A STAR ALLIANCE MEMBER

Management Report and Consolidated Accounts

First Half 2023

Transportes Aéreos Portugueses, S.A.

TAP AIR PORTUGAL

Consolidated Management Report

First Half 2023

TAP AIR PORTUGAL

This document is a translation from the Portuguese original.
In the event of any inconsistencies the Portuguese version shall prevail.

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01

Evolution of Activity in the First Half of 2023

Introduction

- The first half of 2023 was marked by the continuation of the air transport recovery that began in 2022. Transportes Aéreos Portugueses, S.A. ("TAP", "Group" or "Company") has been recovering significantly from the COVID-19 pandemic, with capacity (measured in ASK) exceeding pre-crisis levels by 4.3% in the first half of 2023 ("1H23") and increasing by 21.4% compared to the first half of 2022 ("1H22"). The Load Factor increased by 5.5 percentage points year-on-year to 80.2% in 1H23, also improving by 0.5 percentage points compared to the first half of 2019 ("1H19").

- TAP's revenues in the first half of 2023 amounted to EUR 1,906.3 million, which represented an increase of 44.3% compared to 1H22 and an increase of 31.6% compared to 1H19, driven by higher yields along with increased capacity.

- Despite costs increase and significant operational headwinds, TAP generated a Recurring EBIT of EUR 124.5 million, with a 6.5% margin in 1H23, representing an improvement of EUR 123.1 million compared to 1H22.

- The recurring operating cost development versus 1H19 reflects TAP's ability to adapt to a challenging operating environment and a TAP's balanced approach, as the unit cost per ASK excluding fuel costs increased by 1.6% (+EUR 0.08 cents) from EUR 4.87 cents to EUR 4.95 cents.

- At the end of the first semester, and following the balance sheet deleveraging strategy, which is crucial for its financial sustainability, TAP fully reimbursed the EUR 200 million 2019-2023 Bond.

- During the first half of the year, TAP continued to negotiate with the unions with the objective of concluding the new collective labour agreements, having reached an agreement at the end of the semester with the Pilots' representatives: Sindicato dos Pilotos da Aviação Civil ("SPAC"). In addition, negotiations are underway with the representatives of the other professional categories.

Sector Environment

According to the International Air Transport Association ("IATA"), the industry continues its strong recovery from the pandemic crisis, being closer to the levels of 2019, the pre-crisis reference year. Both passenger traffic (measured in RPK) and overall capacity (measured in ASK) of the sector are expected to increase by 28.3% and 24.8% in 2023, respectively, following the increase recorded in 2022 of 64.2% and 39.6%, respectively.

The sector's dynamism is mainly due to the contribution made by the Asia-Pacific region, with an estimated traffic growth of 63.0% for 2023.

Also according to IATA, the European region will follow the trend, albeit more moderately, after having recorded a 102.0% increase in 2022, it is estimated a 19.6% growth for 2023.

Regions	Capacity (ASK) % change vs previous year			
	/ 2020	/ 2021	/ 2022E	/ 2023F
Global	**-56.6%**	**18.7%**	**39.6%**	**24.8%**
Europe	-62.3%	29.8%	68.0%	18.8%
North America	-50.3%	41.1%	29.0%	16.4%
Latin America	-59.0%	37.3%	54.0%	13.5%
Asia-Pacific	-53.8%	-6.0%	15.3%	48.5%
Africa	-62.1%	18.5%	51.0%	22.7%
Middle East	-63.0%	21.2%	67.0%	15.9%

Regions	Passenger Traffic (RPK) % change vs previous year			
	/ 2020	/ 2021	/ 2022E	/ 2023F
Global	**-65.8%**	**21.8%**	**64.2%**	**28.3%**
Europe	-69.5%	27.5%	102.0%	19.6%
North America	-65.1%	74.7%	46.0%	16.5%
Latin Amerina	-62.5%	40.5%	63.0%	14.2%
Asia-Pacifico	-62.0%	-12.8%	32.0%	63.0%
Africa	-68.2%	17.0%	84.0%	30.1%
Middle East	-72.1%	8.5%	145.0%	20.8%

Source: IATA (June 2023)

It is estimated that in 2023, global passenger revenues will increase by 27.0% compared to the previous year, while remaining 12.2% below 2019 levels. Passenger yield is forecast to be lower by 1.1% when compared to the previous year and the passenger Load Factor is estimated to increase to 80.9%, an increase of 2.2 percentage points compared to 2022 and only 1.7 percentage points below 2019 (82.6%).

Cargo revenues, which were boosted by the pandemic, are forecasted to decline by 31.4% in 2023 when compared to the previous year. CTK is estimated to decrease by 3.8% compared to 2022 and 5.5% compared to 2019, and cargo yields are expected to reflect the normalisation of the segment with a 28.6% reduction. Load Factors are also estimated to remain stable compared to the previous year, at around 67%.

Global Revenue

USD bilion	/ 2020	/ 2021	/ 2022E	/ 2023F
Passenger	**189.0**	**239.0**	**430.0**	**546.0**
Yield, % YoY	-9.1%	3.7%	9.8%	-1.1%
Load Factor, %	65.2%	66.9%	78.7%	80.9%
RPK, % YoY	-65.8%	21.8%	64.2%	28.3%
└ vs 2019		-58.3%	-31.5%	-12.2%
Cargo	**140.4**	**210.0**	**207.3**	**142.3**
Yield, % YoY	54.7%	25.9%	7.4%	-28.6%
Load Factor, %	59.5%	61.7%	66.8%	66.6%
CTK, % YoY	-9.9%	18.8%	-8.1%	-3.8%
└ vs 2019		7.0%	-1.7%	-5.5%

Source: IATA (June 2023)

Operational and Economic-Financial Performance

Preliminary Relevant Information

TAP's Board of Directors believes that the preparation of TAP's financial statements as of June 30, 2023 shall be made on a going concern basis, based on:

(i) the Approved Restructuring Plan, which foresees a gradual growth of the activity, combined with a strategy to reduce the fleet, operating costs and of investment, having been obtained in the six-month period ended 30 June 2023 and in the year ended 31 December 2022 positive operating and net results, higher than those estimated in the Approved Restructuring Plan, as well as;

(ii) the cash position of the Group of EUR 899.7 million resulting from the approved State aid measures and the positive operating cash flows of the first half of 2023 and the year ended 31 December 2022, in the amounts of EUR 675.4 million and EUR 773.8 million, respectively, with a share capital increase being subscribed and not carried out within the scope of the Approved Restructuring Plan by the sole shareholder in the amount of EUR 686 million, which payment in two tranches is scheduled for December 2023 and December 2024.

There are risks and uncertainties that should be considered when analysing TAP's financial statements as at June 30, 2023, namely those referred to in section 4 (Risk Management) below and risks and uncertainties related to (i) the ongoing collective negotiations with some groups of employees and the risk of negative impacts on operations, profitability and the company's image arising from various forms of social unrest cannot be ruled out, and (ii) the shortage of workers in the industry that became evident in the summer of 2022, which although has reduced, has not been fully overcome, and therefore, flight delays and cancellations remain possible, entailing reputational risks as well as increased costs for compensation and support for affected passengers.

Operational and Economic-Financial Performance

Operational Performance

TAP, S.A. Consolidated	/ 2T23	/ 2T22	/ Change		/ 1S23	/ 1S22	/ Change	
			/ Value	/ %			/ Value	/ %
Passenger (´000)	4,069	3,719	+350	+9.4%	7,579	5,823	+1,756	+30.2%
RPK (million)	10,626	9,647	+979	+10.1%	20,067	15,392	+4,675	+30.4%
ASK (million)	13,070	12,003	+1,068	+8.9%	25,016	20,609	+4,407	+21.4%
Load Factor (%)	81.3	80.4	+0.9	+1.1%	80.2	74.7	+5.5	+7.4%
Block Hours	95,912	90,127	+5,784	+6.4%	184,635	155,879	+28,756	+18.4%
Number of Departures	30,033	28,304	+1,729	+6.1%	57,590	48,834	+8,756	+17.9%
Average Stage Length (km)	2,140	2,123	+18	+0.8%	2,149	2,138	+11	+0.5%
Active Staff (end of period) [1]	7,444	6,935	+509	+7.3%	7,444	6,935	+509	+7.3%
PRASK (EUR cents)	7.48	6.16	+1.32	+21.4%	6.86	5.59	+1.27	+22.6%
Recurring CASK (EUR cents) [2]	7.16	6.52	+0.64	+9.8%	7.12	6.40	+0.72	+11.2%
Recurring CASK ex. fuel (EUR cents)	5.13	4.21	+0.91	+21.6%	4.95	4.42	+0.53	+12.1%

[1] Excludes Staff not placed and not active.
[2] Recurring CASK = CASK calculated on the basis of Operating Costs - Restructuring - Other non-recurring items.

Following on from 2022, 2023 remained practically free of travel restrictions in the markets operated by TAP. However, the sector continued to be affected by medium and long-term effects of the pandemic and strong inflationary pressures. Throughout this period, there were again several disruptions in the industry caused by price rises, strikes and problems at ATCs that affected punctuality and the fluidity of operations, as well as prolonged shortages of professionals and problems in the supply chains. Even with these disruptions, TAP showed an ability to adjust and, above all, adapt its capacity and resources to the strong demand registered, especially for leisure travel.

In the first half of 2023, TAP transported a total of 7.6m passengers, which was a 30.2% increase from last year, reaching 96% of the levels achieved in 2019.

Capacity (measured in ASK) increased by 21.4% compared to 1S22, reaching 104% of the 2019 values. The Load Factor improved 5.5 percentage points, reaching 80.2%.

Operational and Economic-Financial Performance

Economic-Financial Performance

TAP, S.A. Consolidated

EUR millions	/ 2T23	/ 2T22	/ Change		/ 1S23	/ 1S22	/ Change	
			/ Value	/ %			/ Value	/ %
Operating Income	**1,070.4**	**830.6**	**+239.8**	**+28.9%**	**1,906.3**	**1,321.2**	**+585.1**	**+44.3%**
Passenger	978.2	740.0	+238.2	+32.2%	1,715.7	1,152.7	+563.1	+48.8%
Maintenance	41.9	18.0	+23.9	+133.2%	85.5	27.2	+58.3	>+200%
Cargo and Mail	43.6	67.4	-23.8	-35.3%	92.3	132.0	-39.7	-30.1%
Other Operating Income	6.7	5.3	+1.5	+27.8%	12.7	9.3	+3.4	+36.1%
Operating Costs	**946.1**	**764.1**	**+182.0**	**+23.8%**	**1,798.3**	**1,316.8**	**+481.5**	**+36.6%**
Aircraft Fuel	265.8	277.0	-11.2	-0.4%	542.8	409.1	+133.7	+32.7%
Traffic Operating Costs	238.5	175.1	+63.4	+36.2%	419.6	302.0	+117.6	+38.9%
Employee Costs	157.3	106.6	+50.7	+47.5%	281.1	187.7	+93.4	+49.7%
Aircraft Maintenance Costs	13.0	5.7	+7.3	+128.3%	27.8	13.6	+14.1	+103.7%
Costs of Materials Consumed	35.3	13.8	+21.5	+155.9%	68.7	17.2	+51.5	>+200%
Commercial, Communication and Marketing Costs	54.9	44.6	+10.4	+23.3%	97.7	75.5	+22.2	+29.4%
Impair. Losses in Inventories, Receiv. and Provisions	20.1	16.1	+4.0	+25.1%	26.7	19.3	+7.4	+38.4%
Other Operating Expenses	43.8	34.9	+8.9	+25.5%	80.2	66.2	+14.0	+21.1%
Restructuring	-0.4	-3.7	+3.3	+90.3%	-0.4	-3.7	+3.3	+90.3%
Others non-recurring items	10.7	-14.8	+25.6	+172.3%	16.9	0.7	+16.2	>+200%
Depreciation, Amortisation and Impairment Losses	107.0	108.9	-2.0	-1.8%	237.2	229.1	+8.1	+3.5%
EBIT (Operating Result)	**124.3**	**66.4**	**+57.9**	**+87.1%**	**108.0**	**4.4**	**+103.6**	**>+200%**
EBIT Margin	***11.6%***	***8.0%***	***+3.6 p.p.***	***n.m.***	***5.7%***	***0.3%***	***+5.3 p.p.***	***n.m.***
Recurring EBIT [1]	**134.7**	**47.9**	**+86.8**	**+181.2%**	**124.5**	**1.4**	**+123.1**	**>+200%**
Recurring EBIT Margin	***12.6%***	***5.8%***	***+6.8 p.p.***	***n.m.***	***6.5%***	***0.1%***	***+6.4 p.p.***	***n.m.***
Interest and Similar Income	17.6	9.2	+8.4	+91.4%	32.0	17.9	+14.1	+79.2%
Interest and Similar Expenses	-66.3	-68.6	+2.3	+3.4%	-129.6	-132.6	+2.9	+2.2%
Net Currency Exchange	19.6	-58.2	+77.9	+133.7%	27.6	-72.9	+100.5	+137.8%
Earnings Before Taxes	**95.3**	**-51.2**	**+146.4**	**>+200%**	**37.9**	**-183.2**	**+221.2**	**+120.7%**
Income Tax	-14.9	-29.3	+14.3	+48.9%	-15.0	-18.8	+3.8	+20.4%
Net Income/ (Loss)	**80.3**	**-80.4**	**+160.8**	**+199.9%**	**22.9**	**-202.1**	**+225.0**	**+111.4%**
EBITDA	**231.2**	**175.4**	**+55.9**	**+31.9%**	**345.2**	**233.5**	**+111.7**	**+47.8%**
EBITDA Margin	***21.6%***	***21.1%***	***+0.5 p.p.***	***n.m.***	***18.1%***	***17.7%***	***+0.4 p.p.***	***n.m.***
Recurring EBITDA [2]	**241.6**	**156.8**	**+84.8**	**+54.1%**	**361.7**	**230.5**	**+131.2**	**+56.9%**
Recurring EBITDA Margin	***22.6%***	***18.9%***	***+3.7 p.p.***	***n.m.***	***19.0%***	***17.4%***	***+1.5 p.p.***	***n.m.***

[1] Recurring EBIT = Operating Result + Restructuring + Other non-recurring items.

[2] Recurring EBITDA = Operating Result + Depreciation, amortisation and impairment losses + Restructuring + Other non-recurring items

Operational and Economic-Financial Performance

Economic-Financial Performance

TAP presented a total operating income of EUR 1,906.3 million in 1H23, an increase of 44.3% when compared to 1H22, driven by higher capacity, higher yields and improving load factors. Total operating income has exceeded 2019 pre-crisis levels by 31.6%. The breakdown shows a strong increase in Passenger revenues of EUR 563.1 million (+48.8% YoY) compared to 1H22, amounting to EUR 1,715.7 million in 1H23.

The Maintenance division also contributed to the growth in total operating income, recording an increase of more than 200% compared to 1H22, in line with the sector's recovery trend, amounting to EUR 85.5 million. The revenues from the Cargo segment decreased by EUR 39.7 million to EUR 92.3 million, marking a decline of 30.1% compared to 1H22, due to the normalisation of cargo yields observed in recent quarters, albeit surpassing 2019 levels.

Total operating costs amounted to EUR 1,798.3 million in 1H23, an increase of EUR 481.5 million (+36.6%) when compared to 1H22. This increase was mainly driven by higher variable costs due to the higher level of activity and the strong increase in jet fuel prices as reflected in Aircraft fuel and Traffic operating costs, as well as by higher Employee costs resulting from the reinstatement of most of the remuneration packages.

From a unit cost perspective, in 1H23, CASK from recurring operating costs excluding fuel was 12.1% higher than in 1H22, and 1.6% higher than in the same period of 2019, showing TAP's ability to control costs in an inflationary environment.

First half Operating Result (EBIT) amounted to EUR 108.0 million, increasing EUR 103.6 million YoY (+>200%). When adjusted for non-recurring items and restructuring costs, Recurring EBIT came in at EUR 124.5 million, with 6.5% margin, increasing by EUR 123.1 million, while Recurring EBITDA amounted to EUR 361.7 million (+56.9% YoY), resulting in a margin of 19.0%.

TAP registered a positive net income of EUR 22.9 million in the first half, which was an increase of EUR 225.0 million compared to the previous year, and an increase of EUR 134.9 million compared to 2019.

Financial Position

TAP, S.A. Consolidated

EUR millions	/ 30 Jun 23	/ 31 Dec 22	/ Change / Value	/ Change / %
Total Assets	**6,129.1**	**5,913.9**	**+215.2**	**+3.6%**
Non-Current Assets	4,086.7	4,010.4	+76.3	+1.9%
Current Assets	2,042.4	1,903.3	+139.1	+7.3%
Equity	**441.1**	**417.6**	**+23.5**	**+5.6%**
Total Liabilities	**5,688.0**	**5,496.2**	**+191.7**	**+3.5%**
Non-Current Liabilities	3,332.9	3,297.4	+35.5	+1.1%
Current Liabilities	2,355.1	2,198.9	+156.2	+7.1%

The balance sheet expansion is mainly explained by additional aircraft, by phase-ins and contract extensions, and higher working capital balances related to the increased level of activity and the strong performance in ticket sales. Equity increased essentially in line with the net income.

Financing and Lease Liabilities

TAP, S.A. Consolidated

EUR millions	/ 30 Jun 23	/ 31 Dec 22	/ Change / Value	/ Change / %
Financial Debt	**1,393.0**	**1,618.1**	**-225.1**	**-13.9%**
Bank Loans & Bonds	669.3	908.8	-239.5	-26.4%
Lease Liabilities with purchase option	723.7	709.3	+14.4	+2.0%
Cash and Cash Equivalents	**899.7**	**916.1**	**-16.3**	**-1.8%**
Net Fiancial Debt	**493.3**	**702.0**	**-208.8**	**-29.7%**
Lease Liabilities without purchase option	**1,930.7**	**2,038.1**	**-107.4**	**-5.3%**

Operational and Economic-Financial Performance

Financing and Lease Liabilities

Gross financial debt, which excludes lease liabilities without purchase option, decreased by EUR 225.1 million when compared to December 31, 2022, mainly due to the reimbursement of the EUR 200 million 2019-2023 Bond. Cash and cash equivalents remained relatively stable at around EUR 900 million.

In April, TAP announced the confirmation of its long-term issuer credit rating assigned by S&P Global Ratings Europe Limited ("S&P") at B+ (Outlook stable) and the upgrade of the Corporate Family Rating assigned by Moody's Investors Service ("Moody's") from B3 to B2 and of the Outlook from stable to positive.

Network and Fleet

TAP remains fully committed to its strategy of developing the Lisbon hub to connect Europe and the Middle East with Africa, Brazil, and North America. While during the pandemic the network strategy was focused on maintaining the core network and directing extra capacity to mostly leisure destinations with fewer travel restrictions, TAP is now redeploying capacity to core destinations as demand recovers.

During the first half of the year, two new destinations were launched from Lisbon, Palma de Mallorca and Menorca, and four destinations were relaunched, Naples, Porto Santo, Ibiza and Tangier (all summer seasonal flights). From Porto, a new year-round destination was launched: Luanda.

At the end of the first half of 2023, TAP's operating fleet consisted of a total of 97 aircraft.

As a result, as of June 30, 2023, 67% of the mid and long-haul operating fleet consisted of NEO-family aircraft (compared to 66% by June 30, 2022 and 27% by June 30, 2019), underlining the Group's strategy of using more fuel-efficient aircraft, with both cost and sustainability benefits.

02

Outlook for the Second Half of 2023

Outlook for the Second Half of 2023

Despite TAP's solid financial performance in the first half of 2023, this semester was also characterized by significant macro-economic and operational headwinds which are expected to continue into the second half of the year and may impact TAP's economic and financial performance.

TAP's Board of Directors is cautiously optimistic based on forward booking load factors being in line with 2022 values. However, high inflation, risk of recession and slowing GDP growth could possibly negatively impact demand, as well as increased fuel prices, unfavourable currency developments and continued industry disruptions could also impact TAP's financial performance. The Board of Directors also expects load factors to remain stable and a slight increase in yields compared to 2022.

Against this background, TAP will continue to closely monitor the demand development on a region and route basis, and adjust its capacity, network, and aircraft utilization accordingly, if required.

In the second semester of 2023, TAP will also continue to focus on its transformation, pushing ahead on a number of initiatives with a strong emphasis on renegotiating and modernizing the remaining collective labour agreements, as well as on operational efficiency and cost reduction projects.

Based on the published plan for the IATA winter season, the number of flights will grow by 6% when compared to the second half of 2022, reaching 87% of 2019 pre-crisis level. This variation is due to an increase in frequencies, mostly to North America, Brazil and Tel Aviv, and new seasonal destinations such as Palma de Mallorca and Menorca. On top of this, the operation in second half of 2022 was affected by operational disruptions that led to several cancellations.

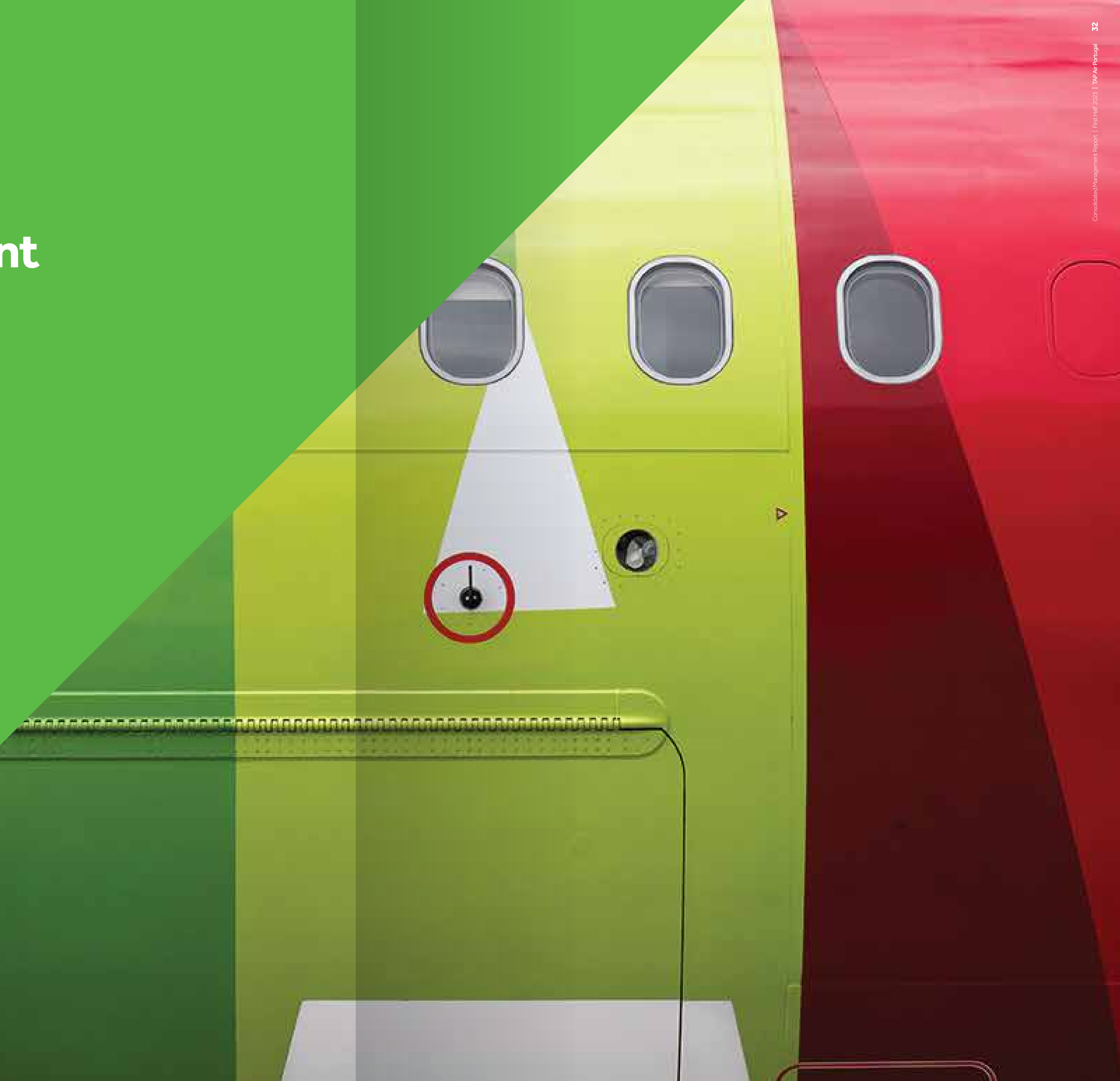
03
Subsequent Events

Changes to the Board of Directors and Executive Commitee

On 20 July 2023, TAP acknowledged the unanimous written resolution taken by its sole shareholder Portuguese Republic, represented by the Directorate General of Treasury and Finance, on July 19, 2023, under the terms of which Mr. José Mario Cruz Henriquez was appointed as member of the Board of Directors of TAP, for the remaining period of the current term of office (four-year period 2021/2024), with effect from July 18, 2023. On 27 July 2023, the Board of Directors of TAP appointed Mr. José Mario Cruz Henriquez as member of the Executive Committee of TAP, for the remaining period of the current term of office (four-year period 2021/2024), with effect from that date onwards.

04

Risk Management



Internal Control System

The Internal Audit Department, by monitoring the internal control systems, plays an active role in the development and robustness of the risk mitigation process, monitoring its effectiveness, efficiency, adequacy, and alignment with the Company's strategic objectives, as well as in the development of new preventive and reactive internal controls, to strengthen its compliance culture.

Considering TAP's complex external environment, with a multitude of risks inherent to its activity, it is essential to implement adequate internal control and risk management systems that mitigate the Company's exposure.

Thus, internal control emerges as a tool for improving and enhancing processes, based on TAP's standards, procedures and structures, which enable the Board to manage its strategy and objectives efficiently, optimising its resources.

The internal control environment at TAP has a Top-Down philosophy, sponsored by top management, with all employees being communicated the importance of complying with the instituted procedures, in line with high standards of conduct, reflecting a commitment to ethical values, responsibilities, policies, standards and procedures.

TAP follows a risk governance model based on the 3 lines of defence concept.

Each of the various lines of defence has defined responsibilities and committees for discussion and decision, established to materialise each one at corporate level and in the various departments and business areas, in a clear manner, avoiding duplication of efforts and/or the existence of gaps and promoting cooperation and articulation between the various areas.

Risk Management Process

Organizations are constantly subject to various events that can either favour or expose them to new challenges, some of which have potential negative impacts in the most diverse areas, and can affect their business, their markets, their image, their profitability, and their asset value.

The risk management process aims to determine the events that can potentially impact the Group and prevent it from achieving its objectives, allowing, on the one hand, the different areas and, on the other hand, the Executive Committee of TAP and the Finance, Audit and Risk Committee, to monitor the main risks, their evolution over time and the measures in place to manage these risks. Its objective is thus to create and preserve value, and to safeguard the Company's assets and reputation.

The overall risk management process also serves as a basis for the risk register document and represents an important contribution to the definition of the annual audit plan.

TAP seeks to have a comprehensive view of the main risks to which it is exposed, at the strategic and commercial, financial, compliance and governance and operational levels, with defined processes to ensure their monitoring and respective proactive management.

TAP has defined a methodology that allows it to acquire an overview of its main risks, according to their materiality, quantifying their impact and assessing the probability of occurrence, identifying, whenever possible, the respective effective mitigation measures.

The main risks applicable to TAP are identified in the 2022 Management Report.

In addition, considering the current context, the following should be noted:

- It has already been possible to conclude collective negotiations with some groups of employees, however there are still agreements to be negotiated and therefore the risk of negative impacts on operations, profitability and the company's image arising from various forms of social unrest cannot be ruled out. The potential increase in costs arising from negotiations (concluded and to be concluded) should also be highlighted.

- The shortage of workers in the industry that became evident in the summer of 2022, as a result of operational difficulties in many of the functional areas required for the smooth processing of international air traffic, is now reduced but not yet fully overcome. Flight delays and cancellations remain possible, entailing risks for the airline ranging from reputational damage to increased costs for compensation and support for affected passengers. A number of measures have therefore been taken to improve operational processes, and recruitment programs have also been carried out to increase internal capacity and minimize these impacts.

05

Appendix

Appendix

Governing Bodies

Composition of the Company's governing bodies during the first half of 2023

Board of the General Meeting

Chairman	To be appointed
Vice-Chairman	David Fernandes de Oliveira Festas
Company Secretary	Manuela Ferreira e Silva de Vasconcelos Simões

/ António de Macedo Vitorino resigned as Chairman of the Board of the General Meeting on February 20, 2023, with effect from March 31, 2023.

/ Following the resignation of Ana Maria Sirgado Malheiro as Company Secretary on May 12, 2023, Manuela Ferreira e Silva de Vasconcelos Simões was appointed to the position of Secretary of the Board of the General Meeting, with effect from May 18, 2023. Under the terms of Article 12 of the Company's Articles of Association, the Board of the General Meeting is made up of a Chairman and the Company Secretary, the latter taking the position of Secretary of the Board of the General Meeting, and the shareholders may also decide that the Board of the General Meeting also includes a Vice-Chairman.

Board of Directors

Chairman	Luís Manuel da Silva Rodrigues
Member	Gonçalo Neves Costa Monteiro Pires
Member	José Mario Cruz Henriquez
Member	Maria João Santos Gomes Cardoso
Member	Mário Rogério Carvalho Chaves
Member	Sofia Norton Dos Reis Lufinha
Member	Ana Teresa C. P. Tavares Lehmann
Member	João Pedro Conceição Duarte
Member	Patrício Ramos Castro
Member	Ramiro José Oliveira Sequeira

/ Manuel Beja and Christine Ourmières-Widener were dismissed from their positions as Chairman and Member, respectively, of the Board of Directors, with effect from April 14, 2023.

/ Luís Manuel Da Silva Rodrigues was appointed to the position of Chairman of the Board of Directors, with effect from April 14, 2023.

/ Silvia Mosquera Gonzalez submitted a letter of resignation as a member of the Board of Directors on March 21, 2023, with effect as from June 23, 2023.

/ Maria João Santos Gomes Cardoso was appointed to the position of Member of the Board of Directors, with effect from May 17, 2023.

/ Mário Rogério Carvalho Chaves was appointed to the position of Member of the Board of Directors, with effect from May 17, 2023.

/ José Mario Cruz Henriquez was appointed to the position of Member of the Board of Directors, with effect from July 18, 2023.

Appendix

Governing Bodies

Composition of the Company's governing bodies during the first half of 2023

Executive Committee

Chairman	Luís Manuel da Silva Rodrigues
Member	Gonçalo Neves Costa Monteiro Pires
Member	José Mario Cruz Henriquez
Member	Maria João Santos Gomes Cardoso
Member	Mário Rogério Carvalho Chaves
Member	Sofia Norton Dos Reis Lufinha

/ Christine Ourmières-Widener was dismissed from her position as Chief Executive Officer with effect from April 14, 2023.

/ Luís Manuel Da Silva Rodrigues was appointed to the position of Chief Executive Officer, with effect from April 14, 2023.

/ Silvia Mosquera Gonzalez submitted a letter of resignation as a member of the Executive Committee on March 21, 2023, with effect from June 23, 2023.

/ Ramiro José Oliveira Sequeira became a non-executive director with effect from May 18, 2023.

/ Maria João Santos Gomes Cardoso was appointed to the position of Member of the Executive Committee, with effect from May 18, 2023.

/ Mário Rogério Carvalho Chaves was appointed to the position of Member of the Executive Committee, with effect from May 18, 2023.

/ José Mario Cruz Henriquez was appointed to the position of Member of the Executive Committee, with effect from July 27, 2023.

Company Secretary

Company Secretary	Manuela Ferreira e Silva de Vasconcelos Simões
Deputy Company Secretary	Ana Maria Sirgado Malheiro

/ Following the resignation of Ana Maria Sirgado Malheiro as Company Secretary on May 12, 2023, Manuela Ferreira e Silva de Vasconcelos Simões was appointed to the position of Company Secretary, with effect from May 18, 2023.

/ Following the resignation of João Carlos Pugliese do Espirito Santo from the position of Alternate Company Secretary, on May 12, 2023, Ana Maria Sirgado Malheiro was appointed to the position of Deputy Company Secretary, with effect from May 18, 2023.

Audit Board

Transporte Aéreos Portugueses, S.A.

Mandate (Start - End)	Position	Name	Appointment Doc.	Mandates held in the Company: Number	Mandates held in the Company: Date of 1st appointment
2021-2024	Chairman	Baker Tilly, PG & Associados, SROC, S.A, representada por Paulo Jorge Duarte Gil Galvão André	General Assembly	3	13 nov 2015
	Deputy Member	José Manuel Fusco Gato	General Assembly	1	24 jun 2021

/ Following the resignation of the former member of the Audit Board, Sérgio Sambade Nunes Rodrigues, he was replaced by the deputy member, José Manuel Fusco Gato, under the terms and for the purposes of article 415(3) and (4) of the Companies Code.

Appendix

Governing Bodies

Composition of the Company's governing bodies during the first half of 2023

Certified Public Accountant

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

Remuneration Committee

Chairman	To be appointed
Member	Pedro Miguel Nascimento Ventura
Member	To be appointed

/ Tiago Aires Mateus submitted a letter of resignation as a Chairman of the Remuneration Committee on May 18, 2023.

State Aid Monitoring Committee

Chairman	Patrício Ramos Castro
Member	To be appointed
Member	To be appointed

Qualified Holdings, Securities Held by Governing Bodies and Conformity Statement

1. Qualified shareholdings in the Company as of June 30, 2023

Shareholders with Qualified Holdings	/ Capital/Voting Rights (%)	/ Number of Shares
Direct Shareholders		
Portuguese Republic, through the Directorate General of Treasury and Finance ("Direção-Geral do Tesouro e Finanças")	100%	196.000.000
Indirect Shareholders		
Not applicable		

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

No securities are held by the governing bodies, nor acquisitions, encumbrance or transmissions have occurred during the considered period.

Appendix

3. Board of Directors Statement

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 2023 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.

Lisboa, 26 September de 2023

Board of Directors

Luís Manuel Da Silva Rodrigues
Chairman of the Board of Directors and
Chairman of the Executive Committee

Gonçalo Neves Costa Monteiro Pires
Member of the Board of Directors and
Member of the Executive Committee

José Mario Cruz Henriquez
Member of the Board of Directors and
Member of the Executive Committee

Maria João Santos Gomes Cardoso
Member of the Board of Directors and
Member of the Executive Committee

Mário Rogério Carvalho Chaves
Member of the Board of Directors and
Member of the Executive Committee

Sofia N. dos Reis Lufinha de Mello Franco
Member of the Board of Directors and
Member of the Executive Committee

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

João Pedro Conceição Duarte
Member of the Board of Directors

Patrício Ramos Castro
Member of the Board of Directors

Ramiro José Oliveira Sequeira
Member of the Board of Directors

Appendix

Glossary

ASK | ***Available Seat Kilometer***
Available seat kilometre; total number of seats available for sale multiplied by the number of kilometres flown.

ATC | ***Air Traffic Control***
Air traffic control.

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-kilometres (RPK) divided by the total number of available seat-kilometres (ASK).

RPK | ***Revenue passenger kilometer***
Revenue passenger kilometre; total number of passengers multiplied by the number of kilometres flown.

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

YoY | ***Year-over-year***

Consolidated Financial Statements

TRANSPORTES AÉREOS PORTUGUESES, S.A.

CONSOLIDATED FINANCIAL STATEMENTS CONDENSED
30 JUNE 2023

INDEX OF FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amount stated in euros	Notes	Jun 23	Dec 22
ASSETS			
Non-current assets			
Tangible fixed assets	3	3,130,156,425	3,077,640,026
Investment Properties	4	1,435,000	1,690,000
Intagible assets	5	23,260,270	23,290,174
Other financial assets	6	488,720	488,720
Other non current assets	11	16,295,177	17,828,667
Deferred tax assets	7	457,477,141	447,429,851
Other receivables	8	457,579,079	442,009,852
		4,086,691,812	**4,010,377,290**
Current Assets			
Inventories	9	71,663,083	66,384,228
Other receivables	8	998,044,613	875,555,361
Income tax receivable	10	929,239	435,046
Other current assets	11	72,009,286	44,803,368
Cash and cash equivalents	12	899,735,931	916,077,051
		2,042,382,152	**1,903,255,054**
Non-current assets held for sale		-	225,000
Total Assets		**6,129,073,964**	**5,913,857,344**
EQUITY AND LIABILITIES			
Equity			
Share Capital	13	980,000,000	980,000,000
Legal reserves	14	8,300,000	8,300,000
Hedge reserves	14	(28,167,116)	(5,741,822)
Other reserves	14	(50,116,348)	(76,722,347)
Other variations in equity	14	(18,854,601)	(28,118,831)
Retained earnings	14	(472,992,508)	(525,689,915)
Net income/(loss) for the year		22,944,664	65,597,418
Total equity		**441,114,091**	**417,624,503**
Non-current liabilities			
Deferred tax liabilities	7	68,727,924	44,000,690
Post-employment benefits obligations	15	118,882,904	108,083,418
Provisions	16	280,600,196	282,879,191
Restructuring provision	18	2,120,075	15,072,695
Borrowings	17	622,860,014	551,973,017
Lease liabilities with purchase option	17	643,092,662	634,660,114
Lease liabilities without purchase option	17	1,596,616,603	1,660,710,136
		3,332,900,378	**3,297,379,261**
Current Liabilities			
Borrowings	17	46,462,072	356,826,415
Lease liabilities with purchase option	17	80,594,424	74,641,447
Lease liabilities without purchase option	17	334,071,376	377,402,908
Other payables	18	727,545,372	584,355,883
Income tax payable	10	19,326	19,326
Other current liabilities	19	44,163,830	67,827,868
Liabilities from unused flight documents	20	1,122,203,095	737,779,733
		2,355,059,495	**2,198,853,580**
Total liabilities		**5,687,959,873**	**5,496,232,841**
Total equity and liabilities		**6,129,073,964**	**5,913,857,344**

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 June 2023.

CONSOLIDATED INCOME STATEMENT

Amounts stated in euros	Notes	Jun 23	Jun 22
Operating Income			
Revenue			
Passenger	22	1,715,745,576	1,152,692,733
Maintenance	22	85,500,760	27,184,632
Cargo and mail	22	92,311,153	131,984,379
Gains and losses in associates		-	(172,310)
Other operating income	22 and 23	12,700,555	9,502,570
		1,906,258,044	**1,321,192,004**
Operating costs			
Aircraft fuel	24	(542,802,338)	(409,135,217)
Traffic operating costs	24	(419,563,287)	(301,966,257)
Aircraft maintenance costs	24	(27,771,432)	(13,630,247)
Cost of materials consumed	24	(68,678,639)	(17,170,479)
Comercial, communication and marketing costs	24	(97,728,007)	(75,520,162)
Employee costs	25	(281,101,961)	(187,733,099)
Impairment losses in receivables	26	(2,923,859)	(2,529,025)
Impairment losses in inventories	26	(2,020,754)	1,839,731
Provisions	26	(21,790,964)	(18,631,605)
Other operating expenses	27	(80,186,126)	(66,200,201)
Restructuring	28	359,905	3,698,324
Other non recurrent items	29	(16,882,830)	(699,788)
Depreciation, amortisation and impairment losses	30	(237,204,310)	(229,120,841)
Operating income/(loss)		**107,963,442**	**4,393,138**
Interests and similar income	31	32,006,085	17,862,158
Interests and similar expenses	31	(129,636,287)	(132,568,013)
Net currency exchange	31	27,591,493	(72,935,911)
Net income/(loss) before income tax		**37,924,733**	**(183,248,628)**
Income tax for the year	32	(14,980,069)	(18,826,123)
Net income/(loss) for the year		**22,944,664**	**(202,074,751)**
Net income/(loss) attributable to owners of TAP SA		**22,944,664**	**(202,074,751)**
Net income/(loss) attributable to non-controlling interests		**-**	**-**
Results per share			
Basic and diluted earnings per share	33	0.1	(1.1)

The accompanying notes form an integral part of the consolidated income statement as of 30 June 2023.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts stated in euros	Notes	Jun 23	Jun 22
Net income/(loss) for the year		**22,944,664**	**(202,074,751)**
Items that may be reclassified to income statement:			
Gains and losses in derivate financial instruments - cash flow hedge	21 and 31	9,352,558	(80,428,674)
Deferred tax on derivative financial instruments - cash flow hedge	7	(5,171,852)	27,538,946
Items that will not be reclassified to income statement:			
Remeasurements of defined benefit plans	15	(18,297,889)	33,543,215
Deferred tax on remeasurements	7	5,397,877	(10,337,861)
Other impacts		-	(34,686,049)
Other comprehensive income/(loss) net of tax		**(8,719,306)**	**(64,370,423)**
Comprehensive income/(loss) for the year		**14,225,358**	**(266,445,174)**
Attributable to:			
Owners of TAP SA		14,225,358	(266,445,174)
Non-controlling interests		-	-
		14,225,358	**(266,445,174)**

The accompanying notes form an integral part of the consolidated comprehensive income statement as of 30 June 2023.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts stated in euros	Notes	Share Capital	Legal reserves	Hedge reserves	Other reserves	Other variations in equity	Retained earnings	Net income/(loss) for the year	Subtotal	Non-controlling interests	Total
Equity as of 1 January 2022		**904,327,865**	**8,300,000**	**184,106**	**(200,588)**	**-**	**218,425,483**	**(1,599,110,889)**	**(468,074,023)**	**-**	**(468,074,023)**
Application of net income/(loss) of the year 2021		-	-	-	-	-	(1,599,110,889)	1,599,110,889	-	-	-
Capital increases and decreases	14	75,672,135	-	-	-	(28,118,831)	904,327,865	-	951,881,169	-	951,881,169
Remeasurement*	7 and 15	-	-	-	-	-	(21,681,433)	-	(21,681,433)	-	(21,681,433)
Fair value of derivative financial instruments*	7 and 21	-	-	(5,925,928)	-	-	-	-	(5,925,928)	-	(5,925,928)
Derivatives of foreing exchange risk hedging*	7 and 31	-	-	-	(76,521,759)	-	-	-	(76,521,759)	-	(76,521,759)
Other impacts		-	-	-	-	-	(27,650,941)	-	(27,650,941)	-	(27,650,941)
Net income/(loss) for the year		-	-	-	-	-	-	65,597,418	65,597,418	-	65,597,418
Equity as of 31 December 2022		**980,000,000**	**8,300,000**	**(5,741,822)**	**(76,722,347)**	**(28,118,831)**	**(525,689,915)**	**65,597,418**	**417,624,503**	**-**	**417,624,503**
Application of net income/(loss) of the year 2022		-	-	-	-	-	65,597,418	(65,597,418)	-	-	-
Capital increases and decreases	14	-	-	-	-	9,264,230	-	-	9,264,230	-	9,264,230
Remeasurement*	7 and 15	-	-	-	-	-	(12,900,011)	-	(12,900,011)	-	(12,900,011)
Fair value of derivative financial instruments*	7 and 21	-	-	(22,425,294)	-	-	-	-	(22,425,294)	-	(22,425,294)
Derivatives of foreing exchange risk hedging*	7 and 31	-	-	-	26,605,999	-	-	-	26,605,999	-	26,605,999
Net income/(loss) for the year		-	-	-	-	-	-	22,944,664	22,944,664	-	22,944,664
Equity as of 30 June 2023		**980,000,000**	**8,300,000**	**(28,167,116)**	**(50,116,348)**	**(18,854,601)**	**(472,992,508)**	**22,944,664**	**441,114,091**	**-**	**441,114,091**

*Amount net of deferred taxes, when applicable.

The accompanying notes form an integral part of the consolidated statement of changes in equity as of 30 June 2023.

CONSOLIDATED CASH FLOW STATEMENT

Amounts stated in euros	Notes	Jun 23	Jun 22
Operating activities:			
Receipts from customers		2,447,849,080	1,702,160,663
Payments to suppliers		(1,498,192,386)	(1,039,396,139)
Payments to employees		(267,569,525)	(175,397,770)
Payments of low value and short-term leases		(2,903,648)	(2,832,627)
Cash generated from operations		**679,183,521**	**484,534,127**
Income tax (payment)/receipt		(412,559)	(102,128)
Other receipts/payments relating to operating activities		(3,333,335)	(9,661,510)
Cash flow from operating activities (1)		**675,437,627**	**474,770,489**
Receipts from:			
Financial investments			
Other financial assets	3, 6, 8 and 16	4,340,004	34,768,422
Tangible fixed assets	3	8,645,252	0
Loans granted		394,152,399	323,910,000
Interests and similar income		24,155,913	12,481,642
		431,293,568	**371,160,064**
Payments relating to:			
Other financial assets	3, 6, 8 and 16	(29,367,006)	(48,386,083)
Tangible fixed assets	3	(108,288,269)	(60,062,938)
Intangible assets		(2,688,755)	(1,997,724)
Loans granted		(407,290,000)	(353,116,498)
		(547,634,030)	**(463,563,243)**
Cash flow from investment activities (2)		**(116,340,462)**	**(92,403,179)**
Financing activities:			
Receipts from:			
Lease liabilities with purchase option	17	-	6,100,510
		-	**6,100,510**
Payments relating to:			
Borrowings	17	(241,392,517)	(17,059,160)
Lease liabilities with purchase option	17	(36,966,875)	(28,663,513)
Lease liabilities without purchase option	17	(251,266,294)	(234,992,660)
Interests and similar costs	17	(44,084,070)	(37,954,085)
		(573,709,756)	**(318,669,418)**
Cash flow from financing activities (3)		**(573,709,756)**	**(312,568,908)**
Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)		(14,612,591)	69,798,402
Effects of currency exchange differences		(1,728,529)	7,469,920
Cash and cash equivalents at the beginning of the year	12	916,077,051	812,578,316
Cash and cash equivalents at the end of the year	12	**899,735,931**	**889,846,638**

The accompanying notes form an integral part of the consolidated cash flow statement as of 30 June 2023.

1 Introduction

Transportes Aéreos Portugueses, S.A. ("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" or “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 19 offices in foreign countries and 3 in Portugal.

Headquarters Edifício 25, Lisbon Airport, 1700-008 Lisbon
Share Capital EUR 980,000,000, of which EUR 294,000,000 have been paid up
Tax identification number 500 278 725

The Company is affiliated with IATA - International Air Transport Association, among other associations in the industry.

Following the outbreak of the COVID-19 disease pandemic and like most companies operating in the aviation sector, all TAP Group companies (understood for this purpose as “TAP Group” TAP S.A. and respective subsidiaries, as well as TAP – Transportes Aéreos Portugueses, SGPS, S.A. (“TAP SGPS”) and respective subsidiaries) suffered, from March 2020, a significant reduction in their activity as a result of a sharp drop in demand, which resulted in high operating losses. These losses were mainly due to the imposition, by the Portuguese State and by many TAP S.A. destination countries, of travel restrictions to limit the spread of the COVID-19 disease.

To face the impact of the COVID-19 disease pandemic, the TAP Group adopted a set of measures initiated in 2020, with a view to controlling and reducing costs, including the suspension or postponement of non-critical investments, the renegotiation of contracts and payment terms, cutting ancillary expenses, suspending the hiring of new workers and progressions, and the implementation of temporary unpaid leave programs.

On 9 June 2020, the Portuguese State notified the European Commission of its intention to grant State aid, in the form of a loan, in favor of what, at that date, was the sole shareholder of TAP S.A., the TAP SGPS, in the amount of EUR 1.2 billion. This support aimed to provide sufficient resources so that TAP SGPS could meet the immediate liquidity needs of the TAP Group, and in particular TAP S.A., with a view to implementing a long-term viability plan.

On 10 June 2020, the European Commission announced its decision to approve the aforementioned State aid to the TAP Group, as it understood that it was compatible with the European Union rules on State aid.

Following the aforementioned decision of the European Commission, and as approved by the European Commission, the Portuguese State granted an interest-bearing loan in favor of the TAP Group in the amount of EUR 1.2 billion, formalized through the signing, on 17 July 2020, of a financing agreement between the Portuguese Republic, TAP S.A., TAP SGPS and Portugália - Companhia Portuguesa de Transportes Aéreos, S.A. ("Portugália"), as well as a complementary agreement thereto between the aforementioned parties to the financing agreement, Atlantic Gateway and Parpública – Participações Públicas, SGPS, S.A. ("Parpública") – "Financing Agreement").

Regarding the remunerated loan by the Portuguese State referred to above, in the amount of EUR 1.2 billion, the first tranche (in the amount of EUR 250 million) was carried out on 17 July 2020; the second tranche (in the amount of EUR 224 million) was carried out on 30 July 2020; the third tranche (in the amount of EUR 25 million) was carried out on 31 August 2020; the fourth tranche (in the amount of EUR 79.6 million) was carried out on 30 September 2020; the fifth tranche (in the amount of EUR 92 million) was carried out on 5 November 2020; the sixth tranche (in the amount of EUR 171.4 million) was carried out on 21 December 2020; and the last tranche (in the amount of EUR 358 million) was made on 30 December 2020.

To guarantee the compliance of the obligations for the TAP Group resulting from the loan granted by the Portuguese State, a financial pledge was granted on all the shares representing the share capital of TAP S.A. and Portugália in favor of the Portuguese State.

Following the verification of several precedent conditions foreseen in the contracts, on 2 October 2020, the following occurred:

(i) The acquisition, by the Portuguese State, through the Directorate-General for Treasury and Finance, of shareholdings, economic rights and part of the supplementary capital contributions held by Atlantic Gateway in TAP SGPS, with the Portuguese State holding effective control over 72.5% of the share capital of TAP SGPS, over an equal percentage of economic rights in TAP SGPS and over part of the supplementary capital contributions made by Atlantic Gateway in TAP SGPS; and

(ii) Amortization 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 part of the supplementary capital contributions made by Atlantic Gateway in TAP SGPS , which made Atlantic Gateway no longer a shareholder of TAP SGPS and HPGB holding a direct stake in TAP SGPS.

In this context, on 2 October 2020, TAP SGPS had the following shareholder structure (which has already undergone changes to the present date):

- Parpública, with 750,000 common shares, representing 50% of the share capital and voting rights of TAP SGPS;
- The Portuguese State, through the General Directorate of Treasury and Finance, holder of 337,500 ordinary shares, representing 22.5% of the share capital, voting rights and economic rights of TAP SGPS;
- HPGB with 337,500 common shares, representing 22.5% of the share capital, voting rights and economic rights of TAP SGPS; and
- A group of shareholders with a total of 75,000 common shares, representing 5% of the share capital, voting rights and economic rights of TAP SGPS.

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

Following that capital increase, the shareholder structure of TAP S.A. (which until that date was 100% owned by TAP SGPS) was detailed as follows:

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

On 31 August 2021, the repayment date of the Financing Agreement was extended from 1 September 2021 to 31 December 2021, in the event of non-adoption of a final decision by the European Commission on restructuring aid to the TAP Group until that date.

Following the approvals by the European Commission, on 21 December 2021, of State aid for (i) the restructuring of the TAP Group and (ii) for the compensation of losses suffered by TAP S.A. as a result of the COVID-19 pandemic, on 30 December 2021, the Extraordinary General Meeting of TAP S.A. and submitted for registration at the Lisbon Commercial Registry Office, the following corporate transactions (“2021 Transactions”):

- ✈ The increase in the share capital of TAP S.A. from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary capital contributions, in the total amount of EUR 154,353,400;
- ✈ The reduction of its share capital to EUR 0.00, for partial coverage of losses;
- ✈ The increase in its share capital from EUR 0.00 to EUR 1,794,544,230, fully subscribed by the Portuguese Republic, through the DGTF, with the amount of EUR 1,258,544,230 being paid exclusively through contributions in kind, by converting credits from the Portuguese Republic on TAP S.A. arising from the Financing Agreement (which represented the value of the remunerated loan plus interest accrued up to the date of conversion), and the amount of EUR 536,000,000, realized through cash entries;
- ✈ The reduction of its share capital from EUR 1,794,544,230 to EUR 904,327,865, to partially cover losses.

Following the 2021 Transactions described above, the share capital of TAP S.A. amounted to EUR 904,327,865, represented by 180,865,573 shares, with a nominal unit value of EUR 5.00, having the Portuguese Republic as its sole and direct shareholder, through the Directorate-General for the Treasury and Finance, not materially altering the control exercised over TAP S.A., insofar as the Portuguese Republic was already the beneficial owner of TAP S.A.

Still following the decision of the European Commission dated 21 December 2021 which approved the TAP Group's Restructuring Plan and the granting of restructuring aid, under the terms of which it was foreseen to grant a tranche of the said aid until the end of the fiscal year 2022, on 27 December 2022, the following corporate transactions (“2022 Transactions”) were approved by means of a written decision by the sole shareholder of TAP S.A.:

a) The reduction of the share capital of TAP S.A. from EUR 904,327,865 to EUR 0.00, for partial coverage of losses;
b) The increase in its share capital from EUR 0.00 to EUR 980,000,000, fully subscribed by the Portuguese Republic, through the Directorate-General for Treasury and Finance, to be carried out by new contributions in cash, as follows:

   i) EUR 294,000,000 on 27 December 2022;
   ii) EUR 343,000,000 on 20 December 2023;
   iii) EUR 343,000,000 on 20 December 2024.

As a result of the 2022 Operations described above, the share capital of TAP S.A. became EUR 980,000,000, represented by 196,000,000 shares, with a nominal unit value of EUR 5.00, of which EUR 294,000,000 have been paid up. TAP S.A. maintains the Portuguese Republic as the sole direct shareholder and effective beneficiary, through the Directorate-General for Treasury and Finance.

The condensed consolidated financial statements for the six-month period ended on 30 June 2023 (hereinafter referred to as financial statements or consolidated financial statements), approved at the Board of Directors meeting of 26 September 2023, were prepared for presentation to multiple stakeholders.

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

Ongoing Restructuring Plan for the TAP Group - State Aid

Following the European Commission's decision of 10 June 2020 that authorized the granting of State Aid to the sole shareholder of TAP S.A., TAP SGPS, in the form of a loan, in the amount of EUR 1.2 billion ("Decision of the European Commission"), and the Financing Agreement that carried out the granting of the State aid to the TAP Group, it was foreseen the possibility of the repayment date of the loan granted to the TAP Group, initially set for 10 December 2020, to be extended if the Portuguese State submitted a restructuring plan for the TAP Group ("Restructuring Plan") to the European Commission by that date: within six months from the date of the Decision of the European Commission.

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

As part of the preparation of the Restructuring Plan that involves the key areas of the TAP Group, a steering committee was created, and a strategic consultant was hired to assist the TAP Group in the elaboration of the Plan.

The Restructuring Plan incorporates a significant transformation of TAP S.A.'s operation in order to guarantee economic viability in 2023 and sustainability in 2025. This restructuring includes measures to improve operational efficiency, a resizing of the fleet and a reduction in payroll expenses.

The Restructuring Plan project presented to the European Commission has the purpose of ensuring the survival and sustainability of the TAP Group, the maintenance of approximately 7 thousand direct jobs, as well as the preservation of the whole eco-system of TAP Group suppliers, ensuring that it continues to contribute to the Portuguese economy.

This Restructuring Plan project was based on four pillars: (i) focus on the core business, (ii) capacity adjustment (fleet dimensioning and network optimization); (iii) optimization of operating costs (lease negotiation, review of third-party costs and adjustment of labor costs); and (iv) revenue improvement (passenger revenues and other revenues). All these initiatives seek to achieve a balanced cash flow and, consequently, to balance the TAP Group's capital structure.

In terms of the optimization of operational costs, EUR 1.3 billion were expected to arise from fleet-related negotiations, as well as EUR 200 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, through, 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 would ensure that the TAP Group, and in particular TAP S.A., would be properly dimensioned to respond to the activity upturn, which meanwhile started, while preserving its leadership of the Lisbon hub and its strategy of connecting Europe, the Americas and Africa.

As a part of the work related to the process of preparing the Restructuring Plan, a Resolution of the Council of Ministers was approved on 22 December 2020 at a meeting of the Council of Ministers declaring TAP S.A. (as well as Portugália and Cateringpor - Catering de Portugal, S.A.) in a difficult economic situation, attributing to that declaration the effects provided for in the applicable legislation, specifically the reduction of working conditions and the non-application or suspension, total or partial, of the clauses of the applicable company agreements or collective regulatory instruments, with the establishment of the respective substitute regime (Resolution of the Council of Ministers no. 3/2021, of 22 December 2020, regulated by Order no. 818-A/2021, of 14 January 2021). The status of difficult economic situation attributed to TAP S.A. (as well as to Portugália and Cateringpor – Catering de Portugal, SA) was renewed by the Council of Ministers Resolution no. 185/2021, dated 29 December 2021, producing effects until December 2022, and again renewed by Council of Ministers Resolution no. 138/2022, of December 28, with effects until 31 December 2023.

In accordance with this determination, in December 2020, a joint negotiation process was developed, between unions, Board of Directors and the Portuguese Government, with a view to the celebration of the so-called "Emergency Agreements", seeking to find a consensual solution on a path to enable the recovery and restructuring of TAP S.A.. This process ended favorably, with all unions representing a vast majority of TAP S.A. workers ratifying the negotiated emergency agreements (“Emergency Agreements”). The Emergency Agreements came into force on 1 March 2021, allowing, without harming the metrics proposed under the Restructuring Plan, the protection of a greater number of jobs, when compared to the substitute regime. The non-unionized employees of TAP S.A. benefited from a substitute regime in everything equal to the Emergency Agreements in force in their professional group.

In parallel, between February and June 2021, TAP S.A. developed a set of labour measures for voluntary adherence for TAP S.A. employees, which included 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 initially forecast. The continuation of the execution of the Restructuring Plan led, on 8 July 2021, to a collective dismissal procedure involving these 124 workers, which followed its procedures in accordance with an indicative timetable.

With these measures, TAP S.A. obtained the commitment of several unions, getting closer to the labor cost targets included in the Restructuring Plan.

During an initial phase of this collective dismissal process, TAP S.A. continued to offer conditions similar to those offered in the voluntary phases for workers who chose to reconsider their previous decision not to adhere to the voluntary measures, as well as maintained the possibility of candidacy for the remaining vacancies in Portugália and others in TAP S.A. that emerged according to the Company's needs, having these initiatives reduced the number of workers to 62 with unilateral departures in the process of collective dismissal.

In the context of State aid to TAP S.A., approved by the European Commission by decision of 23 April 2021, as compensation for COVID-19 damages verified during the period from March 19 to 30 June 2020, on 24 May 2021, a capital increase of TAP S.A. was carried out, through a contribution in cash, in the amount of EUR 462,000,000, by the Portuguese Republic, through the General Directorate of Treasury and Finance, and the subscription, by the latter, of EUR 92,400,000 new ordinary shares representing the Company's share capital, with a unit face value of EUR 5.00. Following the capital increase, the share capital of TAP S.A. was increased from EUR 41,500,000 to EUR 503,500,000, with TAP S.A. 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, on 10 June 2021, the Portuguese State updated the Restructuring Plan initially submitted on 10 December 2020, having notified the European Commission of a EUR 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.A. operations and to reduce costs.

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

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

The European Commission decided to re-approve the EUR 1.2 billion emergency loan to TAP SGPS, which had previously approved by decision on 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 19 May 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 confirmed the previous decision of this authority of 10 June 2020, which considered that the said rescue aid of EUR 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.

Following the interactions with the European Commission that took place after the date of the aforementioned decision of the European Commission, namely with regard to obtaining additional information, on 16 November 2021, the Portuguese State updated the Restructuring Plan submitted on 10 June 2021, which presents an update of the financial projections / sensitivity analysis for the restructuring period (until the year 2025), as well as the inclusion of the years 2026 and 2027, which incorporated the most recent perspectives of the air transport flow, as well as the price of jet fuel and the inflation rate, which generated an estimated increase in revenues and costs for the restructuring period until 2025, with no significant variations in terms of operating results.

This update of the TAP Group Restructuring Plan, including additionally the years 2026 and 2027, was approved by the Board of Directors of TAP SGPS and TAP S.A. on 3 November 2021.

Based on an in-depth investigation by the European Commission and the observations of interested parties and the Portuguese State, the European Commission approved the TAP Group Restructuring Plan on 21 December 2021 (“Approved Restructuring Plan”), within the framework of the European Union rules on state aids, which is intended to be in force until 31 December 2025, and it is currently being implemented.

More specifically, the European Commission evaluated the Restructuring Plan, which sets out a package of measures to rationalize the operations of the TAP Group and reduce costs. The

Restructuring Plan provides for a division of activities in i) TAP S.A. and Portugália airlines (which will be supported and restructured) and ii) perimeter of non-core assets to be sold or liquidated during the restructuring, namely SPdH – Serviços Portugueses de Handling, S.A. ("SPdH") and TAP ME Brasil. Additionally, TAP S.A. made available 18 slots per day at Lisbon airport to a competing company. The European Commission considered to be relevant that the transfer of the slots did not compromise the viability of TAP S.A.

From the perspective of adjusting its capacity, the Restructuring Plan presented to the European Commission aimed to adjust the TAP Group fleet to 99 aircraft, a number of aircraft greater than the 75 aircraft that composed its fleet in 2015.

Based on the above, the European Commission concluded that the restructuring aid complies with the rules of the European Union, having considered that the Approved Restructuring Plan presents itself as realistic, coherent and credible, in order to achieve the objective of ensuring the viability medium/long term and solve the TAP Group's liquidity and insolvency problems.

State support approved by the European Commission amounts to a total value of EUR 3.2 billion, detailed as follows:

- EUR 2.55 billion related to restructuring support measures to allow the return to viability of TAP S.A. Group, including the conversion of the emergency loan of EUR 1.2 billion into equity;

- EUR 640 million aid as compensation for COVID-19 damage incurred during the years 2020 and 2021 between 1 July 2020 and 30 June 2021.

At the beginning of 2023, taking into account the Group's operational performance above that expected in the Approved Restructuring Plan, the salary cuts applied to employees were reduced. Additionally, as of this date, it was already possible to conclude the negotiation of collective work agreements with some groups of workers, resulting in the total removal of salary cuts for these groups with effects from 1 July 2023. It should be noted that it is still being negotiated with the remaining workers representatives the respective collective work agreements.

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 S.A. Group operates, with exceptional restrictions on economic activity being imposed in those markets, which were gradually lifted in 2021 and 2022. In the first half of 2023, the World Health Organization declared the end of the pandemic COVID-19.

1.1.1 Impact on operational indicators

The evolution of the main financial indicators on the first half of 2023, compared with 2022, 2021, 2020 and 2019 are detailed as follows:

Operational indicators	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Variation vs 2022		Variation vs 2021		Variation vs 2020		Variation vs 2019	
						Value	%	Value	%	Value	%	Value	%
Passenger (000)	7,579	5,823	1,321	3,001	7,900	1,756	+30.2%	6,258	+473.7%	4,578	+152.6%	(321)	-4.1%
RPK (million)	20,067	15,392	3,184	7,863	19,119	4,675	+30.4%	16,883	+530.2%	12,204	+155.2%	948	+5.0%
ASK (million)	25,016	20,609	6,510	10,957	23,986	4,407	+21.4%	18,506	+284.3%	14,059	+128.3%	1,030	+4.3%
Load Factor	80.2%	74.7%	48.9%	71.8%	79.7%	+5.50p.p.	n.a.	+31.30p.p.	n.a.	+8.44p.p.	n.a.	+0.49p.p.	n.a.
Block Hours	184,635	155,879	59,944	84,137	191,102	28,756	+18.4%	124,691	+208.0%	100,498	+119.4%	(6,467)	-3.4%
Number of Departures	57,590	48,834	18,684	27,096	64,870	8,756	+17.9%	38,906	+208.2%	30,494	+112.5%	(7,280)	-11.2%
Average Stage Length (km)	2,149	2,138	2,190	2,035	1,917	11	+0.5%	(41)	-1.9%	114	+5.6%	232	+12.1%

Following the drop in activity seen from March 2020 as a result of the COVID-19 pandemic, having been significantly affected by the containment measures adopted by national and international authorities, which were reflected in a sharp drop in demand and led the Group to reduce its operational capacity, translating into a deterioration of activity over that period, in 2023 the Group's and the industry's activity continue to show a recovery path, namely due to the lifting of the restrictions imposed on travel and due to the end of the pandemic COVID-19.

During the first half of 2023, the number of passengers transported increased by 30.2%, capacity (measured in ASKs) increased by 21.4%, and demand for passenger traffic (expressed in RPKs) increased by 30.4%, resulting in an increase of load factor of 5.5 p.p., in comparison with the first half of 2022.

1.1.2 Impact on financial indicators

The evolution of the main financial indicators for the first half of 2023, compared to 2022, 2021, 2020 and 2019 is detailed as follows:

Financial indicators	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Variation vs 2022		Variation vs 2021		Variation vs 2020		Variation vs 2019	
						Value	%	Value	%	Value	%	Value	%
Income statement data													
Operating income	1,906,258,044	1,321,192,004	383,142,239	646,092,306	1,448,855,442	585,066,040	+44.3%	1,523,115,805	+397.5%	1,260,165,738	+195.0%	457,402,602	+31.6%
Ticket revenue	1,715,745,576	1,152,692,733	240,284,579	545,443,436	1,275,122,771	563,052,843	+48.8%	1,475,460,997	+614.0%	1,170,302,140	+214.6%	440,622,805	+34.6%
EBITDA *	345,167,752	233,513,979	(140,805,793)	(128,762,205)	127,619,358	111,653,773	n.a.	485,973,545	n.a.	473,929,957	n.a.	217,548,394	n.a.
EBITDA Margin	*18.1%*	*17.7%*	*-36.8%*	*-19.9%*	*8.8%*	+0.4p.p.	n.a.	+54.9p.p.	n.a.	+38.0p.p.	n.a.	+9.3p.p.	n.a.
Recurring EBITDA **	361,690,677	230,515,443	(164,651,585)	(124,207,885)	132,174,027	131,175,234	n.a.	526,342,262	n.a.	485,898,562	n.a.	229,516,650	n.a.
Recurring EBITDA Margin	*19.0%*	*17.4%*	*-43.0%*	*-19.2%*	*9.1%*	+1.5p.p.	n.a.	+61.9p.p.	n.a.	+38.2p.p.	n.a.	+9.9p.p.	n.a.
Operational result (EBIT)	107,963,442	4,393,138	(377,356,067)	(427,550,161)	(84,963,610)	103,570,304	n.a.	485,319,509	n.a.	535,513,603	n.a.	192,927,052	n.a.
EBIT margin	*5.7%*	*0.3%*	*-98.5%*	*-66.2%*	*-5.9%*	+5.3p.p.	n.a.	+104.2p.p.	n.a.	+71.8p.p.	n.a.	+11.5p.p.	n.a.
Cash flow statement data													
Cash flow from operating activity	675,437,627	474,770,489	(153,476,814)	90,247,454	269,348,272	200,667,138	+42.3%	828,914,441	-540.1%	585,190,173	+648.4%	406,089,355	+150.8%
Cash flow from investment activities	(116,340,462)	(92,403,179)	(10,240,162)	(48,635,196)	(73,715,558)	(23,937,283)	+25.9%	(106,100,300)	+1036.1%	(67,705,266)	+139.2%	(42,624,904)	+57.8%
Cash flow from financing activities	(573,709,756)	(312,568,908)	185,997,596	(323,554,205)	(21,610,838)	(261,140,848)	+83.5%	(759,707,352)	-408.5%	(250,155,551)	+77.3%	(552,098,918)	+2554.7%

Financial position data	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Variation vs 2022		Variation vs 2021		Variation vs 2020		Variation vs 2019	
						Value	%	Value	%	Value	%	Value	%
Total assets	6,129,073,964	5,913,857,344	4,718,062,437	4,957,101,564	5,152,800,895	215,216,620	+3.6%	1,411,011,527	+29.9%	1,171,972,400	+23.6%	976,273,069	+18.9%
Total liabilities	5,687,959,873	5,496,232,841	5,186,136,460	6,111,353,737	5,018,263,972	191,727,032	+3.5%	501,823,413	+9.7%	(423,393,864)	-6.9%	669,695,901	+13.3%
Total equity	441,114,091	417,624,503	(468,074,023)	(1,154,252,173)	134,536,923	23,489,588	+5.6%	909,188,114	-194.2%	1,595,366,264	-138.2%	306,577,168	+227.9%

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

** Recurring EBITDA = EBITDA – Restructuring – Other non-recurrent items

Financial performance in the first half of 2023, when compared with the first half of 2022, increased in total operating income by 44.3% and in ticket revenues by 48.9%. EBITDA presented a positive amount of EUR 345.2 million (an increase of EUR 111.7 million compared to the first half of 2022) and the Operating Result (EBIT) presented a positive amount of EUR 108.0 million (an increase of EUR 103.6 million compared to the first half of 2022).

Regarding the evolution presented in the consolidated cash flows statement, there was a positive variation of EUR 200.7 million in operating cash flows, resulting essentially from the increase in the Group's sold revenue compared to the first half of 2022. Investment cash flows recorded a negative variation of EUR 23.9 million as a result, among others, of pre-delivery payments and structural maintenance costs (Note 3). Regarding financing cash flows, there was a negative variation of EUR 261.1 million, mainly due to the payment of a bond loan in June 2023 (Note 17).

1.1.3 Impact on key estimates

The impact of the COVID-19 pandemic and of the approval of TAP Group Restructuring Plan by the European Commission on the main estimations made by the board of directors, is presented in detail below.

It is the understanding of the Board of Directors that the best estimate, as of 30 June 2023, is reflected in the projections included in the Approved Restructuring Plan, which were approved by the Board of Directors of TAP SGPS and TAP S.A. on 26 May 2021, updated by the Board of Directors on 3 November 2021 and submitted to the European Commission, concerning the years 2026 and 2027.

These estimates should be contextualized within the scope of the Approved Restructuring Plan, which establishes all revenue and cost assumptions including network and fleet. If reality differs significantly from this plan, namely in terms of fleet, service and sales, or if the Group does not successfully implement its current fleet, routes and cost efficiencies plan, the Group's results may be negatively impacted in the future, which may lead to significant changes in the estimates to be used.

Regarding the year ended 31 December 2022 and the first half of 2023, it should be noted that there was a significantly positive deviation between actual operating performance and that estimated in the Approved Restructuring Plan.

Restructuring provision (Note 16)

In the scope of the ongoing Restructuring Plan, some measures related with organizational restructuring and operational efficiency have been defined, among which was included the reduction of the number of workers (in order) to assure the financial and economic sustainability of the Group.

Following the restructuring process related with the Group's workers included in Restructuring Plan approved by the Board of Directors on 2 December 2020, and the subsequent communications made by the Board of Directors to the employees, it was set in motion a process of enrolment for voluntary measures that comprise the mutually agreed termination of the labor contract, the worker's early retirement, worker's anticipated retirement, reduced time work regime and leaves without compensation, and submission of work 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 maintenance & engineering workers
- 23 headquarters workers

In the second semester of 2021, the Company allowed some of its employees to take part in other voluntary termination measures. From the 124 employees:

- 40 adhered to terminations by mutual agreement
- 12 were transferred to Portugália with termination by mutual agreement of 50%
- 10 did not integrate any measure, nor were considered for dismissal (this situation was possible due to the various changes in management positions and accordingly to the needs)

Therefore, from the 124 employees, 62 employees were in a situation of collective dismissal, broken down as follows:

- 20 pilots
- 16 cabin crew
- 14 maintenance & engineering workers
- 12 headquarters workers

Consequently, as of 30 June 2023, and considering the payments already made, the Group revised the provision for expenses to be incurred with the restructuring, to be completed in the second half of 2023, to the amount of EUR 2.1 million, which refers to future payments already agreed.

Other provisions (Note 16)

The Group records provisions for various contingencies and the Board of Directors regularly assesses the criteria used to measure them.

As of 31 December 2021, the Group constituted a provision in the amount of EUR 140.3 million, corresponding to the estimate of additional charges that TAP S.A. expected to incur in connection with the ongoing corporate reorganization.

Following the Approved Restructuring Plan, the Board of Directors of TAP SGPS approved on 29 December 2021 the closure of operations of its subsidiary TAP ME Brasil with the objective of its liquidation. On that same date, and also taking into account the foreseen in the Approved Restructuring Plan, TAP S.A. assumed the responsibility of financing TAP SGPS to face contingencies and liabilities that could result from the liquidation process, namely those resulting from legal proceedings, restructuring and taxes. During the year ended 31 December 2022, payments were made in the amount of EUR 26.7 million to be reduced to the provision, with the remaining amount previously provisioned being reversed, due to changes in estimates that occurred in the year 2022, within the scope of the liquidation operations of TAP ME Brasil, and the revocation of the assumption of responsibility by TAP S.A. on the liquidation operations of TAP ME Brasil, considering the substantial change in the form of corporate restructuring in progress of the TAP Group, foreseen on the present date, with an impact on the financial position of TAP SGPS (Note 29).

Current assets impairment losses (Notes 8, 26 and 29)

The Group records provisions for impairment losses on some current assets, and the Board regularly evaluates the criteria used to measure them.

As a result of the approval by the European Commission on 21 December 2021 of the Restructuring Plan and the shareholder change that took place in TAP S.A. in 2021, the Board of Directors identified the need to record impairment losses regarding certain balances. As of 30 June 2023 the Group had recorded accumulated impairment losses regarding: (i) the balance receivable from TAP SGPS, in the amount of EUR 1,009.9 million (EUR 993.0 million as of 31 December 2022); (ii) accounts receivable from SPdH in the amount of EUR 10.7 million (EUR 10.7 million as of 31 December 2022), considering the insolvency situation of that entity; (iii) other accounts receivable in the amount of EUR 80.3 million (EUR 82.4 million as of 31 December 2022) (Note 8); and (iv) balances receivable from TAP ME Brasil in the amount of EUR 30.8 million (EUR 16.9 million in customers and EUR 13.9 million in other debtors) (EUR 30.4 million as of 31 December 2022) arising from the liquidation process in progress at the Brazilian subsidiary of TAP SGPS (Note 8).

Non-current asset impairment losses – Air fleet (Note 3)

As of 30 June 2023, total non-current consolidated assets related to the air fleet amounted to EUR 3,041 million.

The World Health Organization’ declaration of a pandemic resulted in a set of limitations to the mobility of populations, to which were added the economic and social effects of the pandemic itself, resulting in a sharp decrease in the activities carried out by the Group. It was the Management’s understanding, with reference to 31 December 2022, there was a need to carry out the respective impairment tests of non-current assets related to the air fleet.

The recoverable amount of those assets was determined based on discounted cash flow models, which required the use of estimates and assumptions by the Board of Directors, which depend on economic and market projections, namely with regard to cash -flows associated with the Group's operating activity, exchange rates, perpetuity growth rates and discount rates to be used in the respective model.

Consequently, and taking into account the Approved Restructuring Plan and the approval of the financial projections for the years 2022 to 2027 by the Board of Directors of TAP SGPS and TAP S.A. on 3 November 2021, containing a set of medium and long term related to the evolution of the air fleet and level of activity and operational performance, which frame the current conjuncture and its impacts on the air transport activity, the same was the basis of the analysis of the recoverability of tangible and intangible fixed assets of air transport carried out by the Group's Management on 31 December 2022, notwithstanding the positive deviation between the actual results and the forecast in the Approved Restructuring Plan.

It is the understanding of the Group's Board of Directors that the best estimate, as of 31 December 2022, is reflected in the projections embedded in the impairment test carried out.

It should be noted that the positive evolution of the Group's operation during the first half of 2023 compared to the assumptions considered in the Approved Restructuring Plan did not generate relevant changes in the assessment of impairment of non-current assets carried out by the Group with reference to 31 December 2022. Consequently, impairment tests were not carried out on non-current assets related to the airline fleet with reference to 30 June 2023, as it is considered that there are no signs of impairment as of that date.

Deferred Taxes (Note 7)

The Group recognizes deferred taxes under IAS 12 by recording deferred tax assets on tax losses whenever their recoverability in legal terms can be assessed.

As a result of the COVID-19 pandemic, in June 2020 a number of amendments to tax legislation were adopted within the framework of the Economic and Social Stabilization Plan, in particular with regard to the period of limitations and deduction percentage of the tax losses generated in 2020 and 2021, and the increase of the period of limitations for another two years with regard to tax losses generated before 2020.

Following the change in the shareholder structure of TAP S.A. in May 2021 which determined TAP S.A.'s exit from the Special Taxation Regime for Groups of Companies ("RETGS"), the tax losses generated in 2018, 2019 and 2020 are no longer subject to deduction in the sphere of TAP S.A., and consequently, deferred tax assets were derecognized for tax losses relating to 2018 and 2019 in the amount of EUR 56.6 million in the year ended 31 December 2021.

The State Budget approved for fiscal year 2023, terminated the time limitation for reporting tax losses and reduced the annual limit for deduction of taxable income from 70% to 65%, with these changes applying to the deduction of losses from taxable income for periods of taxation beginning on or after 1 January 2023, as well as tax losses calculated in tax periods prior to 1 January 2023, which deduction period is still in progress. The increase in the percentage of deduction of tax losses generated in 2020 and 2021 is maintained.

Based on the Approved Restructuring Plan, as of 31 December 2022, the Group has recorded deferred tax assets on reported tax losses for the years 2015, 2021 and 2022, corresponding to deferred taxes in the amount of EUR 154.6 million, and for which there is a prospect of recovery of said amount, considering the projections of future taxable profits to generate fiscal results in the period 2023 – 2025, as included in the Approved Restructuring Plan and in the profit projections approved by the Board of Directors in the sensitivity analysis presented to the European Commission in November 2021 for the period 2026 - 2027. For the remaining periods, a linearization of the fiscal results was assumed.

Considering the aforementioned assumptions, the deferred tax assets recorded as of 30 June 2023 are expected to be recovered over a period of between 11 and 13 years, considering different sensitivity scenarios.

For the purposes of analyzing the recoverability of deferred taxes, a haircut/increasing risk premium factor arising from the time horizon (7.36%/year) was applied.

It should be noted that any unfavourable deviations between the actual results and those estimated in the Approved Restructuring Plan may significantly alter the value of the Group's deferred tax assets.

1.1.4 Financial risks

Market risk

After a year of recovery in the aviation industry, 2023 continues to show a path of recovery and good overall performance, with a very significant increase in passengers, despite the less favorable evolution of some macroeconomic variables, such as the high inflation rates and consequent rise in interest rates. The conflict in Ukraine continued to affect the industry with a number of European and Asian companies experiencing traffic modifications.

According to the latest figures provided by IATA, it is expected that the aviation industry will continue to grow after this most challenging period, with demand doubling current figures in 2040. Regarding the post-pandemic recovery, it is expected that Global RPKs reach around 88% of 2019 levels in 2023, surpassing 2019 levels only in 2024. Regarding the cargo segment, which has gained strong momentum in recent years, it should represent around 20% of operating revenues, exceeding 2019 values by 100% (Source: IATA – Global Outlook for Air Transport – June 2023).

In this global context, TAP S.A. has maintained a geographic presence in its usual markets, assuming the risks of each of these markets. The Group continued to consolidate its operations in the North American market, in addition to Brazil, which continues to be its main foreign market, with the South Atlantic and North Atlantic markets jointly accounting for approximately 49% of passenger air transport revenues during the first half of 2023, compared to around 45% in the first half of 2022 (still penalized by some border closures at the beginning of the year). The value of the RPK indicator was 105.4% compared to the same period in 2019 (above the global industry value).

Fuel price risk

Fuel is one of the main costs borne by the Group, with strong exposure to fluctuations in its price, which is usually reduced through financial derivatives. Thus, like other airlines, in order to deal with significant changes in the price of fuel, the Group contracts different types of derivative financial instruments to hedge the price of fuel, namely swaps and options.

As of 30 June 2023, the spot price of jet fuel decreased by around 21.8% compared to the closing price of 31 December 2022 (983.5 USD per tonne), contrasting with the performance presented in the first half of 2022, marked not only by the significant increase in the price of oil, but also by the levels of volatility, due to the conflict in Ukraine and the continuous recovery and reopening of the main global economies after the pandemic crisis. This decrease in jet fuel prices, during the first half of 2023, was due to 3 factors, in particular: (i) risk of growing recession in the main global economies, consequently introducing uncertainty regarding the demand for oil; (ii) weak economic growth in China (main economy in terms of oil consumption) recurrently below expectations, reinforcing demand uncertainty; and (iii) ineffectiveness of sanctions on Russian oil, which continued to be sold at significantly lower prices, contributing to a greater imbalance in the supply-demand relationship (i.e., oversupply in the market) and consequently increasing even more the pressure on the markets. Jet fuel prices reached a high of USD 1,142.25 per tonne in January 2023 and a low of USD 689.00 per tonne in May 2023, closing the semester at USD 768.75 on June 30 from 2023.

The fair value of jet fuel derivatives as of 30 June 2023, presents an unfavorable position of EUR 35.7 million, with no overhedge derivatives existing on this date (Note 18).

Any sharp variations in the price of jet fuel after 30 June 2023 could have a significant impact on the Group's accounts.

The Group is currently subject to changes in the prices of CO_2 emission allowances, which are acquired every year to comply with European Union standards (“EU ETS”) for offsetting these emissions and, more recently, as a result of Brexit also from the United Kingdom (“UK ETS”). During the first half of 2022, the prices of licenses eligible for the “EU ETS” fluctuated between EUR 77.38 and EUR 100.34 per license, registering an appreciation of 6.1%, and the prices of eligible licenses for the UK ETS fluctuated between GBP 49.80 and GBP 82.11, per license, registering a devaluation of 22.5% during this period.

It should be noted that in the coming years the Group will also be covered by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a scheme to offset and reduce CO_2 emissions for international flights.

Indeed, in the long term, the industry's environmental commitment to the carbon neutrality of its activity by 2050 - the first commitment of this type at industry level - represents another relevant challenge, since it requires a global economic model that is sustainable, inclusive and prosperous, certainly implying additional investment efforts and/or an increase in operating expenses. As such, until real progress towards the goals of the Paris Agreement can be observed, climate change and its multiple consequences will, most likely, weigh on the overall potential growth rate of the aviation industry.

Exchange rate risk

The Group acquires a significant part of 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 EUR (essentially USD and BRL).

During the first half of 2023, the EUR appreciated by 1.9% against the USD and depreciated by 6.4% against the BRL.

Regarding the evolution of the EUR against the USD, after the parity barrier was broken in 2022 (which had not happened for years), the first half of 2023 was marked by a recovery of the EUR, largely due to the greater resilience of the European economies, but also, and above all, due to the fact that the European Central Bank started its cycle of raising interest rates after the US Federal Reserve, with the expectation that it will also end later.

Regarding the BRL, although only data for the first quarter of the year is known, evidence shows that, during the first half of 2023, the Brazilian economy is strengthened, with its economic indicators recurrently exceeding expectations, standing out from the other so-called “emerging economies”. In fact, Brazil currently finds itself in a clearly favorable context, marked by: (i) favorable international conditions, (ii) a slowdown in inflation, consequently foreseeing an easing of interest rates, and (iii) a more constructive political environment. Starting with the international environment, Brazil effectively continues to benefit from the conflict in Ukraine with the increase in exports in the agricultural sector, namely of goods such as soy, sugar and coffee, which with the reopening of the Chinese economy, culminated in a surplus of unprecedented Brazilian trade balance. Internally, macroeconomic indicators are beginning to show a sustained decline in inflation, leading to anticipation of an easing of interest rates by the Central Bank of Brazil, since the SELIC remains unchanged at 13.75% since September 2022. On the one hand, high interest rates have been a relevant factor in boosting the interest of the financial markets in the Brazilian market and, therefore, possible decreases in the SELIC may condition the continued appreciation of the BRL, on the other hand, the decrease in interest rates will contribute positively to the Brazilian economy as it will be crucial to help accelerate domestic demand and relieve the most indebted consumers and potentially strengthen the job market. Finally, the political environment is currently more constructive, both from the point of view of international relations and from the point of view of the governance of the country itself, and with regard to the latter, the fiscal and budgetary protection policies that have been presented resulting from the balance between a Presidency and a Congress of different political quarters, have had a positive perception on the part of the financial markets and, consequently, attracted foreign investment.

Considering Angola is an important market for TAP S.A., it should be noted that the first half of 2023 was also marked by an extreme devaluation in the value of the AOA (66.3% against the EUR). After less encouraging data on oil sales (responsible for around 90% of Angola's exports) and the increase in the weight of the debt in foreign currency, the National Bank of Angola was no longer able to defend its currency, seeing itself forced to stop to sell and preserve foreign currency, which caused a major imbalance in the supply and demand of currency pairs resulting in a huge devaluation of the AOA.

In this context, in the first half of 2023 net foreign exchange gains of EUR 65.3 million were recorded, of which EUR 27.6 million in the consolidated income statement (Note 31), including mainly the positive effect related to the impact of the appreciation of the USD in the liabilities recorded, namely future rents related to aircraft leases. As mentioned in Note 2.3, as of 1 January 2022, the Group designated in a hedging relationship the exchange rate risk associated with highly probable forecast sales which fare is determined in USD, using as hedging instruments a part of the lease liabilities denominated in USD, according to the amounts and dates of future cash flows from forecast sales and lease liabilities. The impact of the exchange rate adjustment of covered sales in the amount of EUR 37.7 million was recorded under the caption Other reserves (Note 14).

Interest rate risk

The reopening of the main global economies after the period of pandemic crisis, together with the outbreak of the geopolitical conflict in Ukraine, culminated in a worsening of inflation rates, putting pressure on central banks to implement monetary containment policies by raising interest rates. Europe was no exception and, during the first half of 2023, the European Central Bank continued the cycle of interest rate hikes, which had begun in July 2022, carrying out 4 progressive increases in reference rates, which reflected a total of 150 basis points. Thus, on 30 June 2023, the EURIBOR at 1, 3, 6 and 12 months stood at 3.399%, 3.577%, 3.900% and 4.134%, respectively. Prospectively, it is expected that, during the second half of 2023, the central banks, namely the European Central Bank and the US Federal Reserve, will put an end to the respective cycles of rising reference interest rates, with terminal rates estimated above 4 % and 5%, respectively.

In years prior to 2022, the Group carried out three bond issues at fixed rates, and therefore a very significant part of its debt is not exposed to interest rate variations. Currently, the Group does not have significant debt contracted with a variable rate. Nevertheless, the potential impacts of an increase in the general level of interest rates in the future will be relevant for the Group, essentially, with regard to amounts of debt that it may contract and may lead to an increase in the cost of leases, with the level of long-term interest rates to be reflected in the aircraft's rent.

Regarding its credit risk, the Group managed to improve its ratings this semester. Thus, in April 2023, TAP S.A.'s ratings were revised upwards by the agencies Standard & Poor's and Moody's Investors Service, which refer to improvements due to the strong operating performance and the prospect of a reduction in indebtedness. Standard & Poor's confirmed the B+ rating (stable outlook), also, according to the same agency, TAP S.A.'s stand-alone credit profile (SCAP) was revised upwards from B- to B. Moody's Investors Service also announced an upgrade from B3 to B2 (stable outlook).

Liquidity risk and capital management

The COVID-19 pandemic was responsible for the largest crisis in the aviation industry history, which was reflected in the difficulty in obtaining liquidity for its companies, having been raising capital in most companies in the sector, which are highly dependent on state aid. The Group received its State Aid in 2020, 2021 and 2022, and the last two tranches of this aid are expected to be received under the Approved Restructuring Plan in the amount of EUR 343 million each in December 2023 and December 2024.

Since the beginning of 2022 and with the activity rebound, the Group has maintained very comfortable levels of liquidity, which has continued to be carefully managed having in consideration the activity seasonality. As such, the Group ended the semester with a cash position of EUR 899.7 million.

1.1.5 Continuity of operations

The Board of Directors of the Group understands that the consolidated financial statements of TAP S.A. Group as of 30 June 2023 must be prepared using the principle of continuity, based on the Approved Restructuring Plan (Introductory Note) which foresees a gradual growth of the activity, combined with a strategy to reduce the fleet, operating costs and of investment, having been obtained in the six-month period ended 30 June 2023 and in the year ended 31 December 2022 positive operating and net results, higher than those estimated in the Approved Restructuring Plan.

Additionally, as of 30 June 2023, the Group has a cash position of EUR 889.7 million resulting from the approved State aid measures and the positive operating cash flows of the first half of 2023 and the year ended 31 December 2022, in the amounts of EUR 675.4 million and EUR 773.8 million, respectively, with a share capital increase being subscribed and not carried out within the scope of the Approved Restructuring Plan by the sole shareholder in the amount of EUR 686 million, which payment in two tranches is scheduled for December 2023 and December 2024 (Introductory Note).

Considering the above, the Board of Directors is convinced that the continuity of the Group's operations and liquidity are assured, based on the funding of estimated cash needs, as of this date, for a period of twelve months.

2 Summary of key accounting policies

The main accounting policies applied in drawing up these financial statements are described below.

2.1. Preparation Base

These financial statements relate to the six-month period ended 30 June 2023 and were prepared in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS” – previously called International Accounting Standards – “IAS”) issued by the International Accounting Standards Board (“IASB”) and the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), effective on 1 January 2023. Onwards, all those standards and interpretations will be generically called ‘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 for the year ended 31 December 2022.

Consequently, part of the notes contained in the financial statements of the year ended 31 December 2022 are not disclosed, either because they have not undergone significant change, or because not materially relevant to an understanding of these financial statements.

These condensed 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 31 December 2022, 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 1.1.5), 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 2.3.

The figures presented, unless otherwise indicated, are expressed in Euro.

New standards, changes to standards and interpretations as mandated

The new standards, interpretations, and changes to existing standards identified below, which became effective on 1 January 2023, are as follows:

Description	Changes	Effective date
1. New Standards, Amendments to Standards Effective 1 January 2023		
• IAS 1 – Disclosure of accounting policies	Disclosure requirement for "material" accounting policies, rather than "significant" accounting policies	1 January 2023
• IAS 8 – Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	1 January 2023
• IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	1 January 2023
• IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information	1 January 2023
• IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for decommissioning / related asset, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes	1 January 2023

2. Standards (new and amended) that become effective on or after 1 January 2024, not yet endorsed by the EU		
• IAS 1 – Classification of liabilities as non-current and current and Non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity's right to defer its settlement for at least 12 months after the reporting date, when subject to covenants	1 January 2024
IAS 7 and IFRS 7 – Supplier finance arrangements	Requirement to provide additional disclosures about supplier finance arrangements, the impact in liabilities and cash flows, as well as the impact in liquidity risk analysis, and how the entity would be impacted if these arrangements were no longer available	1 January 2024
IAS 12 – International Tax Reform – Pillar two model rules	Introduction of a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Requirement of targeted disclosure for affected entities (entities belonging to multinational groups that have consolidated revenues of €750m in at least two out of the last four years)	Immediately and 1 January 2023
IFRS 16 – Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable	1 January 2024

The new and changed standards referred to above in point 1, which became effective on 1 January 2023, did not impact the financial statements of the Group for the first semester of 2023. It is not estimated that the new and changed standards referred in point 2 will have relevant impact in the financial statements of the Group.

2.2. Comparability of financial statements

The financial statements as of 31 December 2023 and 30 June 2023, presented for comparative purposes, are fully comparable.

2.3. Estimates and judgements

Preparing the financial statements requires that the Group's management 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 judgements of TAP S.A. management, based on: (i) the best information and knowledge of present events and, in some cases, reports by independent experts and (ii) the actions that the Group believes it can take in the future. However, at the time of completing the transactions, their results may differ from these estimates. As set out in IAS 8, changes to these estimates that occur after the date of the financial statements are corrected in income prospectively. As a result of COVID-19 pandemic some of these estimates were materially affected as described in Note 1.1.3.

Estimates and assumptions that present a significant risk of material adjustment to the book value of assets and liabilities for the following period are shown below:

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

The Group recognises net income tax on the basis of the results of transactions settled in accordance with the tax legislation in force. In accordance with IAS 12, the Group recognises deferred tax assets and liabilities based on the difference between the book value and the tax bases of the assets and liabilities. The Group periodically analyses the recoverability of deferred tax assets based on the projection of the future taxable profit and the estimated period to roll back the time differences.

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

The present value of liabilities on retirement benefits is calculated on the basis of actuarial methodologies, which use certain assumptions. Any changes to those assumptions will have an impact on the book value of these liabilities. The main demographic and financial assumptions used in calculating retirement benefit liabilities are described in Note 15. The Group's policy is to periodically review the main demographic and financial assumptions.

- **Recognition of provisions and impairments (Notes 1.1.3, 8, 9, and 16)**

The Group has several ongoing legal cases for which, based on the opinion of its legal advisers, it makes a judgment as to whether provision should be made for such contingencies.

Impaired accounts receivable (Note 8) are calculated based on the estimated credit risk for each customer profile and their financial situation.

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

✈ **Customer loyalty programme (Note 19)**

The performance obligations associated with the attribution of miles to members of the "TAP Miles&Go" program are measured, based on historical information on the number of miles allocated and not used or expired at the end of each financial year, adjusted by the estimated number of miles to expire without usage, and the "stand-alone price", corresponding to the equivalent average value of the ticket, considering the history of miles redemption. Changes in the assumptions used by the Group in calculating this estimate may have a significant impact on the financial statements.

Changing the percentage of miles to expire by 10% would result in an impact on results of EUR 8,610 thousand and changing the stand-alone price by 10% would result in an impact on results of EUR 1.919 thousand.

✈ **Unused flight documents (Note 20)**

This item includes the amount of tickets sold to customers whose flight has not yet taken place and issued vouchers that have not yet been used.

The Group periodically analyses the balance of the "Unused flight documents" item in order to correct the amounts of tickets sold and issued vouchers for which coupons are no longer valid. The estimated amount of such coupons, which may not be exchanged or refunded, requires judgement by the Board of Directors. As such, changes in the assumptions used by the Group in the calculation of this estimate may have a significant impact on the consolidated financial statements.

Considering the impact of the COVID-19 pandemic, the Board of Directors has reviewed the policy on the use of unused flight documents, in particular, regarding the possibility of rebooking tickets at no additional cost and reimbursing passengers with vouchers with mark-up and extended validity periods. As of 30 June 2023, from a prudence perspective, and considering the various legislation in force in the several markets in which the Group operates, no revenue associated with vouchers issued in the years of COVID-19 and expired before or on 30 June 2023 was recognized, with the exception of the Portuguese market.

Had the Group recognized revenue on all issued and expired vouchers, the Group's results would have had a positive impact of approximately EUR 36.9 million.

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

The determination of the useful lives of assets, the determination of the residual value and the depreciation method to be applied, are essential in determining the depreciations to be recognised in the consolidated income statement for each period.

These parameters are defined according to the Board of Directors' best judgment for the assets in question and considering the practices adopted by the industry companies at international level.

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

The Group recognizes assets under the right of use of lease assets and liabilities with and without a purchase option (rent falling due on lease contracts) where the contract provides the right to control the use of an identifiable asset for a certain period in exchange for a consideration. To check whether there is control over the use of an identifiable asset, the Group evaluates whether: (i) the contract involves the use of an identifiable asset; (ii) it is entitled to substantially obtain all 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 the lease contracts, in particular the cancellation and renewal options provided for in the contracts and the determination of the incremental rate of funding to be applied for each portfolio of leases identified, requires that the Group uses judgements.

The Group determines the useful life of these assets based on the non-cancellable lease period and reviews their periods of use whenever there are changes to the lease contracts that modify the non-cancellable lease period.

- **Redelivery provision *(*Notes 3 and 16)**

The TAP S.A. Group is responsible for maintenance costs for aircraft operated under leases without purchase option. These are derived from legal and constructive contractual obligations regarding the condition of the aircraft when returned to the lessor. In order to meet these obligations, the Group will normally have to undertake structural maintenance during the lease period. The Group accrues this responsibility on the basis of the actual use of the aircraft, such as hours or cycles flown. In measuring this responsibility, several assumptions are considered, the most relevant of which are: (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 key assumptions are reviewed periodically, considering available information, and there may be circumstances that significantly change this estimate, such as renegotiating aircraft redelivery conditions, significantly changing the use of the aircraft and their navigability conditions, renegotiating leasing contracts, and changes in the cost of such structural maintenance. The estimated future cost of the structural maintenance of aircraft requires judgement by the Board of Directors, so changes in the assumptions used by the Group in the calculation of this estimate may have a significant impact on the consolidated financial statements.

- **Recoverability of tangible and intangible fixed assets (Notes 1.1.3 and 3)**

In accordance with IAS 36, annual impairment tests should be performed or whenever there is strong evidence that non-current assets may be impaired.

As mentioned in note 1.1.3, the evolution of the Group's operations during the first half of 2023 considering the assumptions considered in the Approved Restructuring Plan did not generate relevant changes in the assessment of impairment of non-current assets carried out by the Group with reference to 31 December 2022. Consequently, no impairment tests were carried out on non-current assets related to the air fleet with reference to 30 June 2023, as there are no signs of impairment on that date.

Given the uncertainty about the net book value recovery value of tangible and intangible fixed assets, as they are based on the best information available to date, changes in assumptions could result in impacts on determining the level of impairment and, consequently, on results.

- **Restructuring provision (Notes 1.1.3 and 16)**

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

Considering the strong adherence by the Group's employees to these voluntary measures, combined with a final phase of resizing, the Group recorded a provision for charges to be incurred with the defined restructuring measures, based on the best information available to date, considering the target universe of employees and the measures applicable to each one.

- **Exchange rate hedging**

In accordance with the financial risk management policy, since 1 January 2022, the Group designated in a hedging relationship the exchange rate risk associated with highly probable forecast sales which fare is determined in USD, using as hedging instruments a portion of aircraft lease liabilities denominated in USD, in accordance with the amounts and dates of future cash flows from forecast sales and lease liabilities.

It is considered that the future transaction is highly probable since the Group's objective is to cover the risk of variation in cash flows with the sale of tickets, whose fare is determined in USD, resulting from the development of its activity. Historically, with the exception of the pandemic period, more than 50% of sales have been made in geographies where the fare is determined in USD.

For the purpose of determining the highly probable sales estimate, a time horizon of 6 years was considered, based on the Approved Restructuring Plan.

As of 30 June 2023, the determined coverage percentage amounts to 84%, with a 5% change in this percentage having an impact of approximately EUR 4 million on the Group's financial results.

3 Tangible fixed assets

During the six-month period ended 30 June 2023 and the fiscal year ended 31 December 2022, the movement under the item Property, plant and equipment, as well as the respective accumulated depreciations 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											
1 January 2022	**41,125,597**	**159,940,210**	**1,178,913,676**	**2,214,005**	**30,027,032**	**52,694,820**	**12,982,278**	**19,419,125**	**106,649,950**	**3,314,040,097**	**4,918,006,790**
Acquisitions	-	134,323	247,142,359	22,735	1,558,706	1,001,461	128,483	10,240,550	40,953,413	260,658,752	561,840,782
Disposals	-	-	(9,710,459)	(68,799)	(3,382)	(5,053)	-	-	-	-	(9,787,693)
Regularisation, transfer and write-off	-	-	(3,558,367)	(92,421)	(24,369)	(458,456)	(543)	(3,631,605)	(1,373,243)	62,221,482	53,082,478
31 December 2022	**41,125,597**	**160,074,533**	**1,412,787,209**	**2,075,520**	**31,557,987**	**53,232,772**	**13,110,218**	**26,028,070**	**146,230,120**	**3,636,920,331**	**5,523,142,357**
Acquisitions	-	2,607	62,278,149	-	1,619,668	836,789	629,181	7,396,288	17,325,613	115,135,257	205,223,552
Disposals	-	-	(209,591)	-	-	(1,808)	-	-	-	-	(211,399)
Renegotiations	-	-	-	-	-	-	-	-	-	88,328,731	88,328,731
Regularisation, transfer and write-off	-	-	25,814,756	(34,913)	(2,631)	(51,155)	(3,300)	(9,741,703)	(14,318,287)	(12,722,403)	(11,059,636)
30 June 2023	**41,125,597**	**160,077,140**	**1,500,670,523**	**2,040,607**	**33,175,024**	**54,016,598**	**13,736,099**	**23,682,655**	**149,237,446**	**3,827,661,916**	**5,805,423,605**
Accumulated deprec. and impairment losses											
1 January 2022	**-**	**95,331,101**	**530,837,737**	**2,156,140**	**20,108,199**	**50,703,046**	**11,708,686**	**-**	**-**	**1,252,093,831**	**1,962,938,740**
Depreciations (Note 30)	-	5,700,811	60,562,371	16,894	863,443	1,752,557	245,904	-	-	429,341,572	498,483,552
Impairment losses (Note 30)	-	-	(438,751)	-	(86,047)	923	-	-	-	-	(523,875)
Disposals	-	-	(8,555,618)	(68,799)	(950)	(4,206)	-	-	-	-	(8,629,573)
Regularisation, transfer and write-off	-	-	(6,190,724)	(92,421)	(24,369)	(458,456)	(543)	-	-	-	(6,766,513)
31 December 2022	**-**	**101,031,912**	**576,215,015**	**2,011,814**	**20,860,276**	**51,993,864**	**11,954,047**	**-**	**-**	**1,681,435,403**	**2,445,502,331**
Depreciations (Note 30)	-	2,818,024	34,875,901	7,881	451,524	325,055	126,658	-	-	192,464,644	231,069,687
Impairment losses (Note 30)	-	-	769,637	-	(52,318)	-	-	-	-	-	717,319
Disposals	-	-	(57,265)	-	-	(1,682)	-	-	-	-	(58,947)
Regularisation, transfer and write-off	-	-	(1,871,210)	(34,913)	(2,632)	(51,155)	(3,300)	-	-	-	(1,963,210)
30 June 2023	**-**	**103,849,936**	**609,932,078**	**1,984,782**	**21,256,850**	**52,266,082**	**12,077,405**	**-**	**-**	**1,873,900,047**	**2,675,267,180**
Carrying amount as of 31 December 2022	**41,125,597**	**59,042,621**	**836,572,194**	**63,706**	**10,697,711**	**1,238,908**	**1,156,171**	**26,028,070**	**146,230,120**	**1,955,484,928**	**3,077,640,026**
Carrying amount as of 30 June 2023	**41,125,597**	**56,227,204**	**890,738,445**	**55,825**	**11,918,174**	**1,750,516**	**1,658,694**	**23,682,655**	**149,237,446**	**1,953,761,869**	**3,130,156,425**

As of 30 June 2023 and 31 December 2022, the “Right of use” item had the following composition:

	Buildings and other constructions	Aircraft and engine leases	ACMI	Redelivery and Maintenance	Transport equipment	Total
Assets						
1 January 2022	**1,832,381**	**2,311,305,358**	**552,623,244**	**447,503,758**	**775,356**	**3,314,040,097**
Acquisitions	-	-	82,084,924	178,573,828	-	260,658,752
Regularisation, transfer and write-off	-	24,033,397	65,676,722	(27,488,637)	-	62,221,482
31 December 2022	**1,832,381**	**2,335,338,755**	**700,384,890**	**598,588,949**	**775,356**	**3,636,920,331**
Acquisitions	-	2,213,917	9,838,412	103,082,928	-	115,135,257
Renegotiations	-	27,430,111	60,898,620	-	-	88,328,731
Regularisation, transfer and write-off	-	-	-	(12,722,403)	-	(12,722,403)
30 June 2023	**1,832,381**	**2,364,982,783**	**771,121,922**	**688,949,474**	**775,356**	**3,827,661,916**
Renegotiations						
Accumulated depreciations						
1 January 2022	**1,832,381**	**618,457,568**	**361,480,649**	**269,593,422**	**729,811**	**1,252,093,831**
Depreciations (Note 30)	-	204,827,227	108,157,628	116,311,583	45,134	429,341,572
31 December 2022	**1,832,381**	**823,284,795**	**469,638,277**	**385,905,005**	**774,945**	**1,681,435,403**
Depreciations (Note 30)	-	98,380,991	64,832,456	29,250,786	411	192,464,644
30 June 2023	**1,832,381**	**921,665,786**	**534,470,733**	**415,155,791**	**775,356**	**1,873,900,047**
Carrying amount as of 31 December 2022	**-**	**1,512,053,960**	**230,746,613**	**212,683,944**	**411**	**1,955,484,928**
Carrying amount as of 30 June 2023	**-**	**1,443,316,997**	**236,651,189**	**273,793,683**	**-**	**1,953,761,869**

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

To guarantee the payment of amounts due under a loan agreement, with a national institution, in the amount of EUR 75 million, a mortgage was constituted on an urban building belonging to TAP S.A., consisting of twenty-nine office buildings, construction material and others, located at Lisbon Airport. Additionally, in February 2020, a second mortgage was taken out relating to a loan in the amount of EUR 25 million. As of 30 June 2023, the amount relating to the two loan agreements amounted to approximately EUR 78 million.

The main movements during the first half of 2023 are detailed as follows:

- The additions of basic equipment in the amount of EUR 62,278 thousand refer mainly to: (i) acquisition of one A321 aircraft in the amount of EUR 50,753 thousand (to which were added pre-delivery payments transferred from the item advances to suppliers of tangible assets in the amount of EUR 19,055); (ii) capitalization of aircraft structural maintenance expenses in the amount of EUR 4,520 thousand; and (iii) acquisition of spares in the amount of EUR 4,369 thousand;

- The additions recorded in the caption “Right of use”, essentially include: one new ACMI contract in the amount of EUR 9,481 thousand; (ii) capitalization of expenses with major maintenance in the amount of EUR 75,040 thousand; and (iii) the increase in the provision for redelivery and capitalization of expenses with non-recoverable maintenance reserves in the amount of EUR 28,043 thousand;

- The regularisation, transfers and write-offs under the “Right of Use” item essentially include a reduction in the amount of EUR 12,722 thousand resulting from the review of the redelivery provision and the capitalization of expenses with non-recoverable maintenance reserves;

- The renegotiation of lease contracts without a purchase option resulted in an increase in the item in the amount of EUR 88,329 thousand;

- The additions of other assets in progress in the amount of EUR 7,396 thousand refer essentially to: (i) the Leap engine capacity building project in the amount of EUR 3,104 thousand; (ii) Quick Engine Change to integrate a Leap engine in the amount of EUR 1,489 thousand; and (iii) expenses with major ongoing maintenance in the amount of EUR 1,203 thousand;

- Additions of advances amounting to EUR 17,326 thousand mainly refer to pre-delivery payments.

The main movements during the financial year ending 31 December 2022 were as follows:

- The additions of basic equipment in the amount of EUR 247,142 thousand relate mainly to: (i) acquisition of three aircraft amounting to EUR 202,483 thousand, (ii) acquisition of two Leap engines in the amount of EUR 31,856 thousand, and (iii) capitalization of aircraft structural maintenance expenses in the amount of EUR 8,278 thousand;

- The sale of basic equipment with a net value of EUR 1,155 thousand, essentially refers to the sale of spare parts;

- The additions to the Right of use caption include, essentially: (i) seven new lease contracts without a purchase option (6 aircraft contracts under the ACMI regime and 1 reactor contract under the ACMI regime) in the amount of EUR 79,557 thousand; (ii) capitalization of major maintenance expenses in the amount of EUR 97,766 thousand; and (iii) increase in the redelivery provision and capitalization of expenses with non-recoverable maintenance reserves in the amount of EUR 80,808 thousand;

- Additionally, the regularizations, transfers and write-offs under the heading Right of use include, essentially, the increase resulting from renegotiations of contracts with lessors in the amount of EUR 89,710 thousand and the review of the redelivery provision, which resulted in a reduction in the amount of EUR 27,489 thousand;

- Additions of other assets in progress in the amount of EUR 10,240 thousand refer essentially to expenses with major maintenance in progress in the amount of EUR 9,631 thousand;

- Increase of advanced payments in the amount of EUR 40,953 thousand concern pre-delivery payments.

Depreciation of property, plant and equipment is recognised in full under the item “Depreciations, amortisations and impairment losses” in the income statement (Note 30).

As of 30 June 2023 and 31 December 2022, the “Basic equipment” (own assets) item had the following composition:

	Jun 23			Dec 22		
	Acquisition cost	Accumulated depreciation and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Flight equipment						
Aircraft	88,615,483	(56,740,261)	31,875,222	87,379,725	(53,447,730)	33,931,995
Reserve engines	4,504,286	(2,410,042)	2,094,244	2,969,113	(2,363,028)	606,085
Spare parts	95,139,089	(59,457,975)	35,681,114	93,726,371	(59,195,101)	34,531,270
	188,258,858	(118,608,278)	69,650,580	184,075,209	(115,005,859)	69,069,350
Flight equipment under						
Leases with purcahse option						
Aircraft	1,080,380,310	(391,090,631)	689,289,679	997,291,599	(365,416,605)	631,874,994
Reserve engines	140,952,449	(26,429,194)	114,523,255	140,915,377	(23,094,884)	117,820,493
	1,221,332,759	(417,519,825)	803,812,934	1,138,206,976	(388,511,489)	749,695,487
Machinery and equipment	91,078,906	(73,803,975)	17,274,931	90,505,024	(72,697,667)	17,807,357
	1,500,670,523	**(609,932,078)**	**890,738,445**	**1,412,787,209**	**(576,215,015)**	**836,572,194**

As of 30 June 2023 and 31 December 2022, the Group's aircraft fleet is broken down as follows:

	Jun 2023					Dec 2022				
	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	-	-	3	-	**3**	-	-	3	-	**3**
Airbus A330 NEO	-	3	16	-	**19**	-	3	16	-	**19**
Airbus A319	-	3	2	-	**5**	-	3	2	-	**5**
Airbus A320	-	3	12	-	**15**	-	3	12	-	**15**
Airbus A320 NEO	-	-	11	-	**11**	-	-	11	-	**11**
Airbus A321	-	2	1	-	**3**	-	2	1	-	**3**
Airbus A321 NEO	-	-	10	-	**10**	-	-	10	-	**10**
Airbus A321 NEO LR	-	6	6	-	**12**	-	5	6	-	**11**
Embraer 190	-	-	-	11	**11**	-	-	-	10	**10**
Embraer 195	-	-	-	7	**7**	-	-	-	6	**6**
ATR 72	-	-	-	1	**1**	-	-	-	-	**-**
	-	**17**	**61**	**19**	**97**	**-**	**16**	**61**	**16**	**93**

The Group ended the first half of 2023 with a fleet of 97 aircraft, a net increase of 4 aircraft compared to the end of 2022, in which the Group had a fleet of 94 aircraft.

During the first half of 2023, one new generation Airbus aircraft (A321neo LR), two aircraft from the Embraer fleet (one E190 and one E195 that were in phase-in process as of 31 December 2022) and one ATR- 72 (which as of 31 December 2022 was in the process of operator transition), started operating.

Therefore, of the fleet of 97 aircraft, 96 were available for commercial passenger operation, one of which was undergoing inspection/modification process, from cargo to passengers.

As of 30 June 2023, 67% of the medium and long-haul operational fleet was made up of NEO family aircraft. Additionally, one E190 aircraft and one ATR-72 aircraft (under operator transition process) were in phase-in process.

4 Investment properties

For the six-month period ended 30 June 2023 and the year ended 31 December 2022, the movements under the caption investment properties were as follows:

	Jun 23	Dec 22
Opening Value	**1,690,000**	**1,615,899**
Transfers (Note 7)	-	(225,000)
Disposals	(255,000)	-
Fair value adjustments (Note 23)	-	299,101
Closing Balance	**1,435,000**	**1,690,000**

During the first half of 2023, a fraction of a building in Portela, which was classified as an investment property was sold, which net book value amounted to EUR 255 thousand. The sale generated a gain of EUR 49 thousand (Note 23).

5 Intangible assets

For the six-month period ended 30 June 2023 and the year ended 31 December 2022, "Intangible assets" roll-forward was as follows:

	Industrial property and other rights	Computer programmes	Assets in progress	Total
Acquisition cost				
Balance as of 1 January 2022	**11,951,704**	**61,235,484**	**4,105,753**	**77,292,941**
Acquisitions	-	6,787,303	4,525,905	**11,313,208**
Regularization, transfer and write-off	-	72,500	(72,500)	**-**
Balance as of 31 December 2022	**11,951,704**	**68,095,287**	**8,559,158**	**88,606,149**
Acquisitions	-	3,884,651	1,466,333	**5,350,984**
Regularization, transfer and write-off	-	53,366	(16,950)	**36,416**
Balance as of 30 June 2023	**11,951,704**	**72,033,304**	**10,008,541**	**93,993,549**
Accumulated amort. and impairment losses				
Balance as of 1 January 2022	**11,951,704**	**41,865,448**	**-**	**53,817,152**
Amortisations and impairment losses (Note 30)	-	11,498,823	-	11,498,823
Balance as of 31 December 2022	**11,951,704**	**53,364,271**	**-**	**65,315,975**
Amortisations and impairment losses (Note 30)	-	5,417,304	-	5,417,304
Regularization, transfer and write-off	**11,951,704**	**58,781,575**	**-**	**70,733,279**
Carrying amount as of 31 December 2022	**-**	**14,731,016**	**8,559,158**	**23,290,174**
Carrying amount as of 30 june 2023	**-**	**13,251,729**	**10,008,541**	**23,260,270**

The main movements during the financial first half of 2023 are as follows:

- ✈ The increase in the caption Computer programs in the amount of EUR 3,885 thousand essentially refers to software licensing contracts;

✈ The increase in the item Assets in progress in the amount of EUR 1,466 thousand mainly refers to acquisitions within the scope of the Transform ME project in the amount of EUR 1,326 thousand.

6 Other financial assets

As of 30 June 2023 and 31 December 2022, the other financial assets item had the following composition:

	Jun 23	Dec 22
Bank deposits in Guinea Bissau	1,780,679	1,671,909
SITA Group Foundation	455,915	455,915
Other	47,364	47,363
	2,283,958	**2,175,187**
Impairment losses	(1,795,238)	(1,686,467)
	488,720	**488,720**

The amount presented 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).

7 Deferred tax assets and liabilities

On 30 June 2023 and 31 December 2022, the tax rate used for calculating deferred tax assets relating to reportable tax losses was 21%. For the remaining temporary differences, the rate used was either 21% or 29.5%, depending on the estimated year of realization.

Tax relief, because it is a collection deduction, is considered to be 100% recoverable. In some cases, its full acceptance is also subject to the approval of the authorities granting such tax benefits. The deferred taxes arising from tax benefits are recorded when the authorities granting these tax benefits have approved them.

The main temporary differences between accounting and taxable amounts as of 30 June 2023 and 31 December 2022, the corresponding deferred tax assets and liabilities and the respective effect on the results for the six-month period ended 30 June 2023 and the fiscal year ended 31 December 2022, are as follows:

	Jun 23			
	Opening balance	Effect in results (Note 32)	Effect in other comprehensive income	Closing balance
Deferred tax assets				
Tax losses carried forward	160,171,263	(5,595,552)	-	154,575,711
Post-employment benefits obligations	32,143,044	(2,728,901)	5,397,877	34,812,020
Impairment losses in inventories	4,537,353	8,837	-	4,546,190
Impairment losses of receivables	227,225,047	2,871,659	-	230,096,706
Tax benefits	1,150,497	-	-	1,150,497
Other provisions and adjustments not accepted for tax purposes	19,350,150	4,224,197	-	23,574,347
Impairment losses in fixed assets	1,326,190	(91,981)	-	1,234,209
Derivative financial instruments	1,526,307	-	5,961,154	7,487,461
	447,429,851	**(1,311,741)**	**11,359,031**	**457,477,141**
Deferred tax liabilities				
Revaluation of tangible fixed assets	14,227,624	(1,497,340)	-	12,730,284
Adjustments from IFRS 16 and IFRS 9	29,773,066	15,091,568	11,133,006	55,997,640
	44,000,690	**13,594,228**	**11,133,006**	**68,727,924**
	403,429,161	**(14,905,969)**	**226,025**	**388,749,217**

	Dec 22			
	Opening balance	Effect in results (Note 32)	Effect in other comprehensive income	Closing balance
Deferred tax assets				
Tax losses carried forward	134,137,162	26,034,101	-	160,171,263
Post-employment benefits obligations	27,365,034	(3,666,543)	8,444,553	32,143,044
Impairment losses in inventories	7,784,490	(3,247,137)	-	4,537,353
Impairment losses of receivables	186,612,370	40,612,677	-	227,225,047
Tax benefits	1,150,497	-	-	1,150,497
Other provisions and adjustments not accepted for tax purposes	4,698,737	14,651,413	-	19,350,150
Impairment losses in fixed assets	1,774,848	(448,658)	-	1,326,190
Derivative financial instruments	-	-	1,526,307	1,526,307
	363,523,138	**73,935,853**	**9,970,860**	**447,429,851**
Deferred tax liabilities				
Revaluation of tangible fixed assets	15,604,548	(1,376,924)	-	14,227,624
Derivative financial instruments	48,940	-	(48,940)	-
Ajustments due the adoption of IFRS 16	18,369,285	43,423,524	(32,019,743)	29,773,066
	34,022,773	**42,046,600**	**(32,068,683)**	**44,000,690**
	329,500,365	**31,889,253**	**42,039,543**	**403,429,161**

✈ Reportable tax losses

The 2023 State Budget, approved in 2022, put an end to the time limit for reporting tax losses and reduced the annual limit for deduction from taxable income from 70% to 65%, applying these changes to the deduction of losses from taxable income tax periods beginning on or after 1 January 2023, as well as tax losses calculated in tax periods prior to 1 January 2023, whose deduction period is still in progress. The economic and social stabilization program published in 2020 established an increase in the percentage of deduction of tax losses generated in 2020 and 2021 by ten percentage points, having this increase been maintained with the approval of the 2023 State Budget.

Following the said amendments, the Group considers that there is a greater probability of realizing the deferred tax assets.

The Group considers that the reportable tax losses generated in 2015, 2021 and 2022 are recoverable, through their use in reducing future taxable results (calculated based on the individual financial statements of TAP S.A., prepared in accordance with the SNC) considering the projections of future taxable income, as included in the Approved Restructuring Plan and in the projections approved by the Board of Directors of the TAP Group in the sensitivity analysis presented to the European Commission in November 2021 related to the period 2026 – 2027, with a linearization of fiscal results for the remaining periods.

Considering the aforementioned assumptions, the recovery of deferred tax assets recorded as of 30 June 2023 is expected over a period between 11 and 13 years, considering different sensitivity scenarios.

For the purposes of analyzing the recoverability of deferred taxes, a haircut/increasing risk premium factor arising from the time horizon (7.36%/year) was applied.

It should be noted that, despite the Group having exercised its legitimate right of challenge, no deferred tax assets were recorded related to the tax losses carried forward resulting from the securitisation operation in the years 2014 and 2015 amounting to EUR 99 million, currently under dispute in a tax court.

The detail of tax losses as of 30 June 2023, is as follows:

	Without securitization	**Securitized**	**Total**	**Deadline for deduction ***
2014	-	31,071,827	31,071,827	No deadline
2015	96,780,011	67,927,000	164,707,011	No deadline
2021	549,225,430	-	549,225,430	No deadline
2022	90,069,372	-	90,069,372	No deadline
	736,074,813	**98,998,827**	**835,073,640**	

*According to FY 2023 State Budget

8 Other accounts receivable

As of 30 June 2023 and 31 December 2022, the detail of the other receivables item is as follows:

	Jun 23		Dec 22	
	Current	**Non-current**	**Current**	**Non-current**
Customers	464,098,756	-	435,338,029	-
Security deposits of lease contracts	5,350,637	36,472,078	7,266,337	35,430,579
Recoverable maintenance reserves	21,466,635	72,334,554	19,861,307	64,700,421
Advances to suppliers	57,899,934	-	27,676,618	-
Accrued income	36,761,657	-	37,886,855	-
Other debtors	1,542,232,630	350,693,835	1,462,227,516	343,800,240
	2,127,810,249	**459,500,467**	**1,990,256,662**	**443,931,240**
Receivables impairment losses	(1,129,765,636)	(1,921,388)	(1,114,701,301)	(1,921,388)
	998,044,613	**457,579,079**	**875,555,361**	**442,009,852**

There are no differences between the book values and fair value for the periods in question.

✈ Customers

As of 30 June 2023 and 31 December 2022, customer line is detailed as follows:

	Jun 23	Dec 22
Private entities	275,811,372	271,863,914
Doubtful customers	61,206,379	60,845,174
Travel agency	57,075,227	42,401,776
Related parties (Note 36)	18,666,537	19,299,760
Airline companies	27,553,734	17,478,206
Other	23,785,507	23,449,199
	464,098,756	**435,338,029**
Impairment	(89,884,280)	(90,018,096)
	374,214,476	**345,319,933**

As of 31 December 2022, the heading Private entities included a balance relating to a retention carried out by a credit card payments entity, in the amount of USD 42 million (around EUR 30 million). At the beginning of 2023 the amount of this retention was received.

The receivable balances from travel agencies and airline companies are primarily settled through IATA Billing and Settlement Plan (BSP) and IATA Clearing House (ICH), which does not fully cover the bankruptcy risks of Travel Agencies and Aviation Companies.

✈ Security deposits of lease contracts

Security deposits are made under lease contracts without purchase options 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 2023, the deferred costs item includes an amount of EUR 18.2 million related to the financial discount cost of these receivables, to be recognised during the term of the respective lease contracts (Note 11).

✈ Recoverable maintenance reserves

The recoverable maintenance reserves item refers to maintenance reserves paid on lease contracts without purchase option, which will be carried out during the contract period.

✈ Advances to suppliers

As of 30 June 2023 and 31 December 2022, the “Advances to suppliers” item is detailed as follows:

	Jun 23	**Dec 22**
Related parties (Note 36)	610,644	575,390
Others	57,289,290	27,101,228
	57,899,934	**27,676,618**

The item “Others” includes advanced payments to suppliers of several natures, namely insurance companies and airport management entities.

✈ Accrued income

As of 30 June 2023 and 31 December 2022, “Accrued income” item is detailed as follows:

	Jun 23	**Dec 22**
Works for aviation companies	19,775,364	27,739,776
Related parties (Note 36)	1,239,701	1,046,291
Accrued interests	5,399,691	1,392,953
Other	10,346,901	7,707,835
	36,761,657	**37,886,855**

As of 30 June 2023, the balance of the caption “Others” essentially concerns credit notes receivable from suppliers.

✈ Other debtors

As of 30 June 2023 and 31 December 2022, the other debtors is detailed as follows:

	Jun 23		Dec 22	
	Current	**Non-current**	**Current**	**Non-current**
Related parties (Note 36)	1,063,589,773	19,552,819	1,048,023,603	17,223,370
Unrealized share capital (Notes 13 and 36)	338,236,974	328,908,426	333,540,088	324,341,080
Deposits and guarantees	91,450,310	-	30,350,635	-
Employees	17,105,941	-	18,238,492	-
Interline and other invoicing	8,981,948	-	12,644,195	-
Doubtful accounts	5,301,231	-	7,608,261	-
Representations VAT	8,099,595	-	6,014,767	-
Other	9,466,858	2,232,590	5,807,475	2,235,790
	1,542,232,630	**350,693,835**	**1,462,227,516**	**343,800,240**
Impairment	(1,039,881,356)	(1,921,388)	(1,024,683,205)	(1,921,388)
	502,351,274	**348,772,447**	**437,544,311**	**341,878,852**

As mentioned in the Introductory Note, on 27 December 2022 the sole shareholder subscribed a capital increase of EUR 980 million, with EUR 686 million remaining to be paid as of that date, which is expected to be realized in two tranches of equal amounts in 2023 and 2024. As of 30 June 2023, the balance of the capital increase to be carried out, financially discounted, is recorded under current and non-current subscribed and unrealized capital, in the amounts of EUR 338 million and EUR 329 million (EUR 334 million and EUR 324 million as of 31 December 2022), respectively.

As of 30 June 2023, the caption other debtors – related entities – includes an amount of EUR 1,009.9 million receivable from TAP SGPS, for which it is recorded an accumulated impairment of the same amount, which arises from its management of financial holdings at TAP ME Brasil, SPdH and Portugália and also includes the amount of EUR 40.8 million to be received from Portugália (EUR 21.2 million in current assets and EUR 19.6 million in non-current assets), related to the rebilling of maintenance reserves paid by Portugália.

The increase in the balance of the deposits and guarantees item is essentially due to the collateral payments related with the contracting of jet fuel derivatives.

✈ Impairment losses on current receivables

The movement that occurred under the impairment losses on receivables item during the six-month period ended 30 June 2023 and during the year ended 31 December 2022 is as follows:

	Jun 23		Dec 22	
	Clients	Others	Clients	Others
Opening balance	90,018,096	1,024,683,205	88,937,364	908,987,899
Increases (Notes 18, 28 and 31)	2,641,421	17,133,769	4,771,382	114,895,991
Reversals (Note 26)	-	(85)	(440,362)	(8,876)
Utilization	(2,508,095)	(2,779,814)	(4,160,888)	(79,954)
Exchange (Note 33)	(267,142)	844,281	910,600	888,145
Closing balance	**89,884,280**	**1,039,881,356**	**90,018,096**	**1,024,683,205**

During the first half of 2023, impairment losses on accounts receivable from TAP SGPS were reinforced by EUR 16.9 million (Note 29).

The detail of the accumulated impairment losses for related partis is disclosed in Note 36.

9 Inventories

The caption “Inventories” as of 30 June 2023 and 31 December 2022, is detailed as follows:

	Jun 23	Dec 22
Raw materials and consumables	87,073,895	81,765,085
Inventory impairment losses	(15,410,812)	(15,380,857)
	71,663,083	**66,384,228**

Raw materials and consumables refer to technical material for use in the maintenance and repair of own aircraft and in works for other airlines.

The movement that occurred under the impairment losses on inventories item for the six-month period ended 30 June 2023 and the fiscal year ended 31 December 2022, is detailed as follows:

	Jun 23	Dec 22
Opening balance	15,380,857	26,388,101
Increases (Note 26)	2,030,403	91,378
Decreases (Note 26)	(9,649)	(5,222,758)
Utilization	(1,990,799)	(5,875,864)
Closing balance	**15,410,812**	**15,380,857**

10 Income tax receivables / payables

As of 30 June 2023 and 31 December 2022, the balance concerning income tax receivables or payables is detailed as follows:

	Jun 23		Dec 22	
	Current assets	Current liabilities	Current assets	Current liabilities
State and Other Public Entities				
Other	293,640	(19,326)	-	(19,326)
Withholding taxes	696,639	-	656,061	-
Current income tax (Note 32)	(61,040)	-	(221,015)	-
	929,239	**(19,326)**	**435,046**	**(19,326)**
	929,239	**(19,326)**	**435,046**	**(19,326)**

11 Other current and non-current assets

Other current and non-current assets as of 30 June 2023 and 31 December 2022, are detailed as follows:

	Jun 23		Dec 22	
	Current	Non-Current	Current	Non-Current
Deferred costs	67,320,554	16,295,177	37,288,455	17,828,667
State and other public entities	4,688,732	-	7,514,913	-
	72,009,286	**16,295,177**	**44,803,368**	**17,828,667**

✈ Deferred costs

As of 30 June 2023 and 31 December 2022, the caption “Deferred costs” is detailed as follows:

	Jun 23		Dec 22	
	Current	Non-Current	Current	Non-Current
Security deposits (Note 10)	1,909,687	16,295,177	1,909,687	17,828,667
Related Parties (Note 36)	112,967	-	272,178	-
Commissions	42,008,540	-	27,667,870	-
Specialized work	1,290,412	-	1,506,087	-
Rental costs	322,750	-	286,879	-
Other	21,676,198	-	5,645,754	-
	67,320,554	**16,295,177**	**37,288,455**	**17,828,667**

The caption Commissions relates to amounts paid to agents for tickets sold, but not yet flown and not expired. The variation is mainly due to seasonality and the increase of the activity in 2023.

As of 30 June 2023, the caption “Others” includes a balance of EUR 8.3 million relating to the contracting of short-term ACMI and a balance amounting to EUR 7.2 million concerning maintenance works.

- ✈ **State**

As of 30 June 2023 and 31 December 2022, the caption “State” is detailed as follows:

	Jun 23	Dec 22
VAT	3,507,683	5,925,109
Other taxes	1,181,049	1,589,804
	4,688,732	**7,514,913**

As of 30 June 2023 and 31 December 2022, the balance of VAT owed refers to requests for reimbursement not yet received.

12 Cash and cash equivalents

As of 30 June 2023 and 31 December 2022, the detail of cash and cash equivalents is detailed as follows:

	Jun 23	Dez 22
Bank deposits available on demand	422,211,897	82,248,411
Term deposits	477,037,565	833,698,030
Other deposits	415,982	65,000
Cash	70,487	65,610
Cash and cash equivalents	**899,735,931**	**916,077,051**

13 Capital

As mentioned in the Introductory Note, on 24 May 2021 the Portuguese State, through the Directorate-General for Treasury and Finance, carried out a capital increase in TAP S.A. in the amount of EUR 462 million.

In this context, the shareholder structure of TAP S.A. changed to the following:

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

Following the approvals by the European Commission of State aid for (i) the restructuring of the TAP Group and (ii) for the compensation of losses suffered by TAP S.A. as a result of the COVID-19 pandemic, on 30 December 2021, the following corporate operations were approved at the Extraordinary General Meeting of TAP S.A. and submitted to the Lisbon Commercial Registry Office for registration:

- The increase in the share capital of TAP S.A. from EUR 503,500,000 to EUR 657,853,400, fully subscribed by TAP SGPS, through the conversion of supplementary payments, in the total amount of EUR 154,353,400;
- The reduction of its share capital to EUR 0, for partial coverage of losses;
- The increase in its share capital from EUR 0 to EUR 1,794,544,230, fully subscribed by the Portuguese Republic, through the Directorate-General for the Treasury and Finance, with the amount of EUR 1,258,544,230 being paid exclusively through contributions in kind, by converting credits from the Portuguese Republic on TAP S.A., and the amount of EUR 536,000,000, realized through cash entries;
- The reduction of its share capital from EUR 1,794,544,230 to EUR 904,327,865, to partially cover losses.

As a result of these operations, TAP S.A. has the Portuguese Republic as its sole and direct shareholder, through the Directorate-General for Treasury and Finance, with no material change in the control exercised over TAP S.A., as the Portuguese Republic was already the beneficial owner of TAP S.A..

Still following the decision of the European Commission dated 21 December 2021 which approved the TAP Group's Restructuring Plan and the granting of restructuring aid, under the terms of which it was foreseen to grant a tranche of the said aid until the end of the fiscal year 2022, on 27 December 2022, the following corporate transactions were approved by means of a written decision by the sole shareholder of TAP S.A.:

a) The reduction of the share capital of TAP S.A. from EUR 904,327,865 to EUR 0, for partial coverage of losses;
b) The increase in its share capital from EUR 0 to EUR 980,000,000, fully subscribed by the Portuguese Republic, through the Directorate-General for Treasury and Finance, to be carried out by new contributions in cash.

As a result of the operations described above, the share capital of TAP S.A. became EUR 980,000,000, represented by 196,000,000 shares, with a nominal unit value of EUR 5.00, of which EUR 294,000,000 have been paid up. TAP S.A. maintains the Portuguese Republic as the sole direct shareholder and effective beneficiary, through the Directorate-General for Treasury and Finance.

14 Reserves

✈ Legal reserve

Commercial legislation provides that at least 5% of the annual net income must be earmarked for strengthening the legal reserve until it represents at least 20% of the capital.

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

Following the capital increase in 2021 and 2022, as of 30 June 2023, the legal reserve is not yet fully constituted.

✈ Fair value reserves

As of 30 June 2023, the amount of EUR 28,167,116, presented under the "Fair value reserves" item, is the fair value of financial instruments classified as hedging amounting to EUR 35,654,577, net of deferred tax amounting to EUR 7,487,461 (Notes 7 and 18).

✈ Other reserves

As of 30 June 2023, the caption "Other reserves" includes the amount of EUR 49,915,760, net of deferred tax in the amount of EUR 20,886,736 (Notes 7 and 31), referring to net exchange losses arising from the exchange rate adjustment of lease liabilities in USD, for which a hedging relationship was defined with highly probable forecast sales which fare is determined in USD, with reference to 1 January 2022 (Note 2.3).

This caption also includes the reserve set up in 2010 resulting from the merger by the incorporation of Air Portugal Tours, S.A. in the amount of EUR 200,588.

Other variations in equity

The balance recorded under the caption as of 30 June 2023 in the amount of EUR 18.9 million (EUR 28.1 million as of 31 December 2022) concerns the financial discount effect on accounts receivable in December 2023 and December 2024 from the sole shareholder (Note 8), relating to the capital increase subscribed on 27 December 2022 and not realized yet (Note 13).

Retained earnings

The item “Retained earnings” corresponds to the net income of previous years, as per the decisions made at the General Meetings. In addition, changes resulting from the application of International Financial Reporting Standards for the first time, as well as gains or losses from remeasurements of post-employment benefits, net of tax and adjustments arising from the adoption of IFRS 16, are recorded under this item.

On 27 December 2022 and 30 December 2021, the Extraordinary General Meeting of TAP S.A. approved share capital reductions in the amounts of EUR 904,327,865 and EUR 1,548,069,765, respectively, to partially cover losses (Note 13).

15 Pensions and other post-employment benefits

Assumptions used in the evaluation of liabilities

The liabilities of the Group were calculated through actuarial studies reported as of 30 June 2023 and 31 December 2022, prepared by independent entities, individually for each company, using the “Projected Unit Credit Method” and essentially based on the following financial and demographic assumptions:

	Jun 23		Dec 22	
	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	3.50%	3.50%	3.50%	3.50%
Fund yield rate	3.50%	2.00%	3.50%	2.00%
Growth rate				
Wages	[0%(até 2024)-1,5%(2024+)]	[0%(até 2024)-1,5%(2024+)]	[0%(até 2024)-1,5%(2024+)]	[0%(até 2024)-1,5%(2024+)]
Pensions	1.00%	1.00%	1.00%	1.00%
Salaries (Social Security)	3.70%	--	3.70%	--
Trend of medical costs	1.50%	--	1.50%	--
Regular retirement age	65	65	65	65

The Group reviews the actuarial assumptions periodically whenever relevant events occur, based on market financial information and information related to the beneficiaries covered by these plans. The salary growth rate is based on the best estimate at the time, taking into account the Group's ongoing Restructuring Plan.

Liabilities as of 30 June 2023 and 31 December 2022, are detailed as follows:

	Jun 23							
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brasil Representation	Sub-total liabilities	England Representation	Total
Liabilities from past services								
- Active employees	192,663	59,787,258	-	71,442,277	561,538	131,983,736	-	131,983,736
- Early retirement	125,617	4,035,969	199,572	-	-	4,361,158	-	4,361,158
- Retired	13,200,670	23,435,165	2,213,843	-	-	38,849,678	27,516,264	66,365,942
Fair value of the fund	(12,746,714)	-	-	(43,152,201)	(412,753)	(56,311,668)	(28,392,320)	(84,703,988)
Defit/(surplus)	**772,236**	**87,258,392**	**2,413,415**	**28,290,076**	**148,785**	**118,882,904**	**(876,056)**	**118,006,848**

	Dec 22							
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Brasil Representation	Sub-total liabilities	England Representation	Total
Liabilities from past services								
- Active employees	192,663	59,384,309	-	59,779,842	525,706	119,882,520	-	119,882,520
- Early retirement	125,617	2,861,925	237,394	-	-	3,224,936	-	3,224,936
- Retired	13,200,670	22,762,018	2,283,971	-	-	38,246,659	27,516,264	65,762,923
Fair value of the fund	(12,216,494)	-	-	(40,667,788)	(386,415)	(53,270,697)	(28,392,320)	(81,663,017)
Defit/(surplus)	**1,302,456**	**85,008,252**	**2,521,365**	**19,112,054**	**139,291**	**108,083,418**	**(876,056)**	**107,207,362**

The best estimate of contributions to pension defined benefit plans for the second half of 2023, amounts to approximately EUR 3 million.

As of 30 June 2023 and 31 December 2022, the Group's defined benefit plans in Portugal (excluding the UK and Brazil representations) covered 1,268 and 1,286 beneficiaries in active employment, respectively. The total number of retired and pre-retired employees entitled to a pension supplement on 30 June 2023 and 31 December 2022, was 497 and 510 recipients, respectively.

As of 30 June 2023 and 31 December 2022, the average maturity of the liabilities related to the defined benefit plan for the "VIVA fund" and "Jubileu Bonus" is 10 years and 14 years, respectively.

Sensitivity analyses

✈ **Annual discount rate**

An increase (decrease) of 0.25% in the annual discount rate of the defined benefit plans of the VIVA pension fund and Retirement Bonus would correspond to the following impacts on the Group's liabilities as of 30 June 2023 and 31 December 2022, as follows:

Jun 23	Rate	VIVA Plan*	Jubileu Bonus
Annual discount rate of pensions	3.50%	100,777,342	71,442,277
0.25% increase in the discount rate	3,75%	98,887,855	69,317,803
0.25% decrease in the discount rate	3,25%	102,854,058	73,713,787

* Includes "VIVA Pensions" and "VIVA Fund"

Dec 22	Rate	VIVA Plan*	Jubileu Bonus
Annual discount rate of pensions	3.50%	98,527,202	59,779,842
0.25% increase in the discount rate	3,75%	97,644,329	57,954,498
0.25% decrease in the discount rate	3,25%	99,446,324	61,680,258

* Includes "VIVA Pensions" and "VIVA Fund"

✈ Healthcare 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 of 30 June 2023 and 31 December 2022, is as follows:

	Rate	Jun 23	Dec 22
Annual growth rate of medical costs	1.50%	2,413,415	2,521,365
1% increase in the growth rate of medical costs	2.50%	2,574,204	2,690,814
1% decrease in the growth rate of medical costs	0.50%	2,269,065	2,369,381

✈ Pension growth rate

If the pension growth rate increase or decreases by 0.25 percentage points, the respective impact on the Group's liabilities as of 30 June 2023 and 31 December 2022, is as follows:

	Rate	Jun 23	Dec 22
Growth rate of VIVA Pension fund (*)	1.00%	100,777,342	98,527,202
0.25% increase in the Pension growth rate	1.25%	102,673,406	99,452,681
0.25% decrease in the Pension growth rate	0.75%	97,584,174	97,631,252

* 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 30 June 2023 and 31 December 2022, is as follows:

	Jun 23					
	VIVA Pensions	Health Care	Jubileu Bonus	Brazil Representation	England Representation	Total
Liabilities at the beginning of the year	85,008,252	2,521,365	59,779,842	525,706	27,516,264	188,870,379
Currency translation differences	-	-	-	35,832	-	35,832
Values recorded through profit or loss for the period:						
Current services	-	-	298,255	-	-	304,057
Net interest	1,308,405	44,124	1,017,403	-	-	2,847,561
Actuarial gain and losses	9,713,549	(152,074)	11,240,862	-	-	18,248,950
Benefits paid	(4,044,728)	-	(894,085)	-	-	(7,595,943)
Liabilities at the end of the year	**91,985,478**	**2,413,415**	**71,442,277**	**561,538**	**27,516,264**	**202,710,836**

	Dec 22					
	VIVA Pensions	Health Care	Jubileu Bonus	Brazil Representation	England Representation	Total
Liabilities at the beginning of the year	38,394,956	3,062,212	89,212,919	-	33,246,064	176,086,783
Currency translation differences	-	-	-	(348,547)	(1,748,649)	(2,097,196)
Tranfers	-	-	-	956,587	-	956,587
Values recorded through profit or loss for the year:						
Current services	-	-	2,676,865	-	-	2,742,814
Net interest	501,730	11,483	623,438	(82,334)	(3,981,151)	(2,835,553)
Actuarial gain and losses	56,144,713	(552,330)	(28,136,669)	-	-	30,015,761
Benefits paid	(10,033,147)	-	(4,596,711)	-	-	(15,998,817)
Liabilities at the end of the year	**85,008,252**	**2,521,365**	**59,779,842**	**525,706**	**27,516,264**	**188,870,379**

Evolution of funds allocated to pensions benefit schemes

During the period ended 30 June 2023 and 31 December 2022, the evolution of the assets of the funds was as follows:

	Jun 23				
	VIVA Fund	**Jubileu Bonus**	**Brazil Representation**	**England Representation**	**Total**
Opening balance	12,216,494	40,667,788	386,415	28,392,320	81,663,017
Contributions in the period	-	3,000,000	-	-	3,000,000
Net interest	530,220	427,437	-	-	957,657
Benefits paid	-	(894,085)	-	-	(894,085)
Return of plan assets (excluding net interest)	-	(48,939)	-	-	(48,939)
Exchange variation	-	-	26,338	-	26,338
Closing Balance	**12,746,714**	**43,152,201**	**412,753**	**28,392,320**	**84,703,988**

	Dec 22				
	VIVA Fund	**Jubileu Bonus**	**Brazil Representation**	**England Representation**	**Total**
Opening balance	15,032,652	38,525,937	-	33,297,234	86,855,823
Transfers	-	-	32,110	-	32,110
Contributions in the year	-	6,000,000	389,744	-	6,389,744
Net interest	(1,447,199)	848,786	-	(3,153,574)	(3,751,987)
Benefits paid	(1,368,959)	(4,596,710)	-	-	(5,965,669)
Return of plan assets (excluding net interest)	-	(110,225)	-	-	(110,225)
Exchange variation	-	-	(35,439)	(1,751,340)	(1,786,779)
Closing Balance	**12,216,494**	**40,667,788**	**386,415**	**28,392,320**	**81,663,017**

The composition of the funds and their category of amounts included as of 30 June 2023 and 31 December 2022, is as follows:

	Jun 23			
	VIVA Fund	**Jubileu Bonus**	**England Representation**	**Total**
Shares	4,699,713	-	3,667,388	8,367,101
Bonds	3,133,142	40,261,004	1,557,676	44,951,822
Public debt	3,929,812	-	-	3,929,812
Real estate	420,642	-	-	420,642
Liquidity	563,405	2,891,197	574,361	4,028,963
Other current investments	-	-	22,592,895	22,592,895
	12,746,714	**43,152,201**	**28,392,320**	**84,291,235**

	Dec 22			
	VIVA Fund	**Jubileu Bonus**	**England Representation**	**Total**
Shares	3,204,713	-	3,667,388	6,872,101
Bonds	4,466,272	37,983,714	1,557,676	44,007,662
Public debt	3,517,713	-	-	3,517,713
Real estate	461,668	-	-	461,668
Liquidity	566,128	2,684,074	574,361	3,824,563
Other current investments	-	-	22,592,895	22,592,895
	12,216,494	**40,667,788**	**28,392,320**	**81,276,602**

Expenses related to pensions and other post-employment benefits

The expenses relating to pensions and other post-employment benefits are detailed as follows:

	Jun 23				
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Total
Current Services	5,802	-	-	298,255	304,057
Net interest	(438,939)	1,694,753	44,124	589,966	1,889,904
Total (note 25)	**(433,137)**	**1,694,753**	**44,124**	**888,221**	**2,193,961**

	Jun 22				
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	Total
Current Services	32,975	-	-	2,167,276	2,200,251
Net interest	1,285,918	(226,348)	11,482	(147,263)	923,789
Total (note 25)	**1,318,893**	**(226,348)**	**11,482**	**2,020,013**	**3,124,040**

The Group pilots recruited after 1 June 2007 by TAP S.A., benefit from a defined contribution plan. During the first half of 2023, expenses related to on post-employment benefits were recognised in the amount of EUR 1,406 thousand (30 June 2022: EUR 1,112 thousand), relating to contributions made during the year in favour of its employees (Note 25).

Expenditures with pensions and other post-employment benefits during the six-month periods ended 30 June 2023 and 2022 are recorded under the Employee costs heading (Note 25).

Remeasurement gains/losses

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

	Jun 23					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	Total
Remeasurements						
Return of assets, excluding amounts included in net income	-	-	-	48,939	-	48,939
	-	**-**	**-**	**48,939**	**-**	**48,939**
(Gains)/losses due to changes in financial assumptions	2,766,168	4,970,492	-	10,468,602	-	18,205,262
(Gains)/losses due to experience	(206,121)	(370,377)	(152,074)	772,260	-	43,688
	2,560,047	**4,600,115**	**(152,074)**	**11,240,862**	**-**	**18,248,950**
Total remeasurements	**2,560,047**	**4,600,115**	**(152,074)**	**11,289,801**	**-**	**18,297,889**

	Dec 22					
	VIVA Fund	VIVA Pensions	Health Care	Jubileu Bonus	England Representation	Total
Remeasurements						
Return of assets, excluding amounts included in net income	-	-	-	110,225	-	110,225
	-	**-**	**-**	**110,225**	**-**	**110,225**
(Gains)/losses due to changes in financial assumptions	(3,887,565)	(8,219,138)	(520,941)	(25,932,004)	-	(38,559,648)
(Gains)/losses due to experience	6,447,612	64,363,851	(31,389)	(2,204,665)	-	68,575,409
	2,560,047	**56,144,713**	**(552,330)**	**(28,136,669)**	**-**	**30,015,761**
Total remeasurements	**2,560,047**	**56,144,713**	**(552,330)**	**(28,026,444)**	**-**	**30,125,986**

The actuarial losses recognized in the first half of 2023 relating to changes in financial assumptions, in the total amount of EUR 18,205 thousand, are essentially due to the agreement from June 2023 with the Civil Aviation Pilots Union (“SPAC”) regarding the salary conditions of pilots.

The actuarial gains recognized in 2022 arising from changes in financial assumptions in the total amount of EUR 38.560 thousand, relate essentially to the change in the discount rate from 0.75% to 3.50%.

The actuarial losses due to experience recognized in 2022 are essentially due to the review of assumptions for calculating pensions to be borne by Social Security (wage growth rate for calculating the reference remuneration of the Social Security pension and monetary correction rate), based on the actual deviations that occurred in 2022 in the transition from assets to pensioners.

The remeasurement gains/losses were recognised directly in the Group's comprehensive income.

16 Provisions

During the six-month period ended 30 June 2023 and the fiscal year ended 31 December 2022, the caption "Provisions" had the following movement:

	Provision for legal claims (Note 26)	Other (Notes 26 and 29)	Redelivery costs (Note 3)	Total Provisions	Restructuring provision (Note 28)	Total
1 January 2022	**23,932,021**	**147,626,220**	**141,354,507**	**312,912,748**	**37,012,455**	**349,925,203**
Increases	58,340,451	38,692,641	79,142,563	176,175,655	533,379	176,709,034
Reversals	-	(117,395,883)	(21,453,446)	(138,849,329)	(3,970,837)	(142,820,166)
Uses	(29,703,306)	(29,366,203)	(19,546,304)	(78,615,813)	(18,502,302)	(97,118,115)
Exchanges and interests	-	-	11,255,930	11,255,930	-	11,255,930
31 December 2022	**52,569,166**	**39,556,775**	**190,753,250**	**282,879,191**	**15,072,695**	**297,951,886**
Increases	14,558,711	11,545,993	21,085,659	47,190,363	-	47,190,363
Reversals	-	(4,313,740)	(12,722,403)	(17,036,143)	(503,220)	(17,539,363)
Utilization	(2,674,981)	(19,188,985)	(9,688,901)	(31,552,867)	(12,285,373)	(43,838,240)
Exchange and interests	-	-	(1,044,375)	(1,044,375)	-	(1,044,375)
Transfers	164,027	-	-	164,027	(164,027)	-
30 June 2023	**64,616,923**	**27,600,043**	**188,383,230**	**280,600,196**	**2,120,075**	**282,720,271**

✈ Provision for legal claims

Provisions for ongoing legal proceedings are recorded in accordance with the risk assessments carried out by the Group and its legal advisors, based on historical success rates by nature of legal action and probability of unfavourable outcomes for the Group. As of 30 June 2023, the existing provision of EUR 64.6 million is intended to deal with various legal proceedings brought against the Group in Portugal and abroad.

✈ Others

As of 31 December 2022, a provision in the amount of EUR 25.3 million related to indemnities to passengers, whose claims are being processed by the Group, was complied with. As of 30 June 2023, the balance of this provision amounts to EUR 11.5 million.

Additionally, on 31 December 2021, a provision in the amount of EUR 140.3 million was booked, referring to the estimated costs that TAP S.A. would have to bear in connection with the corporate reorganization of TAP SGPS Group resulting from the Approved Restructuring Plan (Note 29). This provision referred to the estimated charges that TAP S.A. would assume within the scope of the financing of the liquidation process of TAP ME Brasil (Note 1.1.3). During the year ended 31 December 2022, payments were made in the amount of EUR 26.7 million, which were deducted to the amount provisioned, with the remaining amount being derecognised in that period, following the changes in estimates that occurred in the year 2022, within the scope of operations liquidation of TAP ME Brasil, and the revocation of the assumption of responsibility by TAP S.A. on the evolution of the liquidation operations of TAP ME Brasil, considering the substantial change in the form of corporate restructuring in progress of the TAP Group, foreseen at that date, with an impact on the financial position of TAP SGPS (Note 29).

✈ **Redelivery costs**

Increases in the redelivery provision are recognised against the Right-of-use caption (Note 3) and are then subject to depreciation. The increase recognised against 31 December 2022, is the effect of the redelivery estimate update made on 30 June 2023, considering the best information available on that date.

✈ **Restructuring provision**

As part of the ongoing Restructuring Plan, 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.

As of 30 June 2023, and considering the payments already made, the Group revised the provision relating to expenses to be incurred with the restructuring, to be completed in the second half of 2023, to the amount of EUR 2.1 million, which refers to future payments already agreed.

17 Borrowings and Lease liabilities with and without purchase option

As of 30 June 2023 and 31 December 2022, Borrowings and lease liabilities with and without purchase option are detailed as follows:

	Jun 23		Dec 22	
	Current	Non-Current	Current	Non-Current
Bank loans	44,960,141	156,572,069	47,069,960	179,131,596
Interest accrued	1,887,061	-	1,949,117	-
Initial expenses	(441,591)	(650,681)	(792,265)	(608,280)
Remunerated bank debt	**46,405,611**	**155,921,388**	**48,226,812**	**178,523,316**
Bonds	(895,265)	474,909,006	315,617,699	375,000,000
Interest accrued	2,251,604	-	2,476,143	-
Initial expenses	(1,299,878)	(7,970,380)	(9,494,239)	(1,550,299)
Bond issuance	**56,461**	**466,938,626**	**308,599,603**	**373,449,701**
Total borrowings	**46,462,072**	**622,860,014**	**356,826,415**	**551,973,017**
Lease liabilities with purchase option	78,069,669	644,456,005	72,947,743	636,032,784
Interest accrued	2,762,390	-	2,216,767	-
Initial expenses	(237,635)	(1,363,343)	(523,063)	(1,372,670)
Lease liabilities with purchase option	**80,594,424**	**643,092,662**	**74,641,447**	**634,660,114**
Lease liabilities without purchase option	**334,071,376**	**1,596,616,603**	**377,402,908**	**1,660,710,136**
Total borrowings and lease liabilities	**461,127,872**	**2,862,569,279**	**808,870,770**	**2,847,343,267**

✈ Net debt

As of 30 June 2023 and 31 December 2022, net debt is detailed as follows:

	Jun 23	Dec 22
Borrowings except Lease liabilities without purchase option		
Non-Current	1,265,952,676	1,186,633,131
Current	127,056,496	431,467,862
	1,393,009,172	**1,618,100,993**
Cash and Cash Equivalents (Note 12)		
Cash	70,487	65,610
Bank deposits available on demand	422,211,897	82,248,411
Other deposits	477,453,547	833,763,030
	899,735,931	**916,077,051**
Net debt	**493,273,241**	**702,023,942**

As of 30 June 2023 and 31 December 2022, the interest-bearing debt and leasing liabilities with a purchase option, by maturity and by type of interest rate, is broken down as follows:

	Jun 23	Dec 22
Variable rate		
Up to 1 year	70,480,080	64,498,627
1 to 2 years	68,372,463	63,177,352
2 to 3 years	69,479,825	63,975,846
Over 3 years	171,913,315	160,028,310
	380,245,683	**351,680,135**
Fixed rate		
Up to 1 year	56,576,416	366,969,235
1 to 2 years	459,284,792	430,320,549
2 to 3 years	61,974,226	59,253,663
Over 3 years	434,928,055	409,877,411
	1,012,763,489	**1,266,420,858**
	1,393,009,172	**1,618,100,993**

✈ Bank loans

This caption includes the amount of EUR 119.1 million related with a borrowing from a syndicate of banks. According to the conditions established in the Share Purchase Agreement (through which a shareholding transfer of TAP SGPS took place between Parpública and Atlantic Gateway), complemented by the Agreement on the Debt Service Restructuring and Monitoring of the TAP Group (agreed between several banking entities and the TAP Group), on 30 June 2017, bank debt was restructured. The main changes were related to the borrowings' maturity and conditions, namely the applicable interest rate and spread.

In addition, the bank loans caption includes two loans with a national credit institution of EUR 78.2 million.

This caption also includes a borrowing from Apple Bank in the amount of EUR 4.8 million.

✈ Bond loans

TAP S.A. issued a private bond subscribed on 14 January 2019, in the amount of EUR 137.2 million and maturity in 2034. The fulfilment of the principal and interest repayment obligations related to these bonds benefit from a pledge on a bank deposit constituted by the Issuer for this specific purpose (presented, in the Financial Position Statement, as a deduction to the Gross Financial Debt) and from additional guarantees over contractual rights that do not affect any assets recognised in the financial position of the Group. As of 31 December 2022, this loan was fully classified under current liabilities considering that the financial covenant of the Adjusted Net Debt/EBITDAR ratio in previous periods presented values higher than the agreed contractual limit, and as of that date the TAP Group had not obtained the respective waiver. Due to the obtaining of the waiver in 2023, the debt was reclassified according to the agreed payment terms. As of 30 June 2023, the nominal value of the current debt was negative, given the partial return of a collateral foreseen for the second half of 2023.

TAP S.A. made a public offering in Portugal of 4-year bonds, with a fixed interest rate of 4.375% per year, in the amount of EUR 200 million, called “TAP 2019-2023 Bonds”. The issuance, physical and financial settlement of the transaction, as well as the admission to trading of bonds on Euronext Lisbon, took place on 24 June 2019. This borrowing was fully amortized in June 2023.

In December 2019, TAP S.A. made a private offering to institutional investors of 5-year bonds, with a fixed interest rate of 5.625 % per year, in the amount of EUR 375 million, called “TAP 2019-2024 Bonds”. The issue and financial and physical settlement of the transaction, as well as the bonds’ admission to trading, took place on 2 December 2019.

As of 30 June 2023 and 31 December 2022, all bond loans are denominated in Euro.

✈ **Lease liabilities with purchase option**

As of 30 June 2023 and 31 December 2022, leasing liabilities without purchase option (plus interest expense minus initial charges) essentially relate to aircraft and engines.

Leases with purchase option are denominated in the following currencies:

	Jun 23	Dec 22
Lease liabilities in EUR	231,500,088	183,777,055
Lease liabilities in USD	492,186,998	525,524,506
	723,687,086	**709,301,561**

As of 30 June 2023 and 31 December 2022, lease liabilities with purchase option, by maturity, are broken down as follows:

	Jun 23	Dec 22
Up to 1 year	80,594,424	74,641,447
1 to 2 years	80,760,181	75,346,370
2 to 3 years	82,010,005	78,399,467
3 to 4 years	77,971,003	84,557,879
4 to 5 years	65,346,223	54,802,089
More than 5 years	337,005,250	341,554,309
	723,687,086	**709,301,561**

✈ Lease liabilities without purchase option

The Lease liabilities without purchase option item refers essentially to the Company's non-cancellable payments under lease contracts, which vary in duration up to 14 years and may be extended at the express wish of the contracting parties, which are recognised in the statement of financial position from 1 January 2019 with the adoption of IFRS 16.

As of 30 June 2023, there are 61 aircraft, 7 engines on lease agreements without purchase option and 19 aircraft under ACMI (as per Note 3).

As of 30 June 2023 and 31 December 2022, lease liabilities without purchase option per maturity are detailed as follows:

	Jun 23	Dec 22
Up to 1 year	334,071,376	377,402,908
1 to 2 years	335,232,460	335,853,145
2 to 3 years	281,981,772	266,398,937
3 to 4 years	223,503,412	225,377,533
4 to 5 years	191,844,305	190,728,886
Over 5 years	564,054,654	642,351,635
	1,930,687,979	**2,038,113,044**

Liabilities without purchase option are mainly determined in USD.

✈ Financial Covenants

The financial covenants in the lease and loan contracts are the usual ones in operations of this nature, including compulsory provisions such as the maintenance of the airline operator activity, commitments to periodically disclose the available financial information, and, in the specific case of leases without purchase option, operating duties relative to registrations at official entities, information relative to leased aircraft, strict compliance with all the regulations, and procedures defined by the authorities, among others.

Additionally, following the restructuring of the financial debt and the issue of bond loans, commitments were made 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 Group, particularly with equity, EBITDAR, Net Debt/EBITDAR, unsecured net financial debt and minimum amount of unrestricted cash and its equivalents. These ratios are intended to monitor the financial situation of the TAP Group and measure its ability to comply with the service debt.

Due to the reorganization of the TAP Group within the scope of the Restructuring Plan resulting from the COVID-19 pandemic, the TAP Group breached a certain financial covenant regarding the maintenance of equity in one of the companies of the TAP Group. In this context, regarding the financing with a syndicate of Portuguese banks in the outstanding amount of EUR 118.6 million (to which interest and other charges are added) as of 30 June 2023, there is a financial covenant of one of the companies of the TAP Group which is not complied. However, its non-compliance does not generate the possibility of early repayment. Additionally, as of the date of approval of these financial statements, it is expected to obtain a waiver regarding this non-compliance.

Regarding the remaining borrowings, there is no breach of covenants with reference to the financial statements as of this date.

✈ Reconciliation of finance cash flows

The evolution of borrowings and lease liabilities with purchase option and their reconciliation to the consolidated statement of cash flows is as follows:

	Remunerated bank debt and Bonds	Leases with purchase option	Leases without purchase option	Total
1 January 2022	**937,194,148**	**543,676,406**	**2,118,538,327**	**3,599,408,881**
Payments	(79,973,284)	(95,690,747)	(540,994,575)	(716,658,606)
New lease agreements	-	197,911,472	173,878,741	371,790,213
Exchange variation	387,928	30,125,487	118,872,443	149,385,858
Interest cost (Note 31)	40,186,054	32,633,882	163,144,410	235,964,346
Other	11,004,586	645,061	4,673,698	16,323,345
31 December 2022	**908,799,432**	**709,301,561**	**2,038,113,044**	**3,656,214,037**
Payments	(265,676,672)	(56,766,790)	(251,266,294)	(573,709,756)
New lease agreements	-	60,098,343	98,084,929	158,183,272
Exchange variation	(101,000)	(9,649,527)	(33,935,410)	(43,685,937)
Interest cost (Note 31)	22,221,242	19,799,915	77,009,473	119,030,630
Other	4,079,084	903,584	2,682,237	7,664,905
30 June 2023	**669,322,086**	**723,687,086**	**1,930,687,979**	**3,323,697,151**

18 Other accounts payable

As of 30 June 2023 and 31 December 2022, the detail of “Other accounts payable” item is as follows:

	Jun 23	Dec 22
Accrued expenses	297,405,161	254,928,036
Suppliers	187,849,565	175,832,888
Swaps jet fuel (Note 21)	35,654,577	7,268,129
Advances from customers	426,359	430,709
Other	206,209,710	145,896,121
	727,545,372	**584,355,883**

✈ Accrued expenses

As of 30 June 2023 and 31 December 2022, the expense accruals item is broken down as follows:

	Jun 23	Dec 22
Remunerations to be settled	126,272,927	104,552,030
Aircraft fuel and CO2 emission licenses	65,748,901	57,867,650
Special sales charge	11,450,965	13,270,706
Navigation fees	16,101,649	12,901,322
Insurance to be settled	11,367,790	7,859,515
Commissions	5,068,102	6,573,531
Specialized work	15,959,482	5,769,493
Related parties (Note 36)	8,924,895	4,655,586
Handling services	1,393,594	1,914,147
Other accrued expenses	35,116,856	39,564,056
	297,405,161	**254,928,036**

The variation in the caption Remuneration to be settled compared to 31 December 2022 is essentially due to the agreements reached with workers' unions and the accrual of Christmas bonus.

The increase in the caption Aircraft fuel and CO_2 emission licenses is essentially explained by the increase in activity in the first half of 2023.

✈ Suppliers

As of 30 June 2023 and 31 December 2022, the Suppliers item shows the following composition:

	Jun 23	Dec 22
Suppliers - pending invoices	122,150,515	124,438,672
Suppliers - current account	60,703,552	39,604,411
Suppliers - related parties (Note 36)	4,995,498	11,789,805
	187,849,565	**175,832,888**

The variation in this caption is essentially the result of the increase in the contracting of the supply of services as a result of the higher level of operating activity in 2023.

✈ Others

As of 30 June 2023 and 31 December 2022, the Other item is detailed as follows:

	Jun 23	Dec 22
Taxes and fees	175,487,308	123,256,377
Fixed assets suppliers	3,612,839	2,045,037
Compensation for accidents at work	1,143,060	1,053,886
Personal	1,008,116	856,526
Related Parties (Note 36)	72,808	16,090
Other	24,885,579	18,668,205
	206,209,710	**145,896,121**

The taxes and fees item relates essentially to amounts payable to various entities concerning fees charged to customers on tickets issued. The variation compared to 31 December 2022 is essentially due to the increment in fees and taxes payable at airports and ticketing following the increase in the operating activity.

19 Other current liabilities

As of 30 June 2023 and 31 December 2022, the other current liabilities item mainly relates to:

	Jun 23	Dec 22
Deferred income	23,808,157	37,488,272
State	20,355,673	30,339,596
	44,163,830	**67,827,868**

✈ Deferred income

As of 30 June 2023 and 31 December 2022, the deferred income line is broken down as follows:

	Jun 23	Dec 22
Customer loyalty program	20,864,643	34,441,348
Related Parties (Note 36)	331,324	309,914
Other deferred income	2,612,190	2,737,010
	23,808,157	**37,488,272**

Within the scope of application of IFRS 15 – Revenue from contracts with customers, in the attribution of miles to customers adhering 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, essentially, from the greater use of miles by customers compared to 2022.

✈ State

As of 30 June 2023 and 31 December 2022, this item's balances are detailed as follows:

	Jun 23	Dec 22
Personnel income tax	10,849,576	10,655,797
Social security contribution	9,032,272	19,185,755
Others	473,825	498,044
	20,355,673	**30,339,596**

The variation in the balance payable to Social Security is essentially due to the payment of the Christmas subsidy in December 2022 and the settlement in 2023 of balances related to the lay-off regime.

20 Unused flight tickets

As of 30 June 2023 and 31 December 2022, the Unused flight tickets caption was detailed as follows:

	Jun 23	Dec 22
Passengers	1,067,676,899	675,156,645
Voucher	52,657,234	61,144,315
Cargo	1,868,962	1,478,773
	1,122,203,095	**737,779,733**

The increase in the balance of the item compared to 31 December 2022 is essentially due to seasonality and the increase in operating activity.

21 Derivatives

As of 30 June 2023 and 31 December 2022, the Group had negotiated financial derivatives relating to jet fuel swaps.

The Group's risk hedging policy includes a new statistical risk tool and fundamentalist market analyzes to define the coverage level for forecast consumption. The factors evaluated by the statistical tool include, in particular, market volatility, the bookings curve, the behavior of future prices and the risk of over-hedge. The hedging policy aims to cover levels of estimated jet fuel consumption for the following 12 months, and may cover its position for periods of up to 24 months. The war in Ukraine, the economic environment, with the forecast by some analysts of a possible recession, both in Europe and in the United States of America, the adjustment of economic and financial policies by countries, the shortage of reserves and the lack of investments in recent years, justify the uncertainty in forecasts of market evolution and their volatility and the need to monitor and adjust hedging strategies.

For contracts in which it is possible to ensure compliance with hedge accounting requirements, a negative amount of EUR 28.2 million is recorded as of 30 June 2023 (EUR 5.7 million as of 31 December 2022), under reserves in Equity (net of deferred tax in the amount of EUR 7.5 million – Note 7) referring to the fair value of the derivatives still outstanding at that date.

As of 30 June 2023, the Group had contracted derivatives for 49% of the estimated consumption of jet fuel in the following months which market value at that date was negative and amounted to EUR 35.7 million (Note 18) and with maturities between July and December 2023.

22 Segment Reporting

The following operational segments have been identified: air transport and maintenance. The results of each segment correspond to those directly attributable to them and those that can be reasonably assigned to them. The activities aggregated in “Others” do not qualify to be reported separately.

Financial information by business segments for the six-month periods ended 30 June 2023 and 2022, is detailed as follows:

	Jun 23				Jun 22			
	Air Transport	Maintenance and engineering	Other	Total	Air Transport	Maintenance and engineering	Other	Total
Operating Income	1,814,588,722	87,392,161	4,277,161	1,906,258,044	1,288,211,944	28,757,130	4,222,930	1,321,192,004
Operating results	123,397,471	10,981,376	(26,415,405)	107,963,442	9,964,416	8,223,178	(13,794,456)	4,393,138
External net financial results	(70,093,304)	54,595	-	(70,038,709)	(189,726,967)	2,085,201	-	(187,641,766)
Income tax	(14,936,871)	32,266	(75,464)	(14,980,069)	(18,908,169)	(65,775)	147,821	(18,826,123)
Net Income	**38,367,296**	**11,068,237**	**(26,490,869)**	**22,944,664**	**(198,670,720)**	**10,242,604**	**(13,646,635)**	**(202,074,751)**

The Group does not present segmental assets and liabilities, since this information is not presented to the chief operational decision maker.

The Operating income and gains item for the first half of 2023 and 2022, excluding Gains and losses in associates, is detailed as follows:

	Jun 23				
	Passenger	**Maintenance**	**Cargo and Mail**	**Other**	**Total**
Revenue					
Sales	-	604,411	-	366,058	**970,469**
Services provided	1,715,745,576	84,896,349	92,311,153	4,271,872	**1,897,224,950**
Other income	-	-	-	8,062,625	**8,062,625**
	1,715,745,576	**85,500,760**	**92,311,153**	**12,700,555**	**1,906,258,044**

	Jun 22				
	Passenger	**Maintenance**	**Cargo and Mail**	**Other**	**Total**
Revenue					
Sales	-	687,242	-	314,721	**1,001,963**
Services provided	1,152,692,733	26,497,390	131,984,379	4,044,202	**1,315,218,704**
Other income	-	-	-	5,143,647	**5,143,647**
	1,152,692,733	**27,184,632**	**131,984,379**	**9,502,570**	**1,321,364,314**

The sales and services provided by geographical area in the first half of 2023 and 2022, are detailed as follows:

	Jun 23					Jun 22				
	Air Transport	**Maintenance**	**Cargo and Mail**	**Other**	**Total**	**Air Transport**	**Maintenance**	**Cargo and Mail**	**Other**	**Total**
Mainland and islands	106,205,352	7,290,624	3,821,082	3,060,914	120,377,972	78,761,115	12,014,229	3,347,782	2,972,062	97,095,188
Europe	556,709,697	74,065,761	6,133,302	1,039,150	637,947,910	401,912,631	14,290,025	6,294,759	917,454	423,414,869
South Atlantic	509,605,109	167,577	49,765,659	223,057	559,761,402	310,731,861	258,622	71,853,590	181,546	383,025,619
North Atlantic	332,072,125	2,554	17,073,604	164,665	349,312,948	208,960,571	451,535	34,329,032	149,480	243,890,618
Mid Atlantic	13,794,288	143,344	1,974,453	6,722	15,918,807	11,482,381	-	4,476,647	11,335	15,970,363
Africa	183,206,601	3,750,747	13,000,605	132,703	200,090,656	133,742,808	145,998	10,942,528	120,042	144,951,376
Other	14,152,404	80,153	542,448	10,719	14,785,724	7,101,366	24,223	740,041	7,004	7,872,634
	1,715,745,576	**85,500,760**	**92,311,153**	**4,637,930**	**1,898,195,419**	**1,152,692,733**	**27,184,632**	**131,984,379**	**4,358,923**	**1,316,220,667**

23 Other income

For the first half of 2023 and 2022, the “Other income” caption is detailed as follows:

	Jun 23	**Jun 22**
Shared Services	4,271,871	4,044,202
Rents and Subleases	1,335,659	1,338,067
Recovered warehouse material	1,781,308	930,480
Operating government grants	40,386	492,759
Publicity	51,795	112,037
Fair value (Note 4)	-	84,607
Gains from tangible fixed assets (Notes 3 and 4)	93,787	42,984
Other supplementary income	5,125,749	2,457,434
	12,700,555	**9,502,570**

24 Expenses by nature

During the financial of the first half of 2023 and 2022, operational expenditure by nature is as follows:

	Jun 23	Jun 22
Traffic operating costs	419,563,287	301,966,257
Aircraft fuel	542,802,338	409,135,217
Comercial, communication and marketing costs	97,728,007	75,520,162
Cost of materials consumed	68,678,639	17,170,479
Aircraft maintenance costs	27,771,432	13,630,247
	1,156,543,703	**817,422,362**

✈ Traffic operating costs

In the first half of 2023 and 2022, the “Traffic operating costs” item is as follows:

	Jun 23	Jun 22
Handling services	104,271,774	83,378,844
Navigation fees	79,530,738	62,800,665
Landing charges	51,359,311	42,948,283
In-flight expenses	49,011,177	33,470,780
Operational irregularities	36,978,162	16,428,678
Baggage, cargo and mail charges	9,332,172	13,522,211
Facilities at airports	20,009,377	13,098,908
Air traffic control charges	16,179,115	11,994,492
Accommodation and meals during stopovers	15,721,069	11,649,265
Aircraft charters	30,773,861	5,879,851
Ground costs related to executive class passengers	6,327,812	3,776,759
Other traffic operating costs	68,719	3,017,521
	419,563,287	**301,966,257**

The increase in most items is essentially the result of the increase in the Group’s activity during the first half of 2023 compared to first half of 2022.

✈ Aircraft fuel

For the first half of 2023 and 2022, the “Aircraft fuel” item is detailed as follows:

	Jun 23	Jun 22
Aircraft fuel		
Consumption	483,734,165	464,149,554
Fees call hedge	-	733,411
Jet fuel hedge	28,333,220	(73,260,881)
CO2 emission licenses	30,734,953	17,513,133
	542,802,338	**409,135,217**

The variation in aircraft fuel and CO_2 emission licenses expenses is mainly due to the increase in quantities consumed following the increase of the activity. It should also be noted that the price of jet fuel decreased in comparison to the first half of 2022 (Note 1.1.4).

✈ Commercial, marketing and communication costs

The “Commercial, marketing and communication costs” item for the first half of 2023 and 2022, contains the following composition:

	Jun 23	Jun 22
Commissions	33,563,494	28,635,908
Booking fees	32,562,705	21,647,456
Special sales charges - air transport	15,811,598	10,756,117
Publicity	11,431,309	10,213,709
Specialised work	4,231,885	4,180,725
Other comercial, communication and marketing expenses	127,016	86,247
	97,728,007	**75,520,162**

The increase in most of the captions is mainly essentially due to the increase in the Group´s activity in the first half of 2023 compared to the first half of 2022.

✈ Cost of materials consumed

As of 30 June 2023, and 2022, the “Cost of materials consumed” item is as follows:

	Jun 23	Jun 22
Sold and consumed inventories	61,641,434	13,403,976
Maintenance subcontracting for third parties flight equipment	7,037,205	3,766,503
	68,678,639	**17,170,479**

The increase in the caption is essentially the result of the increase in the Group's activity in the first half of 2023 compared to the first half of 2022.

✈ Aircraft maintenance costs

In the first half of 2023 and 2022, the line “Aircraft maintenance costs” item is detailed as follows:

	Jun 23	Jun 22
Maintenance subcontracting of TAP flight equipment	18,681,548	7,599,321
Consumed inventories	9,089,884	6,030,926
	27,771,432	**13,630,247**

The aircraft maintenance costs item refers to recurring maintenance expenses, including line maintenance, of TAP S.A.’s fleet. The variation verified is a consequence of the increase of air transport activity and, consequently, of aircraft maintenance.

25 Employee costs

The “Employee costs” item for the first half of 2023 and 2022 has the following detail:

	Jun 23	Jun 22
Fixed remuneration	153,355,413	104,036,593
Variable remuneration	61,798,276	31,892,381
Social security contributions	44,028,100	32,843,828
Insurance	8,831,887	5,456,741
Post-employment benefits (Note 15)	3,627,141	4,236,368
Social action costs	4,566,525	3,709,656
Meals allowance	2,710,122	2,167,923
Work accident insurance	249,479	2,012,942
Uniform and work clothes	865,316	687,898
Training and recruitment	637,174	246,198
Other expenses with employees	432,528	442,571
	281,101,961	**187,733,099**

The variation observed on the first half of 2023 compared to the first half of 2022 in the Employee costs item is essentially due to the increase in activity compared to the same period of the previous year and the review of the salary cuts agreed with employees within the scope of the Restructuring Plan.

26 Impairment losses in inventories, receivables and provisions

In the first half of 2023 and 2022, the “Impairment losses in inventories, receivables and provisions” had the following detail:

	Jun 23	Jun 22
Inventory impairment (Note 9)	2,020,754	(1,839,731)
Receivables impairment (Note 8)	2,923,859	2,529,025
Provisions (Nota 16)	21,790,964	18,631,605
	26,735,577	**19,320,899**

27 Other expenses

The caption “Other expenses” in the six-month periods ended 30 June 2023 and 2022, had the following detail:

	Jun 23	Jun 22
Specialised work and subcontracts	46,264,817	40,692,959
Rents	9,775,705	7,505,418
Conservation and repair of other assets	4,197,423	3,100,676
Comunication	3,912,612	3,710,360
Insurance	3,838,902	3,012,021
Transportation	2,609,612	1,457,496
Surveillance and security	1,166,232	1,295,131
Cleaning, hygiene and comfort	810,698	1,087,568
Books and technical documentation	842,039	771,332
Electricity	794,337	757,806
Taxes	1,109,657	709,960
Travel costs	638,602	601,737
Losses in inventories	313,457	385,219
Fair value (Note 4)	-	28,000
Other operating expenses	3,912,033	1,084,518
	80,186,126	**66,200,201**

The increase in the caption is essentially due to the increase in the operational activity of TAP S.A.

The heading Rents includes expenses with short-term lease contracts for engines, buildings and software amounting to EUR 3.4 million, EUR 2.0 million and EUR 3.1 million, respectively.

28 Restructuring

The caption restructuring for the first half of 2023 and 2022, as follows:

	Jun 23	Jun 22
Restructuring provision (Note 16)	503,220	3,698,659
Employee indemnities	(143,315)	(335)
	359,905	**3,698,324**

29 Other non-recurring items

For the first half of 2023 and 2022, the caption “Other non-recurring items” is detailed as follows:

	Jun 23	Jun 22
TAP Group corporate restructuring (Note 8)	16,851,245	699,788
Other non-recurring losses	31,585	-
	16,882,830	**699,788**

Considering the projections included in the Approved Restructuring Plan and the consequent ongoing corporate reorganization of the TAP Group resulting from this approval, in 2021 the Board of Directors recorded impairment losses in accounts receivable from TAP SGPS in the amount of EUR 884.7 million and recorded a provision in the amount of 140.3 million Euros relating to the estimated additional charges to be borne by TAP S.A. related to the aforementioned corporate reorganization, including those arising from the liquidation process of TAP ME Brasil (Note 1.1.3).

In the year ended 31 December 2022, following the significant changes regarding the perspective of the corporate restructuring of the TAP Group (Notes 8 and 16), this item included the gain with the reduction of the provision for charges arising from the TAP liquidation process ME Brasil in the amount of EUR 113.6 million (Note 16) and the reinforcement of impairment losses in accounts receivable from TAP SGPS in the amount of EUR 84.9 million (Note 8).

During the first half of 2023, the Board of Directors reinforced the impairment losses on accounts receivable from TAP SGPS in the amount of EUR 16.9 million (Note 8).

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

30 Depreciation, amortization and impairment losses

In the first half of 2023 and 2022, the caption depreciation, amortisation and impairment losses is broken down as follows:

	Jun 23	Jun 22
Depreciation of tangible fixed assets (Note 3)		
Buildings and other constructions	2,818,024	2,888,335
Basic equipment	34,875,901	28,995,770
Transport equipment	7,881	8,521
Tools and utensils	451,524	400,554
Administrative equipment	325,055	376,119
Other tangible fixed assets	126,658	117,040
	38,605,043	**32,786,339**
Depreciation of right-of-use (Note 3)		
Basic equipment	192,464,233	190,580,198
Transport equipment	411	26,025
	192,464,644	**190,606,223**
Amortization of intangible assets (Note 5)		
Computer Programs	5,417,304	5,370,547
	5,417,304	**5,370,547**
Impairment losses in tangible assets (Note 3)		
Basic equipment	769,637	173,309
Tools and utensils	(52,318)	184,423
	717,319	**357,732**
Total	**237,204,310**	**229,120,841**

31 Financial results

The caption financial results for the first half of 2023 and 2022, is detailed as follows:

	Jun 23	Jun 22
Interest expenses	(22,221,242)	(19,670,892)
Lease interests related with contracts with purchase option	(19,799,915)	(14,827,653)
Lease interests related with contracts without purchase option	(83,770,486)	(93,291,218)
Other financial expenses	(3,844,644)	(4,778,250)
Interests and similar expenses	**(129,636,287)**	**(132,568,013)**
Interest income	32,006,085	17,862,158
Interests and similar income	**32,006,085**	**17,862,158**
Net foreign exchange differences	27,591,493	(72,935,911)
Net currency exchange	**27,591,493**	**(72,935,911)**
Total	**(70,038,709)**	**(187,641,766)**

The variation of the EUR against the USD during the first half of 2023 generated gains resulting from the exchange rate adjustment of lease liabilities with and without a purchase option in the amount of EUR 43.7 million (losses in the amount of EUR 167.0 million in the first half of 2022). Nevertheless, the net foreign exchange gains and losses arising from the exchange rate adjustment, recorded during the six-month periods ended 30 June 2023 and 2022, of the lease liabilities in USD for which a hedging relationship was defined since 1 January 2022 with the highly probable forecast sales which fare is determined in USD, were recorded under the caption of other reserves in other comprehensive income in the amounts of EUR 37.7 million (gain) and EUR 125.3 million (loss), respectively (Notes 2.3 and 14). Therefore, the amounts recorded in the consolidated income statement correspond to the portions not covered by the exchange rate hedging.

The increase in the item interest and similar income obtained essentially refers to interest on term deposits.

32 Income tax

The income tax item for the first half of 2023 and 2022, is detailed as follows:

	Jun 23	Jun 22
Deferred taxes (Note 7)	14,905,969	18,750,198
Current taxes (Note 10)	61,040	75,925
Differences from prior years tax estimates	13,060	-
	14,980,069	**18,826,123**

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

The income tax rate reconciliation in the first half of 2023 and 2022, is as follows:

	Jun 23	Jun 22
Net income/(loss) before income tax	37,924,733	(183,248,628)
Nominal tax rate	21.0%	21.0%
Expected tax	7,964,194	(38,482,212)
Permanent differences	248,109	(2,058,599)
Temporary differences with no deferred tax	-	605,807
Income tax rate differences	(3,603,267)	7,201,813
Tax losses without deferred tax assets	8,567,784	51,483,389
Autonomous taxation	61,040	75,925
Differences from tax estimates for the previous year	13,060	-
Deferred tax assets related with prior years	1,729,149	-
	14,980,069	**18,826,123**
Effective tax rate	39%	(10%)

33 Earnings per share

There are no convertible financial instruments on the shares of TAP S.A., therefore, there is no dilution of earnings. The detail of earnings per share for the first half of 2023 and 2022 is as follows:

	Jun 23	Jun 22
Net income/(loss) for the year	22,944,664	(202,074,751)
Weighted average number of shares	196,000,000	180,865,573
Basic and diluted earnings per share	0.1	(1.1)

34 Commitments

✈ Purchase commitments

The aircraft purchase contract with Airbus S.A.S. (“Airbus”) for the acquisition of 53 aircraft (39 A320 NEO Family and 14 A330 NEO), initially scheduled to be received between 2018 and 2025, was subject to renegotiation with a view to deferring 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, having recently been subject to renegotiation again with the aim of deferring delivery to the last quarter of 2025 (A339 #11) and the second quarter of 2026 (A339 # 12). Regarding the A320NEO Family aircraft, the delivery of 13 of those, which was initially scheduled for the period 2021-2022, was replanned for 2025-2027 during 2020, following actions to mitigate the impact of the COVID-19 Pandemic. In 2022, the delivery dates of other 8 A320NEO Family aircraft were subject to readjustment. Of these 8 aircraft, 2 (A320NEO #32 and #34) were postponed from 2024 to 2028, extending TAP S.A's commitment to Airbus until 2028. This update to change the delivery dates of the 8 aircraft was formalized through an agreement between TAP S.A. and AIB in accordance with Amendment #11 to the A320 NEO Family purchase contract. In this same document, it was also agreed to convert the aircraft ranking #30 to an A320N (initially the aircraft was expected to be an A321LR). In 2023, under Amendment #12 to the A320

NEO Family purchase contract, the delivery dates of a total of 22 aircraft were subject to replanning, with delivery dates for all aircraft scheduled between 2023 and 2028. This purchase contract arises from the novation to TAP S.A. of the purchase contract previously negotiated and signed between Airbus and DGN Corporation.

Following the commitments agreed with Airbus regarding the future entry of aircraft, in 2021 a total of USD 53.3 million was paid in pre-delivery payments. In 2022, a total amount of USD 58.2 million in pre-delivery payments was paid and the total pre-delivery payments performed during the first half of 2023 amounted to USD 15.2 million. All amounts paid in 2022 and 2023 are already in line with the changes to the delivery dates of the 8 aircraft mentioned above and duly documented in Amendment #11 to the A320 NEO Family purchase contract. During the second half of 2023, no pre-delivery payments are planned for A320 NEO Family aircraft, following Amendment#12.

Additionally, a contract with Rolls-Royce is in place, which includes maintenance support for all the TRENT 7000 reactors that equip the A330 NEO aircraft, which was subject to restructuring in the first half of 2023. A commitment to acquire a T7000 engine during the year 2025 resulted from this restructuring.

A contract is also in effect with CFM International Inc., S.A. for the acquisition of 83 LEAP-A1 reactors, including 5 reserve reactors, which will equip and serve the new fleet of A320NEO Family aircraft. It should be noted that these reactors will be purchased directly by Airbus, with the exception of reserve reactors. Regarding the reserve reactors, all 5 planned reactors have already been delivered, the last one having been acquired in October 2022.

35 Contingencies

As of 30 June 2023 and 31 December 2022, the Group had no contingent assets. The contingent liabilities were as follows:

	Jun 23	Dec 22
Tax contingencies	611,055	42,876
Civil contingencies	22,766,105	18,541,675
Regulatory contingencies	14,432,401	401,021
Total	**37,809,561**	**18,985,572**

Regulatory contingencies include essentially cases brought by customers regarding operational irregularities. The Group, supported by the opinion of its legal advisors, considers that an unfavourable outcome in these cases is not probable.

Guarantees provided

As of 30 June 2023 and 31 December 2022, the Group's guarantees are broken down as follows:

	Jun 23	Dec 22
Bank guarantees provided by Head Office		
Aircrafts	39,832,783	40,574,124
Fuel	1,504,694	1,532,908
Airports	1,282,204	1,305,928
Labour Court	450,962	450,962
Other	3,209,800	4,200,574
Bank guarantees provided by Representations	2,861,970	2,358,311
	49,142,413	**50,422,807**

36 Related parties

As of 30 June 2023, the related parties identified are as follows:

Aeropar	TAP ME Brasil
Cateringpor	TAP SGPS
Estado Português	TAPGER
Portugália	UCS
SPdH - Serviços Portugueses de Handling, S.A.	

The balances and transactions with related entities as of 30 June 2023 and 31 December 2022, are as follows:

✈ Balances

	Jun 23 - Assets										
	Customers (Note 8)	Advances to suppliers (Note 8)	Accrued income (Note 8)	Deferred expenses (Note 11)	Right-of-use assets	Unrealized share capital non-current (Note 8)	Other receivables non-current (Note 8)	Unrealized share capital current (Note 8)	Other receivables current (Note 8)	Impairment on accounts receivable (Note 8)	Total
Portuguese State	-	-	-	-	-	328,908,426	-	338,236,974	-	-	**667,145,400**
TAP SGPS	555	-	885	-	-	-	-	-	1,010,275,375	(1,009,296,824)	**979,991**
TAPGER	788	-	-	-	-	-	-	-	-	-	**788**
PGA	467,907	-	979,762	-	246,772,235	-	19,552,819	-	22,040,454	-	**289,813,177**
SPdH	1,856,894	-	-	-	-	-	-	-	16,997,785	(10,773,100)	**8,081,579**
TAP ME Brasil	16,290,463	609,644	-	112,967	-	-	-	-	13,910,201	(30,791,364)	**131,911**
Cateringpor	49,930	-	259,054	-	-	-	-	-	190,044	-	**499,028**
UCS	-	1,000	-	-	-	-	-	-	175,914	-	**176,914**
	18,666,537	**610,644**	**1,239,701**	**112,967**	**246,772,235**	**328,908,426**	**19,552,819**	**338,236,974**	**1,063,589,773**	**(1,050,861,288)**	**966,828,788**

	Dec 22 - Assets										
	Customers (Note 8)	Advances to suppliers (Note 8)	Accrued income (Note 8)	Deferred expenses (Note 13)	Right-of-use assets	Unrealized share capital non-current (Note 8)	Other receivables non-current (Note 8)	Unrealized share capital current (Note 8)	Other receivables current (Note 8)	Impairment on accounts receivable (Note 8)	Total
Portuguese State	-	-	-	-	-	324,341,080	-	333,540,088	-	-	**657,881,168**
TAP SGPS	32,584	-	885	-	-	-	-	-	993,416,334	(993,045,579)	**404,224**
TAPGER	-	-	-	-	-	-	-	-	-	-	**-**
PGA	451,304	-	1,045,406	-	240,025,053	-	17,223,370	-	25,035,617	-	**283,780,750**
SPdH	2,187,281	-	-	-	-	-	-	-	16,121,505	(10,773,100)	**7,535,686**
TAP ME Brasil	16,590,768	574,390	-	272,178	-	-	-	-	13,256,265	(30,398,318)	**295,283**
Cateringpor	37,823	-	-	-	-	-	-	-	146,737	-	**184,560**
UCS	-	1,000	-	-	-	-	-	-	47,145	-	**48,145**
	19,299,760	**575,390**	**1,046,291**	**272,178**	**240,025,053**	**324,341,080**	**17,223,370**	**333,540,088**	**1,048,023,603**	**(1,034,216,997)**	**950,129,816**

	Jun 23 - 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 19)	Other payables current (Note 18)	Total
TAP SGPS	-	-	-	-	-	(3,360)	**(3,360)**
PGA	(1,853,560)	-	(20,144)	(142,442,828)	(46,544,694)	-	**(190,861,226)**
SPdH	(475,570)	(6,387,114)	(81,470)	-	-	(863)	**(6,945,017)**
TAP ME Brasil	-	(18,944)	-	-	-	-	**(18,944)**
Cateringpor	(2,666,368)	(2,377,988)	(229,710)	-	-	-	**(5,274,066)**
UCS	-	(140,849)	-	-	-	(68,585)	**(209,434)**
	(4,995,498)	**(8,924,895)**	**(331,324)**	**(142,442,828)**	**(46,544,694)**	**(72,808)**	**(203,312,047)**

	Dec 22 - 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
TAP SGPS	(1,625,940)	-	-	-	-	-	**(1,625,940)**
PGA	(3,607,180)	-	(20,144)	(127,797,388)	(80,013,076)	344	**(211,437,444)**
SPdH	(4,359,001)	(2,020,004)	(82,203)	-	-	3,798	**(6,457,410)**
TAP ME Brasil	(1,821)	(21,282)	-	-	-	-	**(23,103)**
Cateringpor	(2,195,863)	(2,541,736)	(207,567)	-	-	-	**(4,945,166)**
UCS	-	(72,564)	-	-	-	(20,232)	**(92,796)**
	(11,789,805)	**(4,655,586)**	**(309,914)**	**(127,797,388)**	**(80,013,076)**	**(16,090)**	**(224,581,859)**

✈ Transactions

	Jun 23					
	Operating income	Operating expenses	Depreciation right-of-use	Interest income	Interest expenses	Total
TAP SGPS	-	-	(480)	18,680,876	-	18,680,396
PGA	2,167,483	(3,367,605)	(67,454,511)	-	(8,417,578)	(77,072,211)
SPdH	3,035,651	(51,511,549)	-	-	-	(48,475,898)
TAP ME Brasil	-	-	-	-	-	-
Cateringpor	908,849	(25,561,696)	-	-	-	(24,652,847)
UCS	309,260	(2,324,387)	-	-	-	(2,015,127)
	6,421,243	**(82,765,237)**	**(67,454,991)**	**18,680,876**	**(8,417,578)**	**(133,535,687)**

	Jun 22					
	Operating income	Operating expenses	Depreciation right-of-use	Interest income	Interest expenses	Total
TAP SGPS	4,159	(300,000)	-	17,557,789	-	17,261,948
PGA	1,101,170	(3,315,304)	(45,819,125)	-	(10,303,471)	(58,336,730)
SPdH	2,905,943	(40,621,133)	-	-	-	(37,715,190)
TAP ME Brasil	-	(1,253,923)	-	-	-	(1,253,923)
Cateringpor	796,234	(17,541,589)	-	-	-	(16,745,355)
UCS	359,057	(1,757,865)	-	-	-	(1,398,808)
	5,166,563	**(64,789,814)**	**(45,819,125)**	**17,557,789**	**(10,303,471)**	**(98,188,058)**

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

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

37 Subsequent events

Changes to the Board of Directors and Executive Commission

On 20 July 2023, TAP S.A. became aware of the unanimous written deliberation taken on 19 July 2023 by its sole shareholder, the Portuguese Republic, represented by the General Directorate of Treasury and Finance, which resolved the election of Mr. José Mario Cruz Henriquez as member of the Board of Directors of TAP S.A., for the remaining period of the current mandate (quadrennium 2021/2024), with effect from 18 July 2023. On 27 July 2023, the Board of Directors decided to elect Mr. José Mario Cruz Henriquez as a member of the Executive Commission, for the remaining period of the current mandate (quadrennium 2021/2024), with effects since the aforementioned date.

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

Carlos Manuel Baptista Branco

BOARD OF DIRECTORS

Luís Manuel da Silva Rodrigues
Chairman and President of the Executive Commission

Ana Teresa C. P. Tavares Lehmann
Director

Gonçalo Neves Costa Monteiro Pires
Director

José Mário Cruz Henriquez
Director

João Pedro Conceição Duarte
Director

Maria João Santos Gomes Cardoso
Director

Mário Rogério Carvalho Chaves
Director

Patrício Ramos Castro
Director

Sofia Norton dos Reis Lufinha de Mello Franco
Director

Ramiro José Oliveira Sequeira
Director

A STAR ALLIANCE MEMBER

Transportes Aéreos Portugueses, S.A.

TAP AIR PORTUGAL