



First Half 2023 Results Presentation



Transportes Aéreos Portugueses, S.A.

Lisbon, August 30th, 2023

1H 2023 Review

Luís Rodrigues,
Chief Executive Officer

TAP AIRPORTUGAL



Strong results due to solid commercial performance

- **Record results in the 1H with historical positive net income**, driven by strong Q2 results
- **Record performance in revenue and yield** supported by key markets
- **Consistent positive operating results** to minimize volatility and uncertainty
- **Capacity restored** despite operating less aircraft and operational challenges being fixed
- **Ongoing** and further **deleveraging**
- **New Executive team** fully committed in delivering results



TAP recording a historical positive net income in 1H

Revenues

2Q 2023 vs. 2Q 2022

EUR 1,070m +29%

1H 2023 vs. 1H 2022

EUR 1,906m +44%

Recurring EBITDA

Margin

EUR 242m +54%
22.6%

EUR 362m +57%
19.0%

Recurring EBIT

Margin

EUR 135m +181%
12.6%

EUR 124m >1,000%
6.5%

Net Income

EUR 80m +EUR 161m

EUR 23m +EUR 225m

Strong performance particularly on key long-haul markets

North America

ASKs % vs.1H22	+11%
Yield % vs.1H22	+32%
Load factor 1H23	82%
Load factor vs.1H22	+5.5 p.p.

Europe

ASKs % vs.1H22	+19%
Yield % vs.1H22	+8%
Load factor 1H23	79%
Load factor vs.1H22	+5.8 p.p.

South America

ASKs % vs.1H22	+32%
Yield % vs.1H22	+18%
Load factor 1H23	85%
Load factor vs.1H22	+6.0 p.p.

Africa & Middle East

ASKs % vs.1H22	+23%
Yield % vs.1H22	+11%
Load factor 1H23	69%
Load factor vs.1H22	+2.4 p.p.

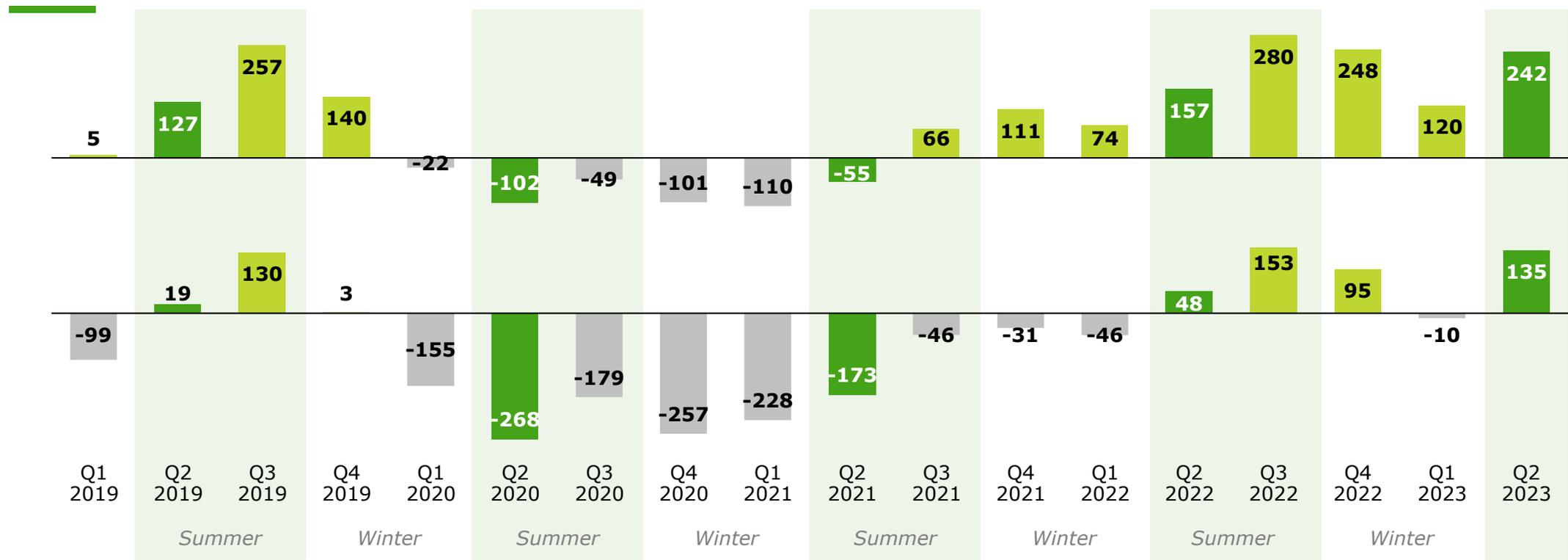
Flown allocatable passenger revenues (fare, fuel surcharge and flight related ancillaries)

TAP minimizing volatility with recurrent positive operating results

Recurring EBITDA and EBIT

€ Millions

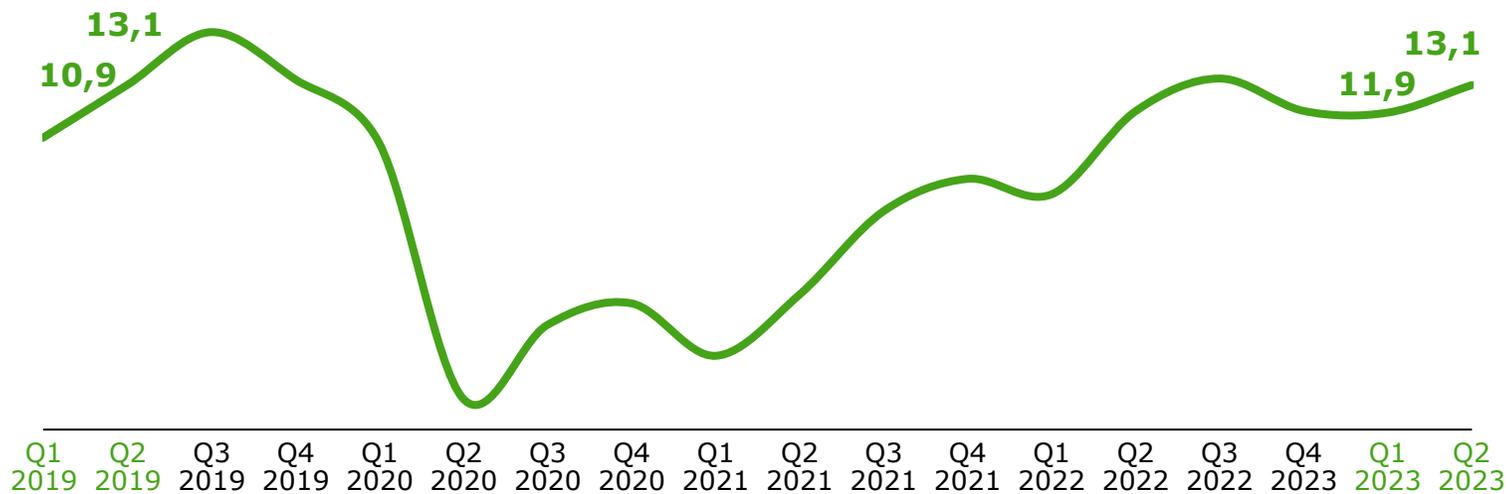
8th consecutive quarter with positive EBITDA, supporting TAP positive trajectory



2019 ASK capacity fully restored in 2023

Evolution of capacity since Q1 2019

ASK Millions



- ✓ **TAP has fully restored its pre-crisis ASKs capacity in the 1H23**, with total capacity representing 104% of 1H19 values
- ✓ This has been achieved through a **fleet up-gauge** and a **network strategic redefinition**, since TAP is **operating less aircraft** than in 2019 (96 vs 106)
- ✓ **Summer 2023** off to a **good start with punctuality up +14 p.p.** vs July 2022

ASK includes flights operated by TAP and ACMIs

New Executive team, highly motivated and fully committed



LUÍS RODRIGUES
Chief Executive Officer



GONÇALO PIRES
Chief Financial Officer



MÁRIO CHAVES
Chief Operations Officer



SOFIA LUFINHA
Chief Customer Officer



MARIA JOÃO CARDOSO
Chief Maintenance Officer



MARIO CRUZ
Chief Commercial & Revenue Officer

2Q and 1H 2023 Results

Gonçalo Pires,
Chief Financial Officer

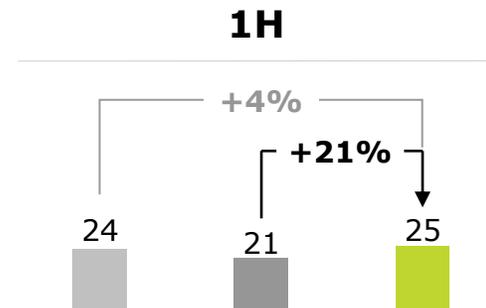
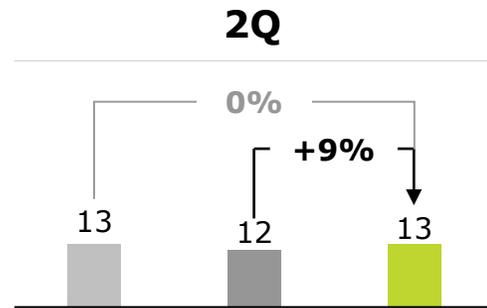
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Pre-crisis capacity restored with other metrics recovering

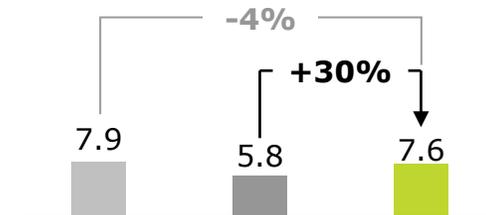
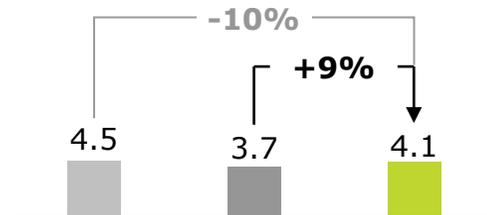
ASKs

Billions



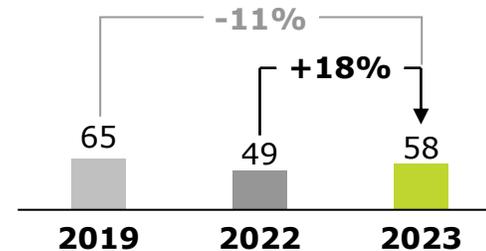
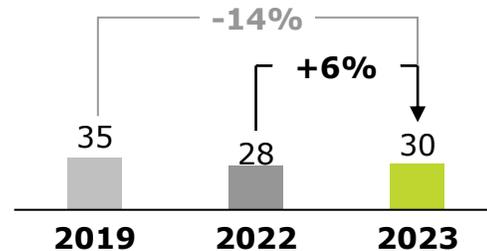
Passengers

Millions



Departures

Thousands



Comments

Despite smaller fleet, ASKs reached 100% and 104% of 2019 levels in 2Q and 1H

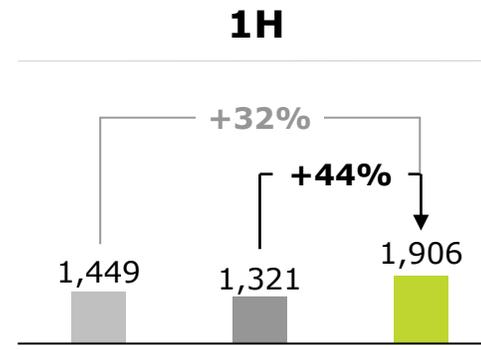
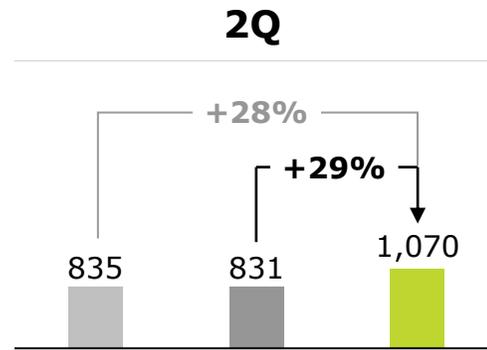
Growth in number of passengers versus 2022, reaching 90% and 96% of 2019 levels in 2Q and 1H

86% and 89% of 2019 departures achieved in 2Q and 1H

Record revenues growth based on strong RASK

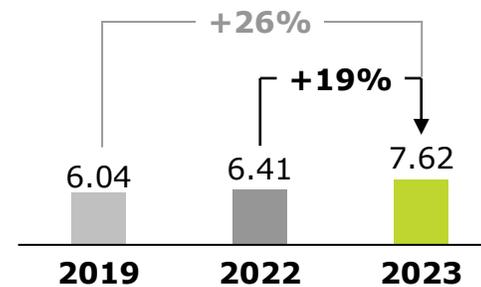
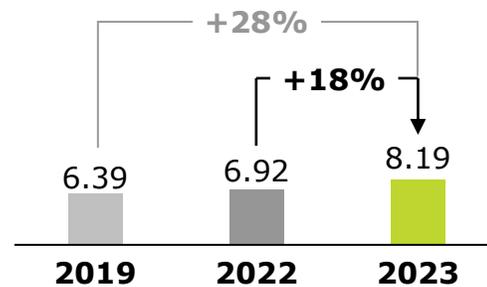
Total operating revenue

EUR Millions



RASK

EUR cents



Comments

Revenues grew significantly and were 28% above pre-crisis level in 2Q and 32% above in 1H

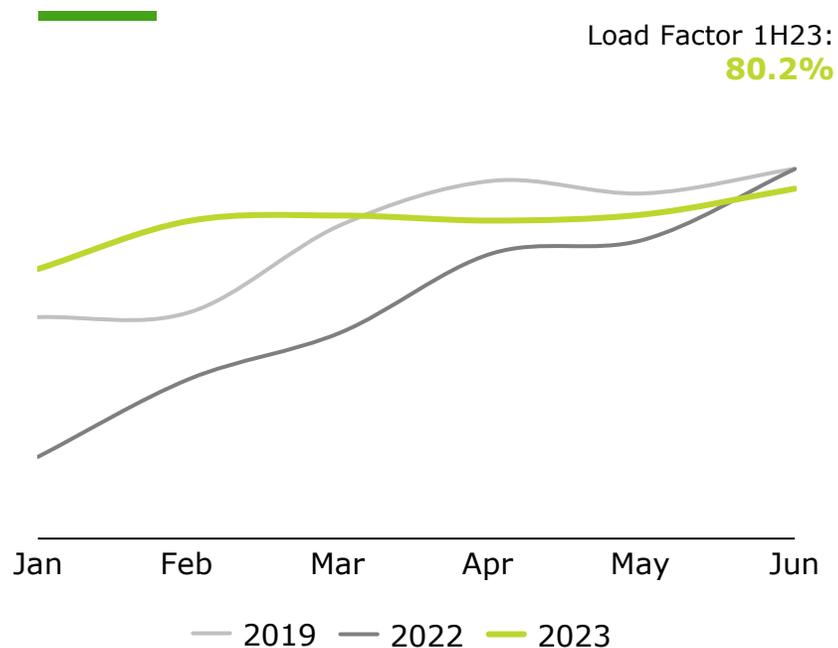
Passenger business represents about 90% of total revenues

Unit revenues clearly above 2019 and 2022 levels driven by higher yields and strong load factors

Revenue driven by stable load factors and higher yields

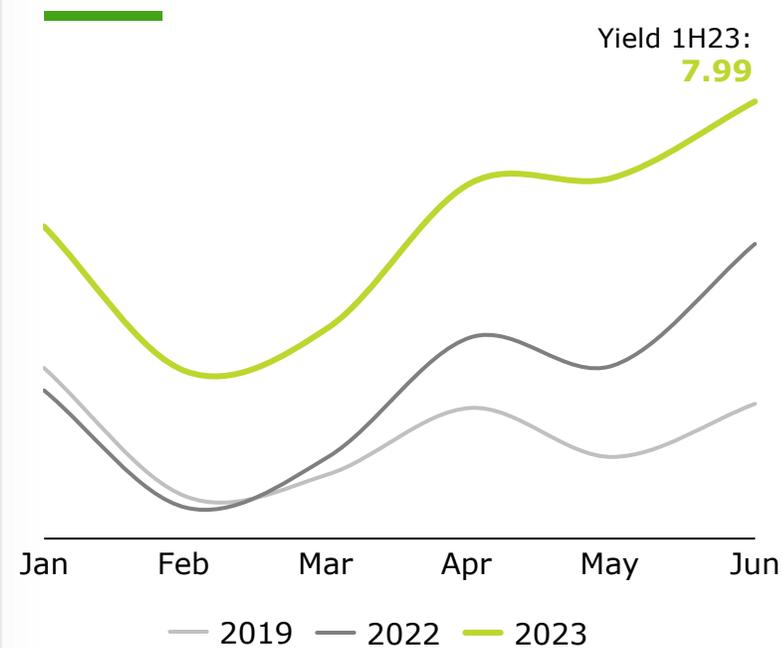
Load factors

In %



Yields

In EUR cents



Comments

Load factors stabilizing across the semester with a slight increase in the summer months

Yields with a significant growth being on average about 20% above 2022 and 25% above 2019

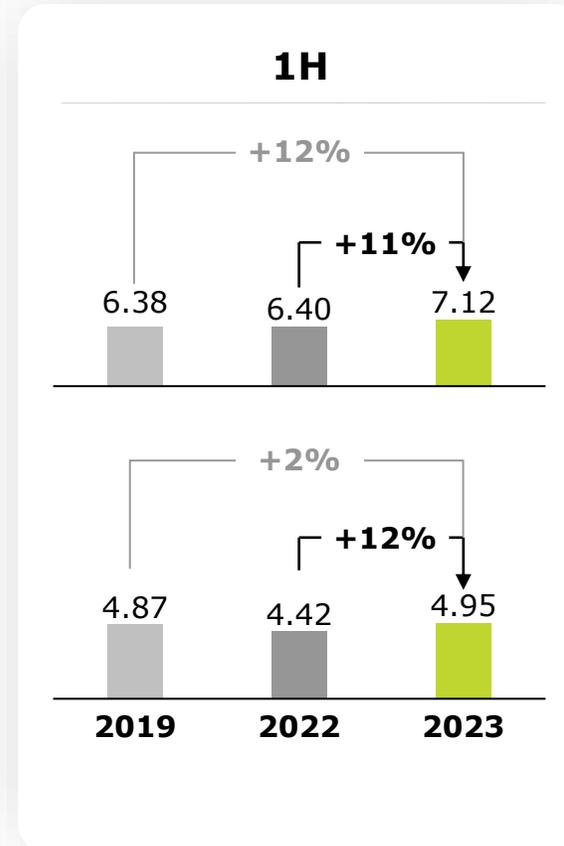
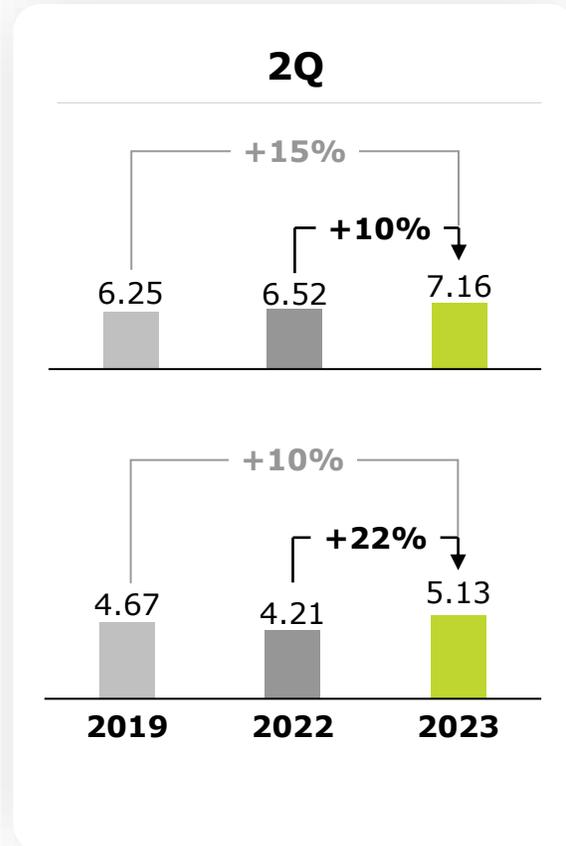
Unit cost increase to restore capacity and operational performance in an inflation scenario

Recurring CASK

EUR cents

Recurring CASK ex-fuel

EUR cents



Comments

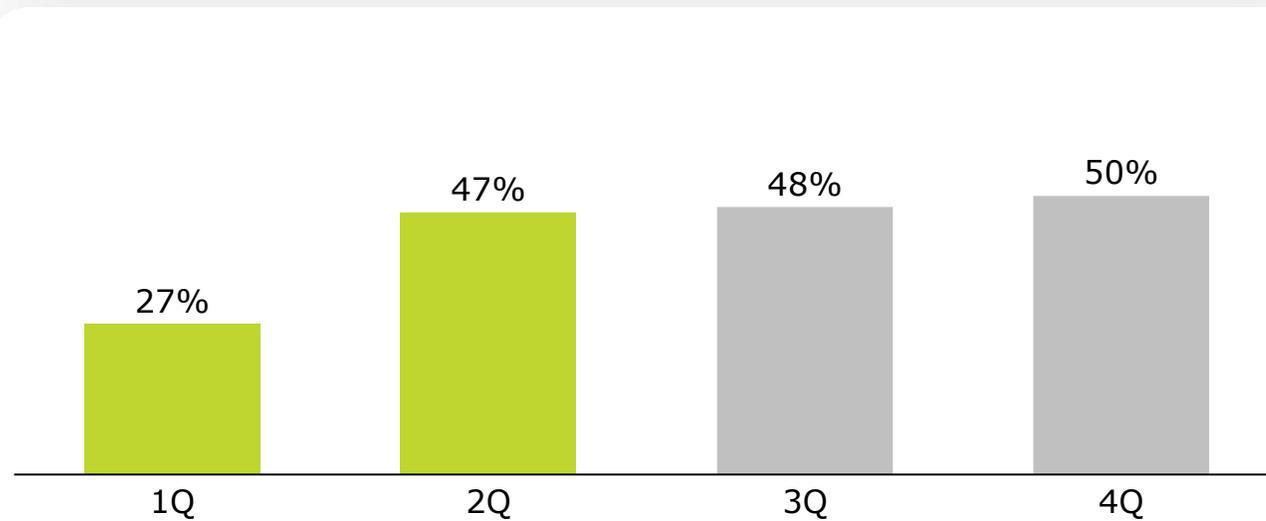
Year-on-year CASK development impacted by further increased fuel prices, supply costs, employee costs and backlog of operational/IROPS challenges

CASK ex-fuel increased slightly versus 2019, mainly due to higher unit traffic costs and D&A

FY 2023 expected fuel costs at EUR 1bn

Fuel Hedging

Hedge ratio



Expected volume
(in k tons)

1Q	258	287	314	286
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Blended rate¹
(in EUR / t)

1Q	882	763	830	819
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Comments

TAP pursues a flexible hedging strategy based on a combination of statistical market model and fundamental analysis

Current hedge ratio for the full year is around 44%, with 2H 2023 protection levels at c.50%, in line with hedging policy thresholds in place

1. Based on forward jet fuel prices and forward FX rates as of August 23, 2023.

Operating profits increase with strong margins

Recurring EBITDA¹

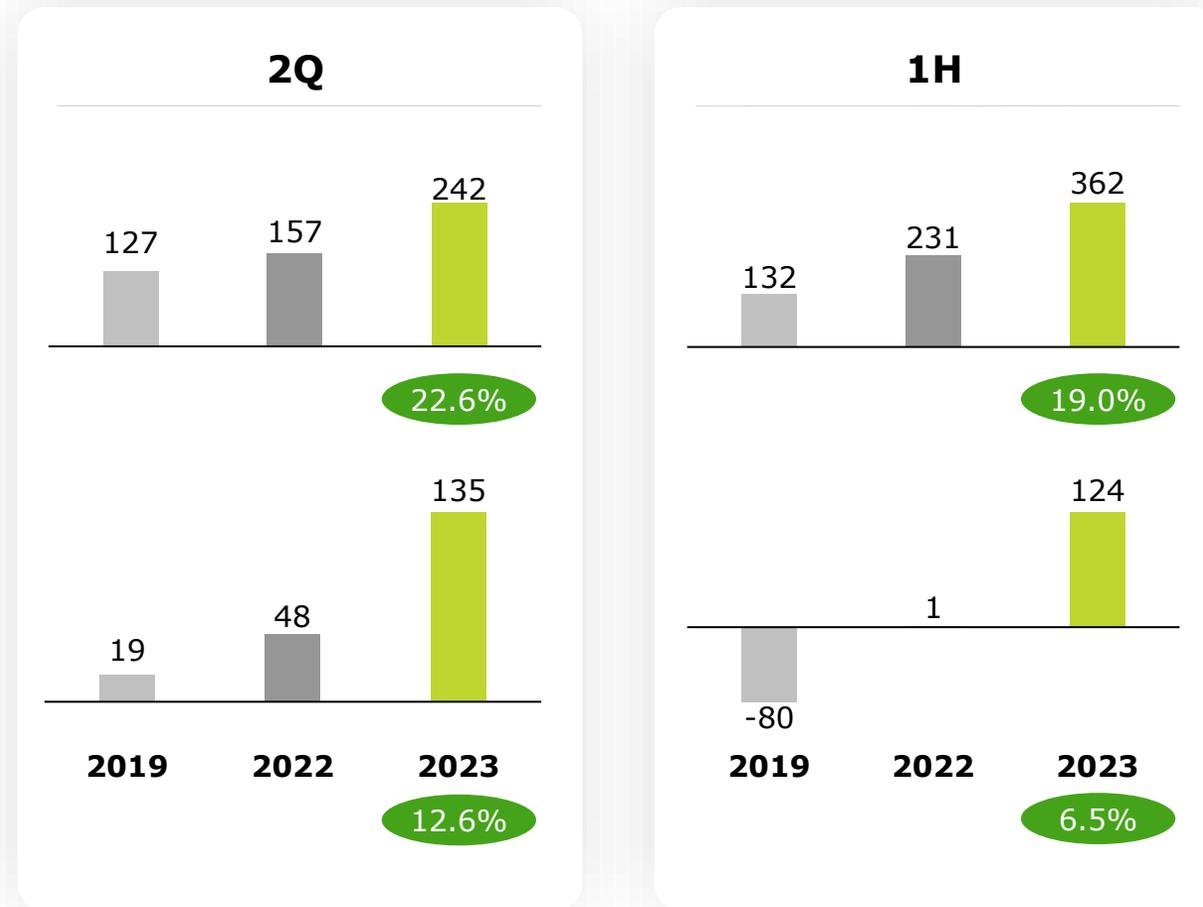
EUR million

Margin

Recurring Operating Result² (EBIT)

EUR million

Margin



Comments

Operating profits significantly higher than pre-crisis, namely 1H EBIT due to an improved commercial performance

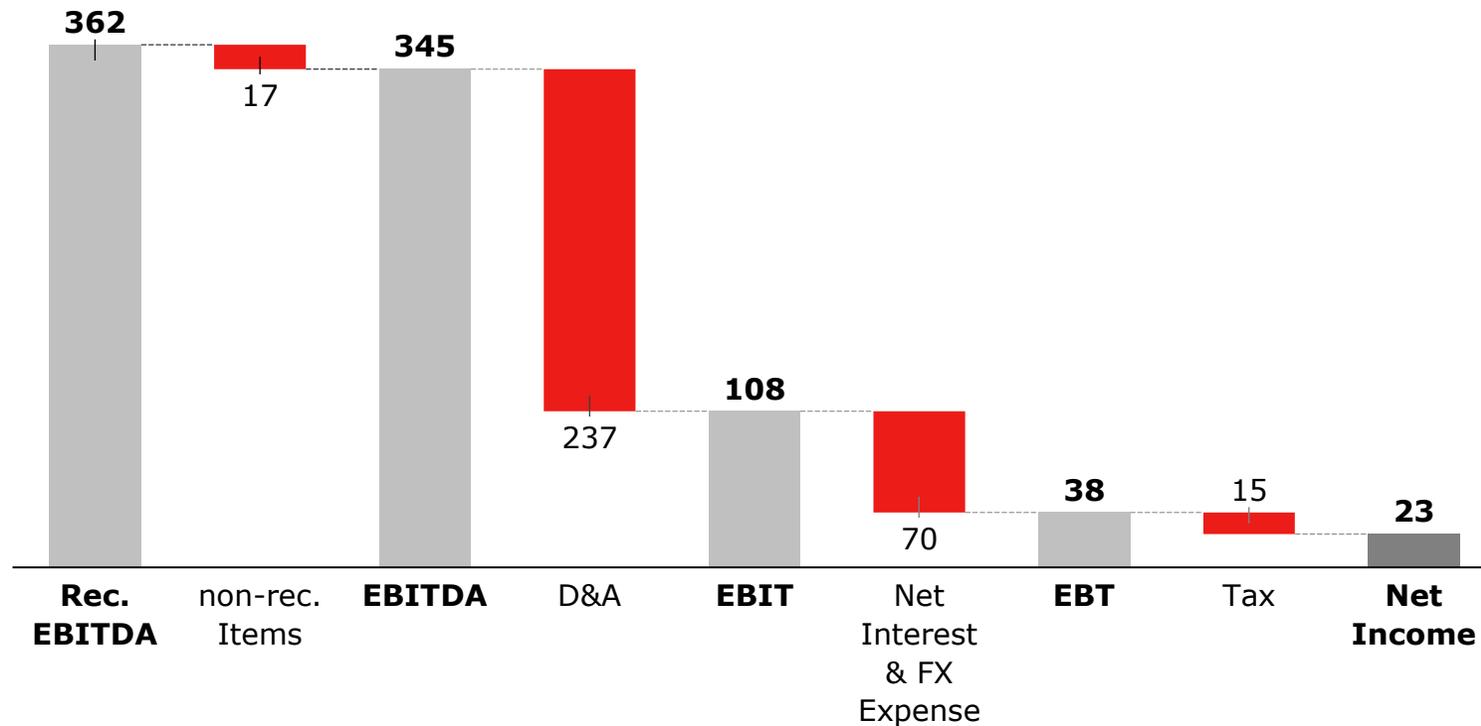
1. Recurring EBITDA = Operating Result + Depreciation, Amortization and impairment losses + Restructuring + Other Non-Recurring items

2. Recurring EBIT = Operating Result + Restructuring + Other Non-Recurring items.

Record positive net income achieved

1H 2023 Net Income bridge

EUR million



Comments

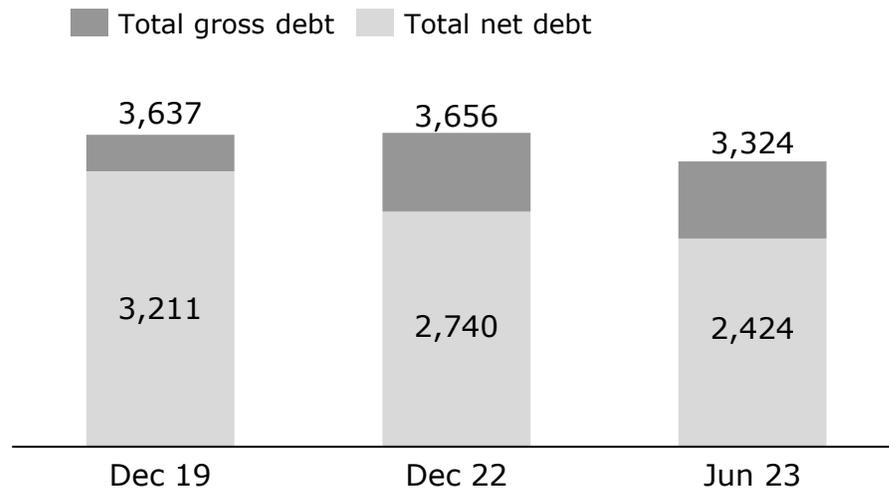
Strong commercial performance, despite cost increase, enabled a record positive net income

Positive effect from currency movements due to hedging strategy in the context of financial risk management

Debt reduction and deleveraging ongoing

Financial debt position

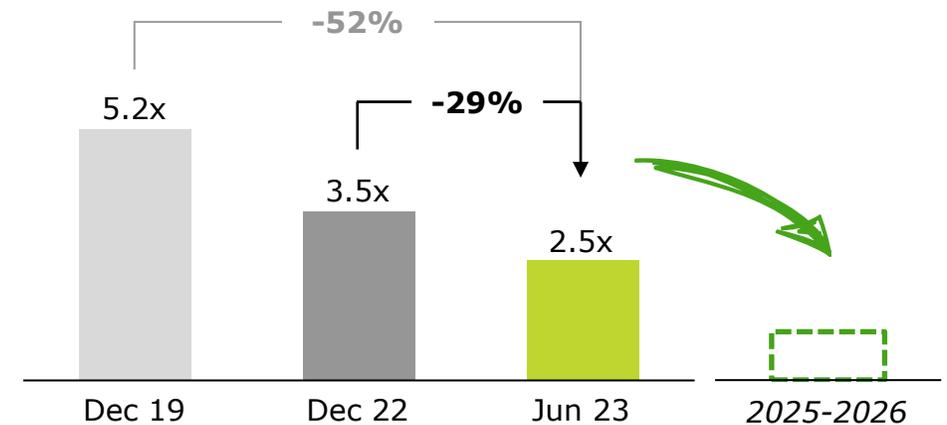
EUR million



- Decrease in gross debt related to Bond payment in EUR 200m
- 73% of debt is fixed rate

Leverage

Net debt / EBITDA¹



- Driven by net debt reduction aligned with improved profitability
- Continued deleveraging in place

1. Net Debt / EBITDA = Net financial debt + Lease liabilities without purchase option - Brazil flown receivables / Recurring EBITDA trailing 12 months

Positive trend in credit rating analysis

Credit Rating evolution

S&P / Moody's



"Moody's upgrades TAP's CFR to B2; outlook changed to positive"

"The upgrade of TAP reflects both the **strong improvement in operating profitability** of the company since Moody's last upgrade in April 2022 and the concomitant **improvement in credit metrics.**"

Moody's, 04 Apr 2023

"TAP Affirmed At 'B+' On Contemplated Privatization; Outlook Stable"

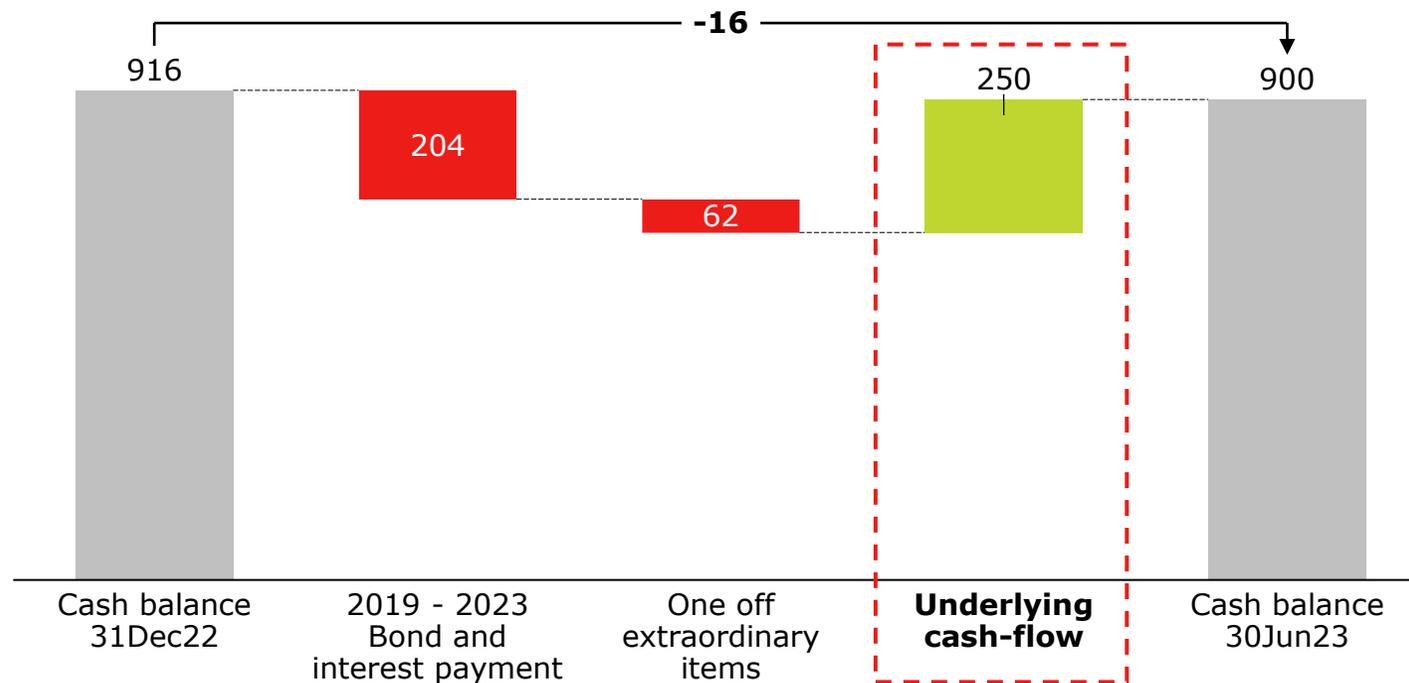
"We **revised up** our **SACP** on the airline to 'b' from 'b-', driven by our view that leverage will be sustainably lower."

S&P Global, 27 Apr 2023

Strong cash flow generation

Liquidity

Cash & Equivalents, EUR million



Comments

Strong underlying cash-flow due to good operational performance, almost offsetting the impact of repayment of the 2019-2023 bonds and its interests as well as the one-off extraordinary items

Outlook

**Luís Rodrigues,
Chief Executive Officer**

TAP AIRPORTUGAL



Strong outlook for a stronger future



Teams reengaged with most **CLAs signed**



Booked load factors remain strong



Yields growing on key markets in comparison to previous year



Transformation and efficiency projects **under deployment**



Cost reduction and **operational efficiency improvement** through OEM contracts renegotiation, namely with Rolls-Royce



Forward looking in MRO and Sustainability

Restoring leading M&E capabilities



M&E is at the heart of TAP's operations, providing MRO services to internal and external customers.



The global MRO demand is expected to grow, but challenges need to be addressed.



M&E has extensive expertise and capabilities, but can improve its positioning in the market capturing growth opportunities



M&E needs to address future market trends and dynamics to become a world-class service provider.



TAP is embarking on a strategic review of M&E to enhance capabilities and improve operational efficiency

Developing SAF strategy



SAF is a cleaner alternative to traditional aviation fuels and could be the major lever to decarbonize the aviation industry.



TAP is committed to sustainability and aims to attain net-zero carbon emissions before 2050.



TAP is reinforcing its commitment to replacing fossil fuels with SAFs, which can represent a significant reduction in CO2 emissions over its life cycle.



TAP carried out the first flight in Portugal fueled with SAF in July 2022.



The company is developing a bold medium and long-term strategy and action plan to fulfill its ambitions in this field

Clear strategic roadmap in order to..

- **Improving our operations** with focus on OTP and regularity
- **Investing in our people and our customers** for increased satisfaction and engagement
- Maintaining our **focus on our key markets and strategy**
- **Capitalizing on our record results** and ensuring consistency
- Improving our **cash-flow generation** and continue our **deleverage path**

... transform TAP into a sustainably profitable airline



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Q&A

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Thank You

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