

**Lisbon, Portugal, June 29 2020:** Transportes Aéreos Portugueses, S.A. ("TAP" or "Company") informs on Trading Update in relation to the first quarter of 2020.

The financial information contained in this document refers to the consolidated unaudited financial statements of TAP prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

### EVOLUTION OF ACTIVITY IN THE FIRST QUARTER 2020

- **First two months of 2020 maintained the positive trend observed in the 2H19, with significant improvement in the main operational and financial indicators, when compared with the same period of last year**
  - Growth in the number of passengers transported of 13.4% YoY, with an improvement in the load factor of 1.9 p.p.
  - Increase in total operating income of 19.4% YoY and in passenger revenues of 20.8% YoY
  - Increase in EBITDA of EUR 54.4 million YoY and EBITDA margin of 5.1%, which represented a margin improvement of 12.9 p.p. YoY
  - Improvement in Operating Result (EBIT) of EUR 35.7 million YoY, with EBIT margin increasing by 11.7 p.p. YoY to -13.4% (negative margin explained by the seasonality of the business, since the first two months of the year are traditionally among those that have lower revenues and margins)
  - Increase in average passenger revenue per ASK (PRASK) by 7.1% YoY and decrease of operating unit costs per ASK (CASK) by 4.1% YoY, both indicators adjusted for average stage length (even with an increase in ASKs of 15% YoY)
  
- **Activity decrease in March 2020 as a result of the Covid-19 pandemic, negatively impacted the performance in the first quarter, offsetting the good performance observed in the first two months of the year. The month of March was already significantly impacted by the containment measures adopted by domestic and international authorities that resulted in a significant fall in demand and led TAP to decrease its operating capacity, translating in a progressive deterioration of activity throughout the month**
  - Decrease in the number of passengers transported in 1Q20 in 12.6% YoY and of ASKs in 2% YoY, with a decrease in load factor of 3.4 p.p. YoY to 71.9%. In the month of March, the decrease in the number of passengers transported reached 54.7% YoY and ASKs decreased by 33.9%, with a decrease in load factor of 17.2 p.p. to 62.7%
  - Decrease in total operating income of 5.0% in 1Q20 YoY and in passenger revenues of 3.7% YoY, being the decrease in the month of March of EUR 106.3 million YoY (-47.7%) for total operating income and of passenger revenues of EUR 90.3 million YoY (-46.9%)
  - Decrease in EBITDA by EUR 26.0 million YoY in the first quarter to EUR -22.6 million and of Operating Result (EBIT) by EUR 53.9 million YoY to EUR -155.3 million. In the month of March, EBITDA fell by EUR 80.4 million YoY and Operational Result (EBIT) EUR 89.7 million YoY, with these indicators reaching EUR -46.3 million and EUR -92.7 million, respectively.
  - Net Income for the quarter was negative in EUR 395.0 million, impacted by events related to the Covid-19 pandemics, namely the recognition of jet fuel overhedge of EUR 150.3 million, with net income also impacted by negative net currency exchange differences of EUR 100.5 million. Excluding these two effects, net income for 1Q20 would have been negative in EUR 169.9 million. 1Q19 net income was EUR -106.6 million.
  
- Regarding the fleet, during the 1Q20 3 new generation Airbus aircraft entered into service (2 A330 neo and 1 A321 neo), having been phased-out 1 A319, with TAP ending the quarter with a **fleet of 107 aircraft** (including regional fleet operated by Portugália and White). Considering the impact of Covid-19 in the industry in general, and on TAP in particular, the Board of Directors of TAP initiated a process of analysis of installed capacity, from which a restructuring of the fleet may result. **For the remaining period of 2020 (after 31 march) a net reduction of the fleet is expected**, including the already confirmed exit of 6 aircraft (1 A321, 1 A320, 3 A319 and 1 E190) for which the respective contract ended in 2020. In addition to these, further aircraft exits are being analysed in order to align with the fleet plan currently under revision.

- Remunerated debt represented by bank loans and bonds decreased by approximately EUR 139 million during the quarter, with an amortization in the amount of EUR 158.6 million carried out in February 2020 in relation to a financing with a syndicate of Portuguese Banks (and the simultaneous extension of the maturity for the remaining amount). **The average maturity of TAP's financial debt (excluding operational leasings) increased from 4.5 years at the end of 2019 to 5.0 years at the end of 1Q20**, continuing the significant extension of average debt maturity observed throughout 2019, given that average debt maturity was 2.5 years at the end of 2018.
- **Since the pandemic started to impact activity, TAP implemented several measures to protect its cash position**, namely initiatives aimed at controlling and reducing costs, including the suspension or delay of non-critical investments, the renegotiation of commercial agreements and respective payment schedules, cuts on incidental expenses, the suspension of new staff recruitment, promotions and training, as well as the implementation of temporary unpaid leave programs. The cut in capacity, which reached 33.9% YoY in terms of ASKs already in March, was key for the decrease in variable costs, considering that these represented approximately 60% of TAP's total operating costs in 2019.
- Despite the strong impact from the pandemic already felt in March 2020, TAP registered positive cash flow from operating activities in the first quarter, with an YoY improvement. The cash protection measures implemented, allowed TAP to close the quarter with a **cash and equivalents position of EUR 280.4 million**, even after the debt amortization mentioned above. Additionally, the amount of available credit card receivables from Brazil was EUR 70.0 million, considering the EURBRL exchange rate by the end of March 2020.

### SUBSEQUENT EVENTS

#### State Aid Plan from the Portuguese State

- On June 9, 2020, the Portuguese State notified the European Commission of its intention to grant a rescue loan of up to € 1.2 billion euros in favour of TAP's sole shareholder, TAP - Transportes Aéreos Portugueses, SGPS S.A. ("TAP SGPS"). The support measure aims at providing TAP SGPS with sufficient resources to address its immediate liquidity needs, with a view of preparing a plan for the long-term viability of the company.
- On June 10, 2020, the European Commission announced its decision to approve the said State aid measure, which, according to the European Commission, is compatible with European Union State aid rules, as per the press release available at [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1029](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1029).
- The implementation of this State aid is still subject to the formalization of the required contractual documents, in particular the signing of the respective financing agreement, which shall be subject to prior approval, namely, by the Boards of Directors of TAP and TAP SGPS.
- On 25 June 2020, TAP and TAP SGPS have been formally summoned by the Supreme Administrative Court (*Supremo Tribunal Administrativo*), in the capacity of Interested Parties, in connection with Protective Judicial Proceeding nr. 55/20.1BALSB. Also therein identified as Claimants are the Oporto Trade Association (*Associação Comercial do Porto – Câmara de Comércio e Indústria do Porto*) and Mr. Nuno Luís Cameira de Sousa Botelho, while the Defendant is the Council of Ministers (*Conselho de Ministros*). Such protective measure requests, in broad terms, to inhibit the administrative act by which the Portuguese State intends to grant, or authorizes the granting of financial support to TAP SGPS or to TAP, as long as the latter is not able to ensure an equitable and proportional distribution of the flights operated by TAP from and to the different Portuguese airports, ensuring a minimum of 80% of the flights to Oporto airport as per the operation before the Covid-19 pandemics.
- Still within the scope of the mentioned judicial proceeding, TAP and TAP SGPS, in the capacity of Interested Parties, and the Council of Ministers, in the capacity of Defendant, shall have 10 days to submit an objection. Pursuant to the applicable law, the Council of Ministers, in the capacity of Defendant, may carry out the abovementioned administrative act but it will only be able to initiate or continue pursuing its respective execution in case, by way of a substantiated pleading, recognizes that the deferral of such execution would be severely detrimental for the public interest.

#### Almost full suspension of operation and adoption of measures of temporary work suspension

- On April 1, 2020, after consecutive announcements of activity reduction during the month of March 2020 and as a result of the growing level of air traffic restrictions imposed by over one hundred countries as a consequence of the Covid-19 pandemic, TAP announced it had been forced to almost suspend its business activity on a temporary basis, operating only to Terceira and Ponta Delgada (Azores) and to Funchal (Madeira), in order to ensure territorial continuity, and suspending all remaining routes.

- In this context, TAP's Board of Directors decided that, to better protect and maintain TAP's workers jobs, as well as in the best interest of the company's future, TAP would adhere to the package made available by the Portuguese Government to support the country and companies, as per Decree-Law nr. 10-G/2020, of March 26, in its current version, which establishes precisely exceptional and temporary measures aimed at protecting and maintaining jobs, in the wake of Covid-19 pandemics, thus adopting measures of temporary work suspension for circa 90% of its workers and a reduction of normal work period with the proportional wage reduction (of 20%) for the remaining workers who remained in operation. These measures entered into force on April 2, 2020, for a 30-day period, and were subsequently renewed for additional 30 day periods, being currently expected until 31 July 2020.
- These measures were aimed at reducing TAP's fixed costs, in order to partially compensate the loss of revenues within this new context. Staff costs represent TAP's main fixed cost, amounting to circa 20% of the company's total operating costs.
- These specific measures added to the already announced initiatives such as controlling and reducing costs, including the suspension or delay of non-critical investments, the renegotiation of commercial agreements and respective payment schedules, cuts on incidental expenses, the suspension of new staff recruitment, promotions and training, as well as the implementation of temporary unpaid leave programs, which are still ongoing.
- The capacity reduction (measured in ASKs) compared to the same month of last year, reached 99% in April and 98% in May 2020.

### Ratings

- Following the most recent rating revisions, that have affected all the aviation sector globally, the long-term issuer credit rating of TAP assigned by S&P Global Ratings Europe Limited ("S&P") is currently B- (CreditWatch negative) and the Corporate Family ratings assigned by Moody's Investors Service ("Moody's") is Caa2 (negative outlook).

## MAIN OPERATIONAL INDICATORS

TAP, S.A. Consolidated	Jan-Feb 2020	Jan-Feb 2019	Change		1Q20	1Q19	Change	
			Abs.	%			Abs.	%
Passenger ('000)	2,376	2,096	280	+13.4%	2,960	3,386	-426	-12.6%
RPK (million)	6,124	5,185	939	+18.1%	7,696	8,216	-520	-6.3%
ASK (million)	8,197	7,125	1,071	+15.0%	10,703	10,918	-214	-2.0%
Load Factor	74.7%	72.8%	+1.9p.p.		71.9%	75.3%	-3.4p.p.	
Block Hours	62,649	57,512	5,137	+8.9%	81,114	87,896	-6,781	-7.7%
Number of Departures	20,528	19,632	896	+4.6%	26,512	30,030	-3,518	-11.7%
Average Stage Length (km)	1,981	1,904	77	+4.0%	1,994	1,901	93	+4.9%
Active Staff (end of period) <sup>3)</sup>	9,153	8,237	916	+11.1%	9,143	8,387	756	+9.0%

1) Excludes staff not placed and not active.

## MAIN FINANCIAL INDICATORS

TAP, S.A. Consolidated	Jan-Feb 2020	Jan-Feb 2019	Change		1Q20	1Q19	Change	
			Abs.	%			Abs.	%
Total Operating Income (million €)	466.6	390.8	75.8	+19.4%	583.2	613.7	-30.5	-5.0%
Passenger Income (million €)	410.9	340.1	70.8	+20.8%	513.3	532.8	-19.5	-3.7%
EBITDA (million €) <sup>1)</sup>	23.7	-30.7	54.4	n.m.	-22.6	3.4	-26.0	n.m.
<i>EBITDA margin</i>	5.1%	-7.9%	+12.9p.p.		-3.9%	0.5%	-4.4p.p.	
Operating Result (EBIT) (million €)	-62.6	-98.4	35.7	n.m.	-155.3	-101.4	-53.9	n.m.
<i>EBIT margin</i>	-13.4%	-25.2%	+11.7p.p.		-26.6%	-16.5%	-10.1p.p.	
Cash flow from operating activities (million €)					158.7	66.1	92.6	+140.1%
Adjusted cash flow from operating activities (million €) <sup>2)</sup>					61.7	-23.4	85.1	n.m.

1) EBITDA = Operating Result + Depreciation, amortisation and impairment losses.

2) Adjusted cash flow from operating activities = Cash flow from operating activities – Payments relating to lease liabilities without purchase option – Payments relating to interest elements of lease liabilities without purchase option.

## FINANCING AND CONTRACTUAL OBLIGATIONS

TAP, S.A. Consolidated EUR million	31-Mar-20	31-Dec-19
<b>Financial Debt</b>	<b>1,407.0</b>	<b>1,358.3</b>
Bank Loans & Bonds	944.4	1,083.4
Lease liabilities with purchase option	462.6	274.9
<b>Cash and cash equivalents</b>	<b>280.4</b>	<b>426.3</b>
<b>Net Financial Debt</b>	<b>1,126.6</b>	<b>932.0</b>
<b>Lease liabilities without purchase option</b>	<b>2,298.4</b>	<b>2,278.7</b>

INCOME STATEMENT

TAP, S.A. Consolidated EUR million	1Q20	1Q19	Change	
			Abs.	%
<b>Operating Income</b>	<b>583.2</b>	<b>613.7</b>	<b>-30.5</b>	<b>-5.0%</b>
Passenger	513.3	532.8	-19.5	-3.7%
Maintenance	32.0	43.7	-11.7	-26.8%
Cargo and mail	32.7	31.0	1.7	+5.4%
Other operating income	5.3	6.3	-1.0	-15.8%
<b>Operating Costs</b>	<b>738.5</b>	<b>715.1</b>	<b>23.4</b>	<b>+3.3%</b>
Aircraft fuel	153.3	154.9	-1.6	-1.0%
Traffic operating costs	169.0	172.7	-3.7	-2.2%
Employee costs	162.7	154.7	8.0	+5.2%
Aircraft maintenance costs	13.3	11.2	2.1	19.2%
Cost of materials consumed	23.1	32.3	-9.2	-28.4%
Commercial, communication and marketing costs	45.0	46.5	-1.5	-3.3%
Impair. losses in inventories, receiv. and provisions	1.0	1.2	-0.2	-15.3%
Other operating expenses	37.8	34.9	2.9	+8.3%
Restructuring	0.7	1.6	-0.9	-56.9%
Other non recurrent items	0.0	0.5	-0.5	-96.3%
Depreciation, amortisation and impairment losses	132.7	104.8	27.9	+26.7%
<b>EBIT (Operating Result)</b>	<b>-155.3</b>	<b>-101.4</b>	<b>-53.9</b>	<b>n.m.</b>
<b>EBIT margin</b>	<b>-26.6%</b>	<b>-16.5%</b>	<b>-10.1p.p.</b>	
Interest and similar income	8.7	8.2	0.4	+5.4%
Interests and similar expenses	-59.5	-22.3	-37.2	+166.6%
Overhedge Costs - Covid Effect	-150.3	0.0	-150.3	n.m.
Net currency exchange	-100.5	-22.3	-78.2	+351.1%
<b>Earnings before taxes</b>	<b>-457.0</b>	<b>-137.8</b>	<b>-319.2</b>	<b>n.m.</b>
Income tax	62.0	31.2	30.8	+98.7%
<b>Net income/ (loss)</b>	<b>-395.0</b>	<b>-106.6</b>	<b>-288.4</b>	<b>n.m.</b>
<b>EBITDA <sup>1)</sup></b>	<b>-22.6</b>	<b>3.4</b>	<b>-26.0</b>	<b>n.m.</b>
<b>EBITDA margin</b>	<b>-3.9%</b>	<b>+0.5%</b>	<b>-4.4p.p.</b>	

1) EBITDA = EBIT + Depreciation, amortisation and impairment losses.

### GLOSSARY

**Adjusted for stage length:** CASK, PRASK or Yield as adjusted for stage length is used to allow for comparisons across companies with different network profiles. For this purpose, CASK, PRASK or Yield are normalized for average stage length (flight distance) by multiplying by the square root of the division of the average stage length by the normalization value of 2,000 km.

**ASK:** Available seat kilometer; total number of seats available for sale multiplied by the number of kilometers flown.

**Block Hours:** Number of hours between departure and arrival of a flight, measured from the time the chocks are off or on.

**CASK:** Operating cost per available seat kilometer (ASK), adjusted for stage length.

**EBITDA:** Operating Result + Depreciation, amortization and impairment losses.

**Load Factor:** Total number of revenue passenger-kilometers (RPK) divided by the total number of available seat-kilometers (ASK).

**PRASK:** Passenger income divided by total number of Available seat kilometer (ASK), adjusted for stage length.

**RPK:** Revenue passenger kilometer; total number of passengers multiplied by the number of kilometers flown.

**YoY:** Year over year.

### CAUTIONARY STATEMENT

Due to the uncertainty on the evolution of the Company's activity in the long term, resulting from events beyond its control, as well as the recent approval by the European Commission of a State Aid, through a loan, which requires the presentation of a restructuring plan within six months (if the loan is not reimbursed), a long term business plan still has not been prepared nor approved. In this context, the March 2020 unaudited financial statements, do not reflect potential impacts from the recoverability analysis of non-current assets, that would be carried out, would there be a long-term business plan. Notwithstanding, the Company considers that given the recently approved State Aid, though still pending the formalization of the financing agreement with the Portuguese State, it is possible to conclude for the preparation of the financial statements based on the principle of business continuity.

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

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

The financial information included in this Trading Update is not audited.