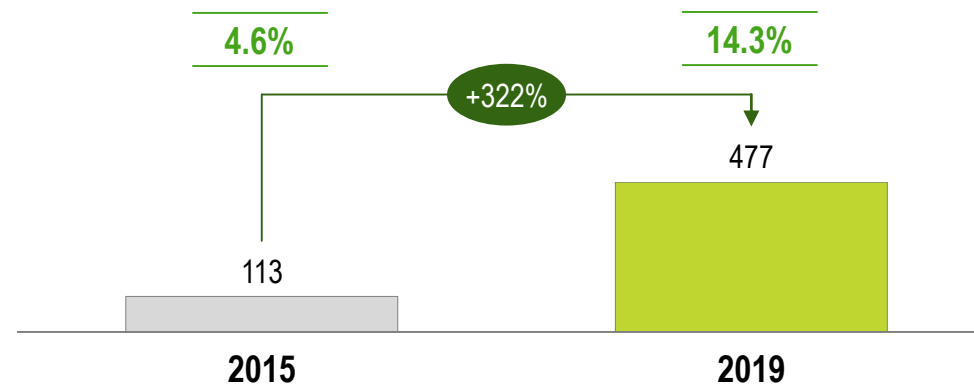
Operating Result (EBIT)

EUR million



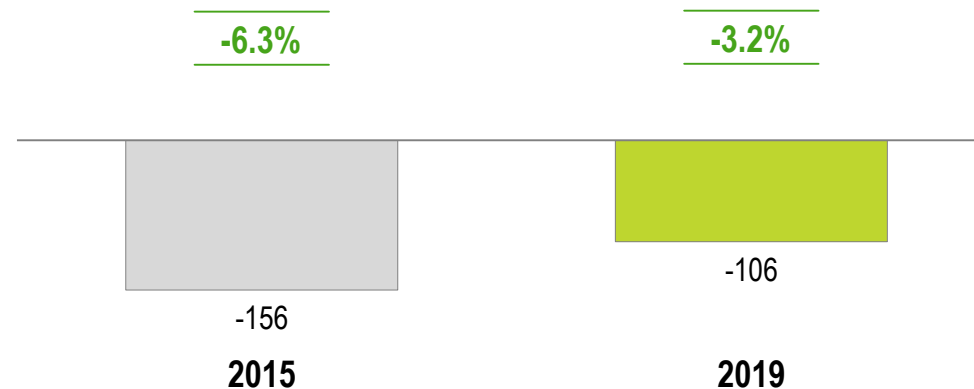
EBITDAR

EUR million



Net Income

EUR million



% Margin, %



Agenda

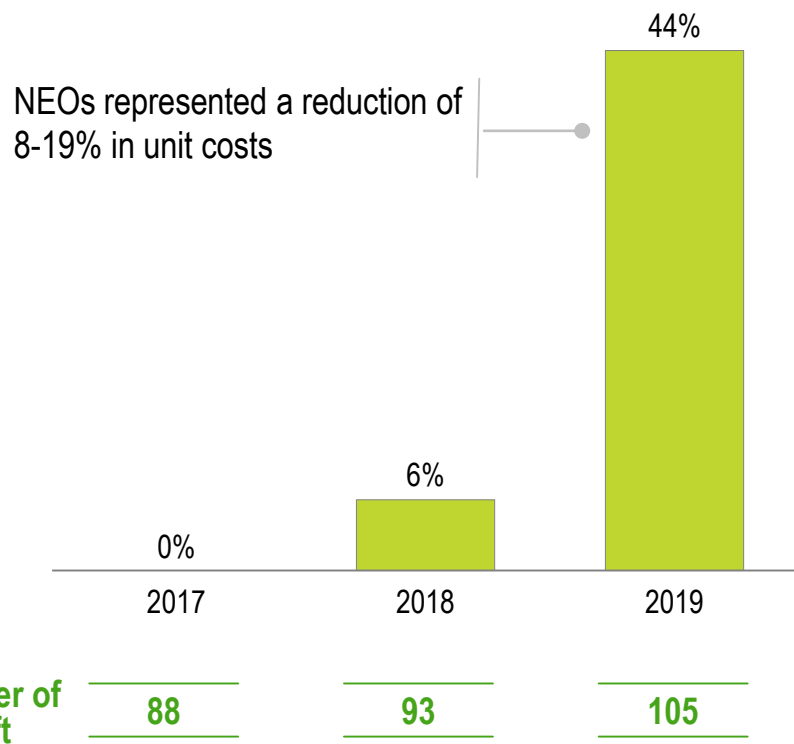
1. Transformation update

2. 2019 Results

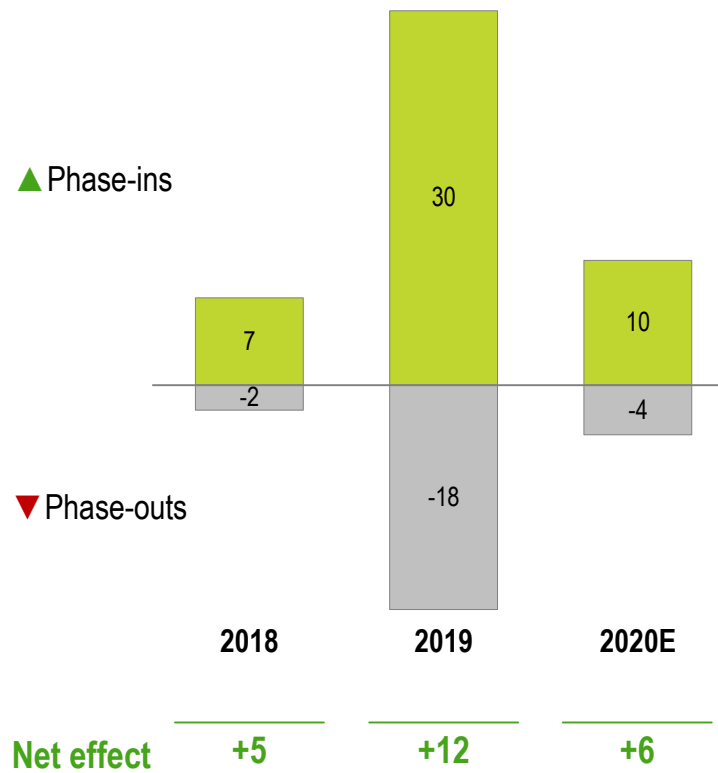
3. Priorities for 2020

Investment of more than 1.5 Bn€ in the new fleet during 2019

NEOs' BH weight¹



Aircraft's phase-in and phase-out



- TAP received approx. **40% of the entire Airbus' A330-900 production of 2019²** (16 out of 41 A330 produced)
- Costs of 55 M€** with aircraft's phase-ins and phase-outs

1. BH weight in December

2. Source: Airbus - "Airbus delivers strong 2019 commercial aircraft performance"

Costs related with the transformation process were estimated at 55 M€

Aircraft phase-ins (30 aircraft)

- Aircraft certification process
- Increase in pilot training and variable costs related to the crew
- Unpredictability of the date for entry in operation, making it more difficult to plan and reducing utilization

Aircraft phase-outs (18 aircraft)

- Maintenance cost associated with the process of returning the aircraft to lessors
- TAP supports ownership and parking costs (without revenue) during the entire returning process
- Fleet renewal entails returning spare engines from the old aircraft, with costs comparable to the ones of returning the aircraft itself

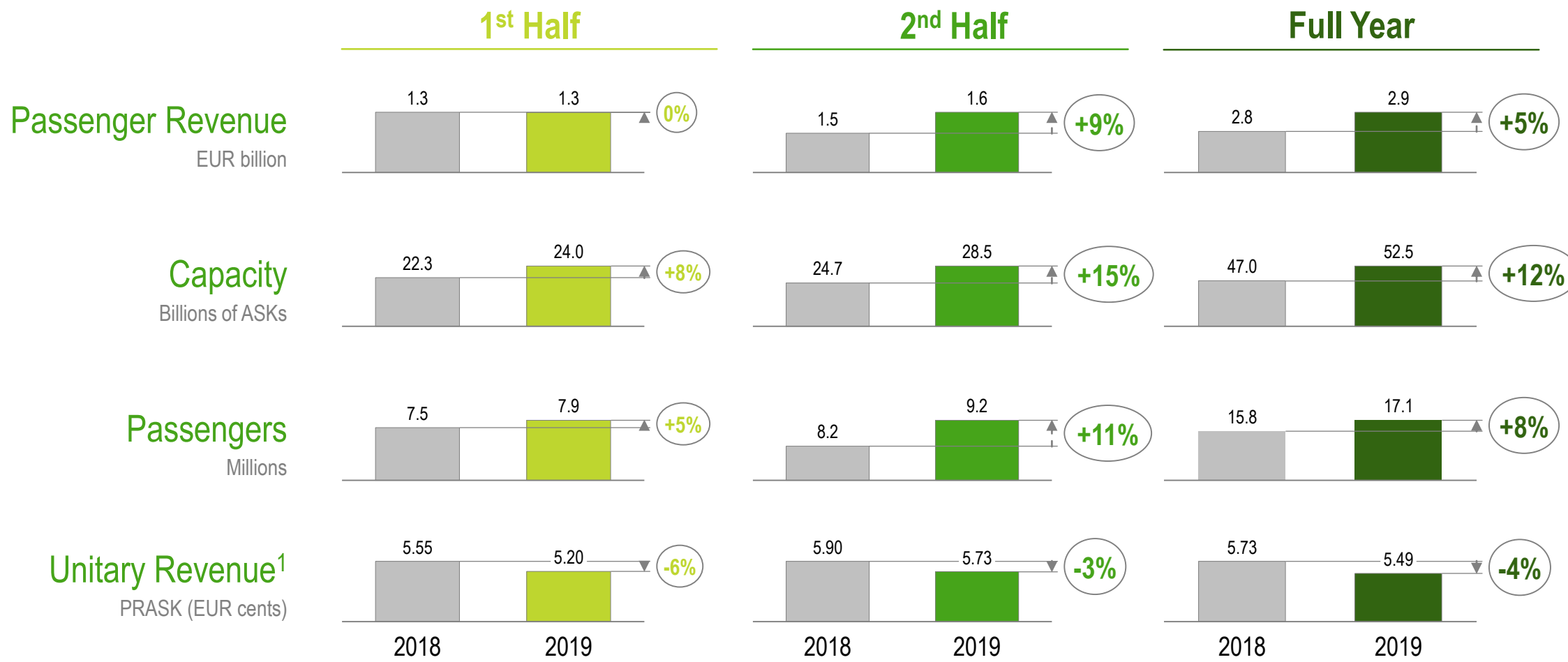
31 M€

55 M€

24 M€

Strong revenue recovery in 2H19 ...

Evolution of Passenger Revenue



1. PRASK adjusted for average stage length

... in all regions

Evolution of Passenger Revenue by Region

% of Total Passenger Revenue in FY2019

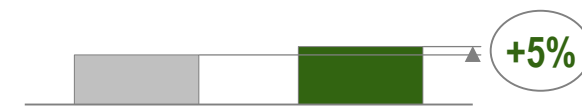
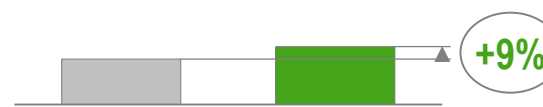
%

1st Half

2nd Half

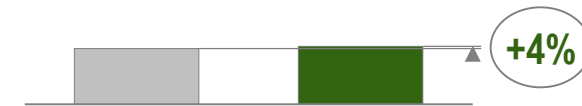
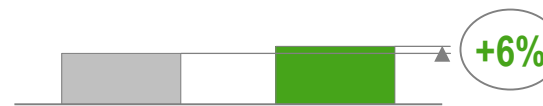
Full Year

Total



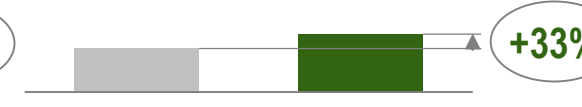
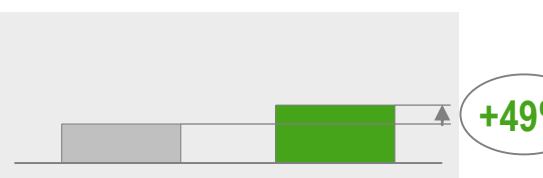
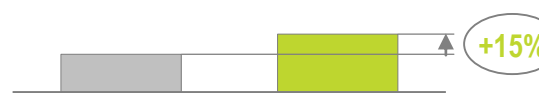
Europe¹

49%



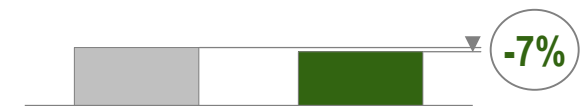
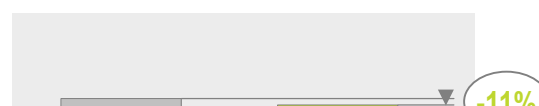
North America

14%



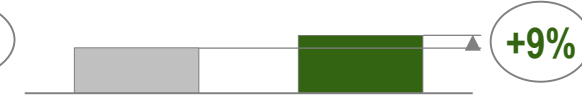
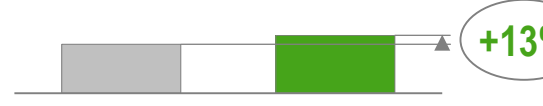
Brazil²

26%



Africa and Israel

11%



1. Includes Mainland Portugal and Islands
2. Includes Venezuela

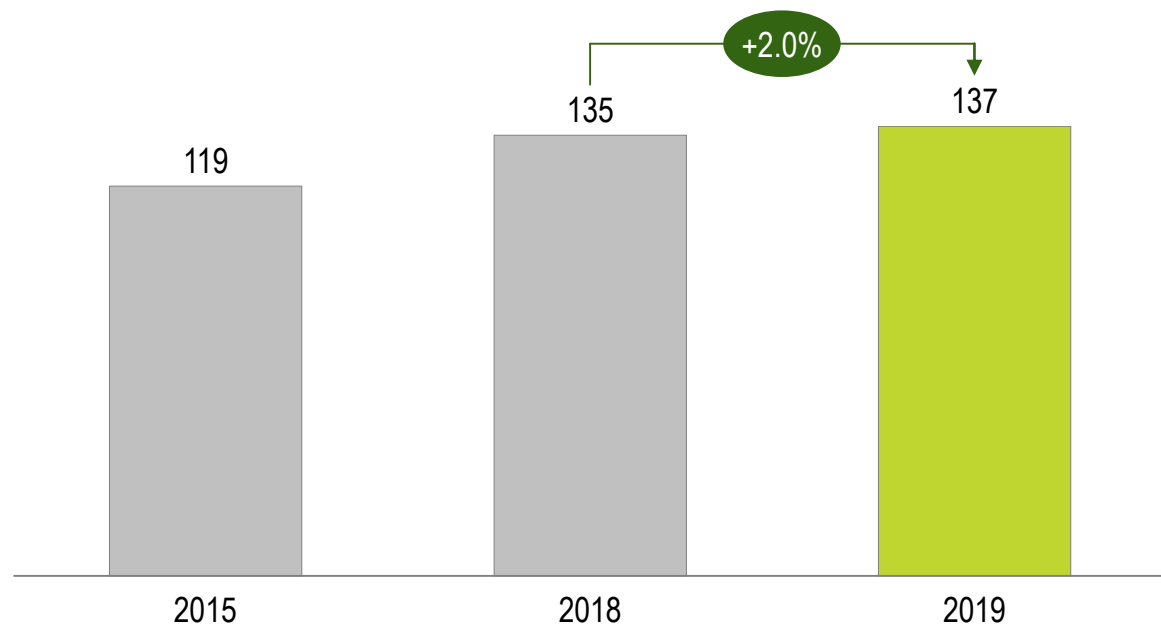
Revenue from cargo increases, despite the market downturn

Other revenue: Cargo

Operating Income¹

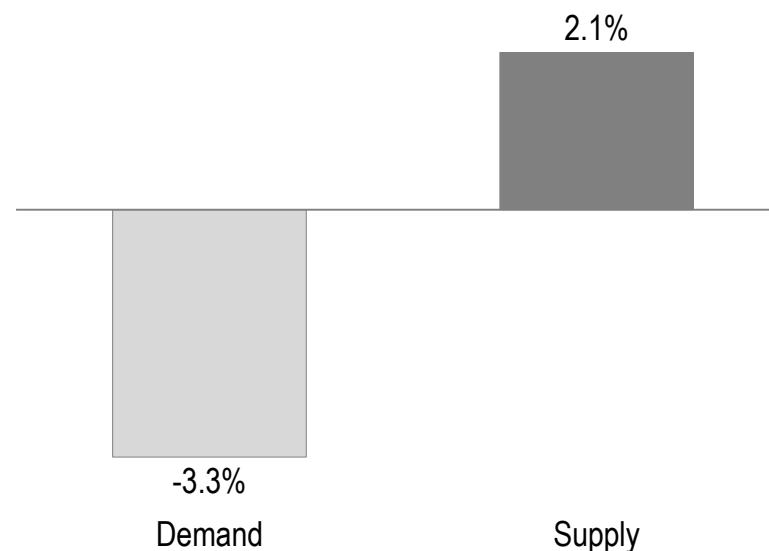
EUR million

TAP AirCargo



Cargo market context in 2019²

FTKs Market (Demand) vs. ATKs Market (Supply)



1. Applying the concept of TAP's 2018 Annual accounts to previous years

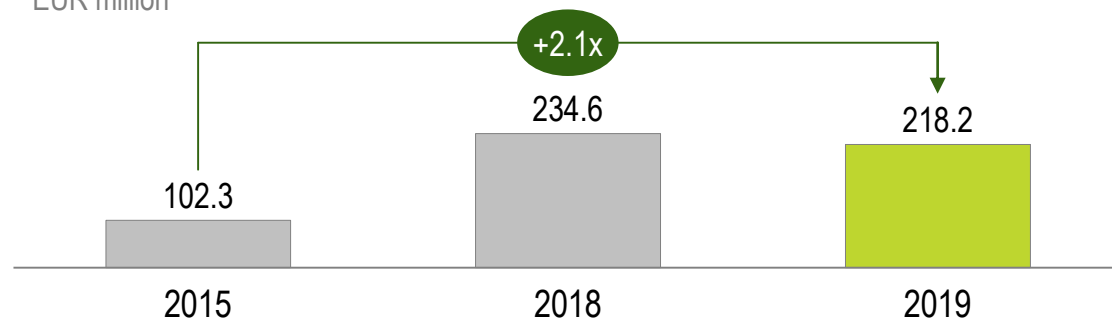
2. Source: IATA Economics – December Report, dated 05/02/2020 (Supply based on market ATKs; Demand based on market FTKs)

TAP doubled M&E Portugal's business between 2015-19

Other revenues: Maintenance Portugal

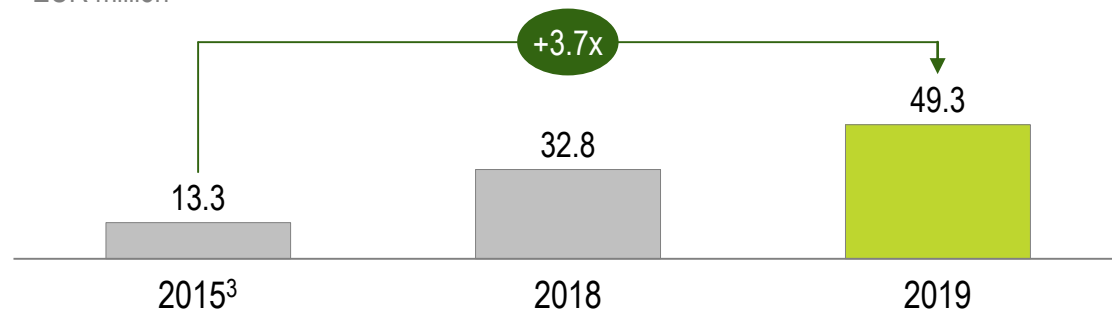
Operating Income¹

EUR million



Contribution²

EUR million



TAP M&E Portugal's clients

Lufthansa Group

AIRFRANCEKLM GROUP



GECAS



- Significant support to **fleet renewal**, given increased flexibility, lower costs and strong technical capability
- One of the few supplier of support services that is certified to maintain LEAP engines (new generation)
- 80% of revenues came from **engine maintenance**, both in 2018 as well as in 2019

1. Applying the concept of TAP's 2018 Annual accounts to previous years

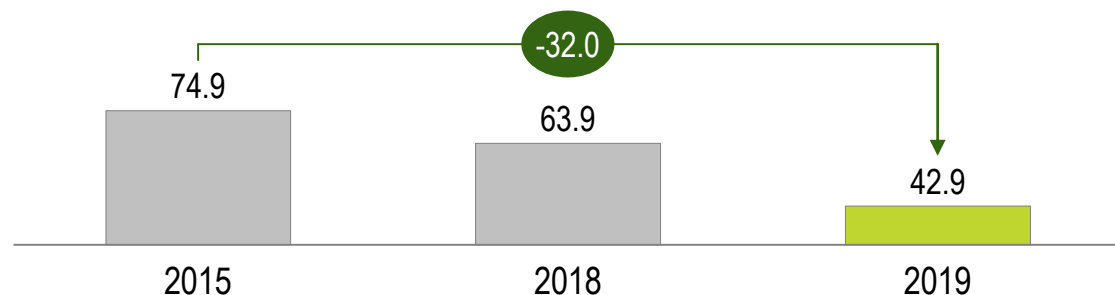
2. Considering Operating Income from Maintenance to Third-Parties – Operating Costs from Maintenance to Third-Parties

3. Contribution margin of Business Units changed in 2018

M&E Brasil with positive EBITDAR and without transfer of funds

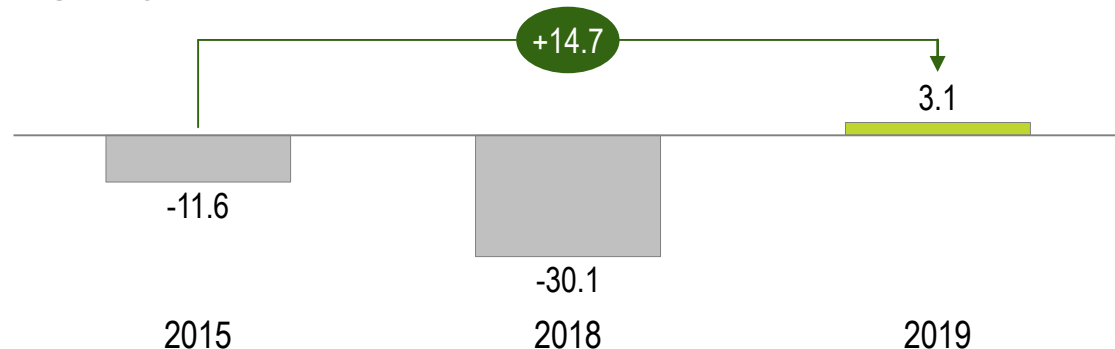
Operating revenue

EUR million



EBITDAR¹

EUR million

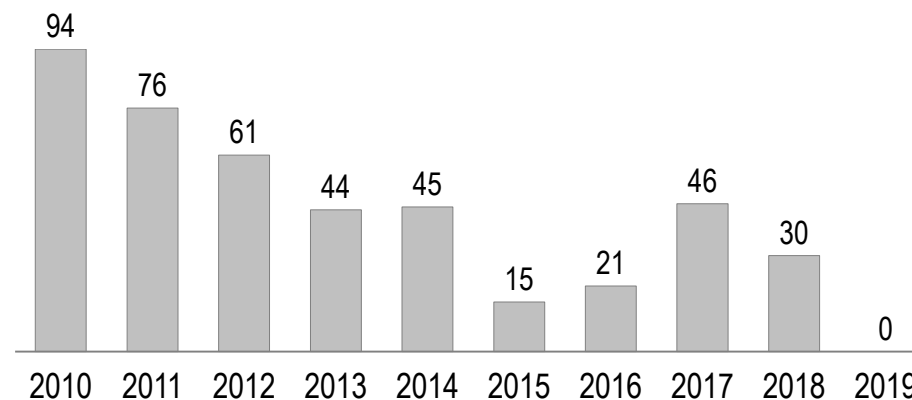


Restructuring in 2018

- Closure of the Porto Alegre base and **concentration of operations** in Rio de Janeiro
- Reduction of the workforce by more than **1,100 employees in 18 months**

Transfer of funds

EUR million



1. EBIT + Depreciation, amortization and impairment losses + Aircraft rents (Notes: Restructuring costs and other non-recurring items were 27.6 M€ in 2018 and 0.8 M€ in 2019; excluding these costs, EBITDAR would have been -2.5 M€ in 2018 and 3.9 M€ in 2019)

Significant decrease in CASK, mainly during 2H19

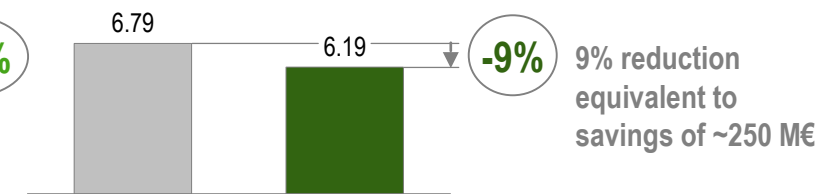
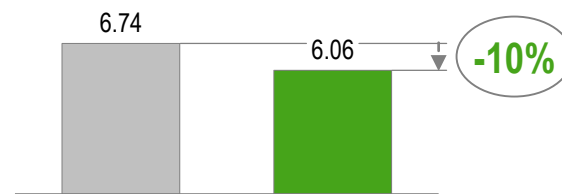
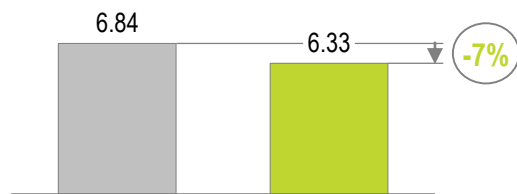


1st Half

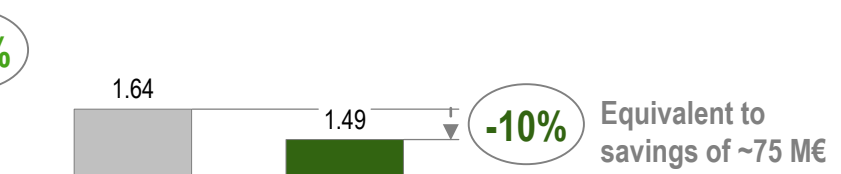
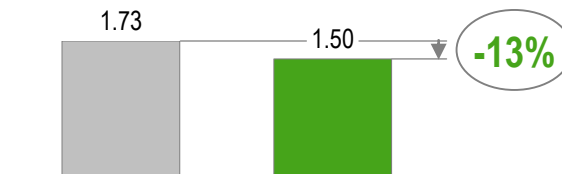
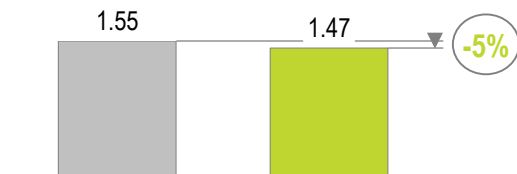
2nd Half

Full Year

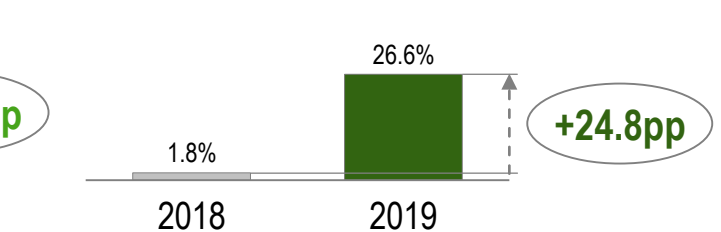
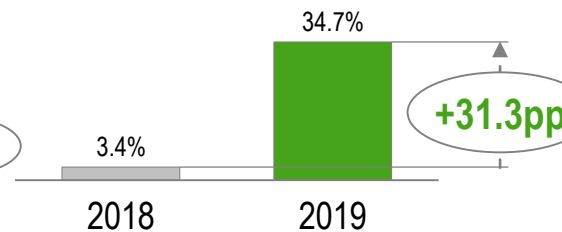
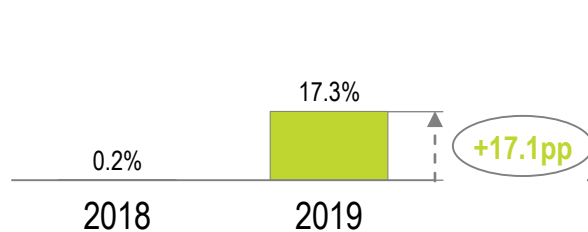
Total Unit Cost
CASK¹ (EUR cents)



Fuel Unit Cost
CASK Fuel¹ (EUR Cents)



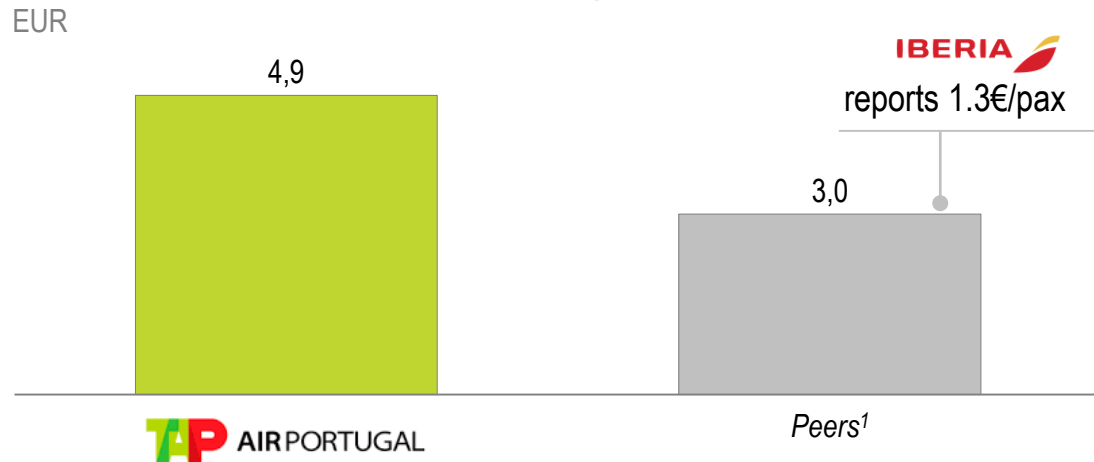
Weight of NEO Aircraft
Percentage of Block Hours



1. Adjusted for stage length

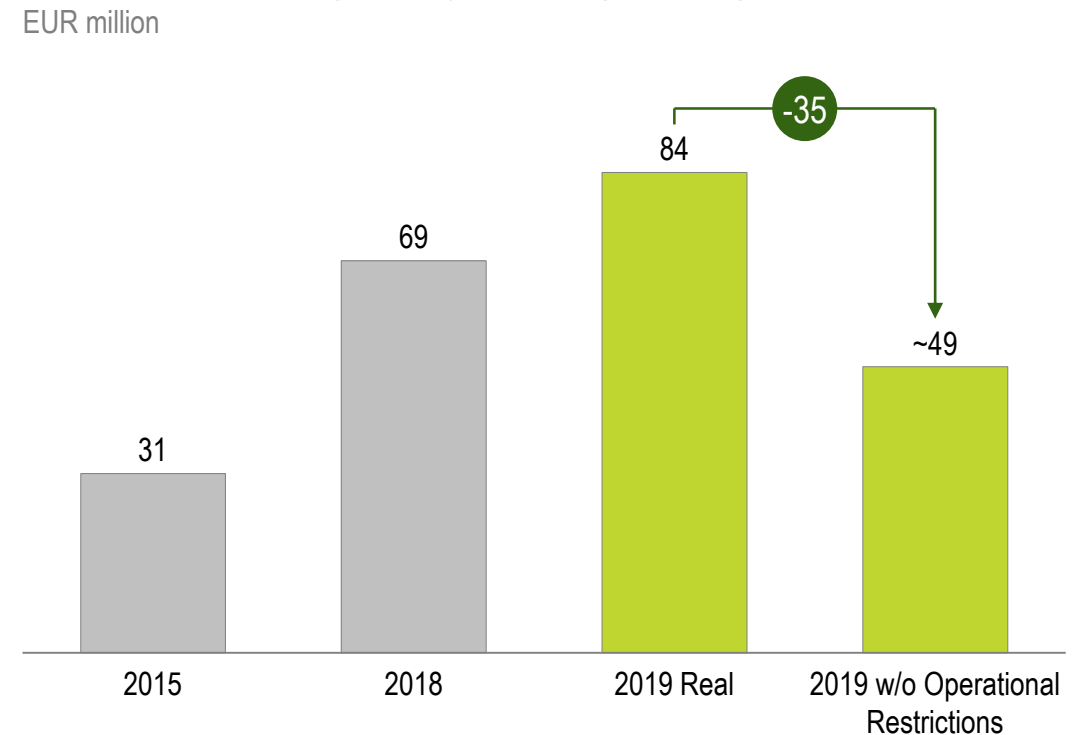
Operational restrictions with high impact on passenger compensation costs

Costs with IROPs per passenger



- Compensation costs in 2019² were approximately **twice the ticket price**, with the largest difference observed in Europe, with a **compensation cost of almost 2.5x the ticket price**

Evolution of irregularity costs (IROPs)



1. Lufthansa, Air France and Iberia in 2018
 2. Sample of ~8,000 compensation payments from January 2019 to June 2019

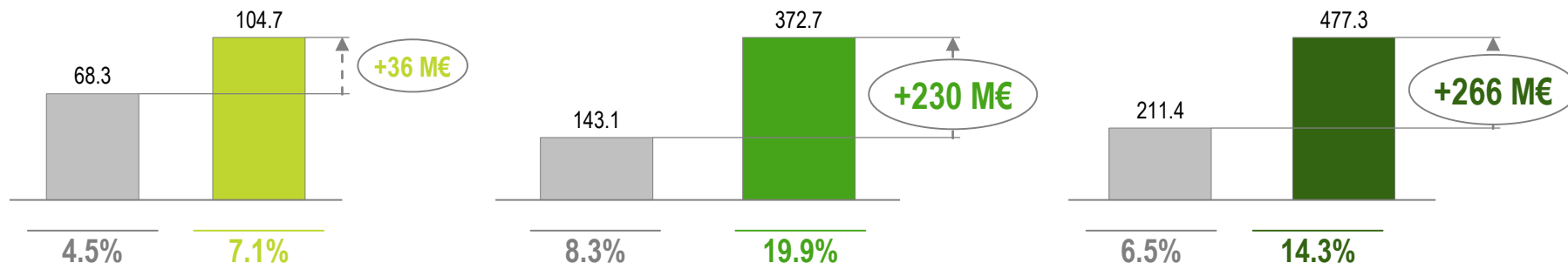
2H19 allowed positive operating results in 2019

1st Half

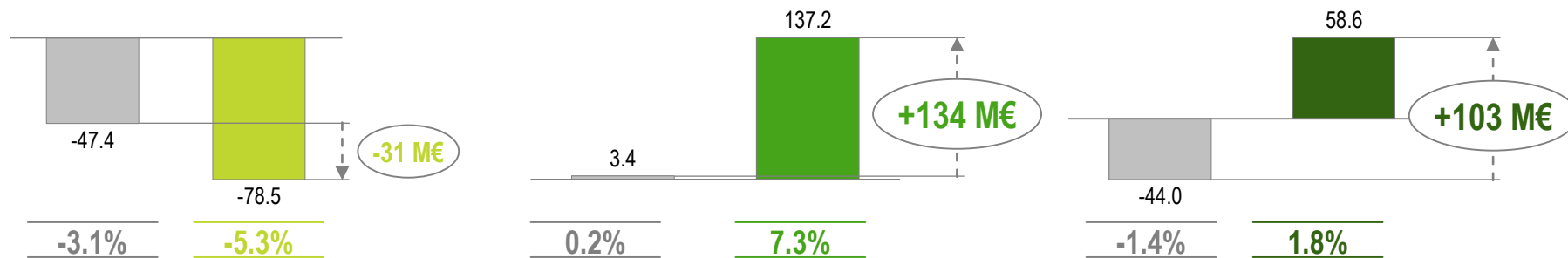
2nd Half

Full Year

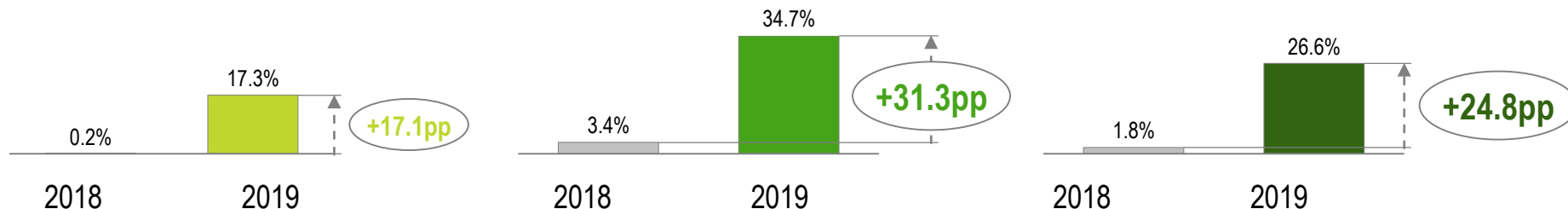
EBITDAR¹
EUR million



Operating Result (EBIT)
EUR million

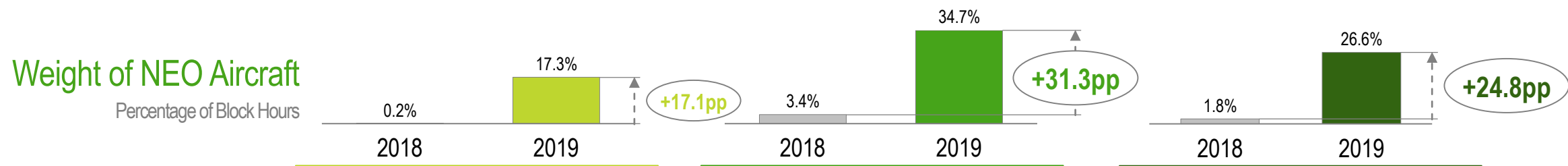
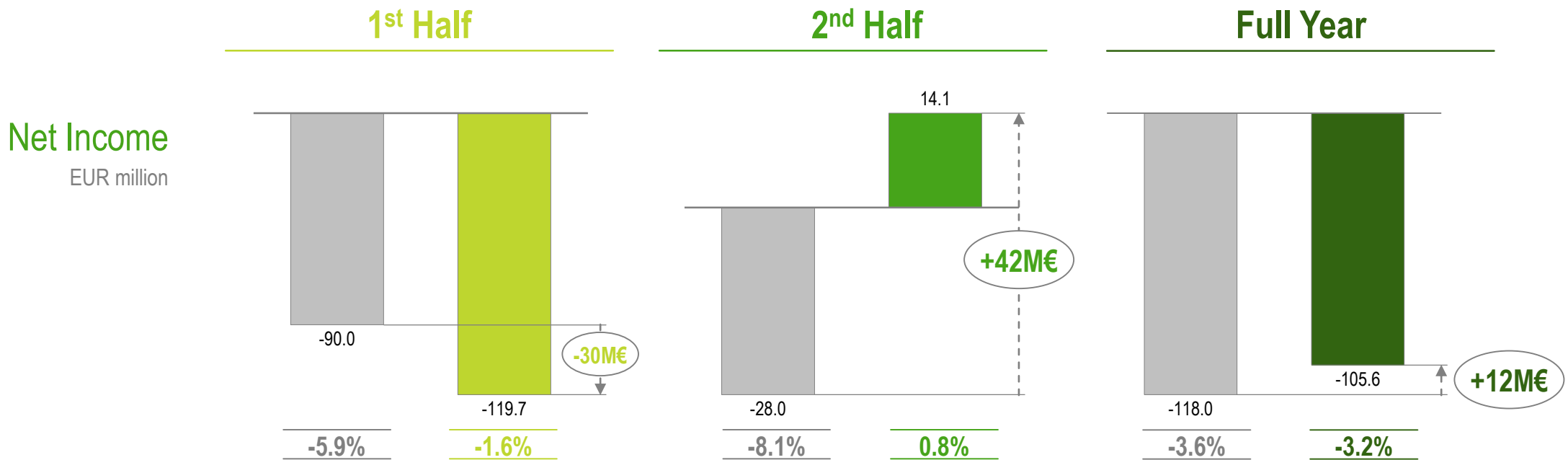


Weight of NEO Aircraft
Percentage of Block Hours



1. EBIT + Depreciation, amortization and impairment losses + Aircraft rents

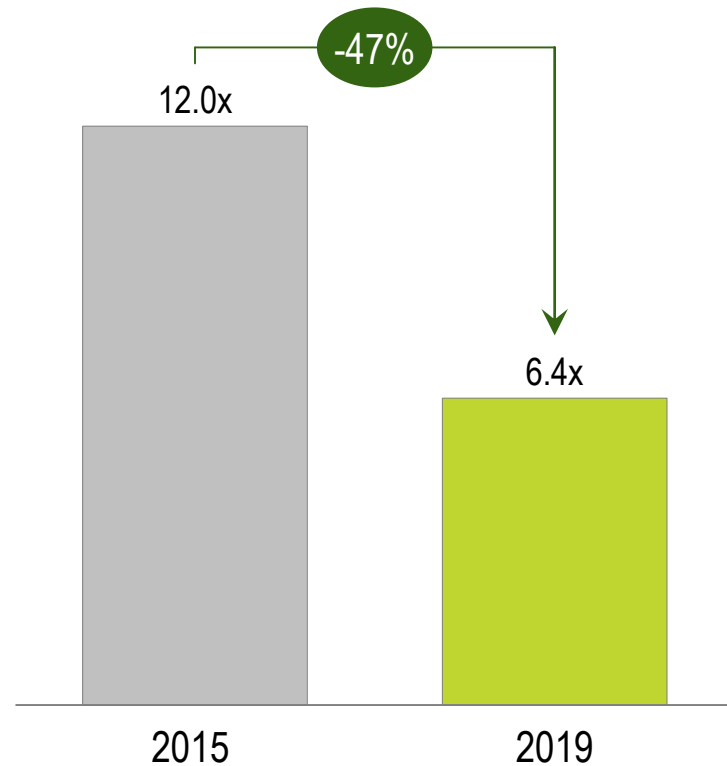
2H19 with positive net income



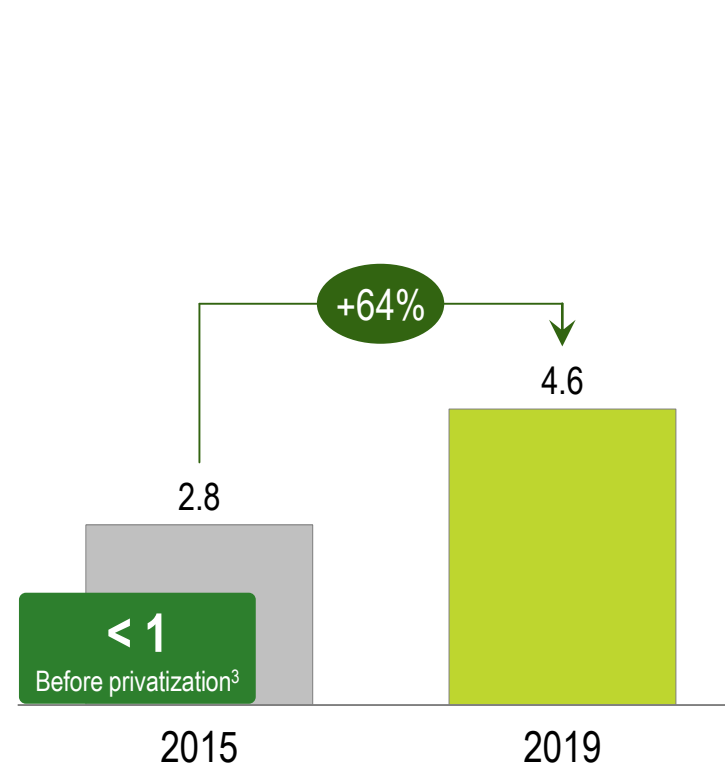
% margin

TAP reduced debt burden to nearly half, increasing average maturity

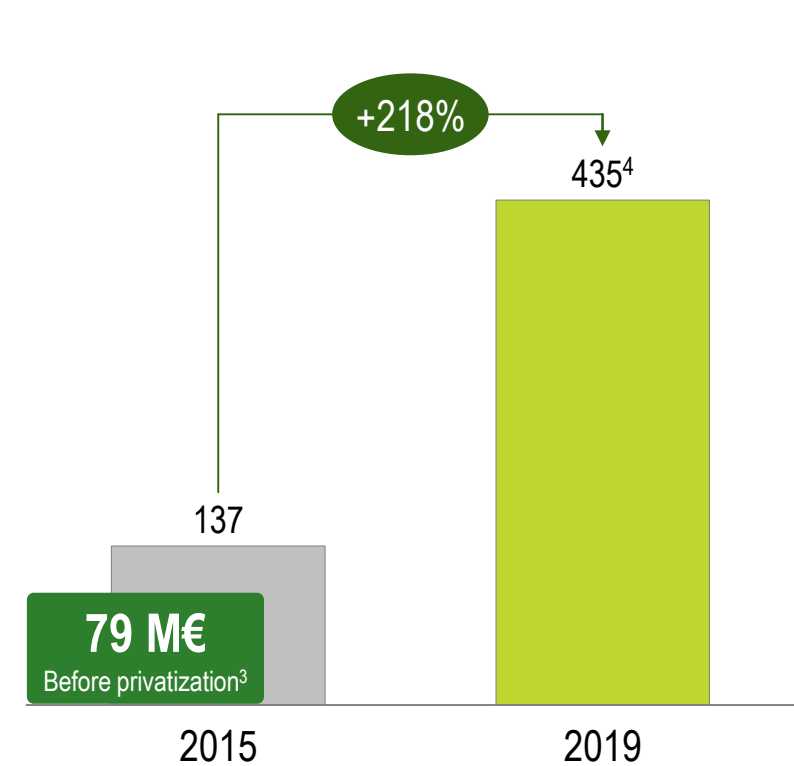
Reduction of debt burden by 40%
Net Leverage (Net Debt/Adjusted EBITDAR)¹



Debt maturity increased to 4.6 years
Average maturity of debt (years)²



Strengthening of cash position
Cash & cash equivalents (EUR million)



1. Net Leverage includes capitalized aircraft rents 7x, and excludes convertible bonds; 2. Excludes operational leaseings
3. November 2015; 4. If bank overdrafts were considered, the cash balance would amount to 434 M€



Agenda

1. Transformation update

2. 2019 Results

3. Priorities for 2020



Priorities for 2020

- > Consolidate investment in the North American market
- > Expand sales originated in Europe
- > Improve revenue management processes
- > Stabilize headcount and training process of pilots and crew
- > Continue to invest in internal satisfaction improvement
- > Improve operating margin
- > Further strengthen the Company's balance sheet



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