

RESULTS PRESENTATION FY 2021

TRANSPORTES AÉREOS PORTUGUESES, S.A.

LISBON, 11 APRIL 2022



A STAR ALLIANCE MEMBER 

AGENDA

FY21 Results Presentation



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Executive Summary

A challenging historical context

1H started with pandemic-related operational challenges, but capacity and demand significantly recovered in 2H

Restructuring Plan approval in December

Full Year positive recurring operational results

Due to non-recurring items, Full Year net income still negative

A cautious optimism for 2022.

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A challenging **historical context**



Struggling to consistently achieve sustainable **profitability levels**



Burdened by **high debt levels**, driven in part from accumulated losses at M&E Brasil

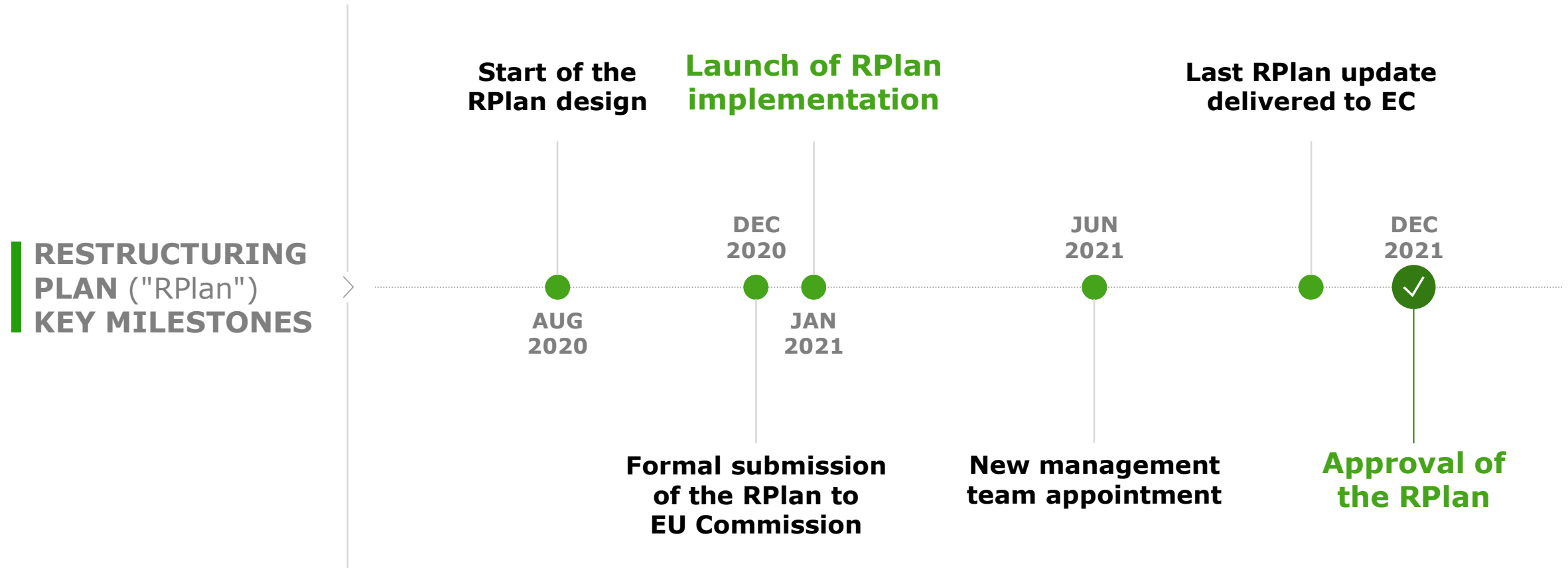


Overstretched by a recent strong growth path that led to a substantial **capacity increase**



COVID impact led to the **need for State Aid** which required a Restructuring Plan under DGCOMP rules

Restructuring Plan approval in December but implementation started at the beginning of the year



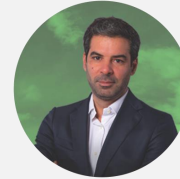
A new management team since June

Board of Directors (executive)



► SPEAKER TODAY

CHRISTINE OURMIÈRES-WIDENER
CEO



► SPEAKER TODAY

GONÇALO PIRES
EXECUTIVE BOARD MEMBER



RAMIRO SEQUEIRA
EXECUTIVE BOARD MEMBER



SILVIA MOSQUERA
EXECUTIVE BOARD MEMBER

Board of Directors (non-executive)



MANUEL BEJA
CHAIRPERSON



ANA LEHMANN
NON-EXECUTIVE MEMBER



PATRÍCIO RAMOS
NON-EXECUTIVE MEMBER

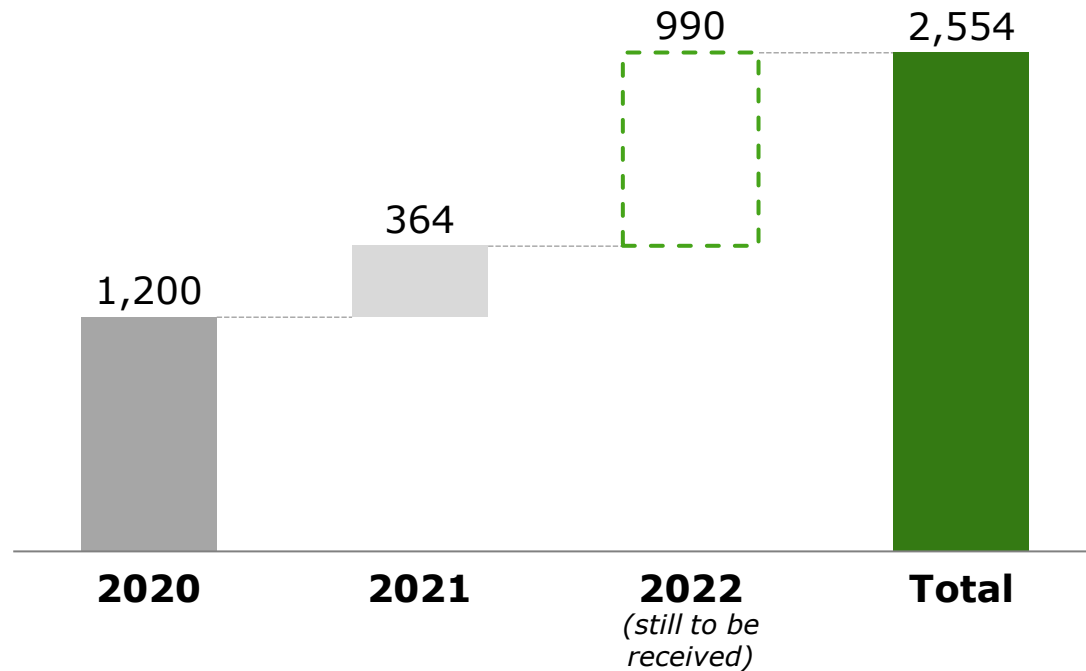


JOÃO DUARTE
NON-EXECUTIVE MEMBER

Until 2021, TAP received 2.2B€ in **Restructuring Aid and COVID damages** compensations, with an add'l 0.99B€ pending in 2022

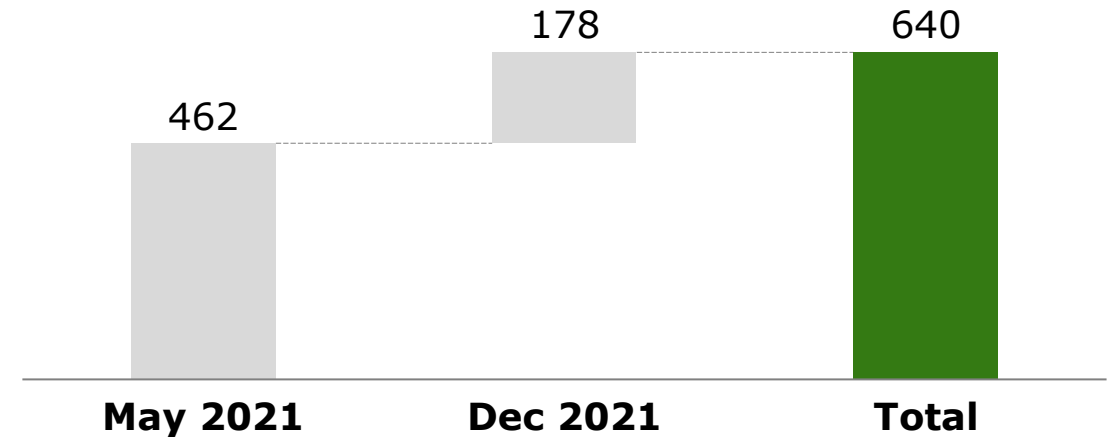
Restructuring Aid

EUR million



COVID Damages Compensation

EUR million



Transformation grounded on 5 main pillars

Achieving a sustainable and profitable aviation business by 2025

CUSTOMER

Customer experience
enhancement

Hub & slot protection
via network optimization

REVENUE

Sales, Ancillaries & Loyalty initiatives to boost revenues

Cargo sales growth
balanced with pax demand

COST

Negotiations with **lessors and suppliers**

Third-party costs reduction with a new budget process

Fleet strategy focused on flexibility and efficiency, with a simpler A/C mix

PEOPLE/ENABLERS

Labor flexibility

CLAs modernization

Digital roadmap implementation

CORE FOCUS

Aviation business focus through TAP SA

Non-core businesses progressive divestments



TAP Plan implies a set of requirements

- 1 Slots release
- 2 Non-core assets disposals
- 3 Fleet size cap
- 4 Acquisitions & advertising ban

Implementation started before the approval

Selection of measures implemented in 2021

CUSTOMER

- ✓ **Customer experience** measures addressing the COVID context
- ✓ **Network optimization**, protecting hub connectivity while suspending poorly performing routes

REVENUE

- ✓ **Yield optimization**
- ✓ Conversion of **2 aircrafts to cargo** to explore high yields and demand environment
- ✓ **Product offer** revision

COST

- ✓ **Fleet right-sizing**, moving towards a more homogeneous fleet mix
- ✓ Renegotiations with **aircraft lessors and suppliers**
- ✓ **Fuel and maintenance costs savings** via new aircrafts & fuel software

PEOPLE/ENABLERS

- ✓ **Emergency Labor Agreements**
- ✓ Labor **right-sizing**

CORE FOCUS

- ✓ **New shareholder structure** with focus on TAP SA
- ✓ Decision to gradually close **M&E Brasil**



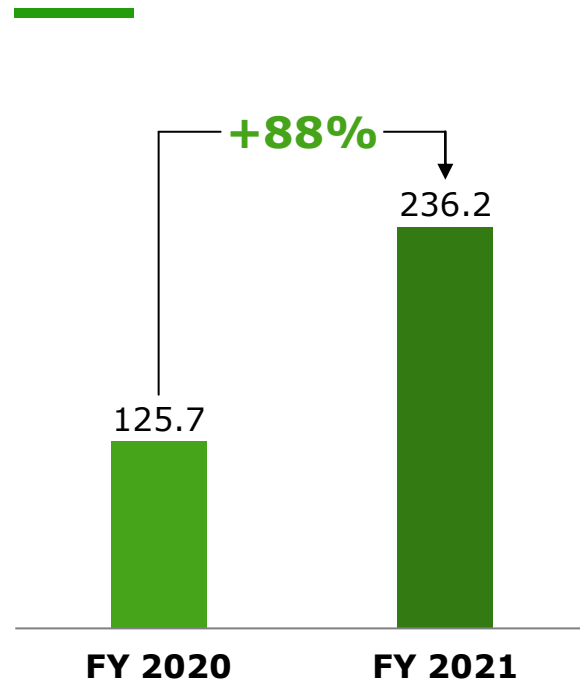
CUSTOMER | Continued customer experience enhancement

Several initiatives to boost revenues and to adapt to COVID uncertain context

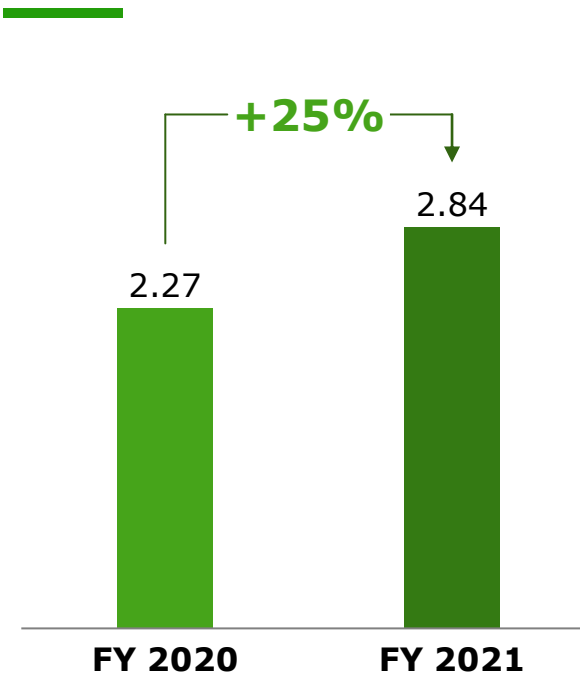
- Ticket flexibility
- Sales through new partnerships
- New ancillaries
- Yield optimization
- Network planning adapted to lockdowns and market restrictions

REVENUES | Cargo business continues to outperform

Operating Revenue
EUR million



Cargo Yield
EUR cents



TAP's Cargo business increased **operating revenue by almost 90%**, with **yields up by 25%** vs 2020

Cargo **only operation** accounted for **1/3** of total cargo revenue

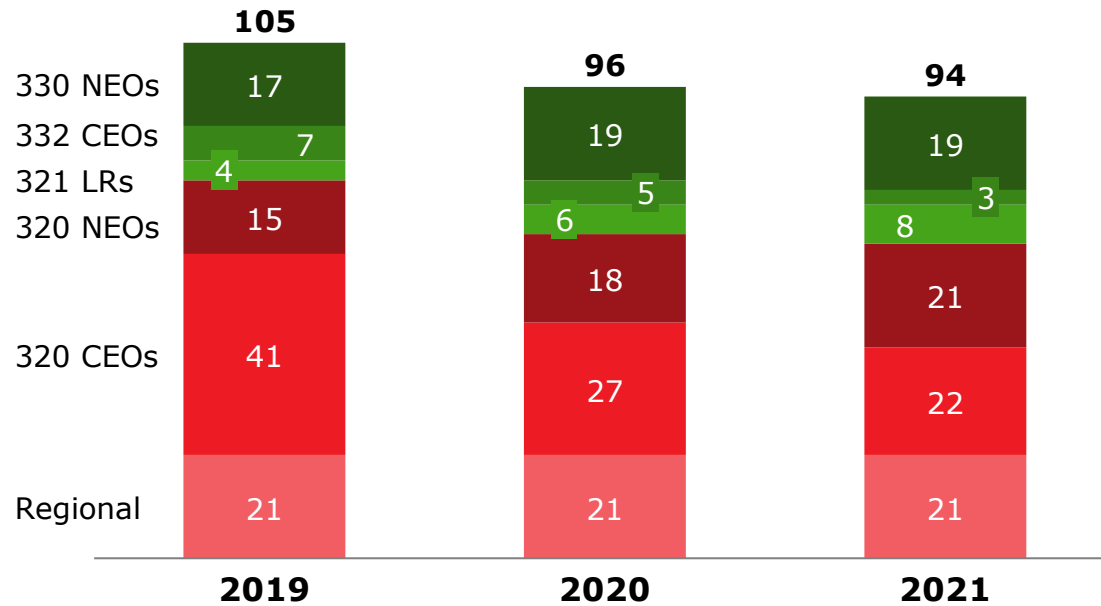
Conversion of **two aircraft to cargo** to take advantage of higher demand



COST | Fleet renewal and modernization, adjusting to demand

Fleet¹

Number of aircraft



- **Higher utilization of regional fleet** during border restrictions due to thinner demand
- **Higher utilization of 321 LR^s** to reduce capacity while preserving network breadth and depth
- Fleet size has been decreasing, but **efficiency and flexibility are higher**



1. Fleet numbers include all aircrafts being used in passengers and cargo operations

PEOPLE/ENABLERS | To ensure its survival, prior to RPlan's approval, TAP initiated a labor costs review



**Emergency Labor
Agreements**
(i.e., until 2024)



Transversal **salary
reductions**



**Capacity
right-sizing**

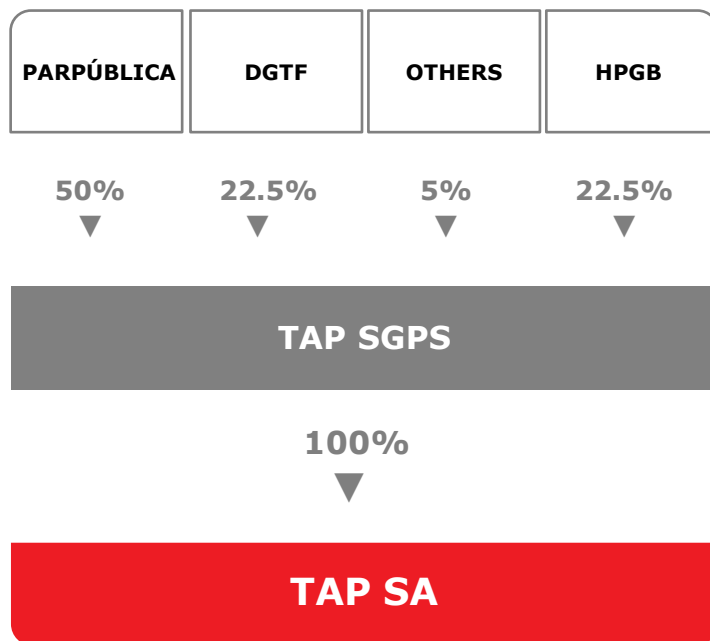
ADDITIONAL MEASURES

- **Automatic salary increases & progressions suspension**
- **Productivity improvement measures**



CORE | Restructuring Plan focused on TAP SA

Former shareholding structure



New shareholding structure after 30 Dec 2021



CORE | M&E Brasil gradual closure to stop historical recurrent losses

- **M&E Brasil had historical issues**, without capacity to achieve/sustain positive profitability
- Many unsuccessful attempts to optimize operations (incl. Porto Alegre unit closure) and **no possibility to find a viable buyer**
- Decision to launch the process of **M&E Brasil's gradual closure** that will stop recurrent losses
- A decision consistent with **Restructuring Plan requirement** of non-core divestments



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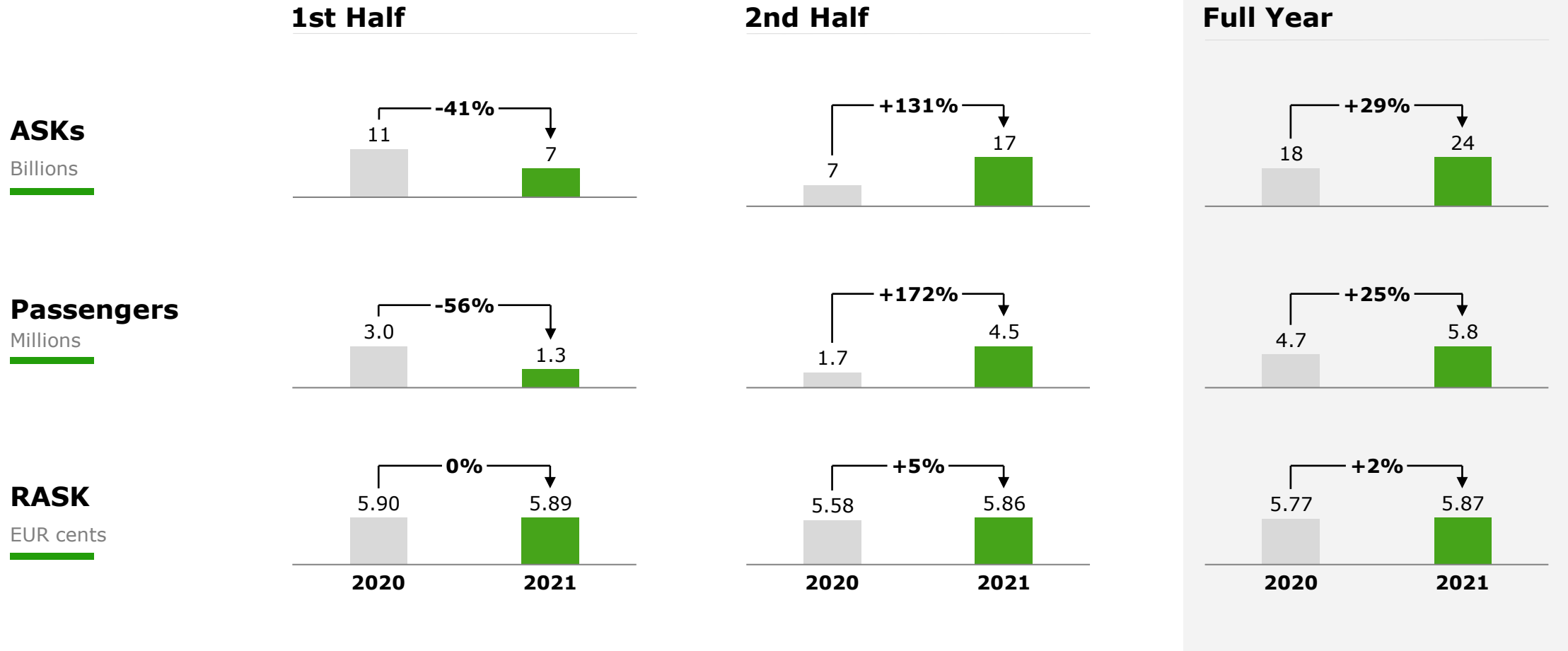
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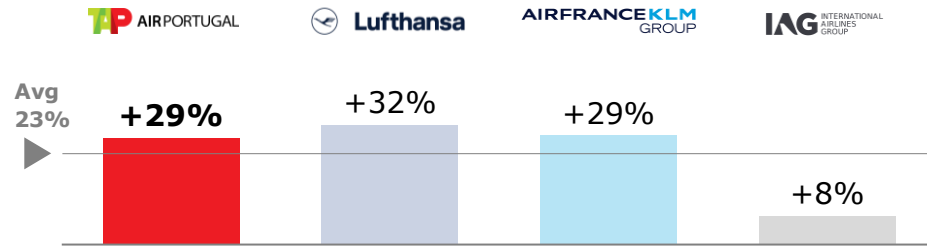
Improvement trend throughout 2021



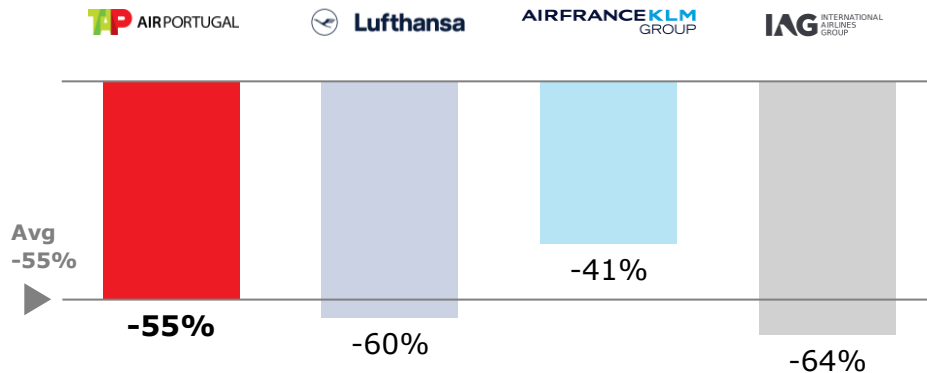
COVID had same impact across the sector

ASKs

Delta vs 2020

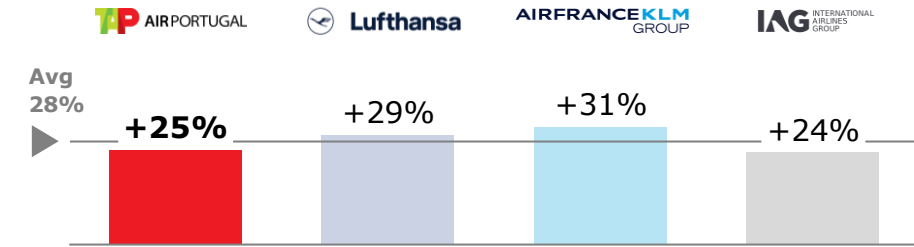


Delta vs 2019

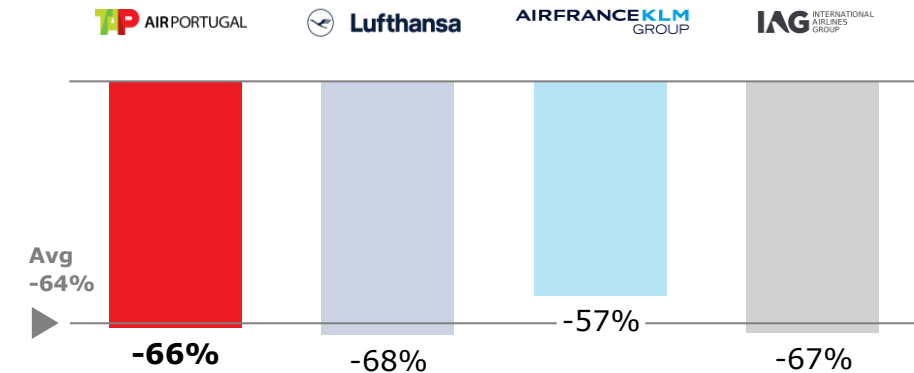


Passengers

Delta vs 2020

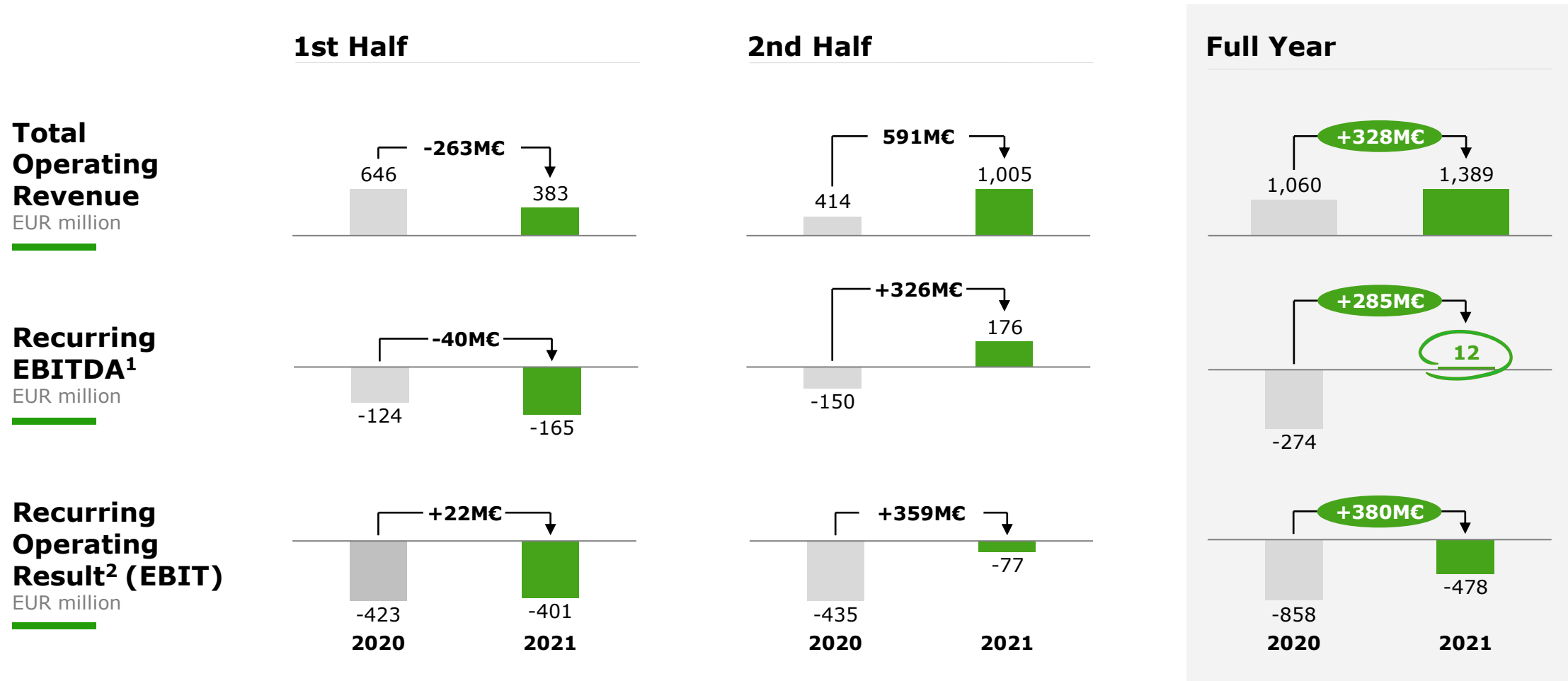


Delta vs 2019



Source: TAP internal data, companies' FY21 annual reports; Note: Average ASK and Passengers based on peers' average

Plan's implementation enabled **positive recurring EBITDA**

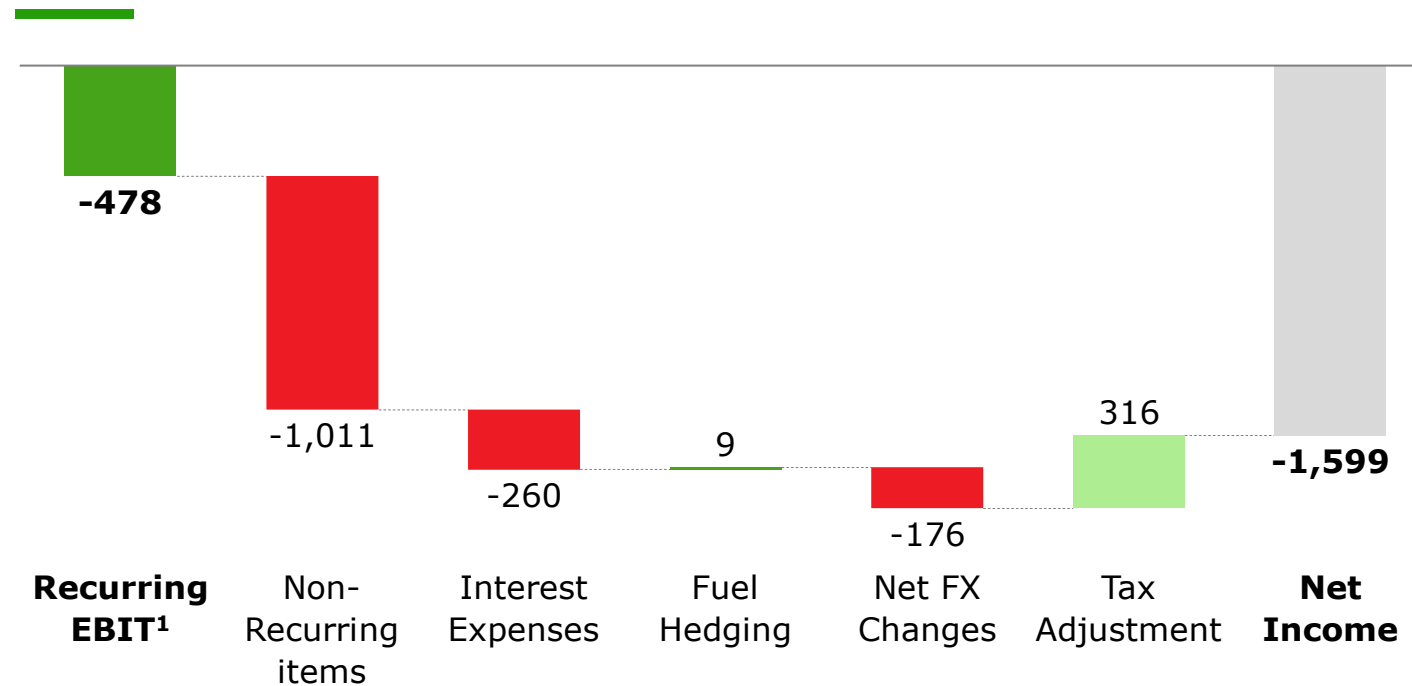


1. Recurring EBITDA = Operating Result + Depreciation, Amortization and impairment losses + Restructuring + Other Non-Recurring items
 2. Recurring EBIT = Operating Result + Restructuring + Other Non-Recurring items.

Non-recurring items, interest expenses and adverse FX had a significant impact on FY 2021's **net income**

FY 2021 Net Income Bridge

EUR million



Non-recurring items mainly composed by an impairment in receivables from TAP's SGPS reorganization (*intragroup loan mainly related with historical losses at M&E Brasil*)

Interest expenses growth in 2021 vs 2020

Net FX changes mostly due to USD and BRL gains in value against the EUR

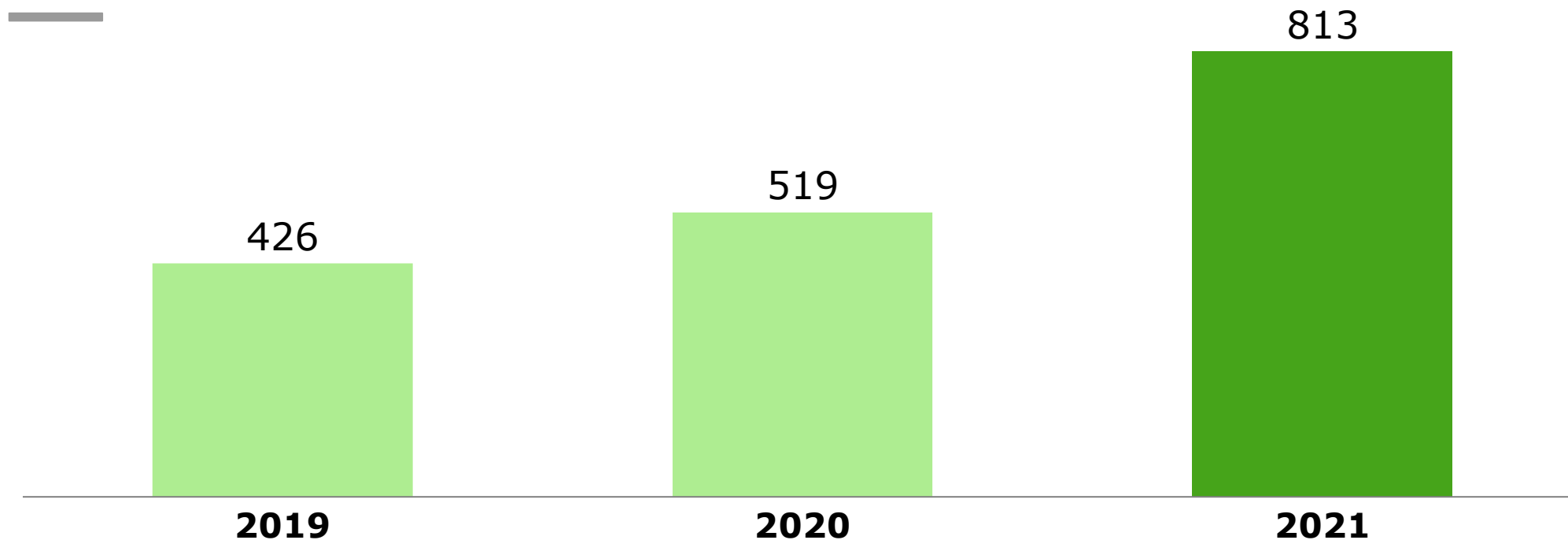
Positive **tax adjustment**

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

TAP had a solid **cash position** by the end of 2021

Liquidity evolution by end-of-years¹

Cash & Equivalents, EUR million



1. Only includes cash in the Cash and Cash Equivalents caption

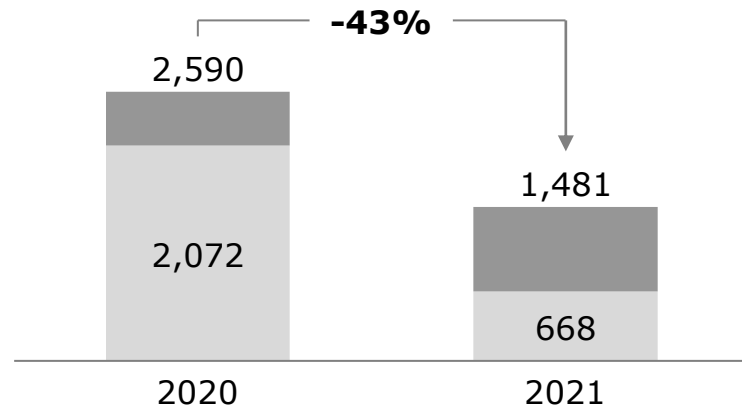


Significant part of TAP's debt will only be amortized from 2024 onwards

Financial debt position¹

As of December 31
EUR million

■ Gross Debt ■ Net debt

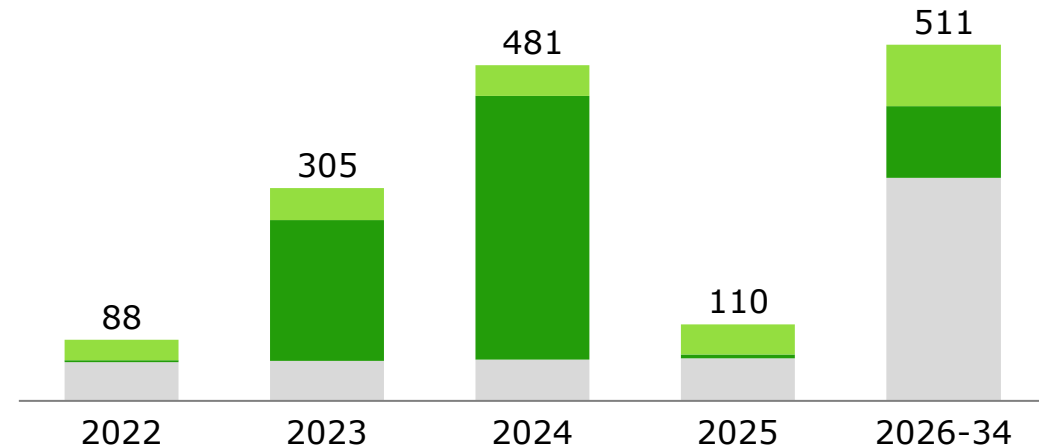


Debt amortization schedule²

As of December 31, 2021
EUR million

Average Maturity³
4.1 years

■ Bank Loans ■ Bonds ■ Finance Leases



1. Financial debt position excluding operating leases and including accruals and deferrals 2. Gross financial debt, excluding operating leases, accruals and deferrals
3. Differs from the maturity schedule in the FY21 financial statements, as the above: considers financing facilities whose waivers were not formalized prior to 31 December 2021 as non-current liabilities. Considering the maturity schedule in the FY21 financial statements, the average maturity of gross financial debt would be 3.3 years

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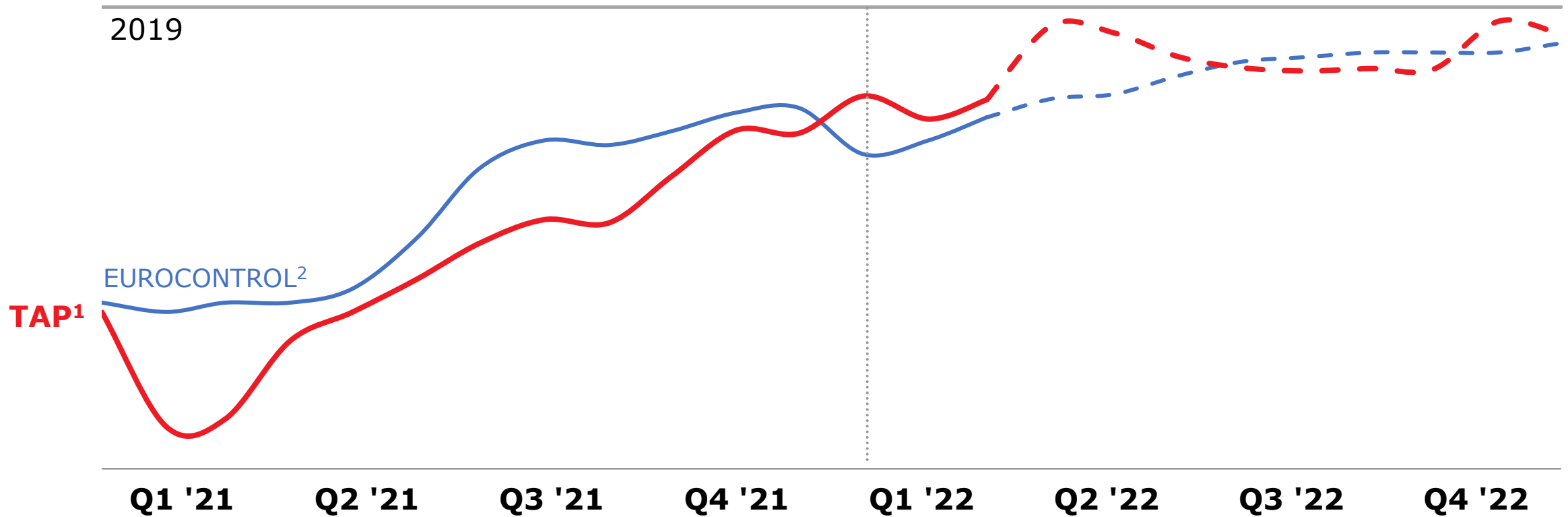
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In 2022, an expected positive demand recovery

ASKs

YoY change vs 2019



1. Until Q1 '22 based on actuals; Q2 '22 onwards based on 2022 budget
 2. EUROCONTROL ASKs' proxy based on traffic base scenario (press release, 6/03/2022)

The industry is still facing unprecedented levels of **uncertainty** and increased pressures on the P&L



Macro volatility creating demand uncertainty associated with COVID and Ukraine-Russia conflict



Intense competitive dynamics, pressuring yields



Cost inflation impacting materials and services (e.g., airport charges & fees, jet fuel prices and onboard materials)

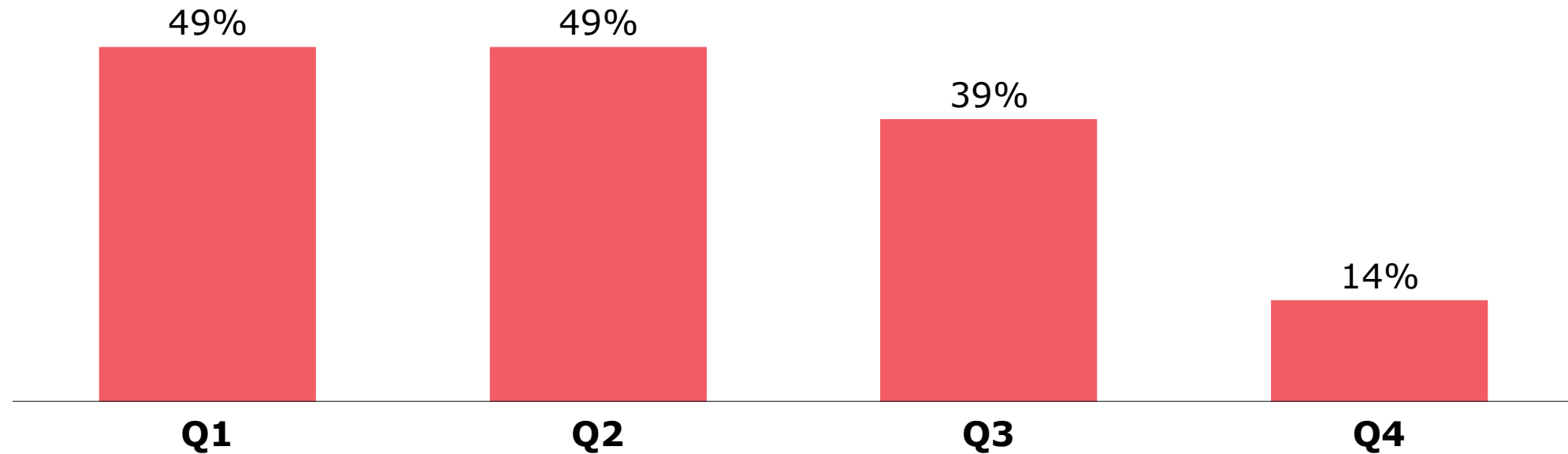


Potential **slowdown** in Global & European **economic growth**

Given fuel price volatility and demand uncertainty, TAP is keeping a **cautious hedging position**

Accumulated Jet Fuel hedged volumes - 2022

% of maximum expected Jet Fuel consumption



TAP is **actively working** to mitigate these context risks

Guided by its vision of achieving a sustainable and profitable aviation business by 2025

CUSTOMER

Improve **customer service and experience** on the various touchpoints from the network design and along the journey

Enhance **operational performance**

Promote efficiency through **customer driven and simplified processes**

REVENUE

Develop **ancillaries**

Optimize **revenue management capabilities**

Focus on **corporate business and high yield**

Design **new distribution model**

COST

Keep **cost control mindset** as a key driver of profitability

Strict budget control process

Focus on a policy that **reduces external exposure**

Contract renegotiation with **aircrafts and lessors**

Optimize **third party contracts**

PEOPLE/ENABLERS

Design a **performance model**

Deploy new corporate **communication messages**

Drive a **strategic digital roadmap**

Ensure viability through design of **new CLAs**

Review current **learning & development path**

CORE FOCUS

Continue TAP's **corporate reorganization**

Transfer of **PGA and UCS** equity stakes to TAP SA

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Key takeaways

A challenging historical context

1H started with pandemic-related operational challenges, but capacity and demand significantly recovered in 2H

Restructuring Plan approval in December

Full Year positive recurring operational results

Due to non-recurring items, Full Year net income still negative

A cautious optimism for 2022.

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This document shall be read jointly with TAP's 2021 consolidated annual report available in www.tapairportugal.com.

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These forward-looking statements that may appear in this document are subject to several factors and uncertainties that can cause actual results to differ materially from those described in the forward-looking statements mentioned in the present document, including, but not limited to, changes in regulation, in the airline industry, in competition and in economic conditions. Forward-looking statements mentioned in the present document 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 that may appear in this document are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that can cause actual future results and developments to differ materially from those expressed in, or implied or projected by the forward-looking information and statements mentioned in the present document. All the recipients of this document are cautioned not to put undue reliance on any forward-looking information or statements that may appear in this document. TAP does not undertake any obligation to update any forward-looking information or statements mentioned in this document.

TAP's Management believes that the preparation of the financial statements as at 31 December 2021 should be made on a going concern basis, based on (i) the approval by the European Commission of the Restructuring Plan, which presents a perspective of gradual growth of its activity, despite the relevant reduction embedded in the projections compared to its activity prior to the COVID pandemic levels, combined with a strategy of fleet reduction, reduction of operational costs and investment, although one cannot exclude a scenario of aggravation of the pandemic situation, aggravation of Ukraine-Russia conflict or activity growth below what is estimated in the Restructuring Plan, (ii) the concession of the remaining amount of the State aid to TAP by the Portuguese State, as approved by the European Commission on 21 December 2021; (iii) as well as the full commitment and availability assumed by the Portuguese Government, in its capacity of sole shareholder of the Company, to ensure the financial and economic sustainability, viability and continuity of the operations of TAP.

THANK YOU

LISBON, 11 APRIL 2022



A STAR ALLIANCE MEMBER 