



First half 2022 Results Presentation

Transportes Aéreos Portugueses, S.A.

Lisbon, August 23rd, 2022

Review of 1H 2022

Christine Ourmières-Widener,
Chief Executive Officer

TAP AIRPORTUGAL



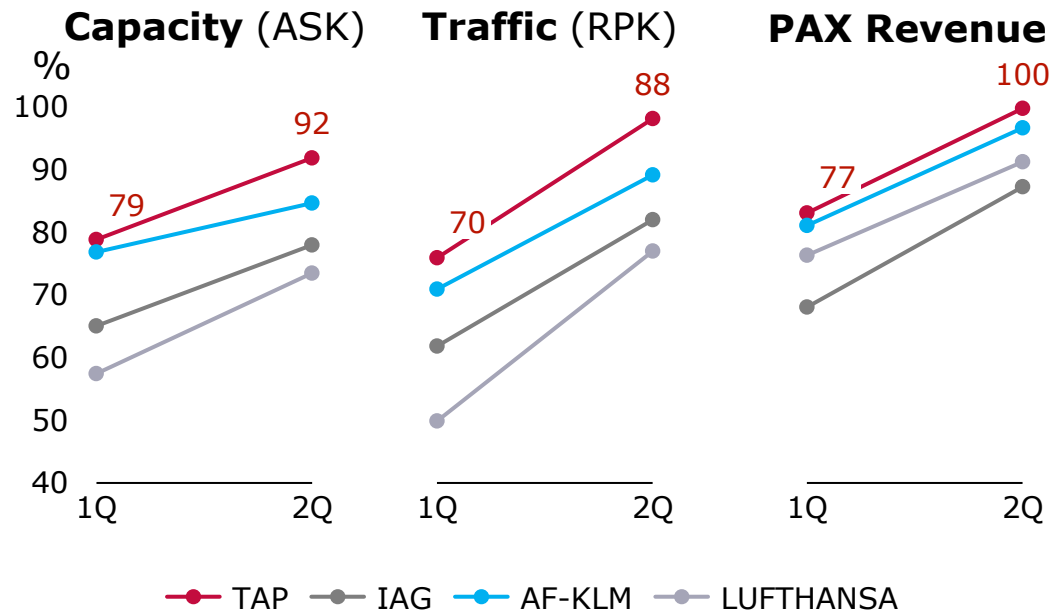
From survival to sustainability

- **TAP recovering from the crisis**, more rapidly than its peers
- **Strong first half operating results** - above pre-crisis levels despite macro and industry headwinds
- **Net income** improving quarter-on-quarter but **still negative** despite positive operating results
- **Focus on restructuring plan** to achieve a sustainably positive net income
- **Strong bookings for third quarter** but headwinds remain and demand outlook for fourth quarter and particularly next seasons uncertain
- Industry wide disruptions likely to intensify in the third quarter but **mitigation measures are in place**
- **Execution of the restructuring plan continues**

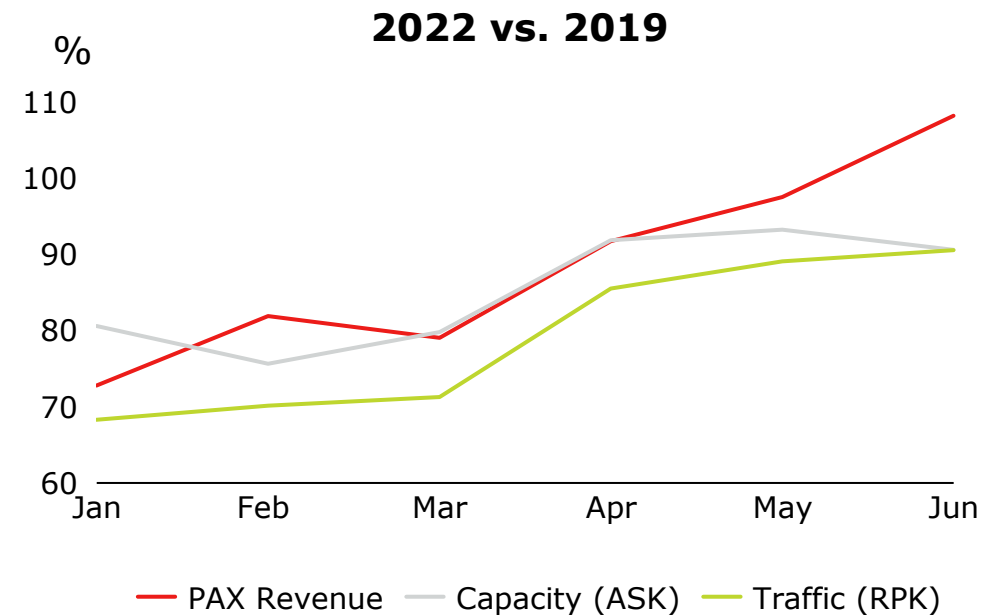


TAP recovering faster than peers with stronger revenue in 2Q

Stronger recovery on key metrics



Recovery of PAX revenue accelerating in 2Q



Operating profit achieved despite significant headwinds

Strong financial results...

- **Revenues** of EUR 1.3bn, **99% of pre-crisis level**
- Recurring **EBITDA margin in excess of 17%**
- Both **recurring EBIT and EBIT positive**
- **Ex fuel unit cost reduced by 9%** compared to 2019

...despite macro and industry headwinds

- Strong increase in **jet fuel** prices
- Appreciation of **USD** negatively impacting costs
- Cost **inflation**
- Industry wide **disruptions** starting from the end of 2Q

Good progress on path to achieving sustainable profitability

	1H	2Q
Revenues as % of 2019	91%	99%
Recurring EBIT	EUR 1m	EUR 48m
Recurring EBIT margin	0.1%	5.8%
Net loss after tax	EUR 202m	EUR 80m

Major focus on restructuring plan – no further access to state aid

Transformation plan based on 5 pillars

CUSTOMER

REVENUE

COST

**PEOPLE/
ENABLERS**

FOCUS ON AVIATION BUSINESS

...with restrictions

Fleet cap



Slot remedies



**Acquisitions /
Advertising ban**



Progress on enhancing customer experience

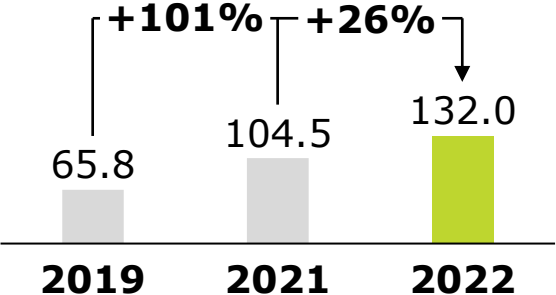
- ✓ **Call center response up to 80%** with reduced waiting times
- ✓ **Simplified claims handling** procedure and backlog reduction.
Pending refunds < 5%
- ✓ **Enhanced frequent and executive flyer benefits** for top tier members
- ✓ **Accelerated digital initiatives** (e.g., new site for vouchers management)
- ✓ **Improved procedures** at Lisbon airport



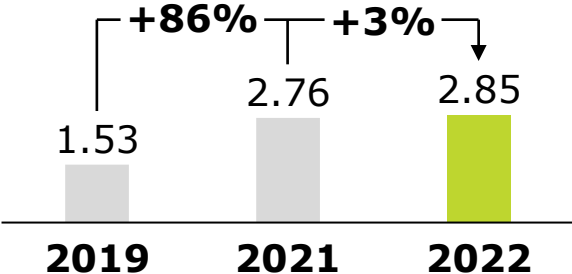
Maintaining strong Cargo performance

✓ Strengthened and developed **partnerships with key customers**, such as Inditex and Amazon

Operating Revenue
EUR million



Cargo Yield
EUR cents



Strong focus on people agenda

- ✓ **New CLA negotiations**
- ✓ **430 cabin crews** hired given capacity recovery and high levels of absenteeism
- ✓ **Emergency part time** for cabin crew and maintenance staff ended
- ✓ **Development of a “Navigation Set”** to align the organization on Purpose, Vision, Values and Mission
- ✓ **Implemented a whistleblowing channel** to reinforce TAPs ethics & governance
- ✓ Developed new **employee engagement survey**



Progress addressing non-core businesses

- ✓ **Groundforce restructuring** process continues to make progress
- ✓ **M&E Brasil closed** – No longer operational, last aircraft left hangar in May



2Q and 1H 2022 results

Gonçalo Pires,
Chief Financial Officer

TAP AIRPORTUGAL

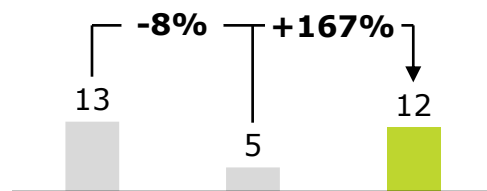


Volume metrics recovering but still below pre-crisis levels

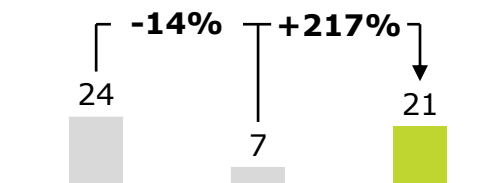
ASKs

Billions

2nd Quarter

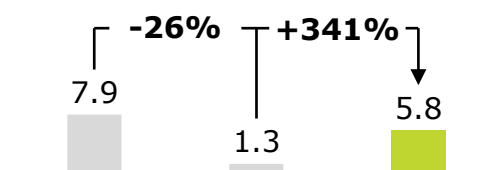
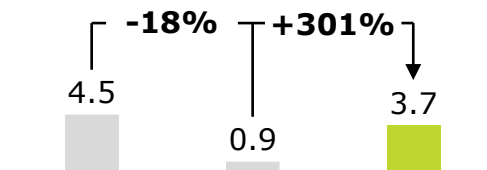


1st Half



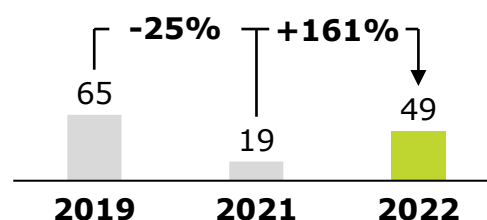
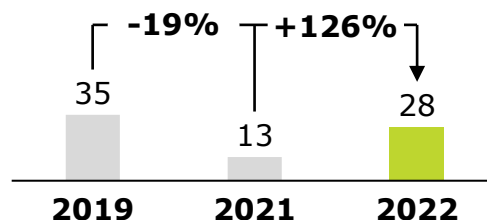
Passengers

Millions



Departures

Thousands



Comments

ASKs closing the gap to 2019 in 2Q, reaching 92% of pre-crisis levels. 1H impacted by COVID travel restrictions in 1Q.

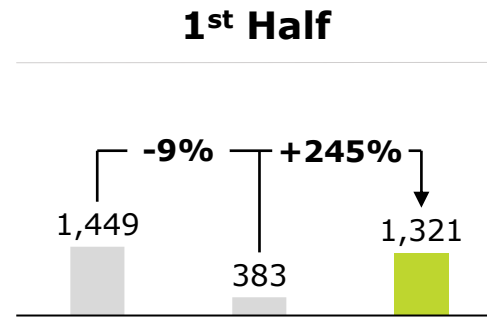
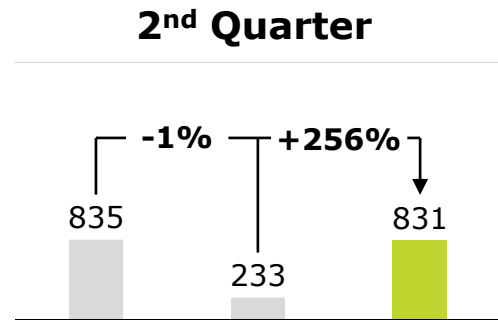
Number of passengers quadrupled versus 2021, reaching 82% of 2019 levels in 2Q

81% of 2019 departures achieved in 2Q

Strong revenue growth with unit revenues above pre-crisis level

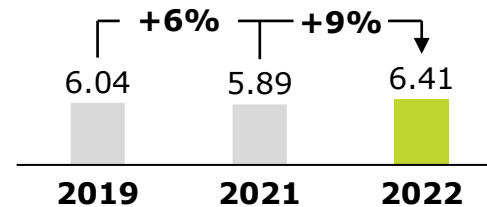
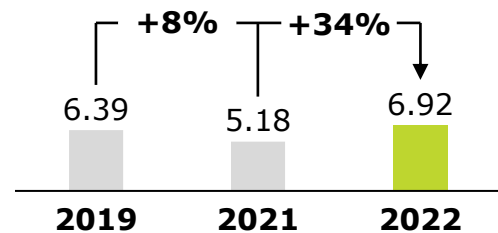
Total operating revenue

EUR Millions



RASK

EUR cents



Comments

Revenues grew strongly and were less than 1% below pre-crisis level in 2Q

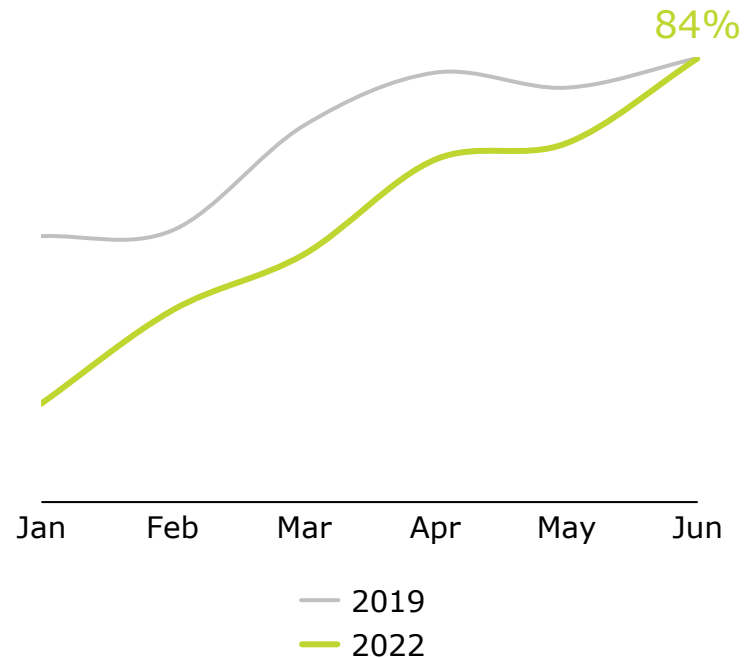
Passenger business represents close to 90% of total revenues

Unit revenues above 2019 level (+8% in 2Q) driven by higher fares and improving load factors

Steadily growing load factors and higher yields drive revenue

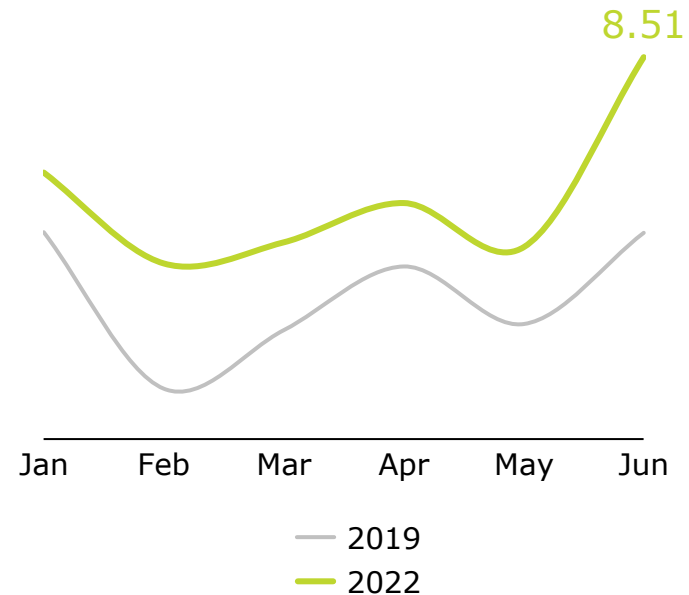
Load factors

In %



Yields

In EUR cents



Comments

Load factors steadily improving year to date, reaching pre-crisis level in June

Yields on average about 12% above 2019 levels

Restructuring plan measures deliver lower unit costs than in 2019

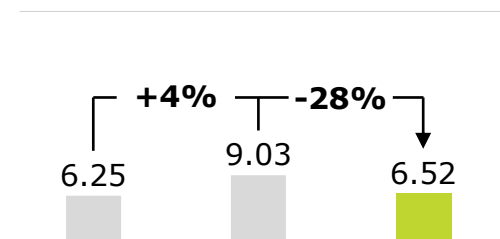
Recurring CASK

EUR cents

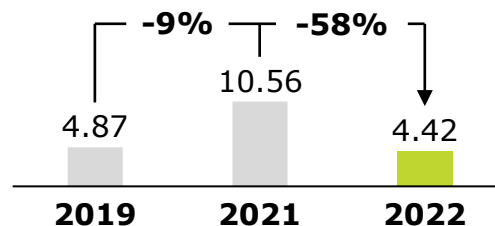
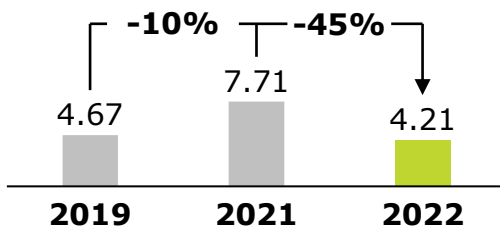
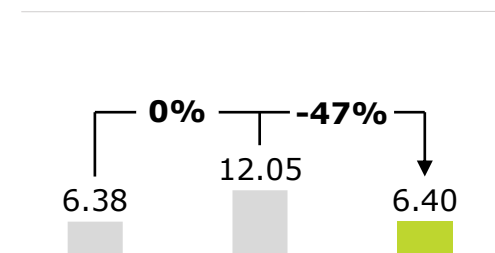
Recurring CASK ex-fuel

EUR cents

2nd Quarter



1st Half



Comments

Year-on-year CASK improvement supported by ASK growth.

Comparison to 2019 with similar level of activity reflects effect of higher jet fuel cost

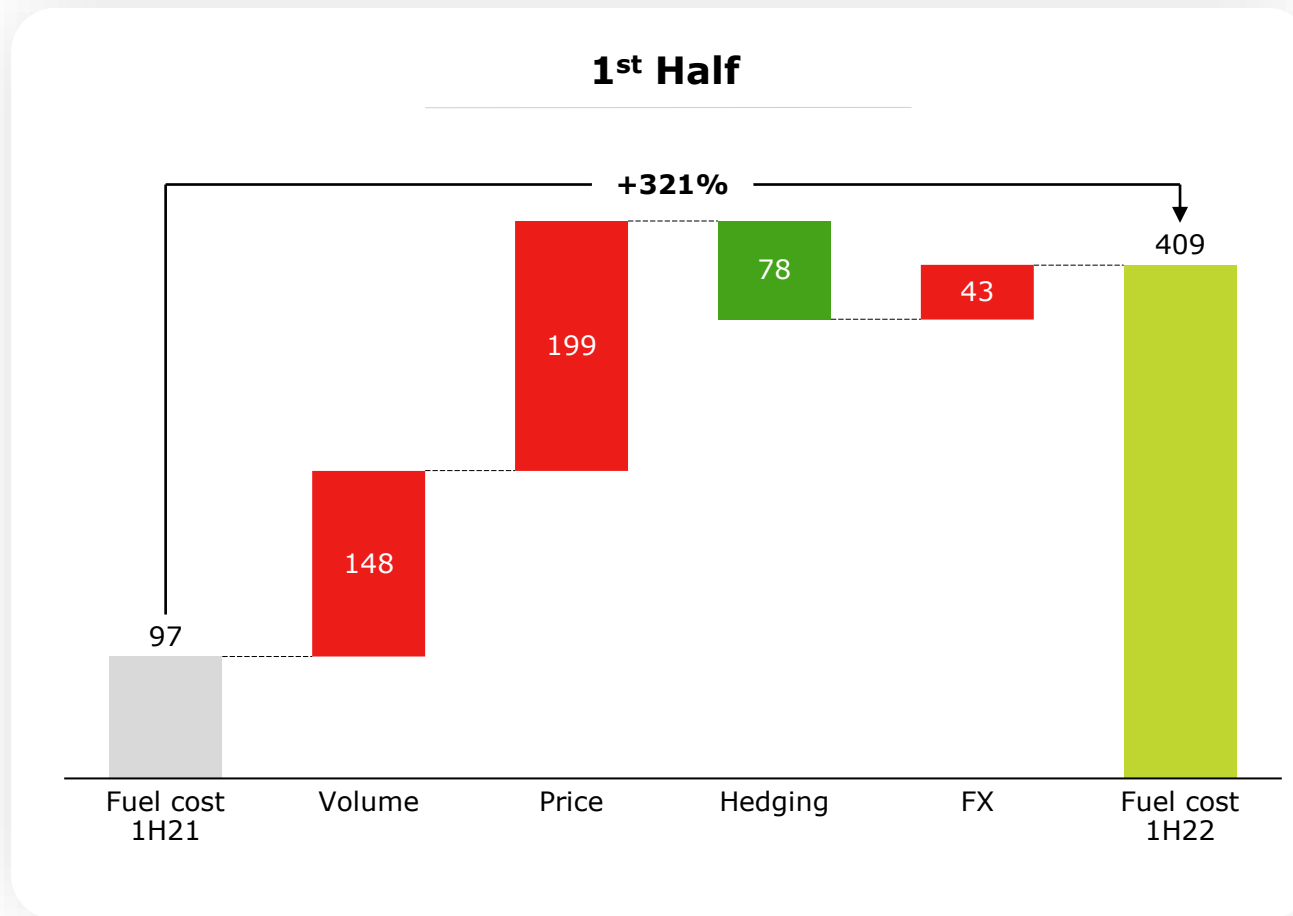
Restructuring plan measures delivered ex-fuel recurring CASK down 9% on 2019

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.

Steep fuel price increases slightly offset by hedging result

Fuel cost¹

EUR million



Comments

Higher fuel costs reflects the higher level of activity compared to the previous year

Jet fuel prices have increased 106% in 1H compared to the prior year (124% in 2Q)

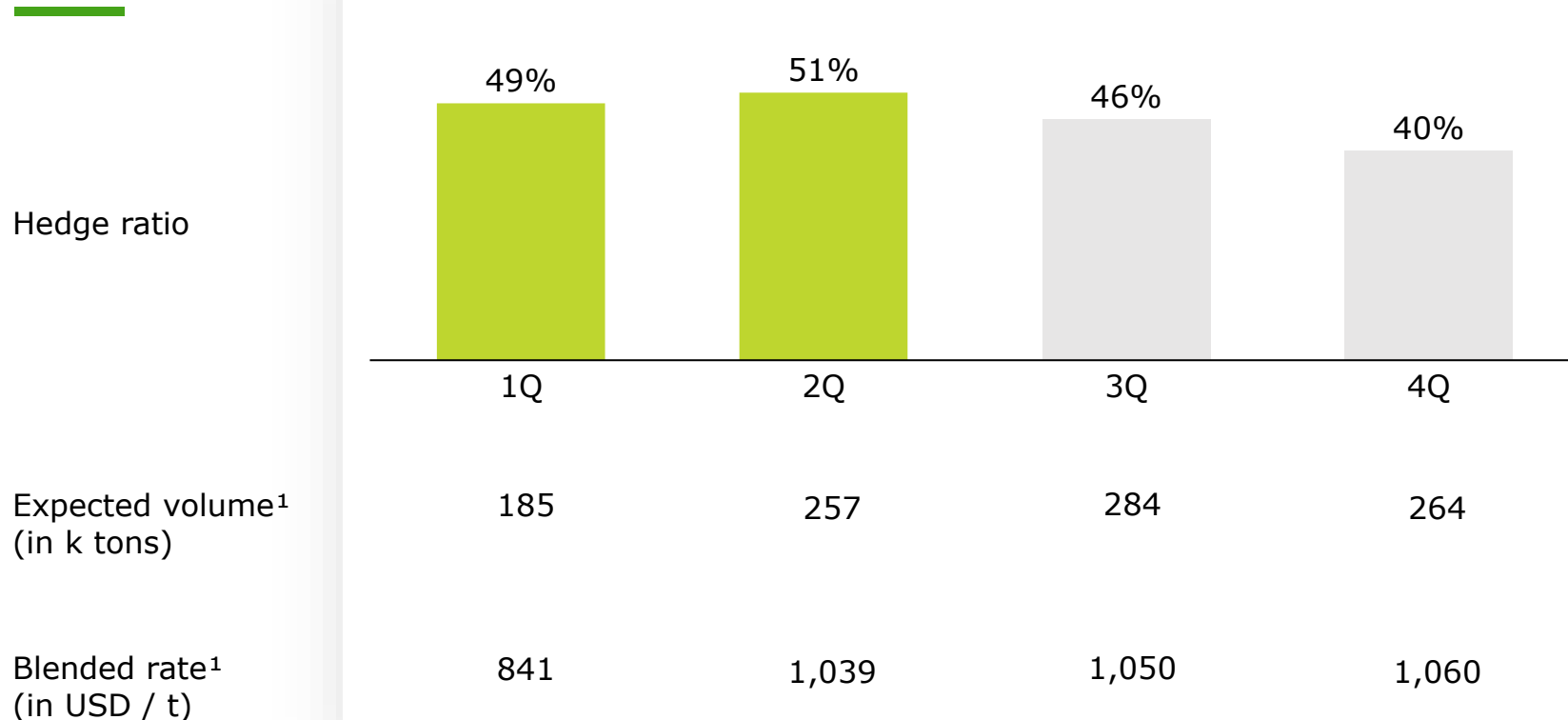
Appreciation of the USD vs. EUR is negative for costs. 14% of 1H hedges closed in EUR (12% of 2Q)

Positive effect from fuel hedging

1. Fuel cost including cost for CO2 emission certificates. In the bridges, these are included in the volume effect.

TAP currently expects close to EUR 1bn fuel cost for FY 2022

Fuel Hedging



Comments

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

Aiming to hedge between 40% and 50% of next quarter's estimated fuel consumption

c. 46% of expected full year jet fuel consumption hedged

Further positive effect from hedging is expected in the second half

1. As of July 29, 2022.

Multiple cost reduction initiatives across entire cost base

3 rd party costs	<ul style="list-style-type: none"> • EUR 137m achieved YTD, with more than 800 contracts renegotiated in the first half of the year
P2P	<ul style="list-style-type: none"> • Implementation of an SAP tool (P2P) to automatically check invoices against contractual and operational data allowing to identify differences in invoice amounts. More than EUR 1.2m in savings achieved in all outstations where P2P was implemented (c. 70%)
Weight reduction	<ul style="list-style-type: none"> • Implementation of weight as a criteria in all procurement processes • Analysis of a year´s waste output from catering and inflight sales to redefine the on-board offer while reducing waste and weight
Aircraft lessors / OEMs	<ul style="list-style-type: none"> • Renegotiation of past fleet contracts
New aircraft	<ul style="list-style-type: none"> • Phase-in of newer and more efficient aircraft (2x new A321 neo LR) • Increasing share of NEOs with fuel consumption savings of c. -20% and increased dispatch reliability
Sales & Distribution	<ul style="list-style-type: none"> • Push share of direct distribution and private channel to reduce distribution costs • Salesforce (optimized structure, new country managers for Brazil and US&CA) and optimization of GSA agreements
Outstations	<ul style="list-style-type: none"> • Review sales office rent contracts worldwide with co-location of cargo and passenger teams where financially beneficial

Positive operating result achieved

Recurring EBITDA¹

EUR million

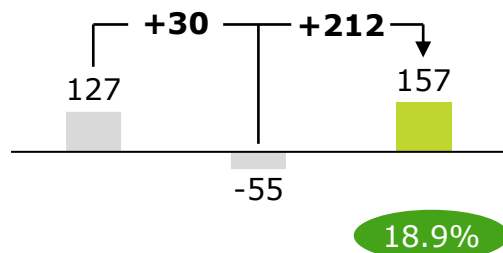
Margin

Recurring Operating Result² (EBIT)

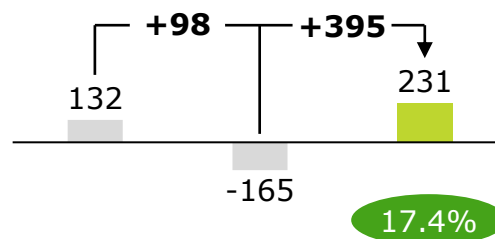
EUR million

Margin

2nd Quarter



1st Half



Comments

Operating profitability better than pre-crisis, despite higher fuel costs

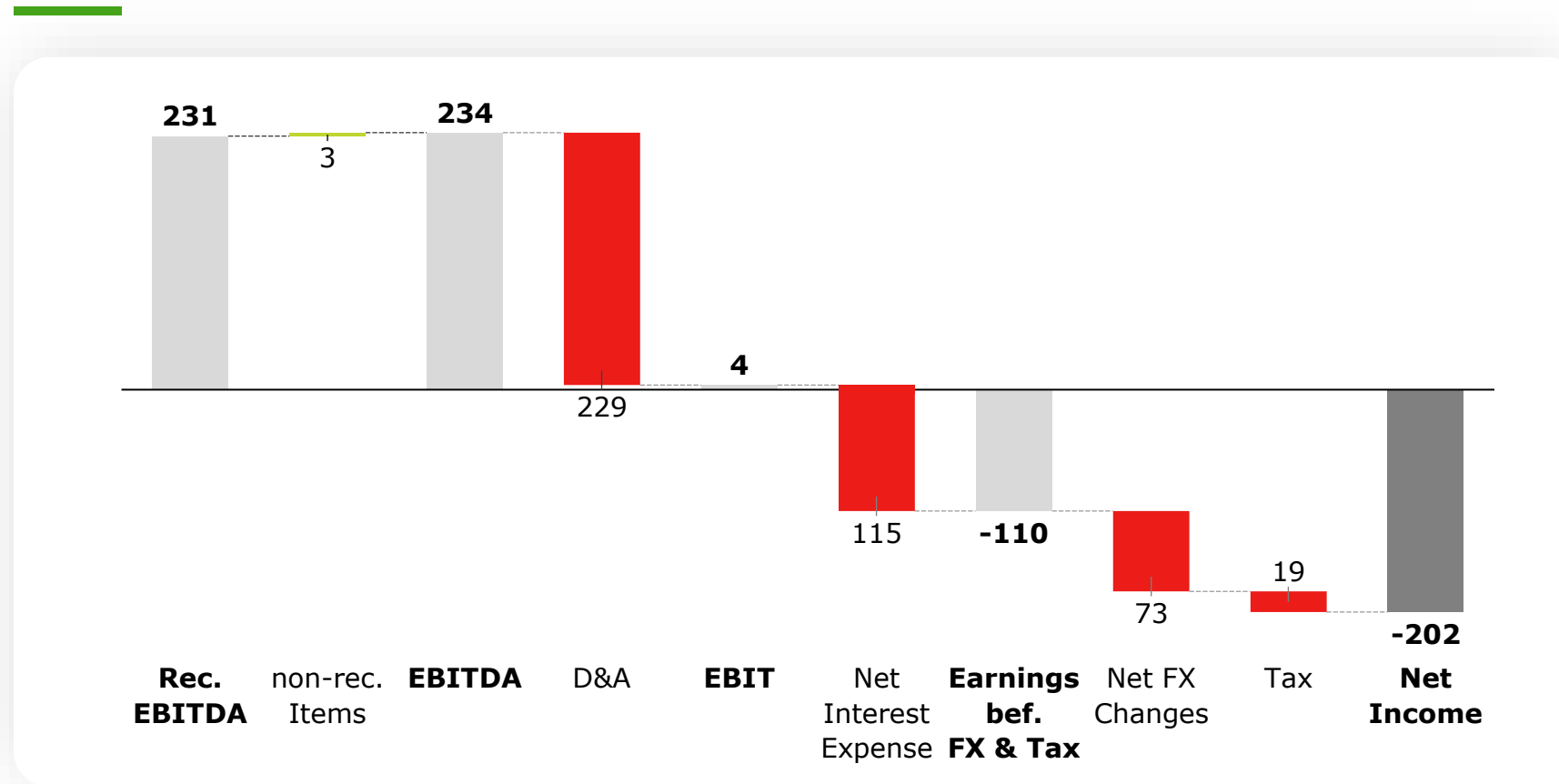
1. Recurring EBITDA = Operating Result + Depreciation, Amortization and impairment losses + Restructuring + Other Non-Recurring items

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

Operating profit not sufficient to cover interest, tax and currency

1H 2022 Net Income bridge

EUR million



Comments

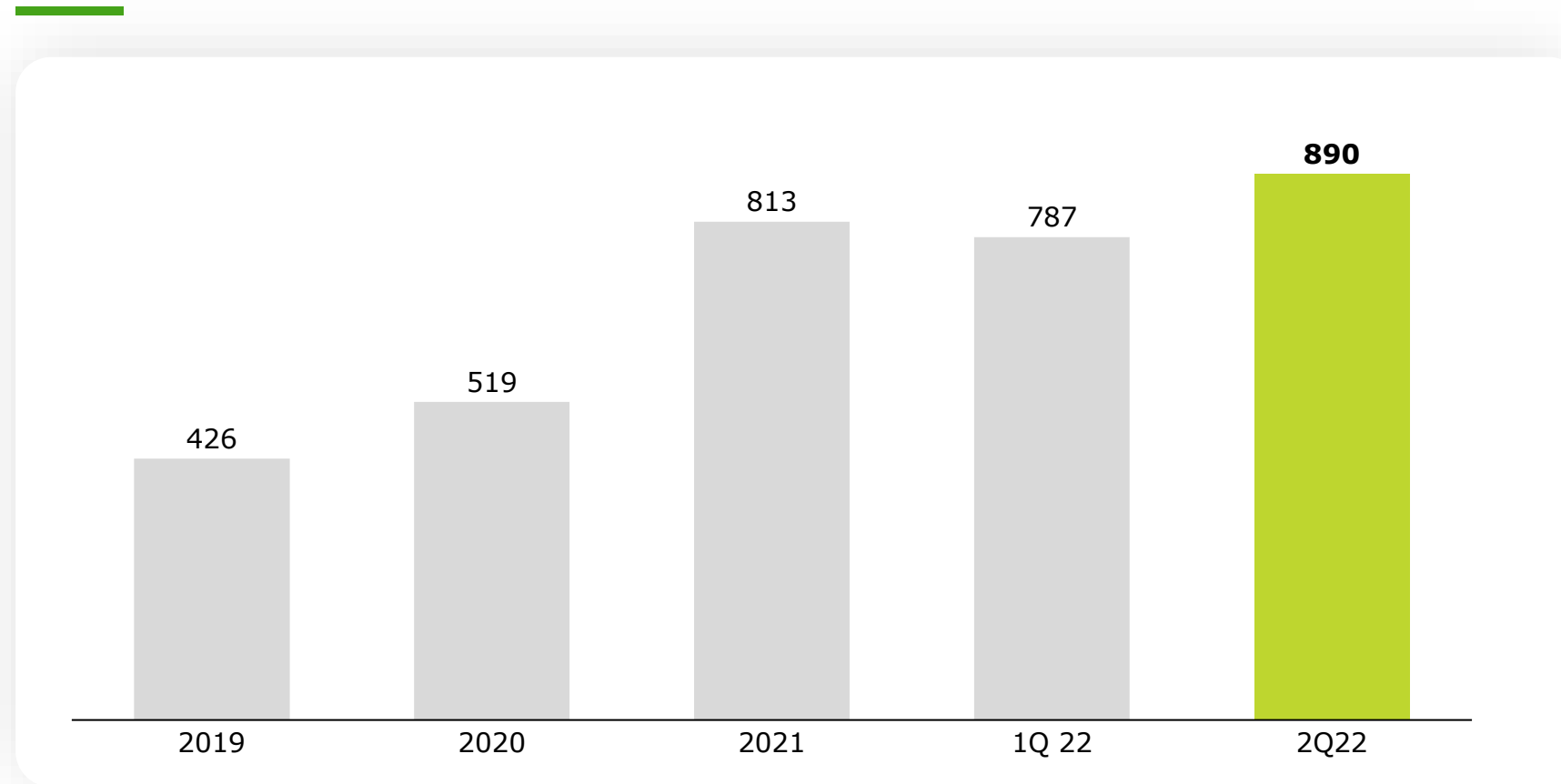
Interest expenses slightly lower than previous year due to the equity conversion of the 1.2bn state loan

Net Income negatively affected by USD appreciation

Strong 2Q performance has further strengthened TAP's liquidity

Liquidity¹

Cash & Equivalents, EUR million



Comments

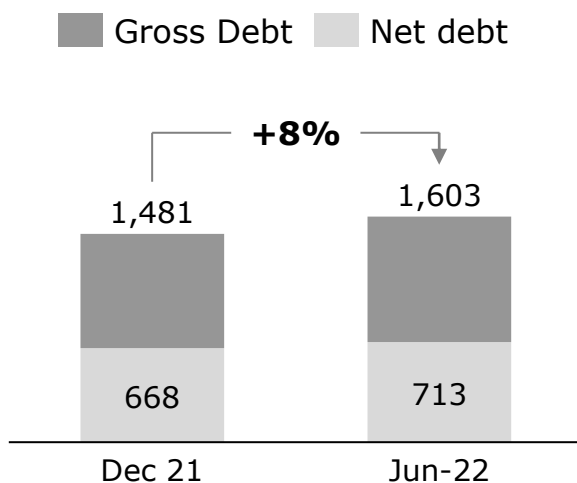
Increased liquidity level in 2Q 2022 due to positive free cash flow

1. Any discrepancy between change in liquidity and cash flow due to currency effects

Increasing debt, last portion of restructuring aid still outstanding

Financial debt position

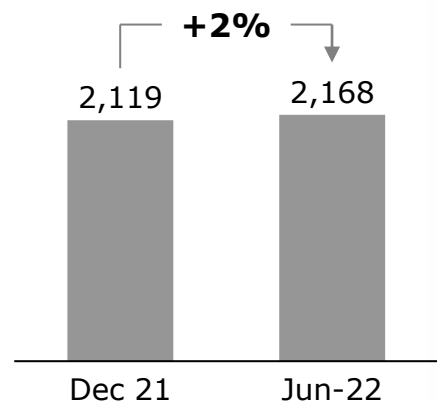
EUR million



Increase in gross debt on the back of new aircraft leases. 81% of debt is fixed rate

Operating leases

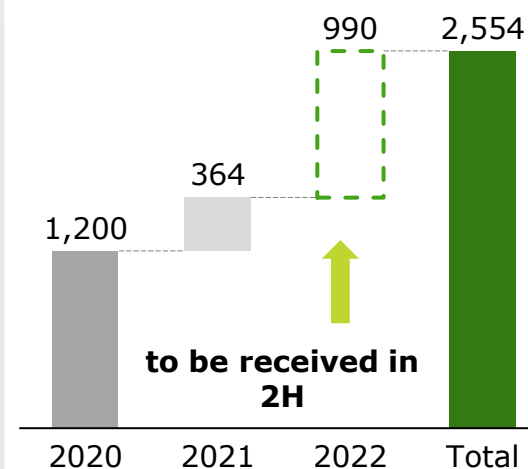
EUR million



Lease liabilities w/o purchase options

Restructuring Aid

EUR million



Amount already included in state budget for 2022

Actively considering refinancing options with the aim to change the tenor profile

Outlook

Christine Ourmières-Widener,
Chief Executive Officer

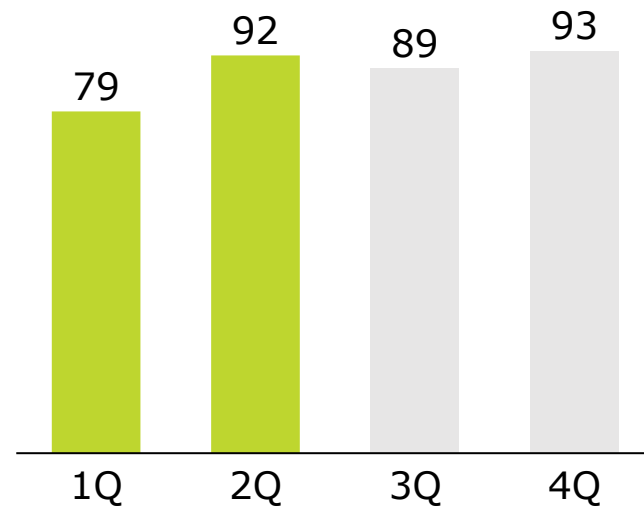
TAP AIRPORTUGAL



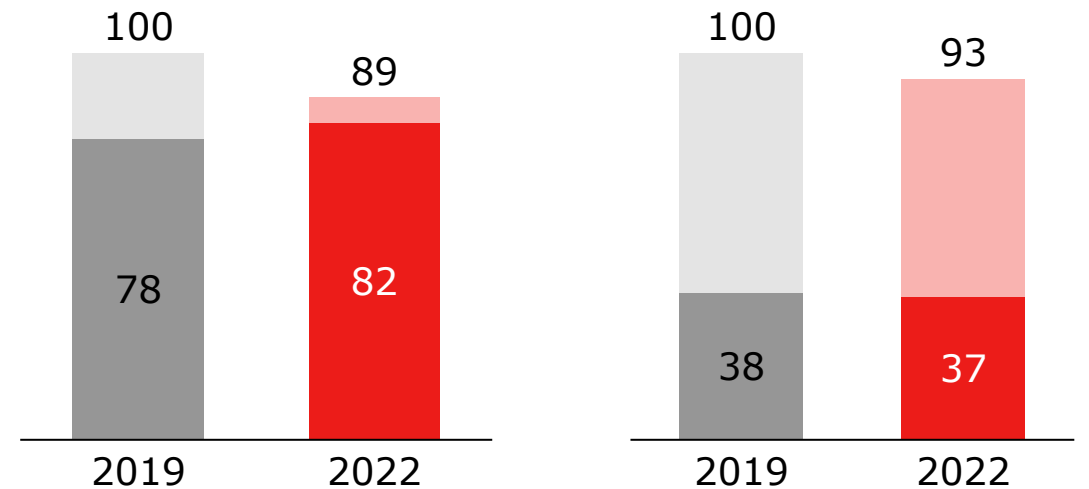
Forward bookings for peak summer season higher than pre-crisis

Recovery to continue

2022 capacity vs. 2019 (in%)



Forward bookings on / above pre-crisis level



2019 Capacity in ASK base 100%
Forward booking load factor 2019

2022 Capacity in ASK vs. 2019
Forward booking load factor 2022

TAP still faces significant macro and industry headwinds in the second half of 2022

- Geo-political **uncertainty**
- Risk of **recession**
- Higher **inflation**
- **Currency fluctuation**
- Operational **disruptions** at European airports – likely to intensify in Q3
- Lisbon airport **capacity constraints**



Industry disruptions to intensify but mitigation measures in place

- **Creation of a multidisciplinary taskforce** to anticipate and manage disruptions
- **Pre-emptive cancellation of 156 flights** in August to minimize disruption, with around 14 thousand passengers rebooked onto other TAP flights
- **Additional wet lease capacity** to mitigate the impact of aircraft delivery delays and increase flexibility to respond to industry disruptions
- **Increase in number of spare aircraft** for narrow-body fleet
- Ensuring **adequacy of resources**

Set of initiatives for the restructuring plan in the second half of 2022

- **Negotiate all CLAs**
- Launch **employee engagement survey** in 3Q
- Implement newly developed **leadership training programs**
- Select **new partner for Groundforce** by 4Q
- Implement new and **improved onboard service** and open new lounges
- **Adjust branded fares** for short and medium haul
- Relaunch **new Stopover program** with more benefits for our pax
- Implement **quick wins for flytap and app** to improve customer experience
- 🔍 Intensify focus on **sustainability**
 - **Reviewing all governance processes** to improve transparency
- 🔍 Continue constant **optimization of Network**



First SAF flight on July 22nd

TAP subscribed to the IATA's Resolution to achieve **Net-Zero Carbon Emissions by 2050**

Evaluation of initiatives to reach that target, with **focus on SAF** options, planning for **new aircraft technologies** and **energy efficiency solutions at headquarters**

▶ TAP performed the **first flight in Portugal with sustainable aviation fuel** in partnership with GALP and ANA

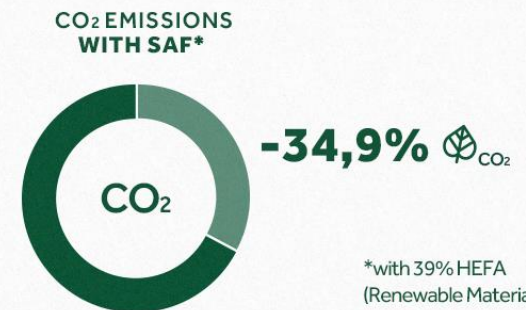
- Flight from Lisbon to Ponta Delgada, on A321neo
- Fuel incorporated 39% of material from renewable sources including used cooking oil and animal fat
- 35% lower CO₂ emissions on a lifecycle basis compared to jet fuel

1^o FLIGHT Portuguese Airline with Sustainable fuel

? What's SAF?



Flight Lisbon ✈️ Ponta Delgada



Focused network strategy built on TAP's natural competitive advantages

Network strategy...

- Focus on Lisbon hub and capturing key long-haul flows
 - ✓ Europe to Brazil
 - ✓ Central and Southern Europe to North America
 - ✓ Europe and North America to W/S Africa and the Islands
- Reduce cost gap to low-cost competitors in short-haul markets whilst leveraging hub advantages at Lisbon
- Deepen relationships with key strategic partners to secure economies of scale and improve access to non-Portuguese points of sale

...with tactical optimization

Crisis

- **Maintain core network** at minimum cost
- Extra capacity to leisure **destinations with fewer travel restrictions**
- Exploit spare capacity headroom to **maximize flexibility** in highly volatile operating environment

Recovery

- Redeployment of capacity to **core destinations** as demand recovers
- **Optimizing aircraft allocation** exploiting additional A321LR availability
- **Increasing frequency** on best performing destinations
- **Enhanced connectivity** between the Americas, Europe, Africa and Middle East
- More **consistent schedules**

Conclusion

- **TAP recovering from the crisis**, more rapidly than its peers
- **Strong first half operating results** - above pre-crisis levels despite macro and industry headwinds
- **Net income** improving quarter-on-quarter but **still negative** despite positive operating results
- **Focus on restructuring plan** to achieve a sustainably positive net income
- **Strong bookings for third quarter** but headwinds remain and demand outlook for fourth quarter and particularly next seasons uncertain
- Industry wide disruptions likely to intensify in the third quarter but **mitigation measures are in place**
- **Execution of the restructuring plan continues**



Disclaimer

This document has been prepared by Transportes Aéreos Portugueses, S.A. ("TAP") and may be amended and/or supplemented at any moment. All information contained in this document refers to the document date. Therefore, TAP and its representatives, employees or advisors expressly disclaim any obligation to update said information, nor shall any of them be under any obligation to make any announcement of any amendment or modification thereof.

The information contained in this document is released for general purposes and to fulfil legal obligations and does not constitute, or form part of and should not be construed as, a prospectus or an offer (public or private) or invitation for the issue, sale or purchase of any shares or other securities issued by TAP or as advice or recommendation for investment/divestment in these securities. The information is not intended to constitute professional advice. Neither this document nor the fact of its distribution shall form the basis of, or be relied on in connection with, any investment decision whatsoever in any jurisdiction.

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

The forward-looking statements that may appear in this document are based upon various assumptions and are subject to known and unknown risks, contingencies, uncertainties and several other factors 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, the airline industry, in competition, in financial market conditions 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, or also by verbs in the future or conditional tense.

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 and its representatives, employees or advisors expressly disclaim any obligation to update or review any forward-looking information or statements mentioned in the present document.

The financial information included in this document is not audited and therefore may still be subject to further adjustments.

Q&A

TAP AIRPORTUGAL



Thank You

