

Earnings Release

Second Half and Full Year 2019 Results

Lisbon, Portugal, February 20, 2020: Transportes Aéreos Portugueses, S.A. ("TAP" or "Company") reports on its unaudited consolidated financial results for the second-half and the fiscal year ending December 31, 2019.

The 2019 Annual Report is expected to be disclosed by TAP on or about March 12, 2020, with a Conference Call on Annual Results, which is expected to be held by TAP shortly thereafter. The details of the Conference Call will be made available in due course.

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

Highlights of the Second Half of 2019 ("2H19"):

- **2H19 confirms positive trend with improvement in results and margins.** The 2H19 saw a progressive improvement in activity, enabling a strong expansion of, both, Operating Result (EBIT) and operating margin, with a positive net income in the period.
- **Net Income of EUR 16.3 million in the 2H19**, representing an increase of 36% compared to the second half of 2018.
- **EBITDAR reached EUR 395.3 million in the 2H19**, an YoY increase of EUR 256.0 million corresponding to an EBITDAR margin of 21.4%. Operating Result (EBIT) was EUR 132.1 million in the 2H19 (EBIT margin of 7.1%) which compares with EUR 18.9 million in 2H18 (EBIT margin of 1.1%).
- **Passenger growth of 11.3% in the 2H19**, with YoY increase in load factor which was 80.4%. **Total operating revenue growth of EUR 162.4 million (+9.6% YoY)**, with **passenger income growth of EUR 135.6 million (+9.0% YoY)** being the majority of this expansion due to North American routes that grew by EUR 80.3 million (+51.3% YoY).
- **Decrease in total unit operating costs per ASK (CASK)** by -8.3% YoY.
- **Decrease in fuel unit costs per ASK (CASK fuel)** by -13.3% YoY due to the increasing percentage of NEOs in the fleet during the 2H19, resulting in higher efficiency, and also due to a lower jet fuel price compared to the 2H18.
- **Strong liquidity position** with cash and equivalents amounting to EUR 426.2 million at year end. Additionally, considering available credit card receivables from Brazil of EUR 105.9 million, total liquidity represented EUR 532.1 million or 16.1% of total operating revenue.
- **Successful completion of several financing transactions**, following TAP's strategy of diversifying its funding sources and increasing its average debt maturity. The average maturity of TAP's financial debt (excluding operating leases) increased from 2.5 years at the end of 2018 to 4.5 years at the end of 2019. The percentage of fixed rate debt also increased significantly from 11% at the end of 2018 to 66% in 2019.

Highlights of the full year of 2019 ("FY19"):

- **EBITDAR reached EUR 522.9 million** in 2019 (an increase of EUR 327.1 million or +167.1% YoY) and Operating Result (EBIT) EUR 47.2 million, an improvement of EUR 74.1 million compared to the previous year.
- **Fleet Transformation** with the strengthening of the fleet renewal and expansion strategy. In 2019, **30 new last generation Airbus aircraft from the NEO family entered into operation**, enabling TAP's expansion to 11 new markets, from which we highlight the beginning of operations in the Middle East (Tel Aviv), expansion in the USA, with the contribution of the new routes that started in June (San Francisco, Chicago and Washington) and the new routes in Africa (Conakri and Banjul).

TRANSPORTES AÉREOS PORTUGUESES, S.A.

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- **Record number of passengers** carried in 2019, reaching 17.1 million (+8.2% YoY). **Successful diversification strategy, with the North America already representing 14% of total passenger revenue**, an increase of 3 percentage points compared to 2018 and 8 percentage points compared to 2015.
- **Total operating revenue grew by EUR 121.5 million in 2019 (+3.8% YoY) to EUR 3,298.8 million**, with **Passenger income increasing by EUR 131.6 million (+4.7%)** to EUR 2,914.0 million, as a result of the 2H19 operating revenue growth. Passenger income from North American and domestic routes (Mainland and Islands) increased 33.4% and 13.2%, respectively, in comparison with the previous year.
- **Decrease in total unit operating costs per ASK (CASK)** which fell by 7.2% YoY.
- **Decrease in unit fuel costs per ASK (CASK Fuel)**. CASK Fuel decreased by 9.6% in 2019, reflecting the higher fuel efficiency of the new aircraft, the lower average price of jet fuel compared to the previous year and the hedging policy in place.
- **Investment in the fleet and decrease in passenger income from Brazilian routes in the first half of 2019, with negative impact in the full year net income.** Net loss for the year of EUR 95.6 million, worse in EUR 37.6 million than in the previous year, as a result of the investment in the renewal of the fleet being the costs related to the fleet transformation process of approximately EUR 55 million. Recovery in net income during the 2H19, with net income generated during this period positive in EUR 16.3 million, which represents an increase of 36% compared to the second half of 2018.

Subsequent Events:

- On February 6, 2020 TAP signed a commercial cooperation agreement with Azul Linhas Aéreas Brasileiras S.A. ("Azul") ("Cooperation Agreement"). The goal of the Cooperation Agreement is to create a model for commercial cooperation between TAP and Azul, as commonly used in the aviation industry, to offer joint air transport services, increasing the efficiency and diversity of the products and services made available to passengers, notably in terms of frequencies, available schedules and number of combined origins and destinations served. This Cooperation Agreement does not entail any change at the level of the shareholding structure of neither TAP nor Azul. The implementation of the Cooperation Agreement is conditional on approvals and/or non-opposition being obtained and on the necessary communications before the competent regulatory and competition authorities being made.
- On February 12, 2020, TAP made a repayment within a loan facility entered into with a syndicate of Portuguese banks in the amount of EUR 158.6 million. With this payment, since the beginning of 2019 TAP amortised a total of EUR 322.2 million within this loan facility, with approximately EUR 142 million currently outstanding.

MAIN OPERATING AND FINANCIAL INDICATORS

	2H19	2H18 ¹⁾	Change		2019	2018 ¹⁾	Change	
			Abs.	%			Abs.	%
Passenger ('000)	9,152	8,223	929	+11.3%	17,052	15,763	1,289	+8.2%
RPK (million)	22,946	19,731	3,215	+16.3%	42,065	38,048	4,017	+10.6%
ASK (million)	28,541	24,739	3,803	+15.4%	52,527	47,000	5,527	+11.8%
Load Factor	80.4%	79.8%	+0.6p.p.		80.1%	81.0%	-0.9p.p.	
Operating Fleet (end of period) ²⁾	105	93	12	+12.9%	105	93	12	+12.9%
Total Fleet (end of period) ³⁾	105	96	9	+9.4%	105	96	9	+9.4%
Block Hours	218,420	204,421	13,999	+6.8%	409,522	390,544	18,977	+4.9%
Average Stage Length (km)	1,989	1,884	105	+5.6%	1,956	1,874	82	+4.4%
Yield ⁴⁾ (€ cents)	7.12	7.39	-0.27	-3.7%	6.85	7.08	-0.23	-3.2%
PRASK ⁴⁾ (€ cents)	5.73	5.90	-0.17	-2.9%	5.49	5.73	-0.24	-4.3%
CASK ⁴⁾ (€ cents)	6.00	6.55	-0.54	-8.3%	6.12	6.60	-0.48	-7.2%
CASK ex-fuel ⁴⁾ (€ cents)	4.50	4.82	-0.31	-6.5%	4.63	4.95	-0.32	-6.5%
CASK fuel ⁴⁾ (€ cents)	1.50	1.73	-0.23	-13.3%	1.49	1.64	-0.16	-9.6%
Active Staff (end of period) ⁵⁾	9,006	8,145	861	+10.6%	9,006	8,145	861	+10.6%
Total Operating Income (million €)	1,849.9	1,687.5	162.4	+9.6%	3,298.8	3,177.2	121.5	+3.8%
Passenger Income (million €)	1,638.9	1,503.3	135.6	+9.0%	2,914.0	2,782.4	131.6	+4.7%
EBITDAR (million €) ⁶⁾	395.3	139.3	256.0	+183.7%	522.9	195.8	327.1	+167.1%
EBITDAR margin	21.4%	8.3%	+13.1p.p.		15.9%	6.2%	+9.7p.p.	
Operating Result (EBIT) (million €)	132.1	18.9	113.3	+600.1%	47.2	-26.9	74.1	n.m.
EBIT margin	7.1%	1.1%	+6.0p.p.		1.4%	-0.8%	+2.3p.p.	
Net Income/ (loss) for the period (million €)	16.3	12.0	4.3	+36.0%	-95.6	-58.1	-37.6	n.m.

1) TAP adopted in January 1, 2019 IFRS 16, having chosen the modified retrospective model as of the transition date, which does not provide for the restatement of the financial statements from previous fiscal years. The 2018 Consolidated Financial Statements have not been adjusted for IFRS 16 effects, therefore not being comparable to the 2019 Consolidated financial statements.

2) Includes aircraft operated under wet-lease agreements.

3) May differ from operating fleet in some periods due to aircraft in phase-in and phase-out.

4) Adjusted for stage length.

5) Excludes staff not placed and not active.

6) EBITDAR = Operating Result + Aircraft rents + Depreciation, amortisation and impairment losses.

INCOME STATEMENT FOR THE SECOND HALF AND FULL YEAR

EUR million	2H19	2H18 ¹⁾	Change		2019	2018 ¹⁾	Change	
			Abs.	%			Abs.	%
Operating Income	1,849.9	1,687.5	162.4	+9.6%	3,298.8	3,177.2	121.5	+3.8%
Passenger	1,638.9	1,503.3	135.6	+9.0%	2,914.0	2,782.4	131.6	+4.7%
Maintenance	118.8	103.5	15.2	+14.7%	211.3	228.2	-16.9	-7.4%
Cargo and mail	71.6	67.9	3.7	+5.5%	137.4	134.7	2.7	+2.0%
Other operating income	20.6	12.9	7.8	+60.6%	36.1	31.9	4.1	+12.9%
Operating Costs	1,717.8	1,668.7	49.1	+2.9%	3,251.6	3,204.1	47.4	+1.5%
Aircraft fuel	429.4	441.1	-11.7	-2.7%	789.7	798.6	-8.9	-1.1%
Traffic operating costs	433.0	488.1	-55.1	-11.3%	807.3	939.6	-132.3	-14.1%
Employee costs	345.7	321.3	24.4	+7.6%	678.6	607.8	70.9	+11.7%
Aircraft rents	0.0	81.0	-81.0	n.m.	0.0	152.0	-152.0	n.m.
Aircraft maintenance costs	27.7	24.3	3.4	+14.0%	56.1	89.9	-33.8	-37.6%
Cost of materials consumed	76.7	71.8	4.9	+6.8%	141.3	166.0	-24.7	-14.9%
Commercial, communication and marketing costs	69.1	92.9	-23.9	-25.7%	153.2	186.5	-33.3	-17.9%
Impair. losses in inventories, receiv. and provisions	-0.3	6.9	-7.3	n.m.	0.0	7.0	-7.0	n.m.
Other operating expenses	72.5	74.8	-2.4	-3.2%	144.1	141.2	2.9	+2.0%
Restructuring	1.3	21.1	-19.8	-93.6%	5.0	24.7	-19.7	-79.8%
Other non recurrent items	-0.4	5.8	-6.2	n.m.	0.5	20.1	-19.6	-97.5%
Depreciation, amortisation and impairment losses	263.2	39.5	223.7	+566.4%	475.7	70.7	405.0	+572.8%
EBIT (Operating Result)	132.1	18.9	113.3	+600.1%	47.2	-26.9	74.1	n.m.
EBIT margin	+7.1%	+1.1%	+6.0p.p.		1.4%	-0.8%	+2.3p.p.	
Interest and similar income	17.2	18.1	-0.9	-4.7%	33.8	36.9	-3.1	-8.4%
Interests and similar expenses	-113.5	-26.8	-86.7	+323.9%	-185.4	-43.2	-142.2	+329.0%
Net currency exchange	-19.2	-2.3	-16.9	n.m.	-21.3	-49.1	27.8	-56.6%
Earnings before taxes	16.6	7.8	8.8	+112.9%	-125.7	-82.3	-43.4	n.m.
Income tax	-0.3	4.2	-4.5	n.m.	30.1	24.2	5.9	+24.2%
Net income/ (loss)	16.3	12.0	4.3	+36.0%	-95.6	-58.1	-37.6	n.m.
EBITDAR ²⁾	395.3	139.3	256.0	+183.7%	522.9	195.8	327.1	+167.1%
EBITDAR margin	+21.4%	+8.3%	+13.1p.p.		+15.9%	+6.2%	+9.7p.p.	

1) TAP adopted in 1st January 2019 IFRS 16, having chosen the modified retrospective model as of the transition date, which does not provide for the restatement of the financial statements from previous fiscal years. The 2018 Consolidated Financial Statements have not been adjusted for IFRS 16 effects, therefore not being comparable to the 2019 financial statements.

2) EBITDAR = Operating Result + Aircraft rents + Depreciation, amortisation and impairment losses.

FINANCING AND CONTRACTUAL OBLIGATIONS

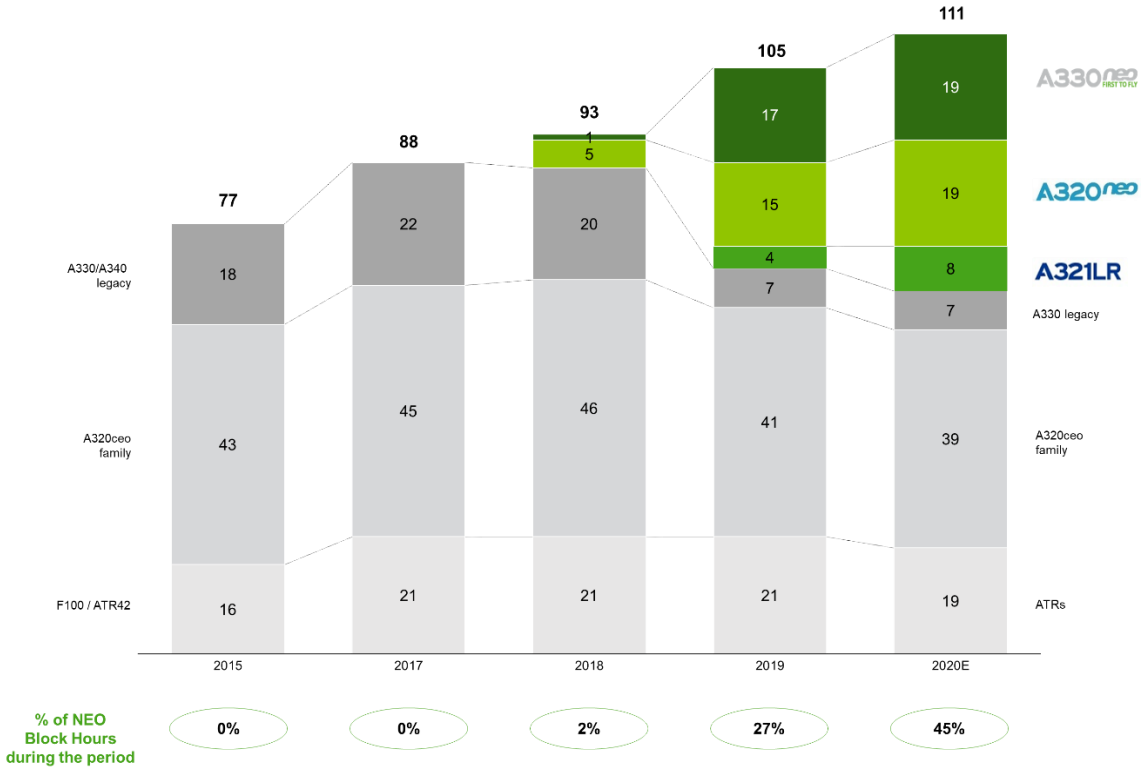
EUR million	31-Dec	01-Jan	31-Dec
	2019	2019 ²⁾	2018 ³⁾
Financial Debt ¹⁾	1,358.3	775.9	775.9
Bank Loans	399.1	644.0	644.0
Financial Leases	274.9	132.0	132.0
Bonds	684.3	0.0	0.0
Cash and cash equivalents	426.3	223.7	223.7
Net Financial Debt	932.0	552.2	552.2
Liabilities with Contractual Obligations	2,278.7	1,166.7	0.0

1) Excludes operating leases, which are included in Liabilities with Contractual obligations.

2) Reflects the impact of IFRS 16 adoption as of the transition date.

3) TAP adopted IFRS 16 on 1st January 2019, having chosen the modified retrospective model as of the transition date, which does not provide for the restatement of the financial statements from previous fiscal years. The values as of 31-dec-2018 have not been restated.

END-OF-YEAR OPERATIONAL FLEET ¹⁾



1) In some years Operational Fleet may differ from Total Fleet due to aircraft in phase-in and phase-out.

CONSOLIDATED INCOME STATEMENT FOR 2019 and 2018

EUR million	2019	2018
Operating Income		
Revenues		
Passenger	2,914.0	2,782.4
Maintenance	211.3	228.2
Cargo and mail	137.4	134.7
Other operating income	36.1	31.9
	3,298.8	3,177.2
Operating costs		
Aircraft fuel	(789.7)	(798.6)
Traffic operating costs	(807.3)	(939.6)
Aircraft rents	-	(152.0)
Aircraft maintenance costs	(56.1)	(89.9)
Cost of materials consumed	(141.3)	(166.0)
Comercial, communication and marketing costs	(153.2)	(186.5)
Employee costs	(678.6)	(607.8)
Impairment losses in inventories, receivables and provisions	0.0	(7.0)
Other operating expenses	(144.1)	(141.2)
Restructuring	(5.0)	(24.7)
Other non recurrent items	(0.5)	(20.1)
Depreciation, amortisation and impairment losses	(475.7)	(70.7)
Operating income/(loss)	47.2	(26.9)
Interests and similar income	33.8	36.9
Interests and similar expenses	(185.4)	(43.2)
Net currency exchange	(21.3)	(49.1)
Net income/(loss) before income tax	(125.7)	(82.3)
Income tax for the year	30.1	24.2
Net income/(loss) for the year	(95.6)	(58.1)
Net income/(loss) attributable to owners of TAP SA	(95.6)	(58.1)
Net income/(loss) attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

EUR million	2019	2018
Assets		
Non-current assets		
Tangible fixed assets	3,026.3	521.0
Investment Properties	2.1	1.9
Intangible assets	25.4	11.2
Investments in associates	0.2	0.2
Other financial assets	0.5	0.5
Other non current assets	16.2	-
Deferred tax assets	111.0	91.0
Other receivables	116.3	61.1
	3,298.0	687.0
Current Assets		
Inventories	100.3	63.9
Other receivables	1,288.1	1,154.6
Income tax receivable	0.5	8.3
Other financial assets	4.9	13.2
Other current assets	34.7	52.1
Cash and cash equivalents	426.3	223.7
	1,854.8	1,515.9
Total Assets	5,152.8	2,203.0
EQUITY AND LIABILITIES		
Equity		
Share Capital	41.5	41.5
Supplementary capital contributions	154.4	154.4
Legal reserves	8.3	8.3
Hedge reserves	16.4	(29.1)
Other reserves	(0.2)	(0.2)
Retained earnings	9.8	(12.0)
Group Net income/(loss) for the year	(95.6)	(58.1)
Total equity	134.5	104.8
Non-current liabilities		
Deferred tax liabilities	59.8	18.8
Post-employment benefits obligations	96.4	86.2
Provisions	77.8	12.2
Borrowings	1,197.0	595.3
Liabilities with contractual obligations	1,852.0	-
Other payables	-	49.7
	3,282.9	762.2
Current Liabilities		
Borrowings	161.3	180.6
Liabilities with contractual obligations	426.7	-
Other payables	571.7	667.5
Income tax payable	0.0	0.0
Other current liabilities	94.8	94.3
Liabilities from unused flight documents	480.8	393.5
	1,735.3	1,336.0
Total liabilities	5,018.3	2,098.2
Total equity and liabilities	5,152.8	2,203.0

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2019 AND 2018

EUR million	2019	2018
Operating activities:		
Receipts from customers	3,499.5	3,364.4
Payments to suppliers	(2,584.4)	(2,766.8)
Payments to employees	(626.5)	(567.2)
Payments of low value and short-term leases	(7.4)	-
Cash generated from operations	281.2	30.4
Income tax (payment)/receipt	0.3	(14.9)
Other receipts/payments relating to operating activities	29.2	(8.0)
Cash flow from operating activities (1)	310.6	7.5
Receipts from:		
Financial investments		
Other financial assets	230.2	66.5
Tangible fixed assets	50.0	44.6
Investment government grants	-	0.3
Loans granted	824.7	794.0
Interests and similar income	33.3	35.7
	1,138.2	941.0
Payments relating to:		
Financial investments	(275.7)	(7.5)
Tangible fixed assets	(132.5)	(124.9)
Intangible assets	(3.5)	(7.3)
Loans granted	(844.6)	(793.8)
	(1,256.2)	(933.6)
Cash flow from investment activities (2)	(118.0)	7.4
Financing activities:		
Receipts from:		
Borrowings	702.0	70.0
Financial leases	77.0	96.4
	779.1	166.4
Payments relating to:		
Borrowings	(253.9)	(7.5)
Payments of financial leases	(38.8)	(45.5)
Principal elements of operating lease payments	(296.7)	-
Interests and similar costs	(44.2)	(30.2)
Interest elements of operating lease payments	(119.8)	-
Dividends	-	(30.0)
	(753.5)	(113.2)
Cash flow from financing activities (3)	25.6	53.2
Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)	218.2	68.2
Effects of currency exchange differences	(5.3)	(11.9)
Cash and cash equivalents at the beginning of the period	213.4	157.1
Megasis Merger	0.0	-
Cash and cash equivalents at the end of the period	426.3	213.4

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.

CASK excluding fuel or CASK ex-fuel: Operating cost excluding fuel expenses per available seat kilometer (ASK), adjusted for stage length.

CASK fuel: Fuel expenses per available seat kilometer (ASK), adjusted for stage length.

EBITDAR: Operating Result + Aircraft rents + 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.

Wet lease: Contract in which an airline provides the aircraft, the complete crew, carries out maintenance and covers the aircraft insurance (ACMI-Aircraft, Crew, Maintenance and Insurance), receiving, in return, the payment for the hours operated. The company that contracts this service covers the remaining costs such as fuel, airport fees and reservations.

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

YoY: Year-on-year.

CAUTIONARY STATEMENT

This document was prepared by TAP and may be subject to change and complemented and all data included in the present document shall refer to the document date. TAP shall not be under any obligation to update this document.

The information contained in this document is released for general purposes and to fulfil legal obligations and is not and shall not be understood as an offer (public or private) of securities issued by TAP or as professional advice.

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

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

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

The financial information included in this earnings release is not audited. The Company has not yet issued its audited financial statements, nor has the financial information included herein been legally certified by a certified public accountant.