

Transportes Aéreos Portugueses, S.A.

1H2020 Results Presentation

September 2020



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This document shall be read jointly with TAP’s First Half 2020 report available in www.tapairportugal.com.

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This document may contain forward-looking information and statements, based on management’s current expectations or beliefs. Forward-looking statements are statements that shall not be interpreted as historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that can cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, in the airline industry, in competition and in economic conditions. Forward-looking statements may be identified by words such as “believes”, “expects”, “anticipates”, “projects”, “intends”, “should”, “seeks”, “estimates”, “future” or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, and, generally, all the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that can cause actual results and developments to differ materially from those expressed in, or implied or projected by the forward-looking information and statements. All the recipients of this document are cautioned not to put undue reliance on any forward-looking information or statements. TAP does not undertake any obligation to update any forward-looking information or statements.

As a result of the impacts of COVID-19 pandemic in the operational activity of TAP, the impairment tests of some of the non-current assets carried out in December 2019 should be reviewed. Due to the uncertainty on the evolution of the Company’s activity in the long run, resulting from factors beyond its control, as well as the approval by the European Commission of a State Aid, through a loan, which requires the presentation of restructuring plan within 6 months (if the financing is not reimbursed within that period), a long term business plan still has not been approved by the Company, being its preparation currently ongoing. In this context, the unaudited financial statements of the first half of 2020, do not reflect potential impacts from the recoverability analysis of non-current assets, that would be carried out, would there be a long-term business plan. Notwithstanding, the Company considers that given the approval by the European Commission of the State Aid by the Portuguese State and the formalization of that State Aid through the signing of a financing agreement, namely between TAP (as borrower) and the Republic of Portugal (as lender), on 17th July 2020, for the granting by the Portuguese State of an interest-bearing loan of up to EUR 946 million (to which an additional amount of EUR 254 million can be added, although the Portuguese State is not bound to make such additional amount available), it is possible to conclude for the preparation of the financial statements based on the principle of business continuity. See additional information on Note 1.1. of the Notes to the Financial Statements of June 30, 2020.

Agenda

1. Operations 1H2020

2. Measures to Preserve Cash

3. Financials 1H2020

4. Latest Developments



Health Safety

Health Safety has been put at the forefront of our customers' and staff's journeys

> Strong commitment with the Health Safety of our clients and staff

- > Implementation of guidelines from relevant authorities in close coordination with UCS¹
- > Permanent adjustment of contingency plan according to the epidemiological situation, adapting staff procedures and focusing on prevention

> Boarding

- > Contactless boarding
- > Mandatory mask usage – for both crewmembers and customers

> During the flight

- > Crew is trained to identify and handle COVID-19 suspected cases
- > Vertical air recycling system fully renews cabin air every 2-3 minutes
- > HEPA cleaning filters guarantee air quality – filters extract 99.9% of even the smallest viruses
- > Simplified on-board service, by favoring the use of packaged and sealed products

> General

- > Additional cleaning procedures specific for COVID-19
- > Disinfection protocols at every aircraft arrival and deep cleaning at the end of each day



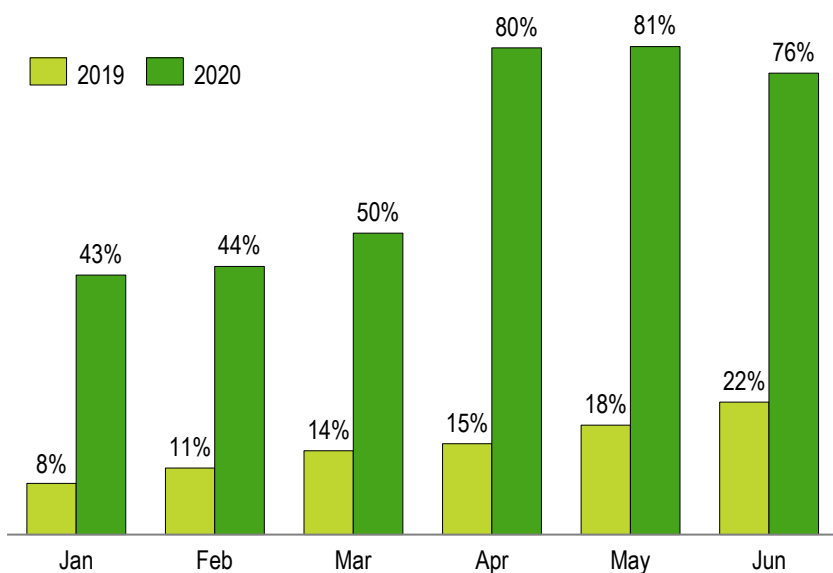
1. UCS is Group TAP's Health Care Unit.

Environmental and Social Responsibility

TAP implemented several initiatives to support the community and the environment since the early stages of the pandemic

Significantly higher NEO aircraft utilization

Percentage of BH flown with NEO aircraft



NEO aircraft

- NEO fleet was heavily used during **1H20**, given the significant fuel savings – being responsible for **46% of BH** during this period.
- During 1H20, **CO₂ per kilometer fell by 5%**, YoY.

Social

- **Repatriated over 12,000 passengers** in over **60 repatriation flights** across Europe, Africa, and South America.
- Operated **24 humanitarian flights to China** (mostly **medical cargo**).
- TAP M&E produced and **donated over 5,000+ visors (face shields)**.
- Between April and July, **TAP donated 450,000+ food items**.

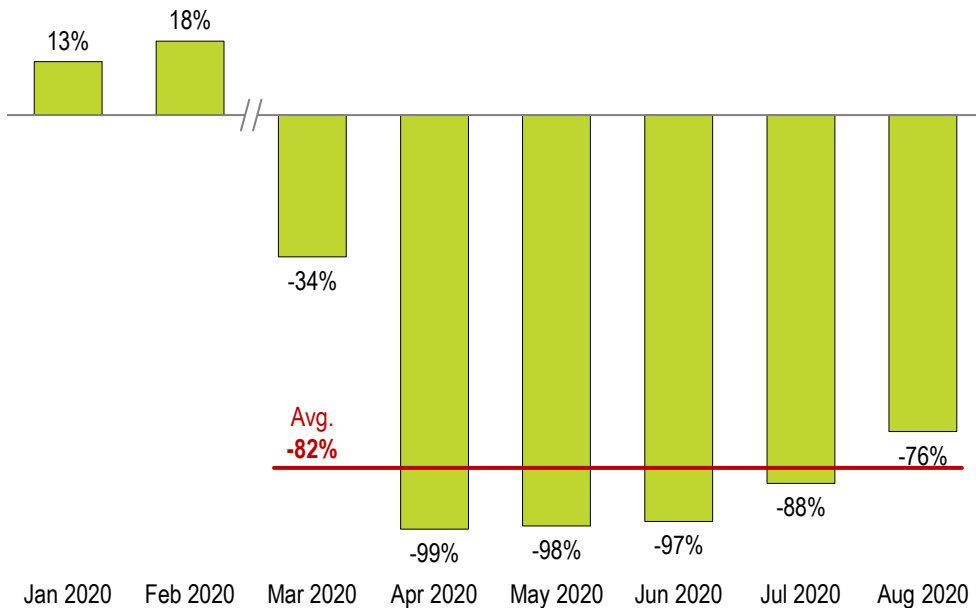
Capacity Adjustment

TAP reacted rapidly to the crisis by significantly cutting capacity, leading to a substantial drop in variable costs. Liquidity preservation has played a key role in our conservative capacity recovery.



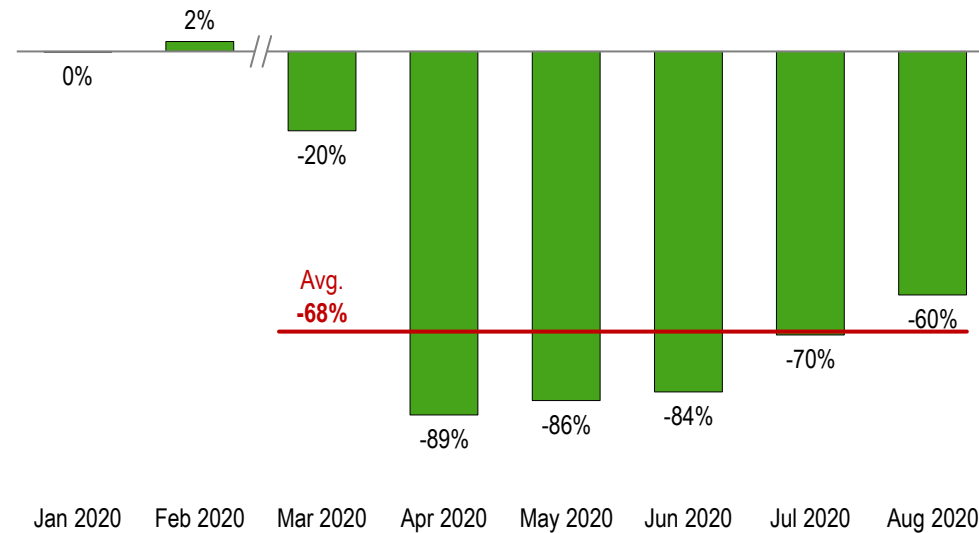
TAP's capacity

Change in ASK of TAP's network, YoY



Industry capacity from and/or to Europe

Change in ASK of all flights with origin and/or destination in Europe, YoY¹



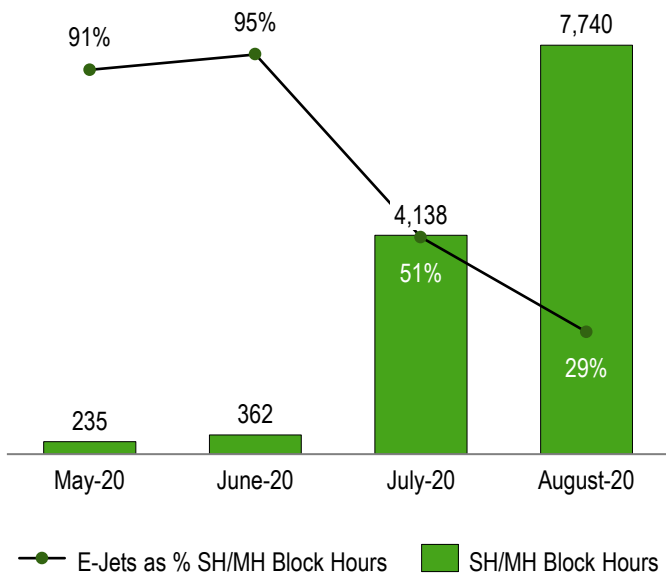
1. Source: SRS Analyzer.

Diversified Fleet

E-Jets and A321LR NEOs have played an increasingly important role in TAP's strategy, representing a strong competitive advantage in a low-demand environment

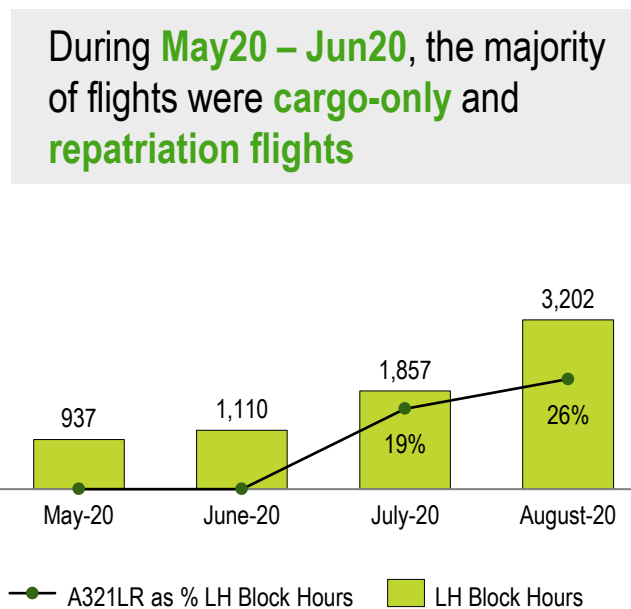
Evolution of E-Jets Usage

Short/Medium-Haul Block Hours



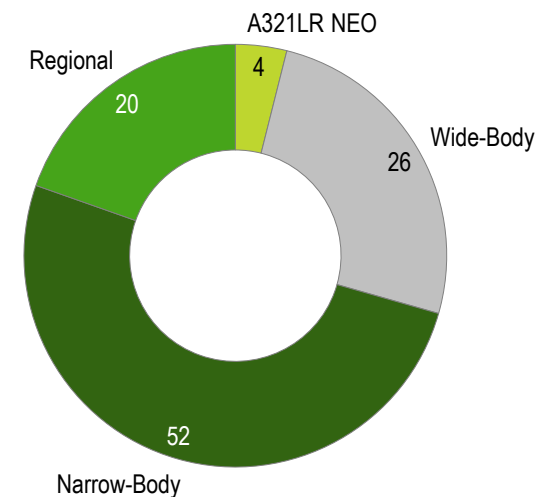
Evolution of A321LR NEO Usage

Long-Haul Block Hours



Fleet¹

Number of aircraft (June 30, 2020)



1. Fleet available for operations as of June 30, 2020.

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COVID-19 - Measures to Mitigate Adverse Impact and Preserve Cash

Several initiatives were undertaken to mitigate adverse impact and preserve cash

CAPEX and Working Capital

Deferral of non-critical CAPEX decisions

Working capital adjustment with renegotiation of payment terms with suppliers

Reduction in non-essential expenditures

Sales

Commercial incentives to customers to accept vouchers instead of cash reimbursements

TAP's loyalty program (Miles&Go) managed to sustain and increase revenues in an extremely adverse environment

Personnel

Suspension of new hires and promotions

Non-renewal of temporary employment agreements

Implementation of programs for temporary unpaid leave

Temporary Layoff according to Decree-Law 10-G/2020, of March 26

Network & Fleet

Negotiations with lessors to defer payments and adjust rents to the current market environment

Agreement with Airbus to delay deliveries

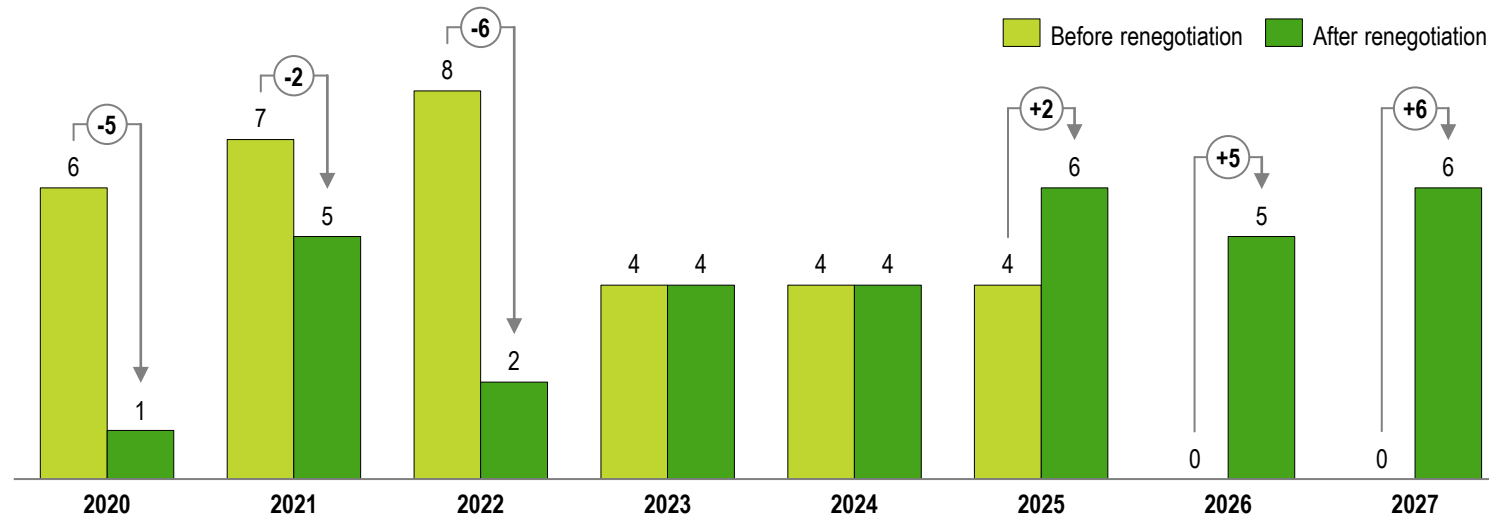
Fleet flexibility using the right aircraft to the right market

Capacity deployment (upgauge/downgauge) across markets in order to better match demand

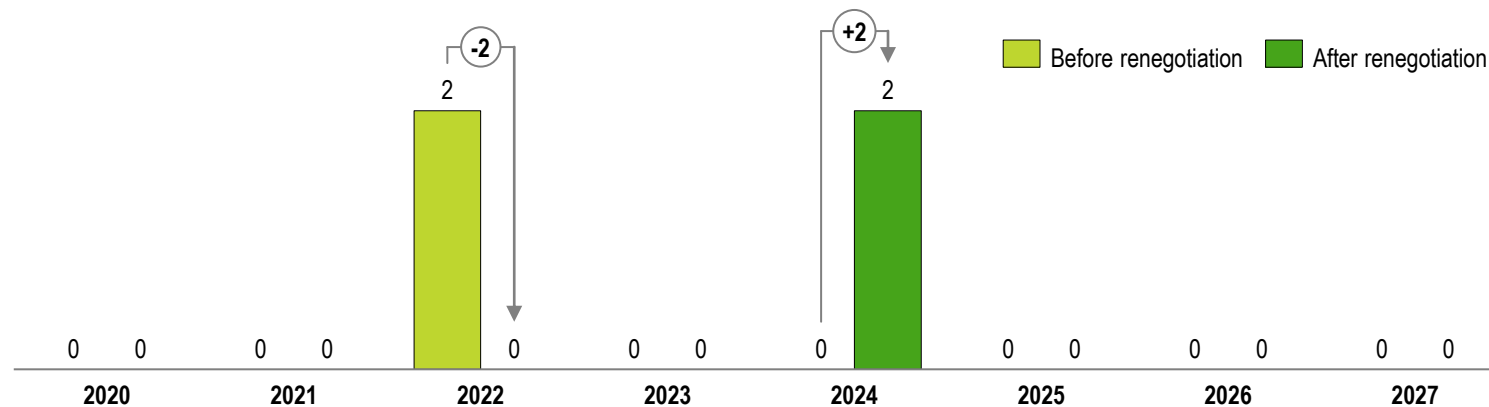
Aircraft Deliveries Renegotiated with Airbus

Deferring delivery of 15 new generation aircraft will reduce cash outflows by USD 1.0 billion in 2020-22

A320 NEO Family
Number of aircraft deliveries



A330 NEO
Number of aircraft deliveries

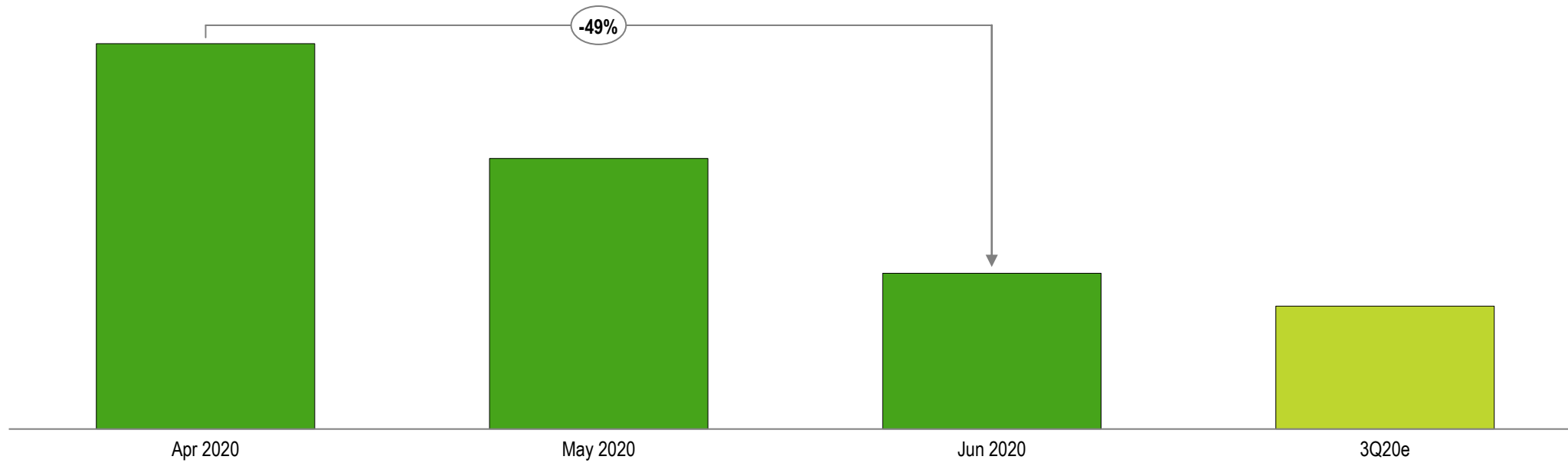


Cash Flow

TAP's cash burn since April has fallen consistently

Average Daily Cash Burn

EUR million



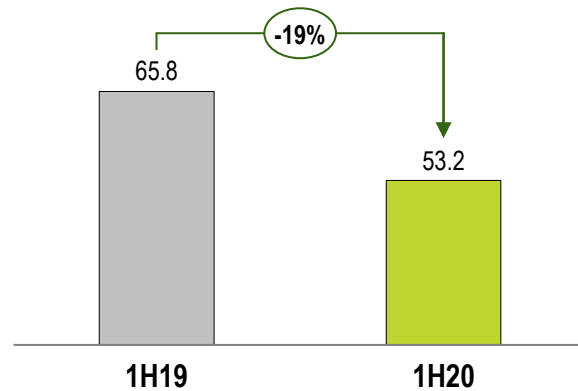
Tactical Focus on Cargo

Cargo business partially mitigated passenger decrease despite also being negatively impacted

TAP AirCargo

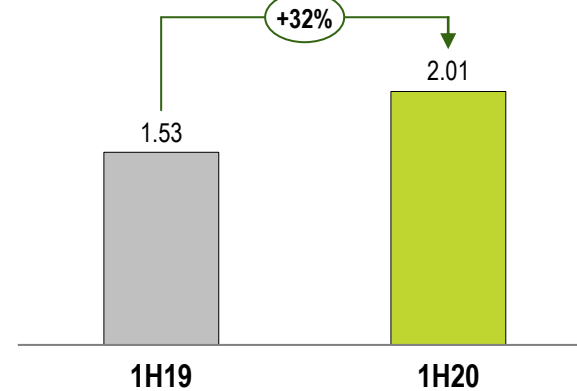
Operating Revenue

EUR million



Cargo Yield

EUR cents



- Despite the decrease in operating revenue during 1H20, **TAP's cargo yield increased significantly** (+32%, YoY).
- **Charter flights** were responsible for **27% of TAP Air Cargo's operating revenue in 1H20** – which partially offset the decrease in revenue from cargo in passenger flights (using “belly” capacity).
- Converted **2 A330 NEO** into **cargo-only aircraft**, by removing all economic class seats.



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2. Measures to Preserve Cash

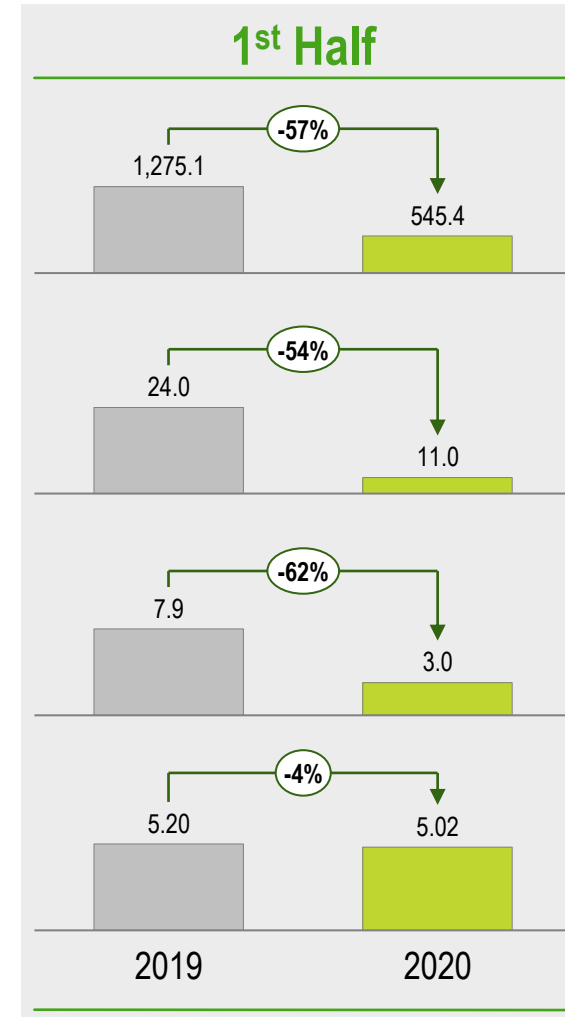
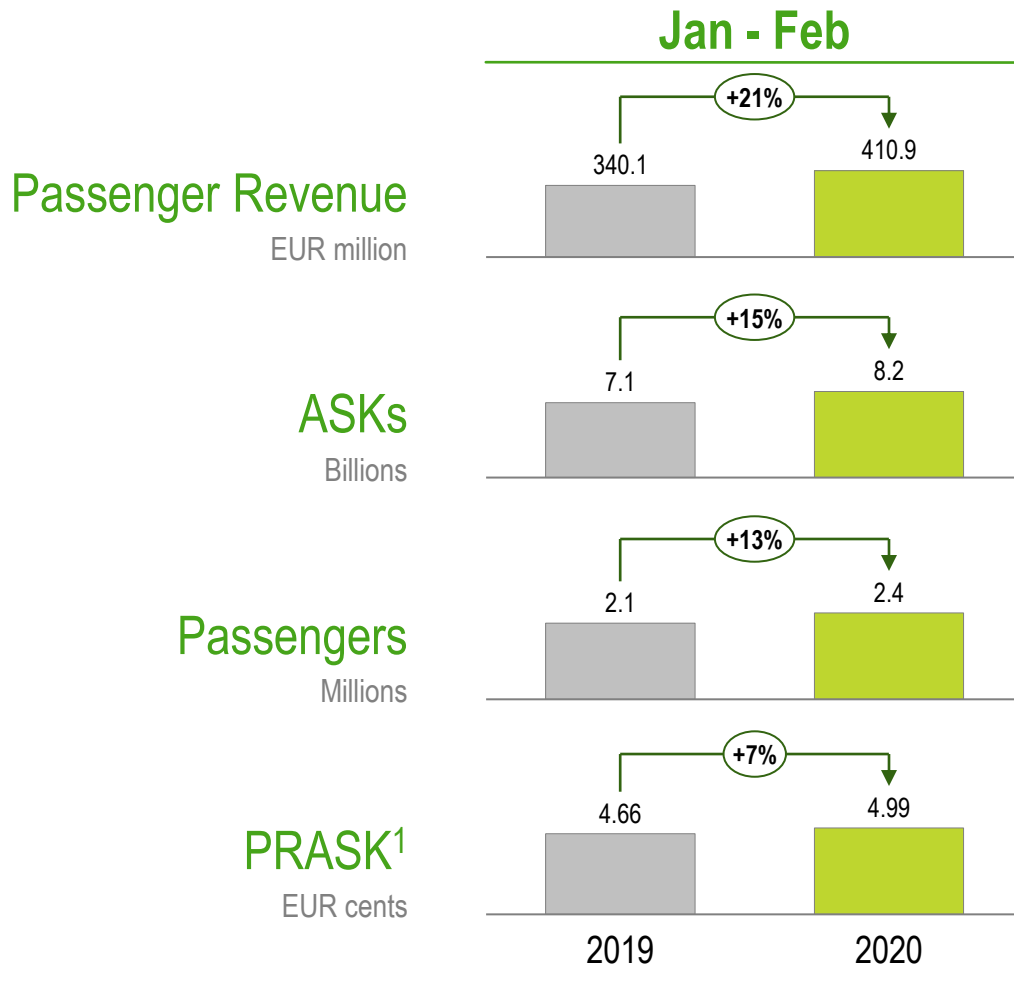
3. Financials 1H2020

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Operating Performance

Positive trend of Jan-Feb offset by unprecedented drop in passenger demand on the back of travel restrictions



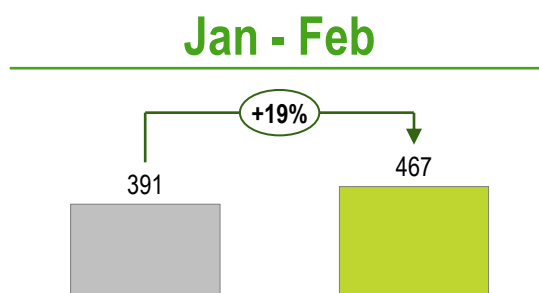
1. PRASK adjusted for average stage length.

Main Financial Indicators

Positive trend of Jan-Feb offset by unprecedented drop in passenger demand on the back of travel restrictions

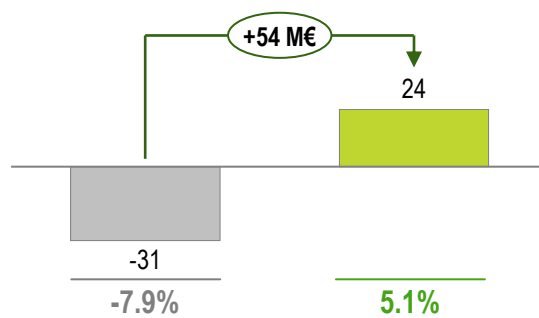
Total Operating Revenue

EUR million



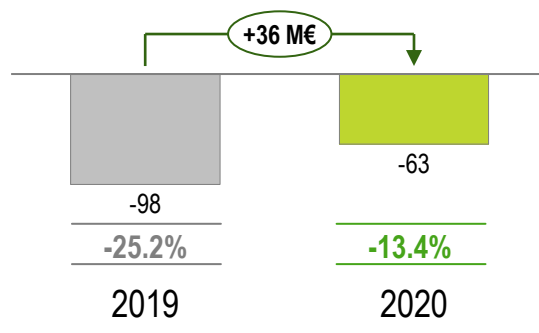
EBITDA¹

EUR million

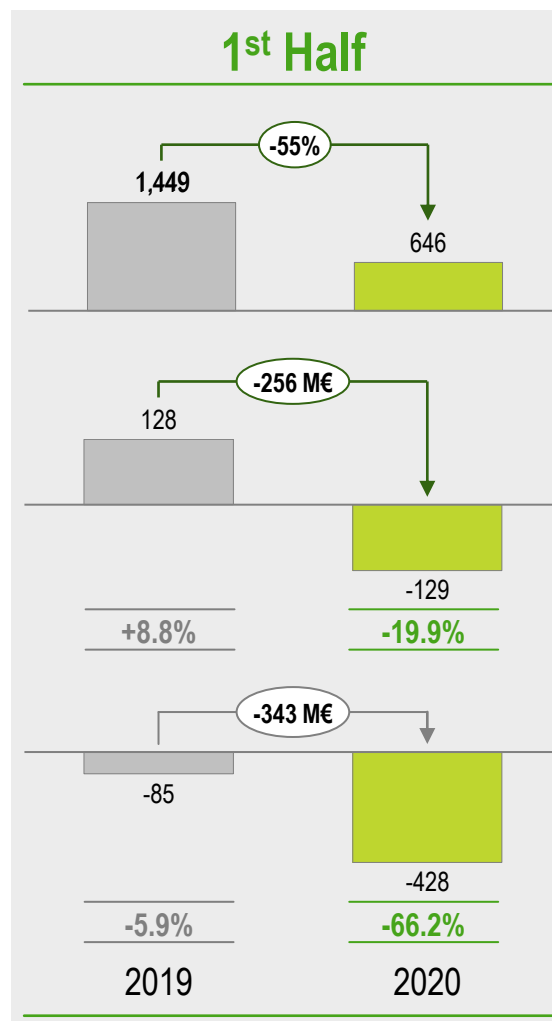


Operating Result (EBIT)

EUR million



1st Half



% Margin as % of Total Operating Revenue

1. EBITDA = EBIT + Depreciation, amortization and impairment losses.

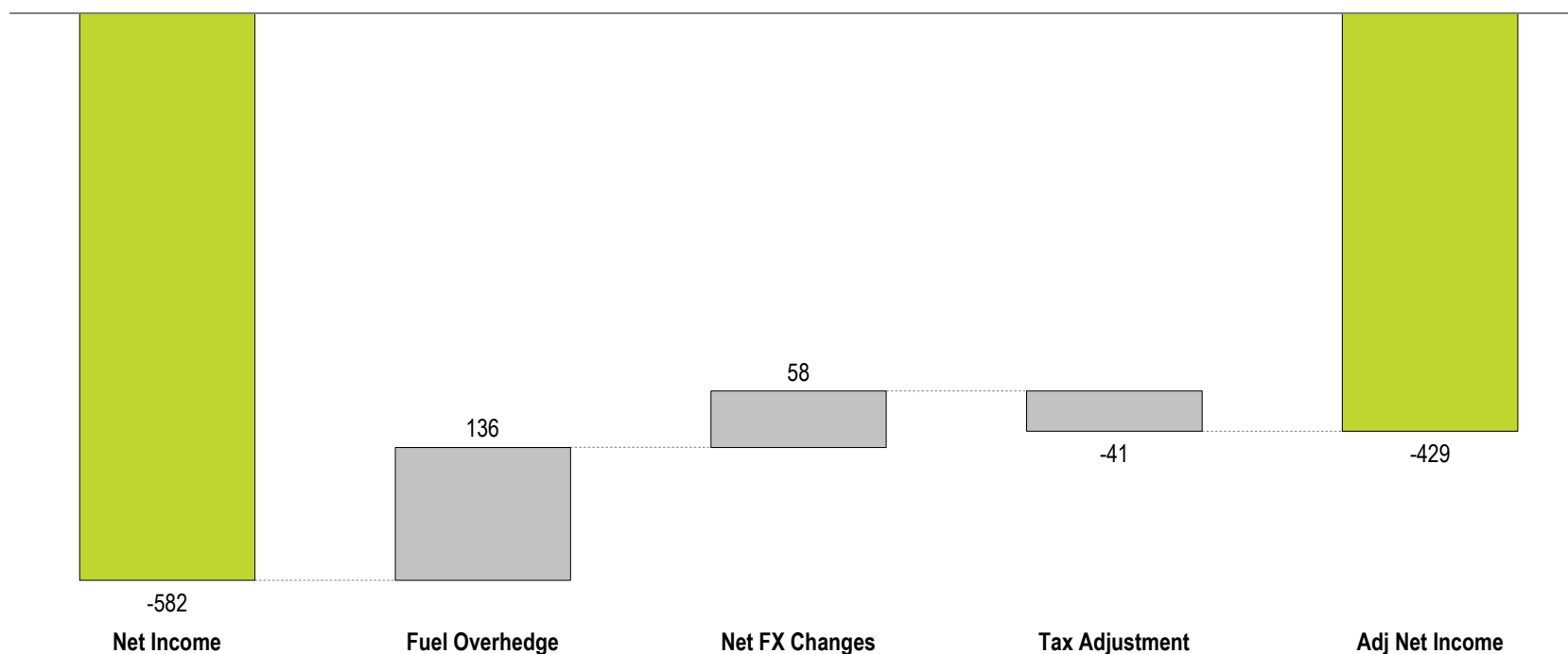
Net Income

Fuel and FX market volatility coupled with decrease in activity led to non-operational accounting charges¹



1H20 Net Income Adjusted for Impact of COVID-19 on Non-Operational Items

EUR million



1Q20	EUR million
Net Income	-395.0
Overhedge + Net FX Changes	250.8
Tax Adjustment	-25.7
Adj Net Income	-169.9

2Q20	EUR million
Net Income	-187.0
Overhedge + Net FX Changes	-56.6
Tax Adjustment	-15.7
Adj Net Income	-259.3

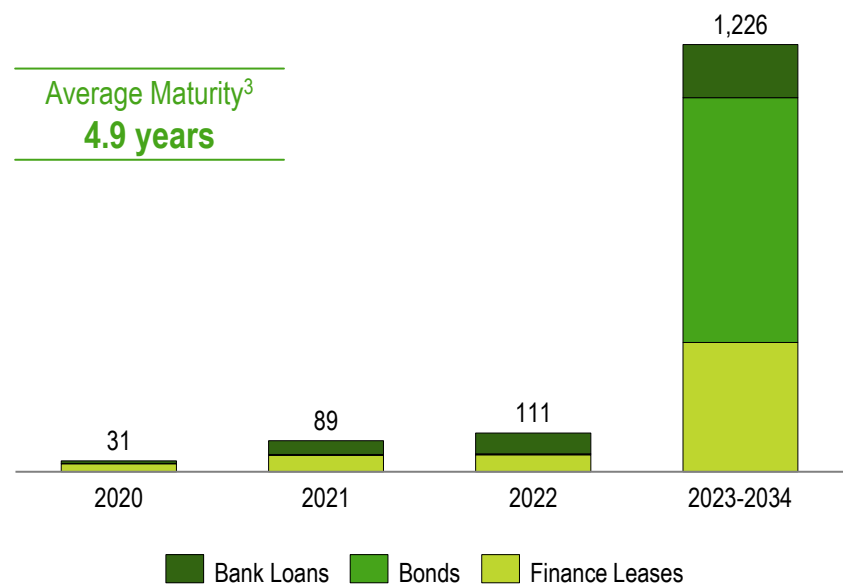
1. Impact of fuel hedging also in Equity.

Financial Debt Profile

A significant part of TAP's gross financial debt will only be amortized from 2023 onward

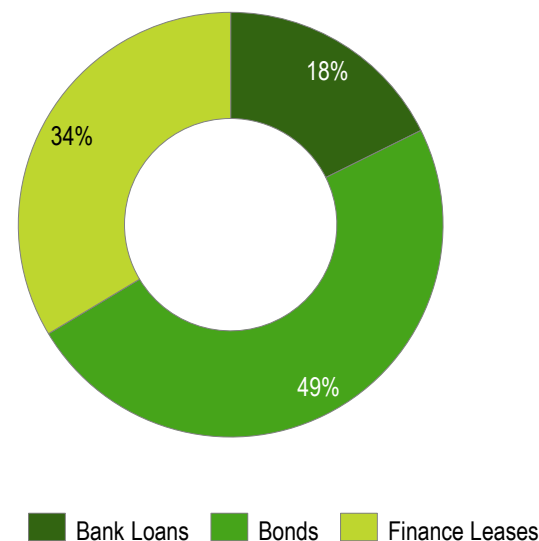
Debt Amortization Schedule^{1,2,3}

As of June 30, 2020
EUR million



Financial Debt Breakdown^{1,2}

As of June 30, 2020
EUR million



As of June 30, 2020, over **75%** of TAP's financial debt to be amortized from 2023 onward

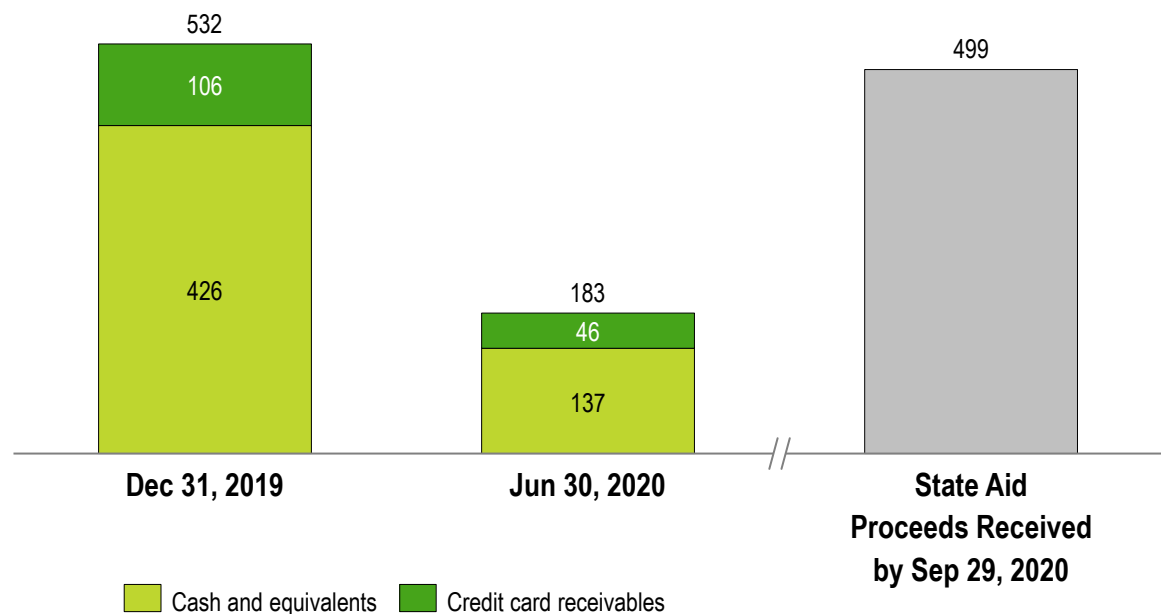
1. Gross Financial Debt, excluding operating leases and accruals and deferrals. 2. Debt amortization schedule does not reflect the interest-bearing loan of EUR 946 million granted to TAP by the Portuguese State, as the first tranche of this loan in the amount of EUR 250 million was only made available on July 17, 2020. 3. Differs from maturity schedule in 1H20 financial statements, adjusting for a waiver to be formalized. Considering the schedule in the 1H20 financial statements, the average maturity of Gross Financial Debt would be 4.0 years.

Liquidity Position

TAP's solid cash position prior to the crisis coupled with cash preservation initiatives promptly implemented allowed the company to navigate the turbulence until State aid was received

Liquidity¹

EUR million



- TAP's liquidity position as of June 30, 2020 was **EUR 183 million** (including credit card receivables from Brazil).

Subsequent events:

- The **first tranche** in the amount of **EUR 250 million** of the interest-bearing loan of EUR 946 million granted by the Portuguese State was received on July 17, 2020.
- The **second tranche** in the amount of **EUR 224 million** of this loan was received on July 30, 2020 and the **third tranche** of **EUR 25 million** on August 31, 2020.

1. Liquidity position as of June 30, 2020 ("1H20") does not reflect the interest-bearing loan of EUR 946 million granted to TAP by the Portuguese State, as the first tranche of this loan in the amount of EUR 250 million was only made available on July 17, 2020.

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Subsequent Events

The Government Aid approval by European Commission as of June 10 had subsequent steps



Financing

- Granting of an **interest-bearing loan of EUR 946 million** by the Portuguese State to TAP Group (to which can be added an **additional amount of EUR 254 million**, although the Portuguese State is not bound to make such additional amount available) to be received in tranches. The first tranche was received on **July 17, 2020**.



Shareholders

On **July 16, 2020** the following agreement was announced:

1. The acquisition by the Portuguese State of shareholdings, economic rights and part of the supplementary capital contributions held by Atlantic Gateway SGPS, Lda., so that the **Portuguese State holds a total shareholding of 72.5%**¹;
2. The transfer to **HPGB, SGPS, S.A.** of **22.5% of the share capital** and voting rights of TAP SGPS, and the supplementary capital contributions in TAP SGPS, held by Atlantic Gateway SGPS, Lda.²;



Governance

- **Ramiro Sequeira, TAP's COO** was appointed by the Portuguese Government **as the interim CEO on September 17, 2020** in place of Antonoaldo Neves.

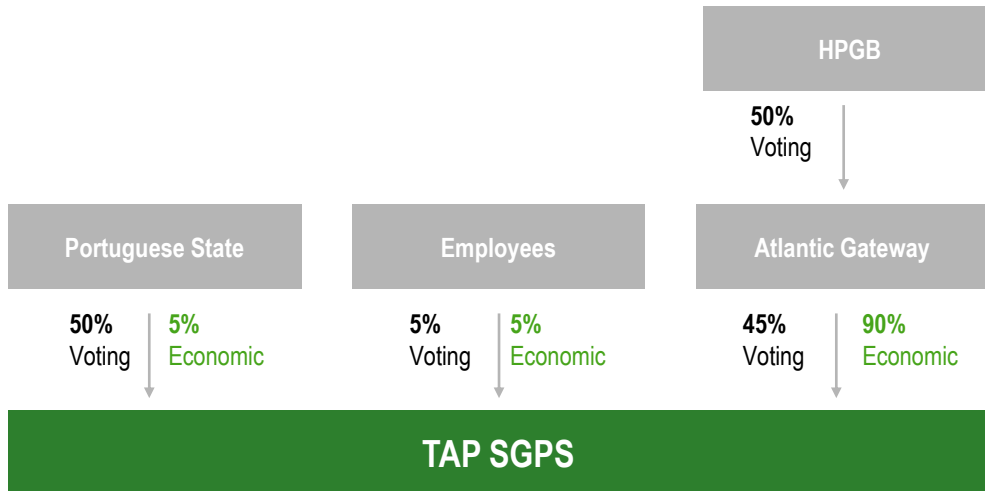
1. Direct and indirect stakes through the Directorate General of Treasury and Finance / Parpública. 2. Moreover, Azul, S.A. agreed to waive its conversion right as holder of convertible bonds issued by TAP SGPS (EUR 90 million).

Subsequent Events – TAP's New Shareholder Structure

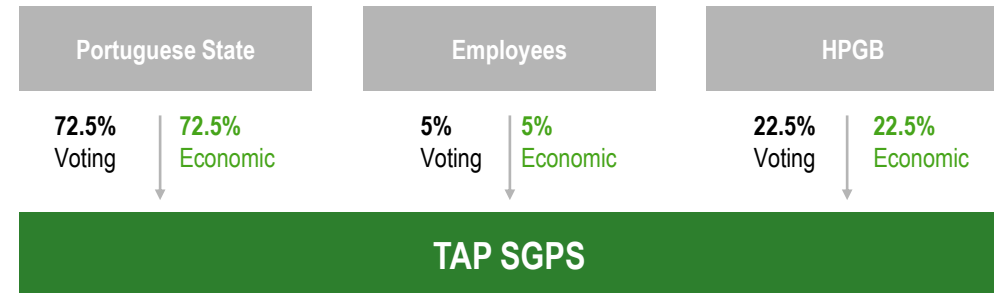
Portuguese Government will acquire an additional 22.5%, owning 72.5% of TAP SGPS



Shareholder Structure before Transaction



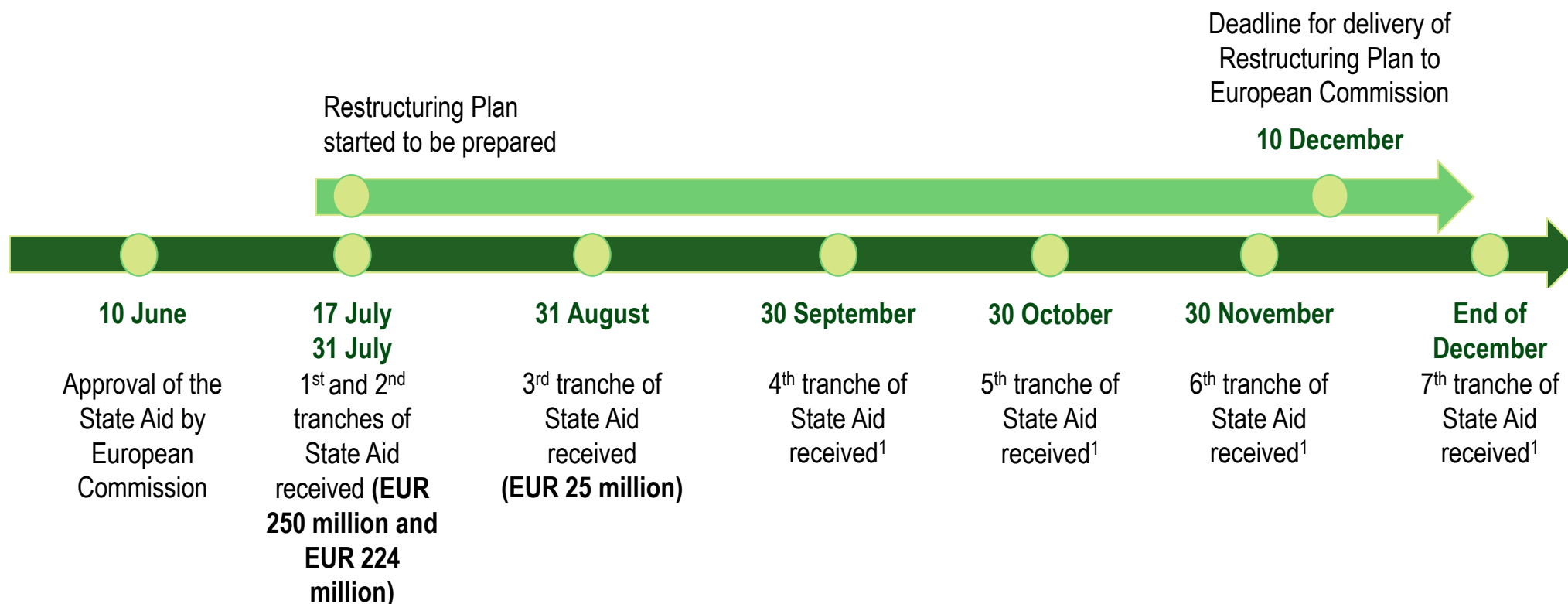
Shareholder Structure after Transaction



Subsequent Events – State Aid and Restructuring Plan

TAP already received EUR 499 Million of the State Aid and Restructuring Plan is underway

- The disbursement of the tranches of the interest-bearing loan granted by the Portuguese State is following the planned schedule and TAP has already received a total of EUR 499 million.
- A restructuring plan guaranteeing the long-term viability of the company is currently being prepared, to be submitted to the European Commission by December 10, 2020.



1. Subject to the fulfilment of the relevant conditions.



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