



FY 2022 Results Presentation

Transportes Aéreos Portugueses, S.A.

Lisbon, March 21st, 2023

2022 in review

TAP AIRPORTUGAL



Strong results despite significant headwinds

- **Capacity recovered faster than peers mainly through a change of aircraft mix**
- **Customer experience enhanced**
- A challenging environment impacting **operational performance**
- **Significant progress made** in the first year of execution of its **transformation plan**
- **Achieved positive results** that need to become consistent
- On the **right path**, but still challenges ahead

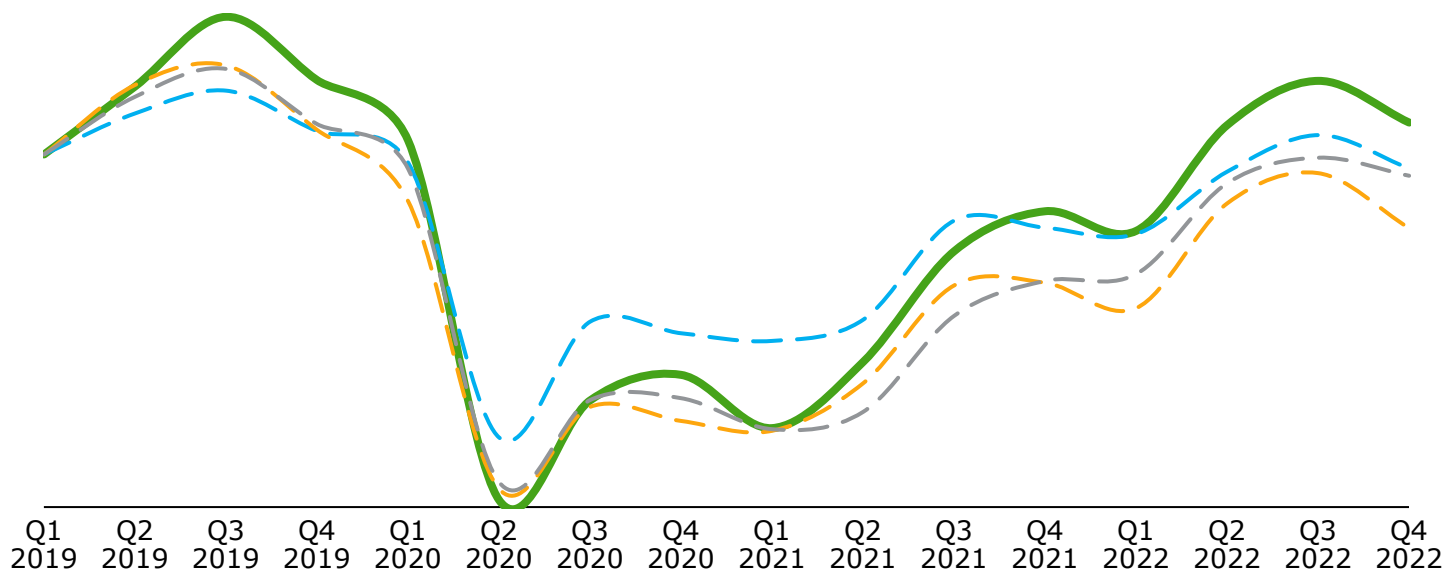


TAP recovered capacity faster than peers

Evolution of capacity since Q1 2019

ASK vs. Q1 2019

— TAP — LH
— AF-KLM — IAG



Ranking of capacity recovery in 2022 vs 2019

1st TAP

2nd AF/KLM

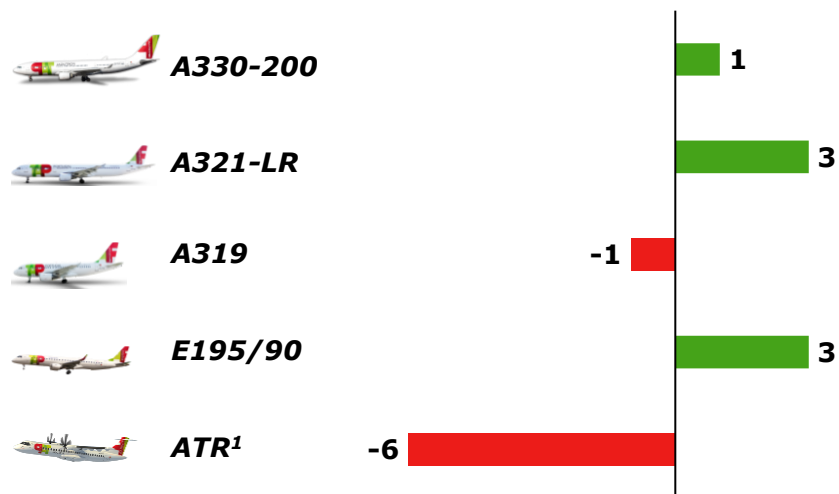
3rd IAG

4th LH

Fleet mix supports sustainability and customer experience

Ongoing passenger fleet modernization

Dec. 2022 vs. Dec. 2021



1) Two ATRs in December 2022 not operated by TAP. In transition from White to next operator

Up-gauging

bigger aircraft for improvement in customer experience, financial performance and operational reliability

66%

share of next generation aircraft in Airbus fleet, enabling noise reduction and higher efficiency in terms of CO₂ emission and fuel consumption

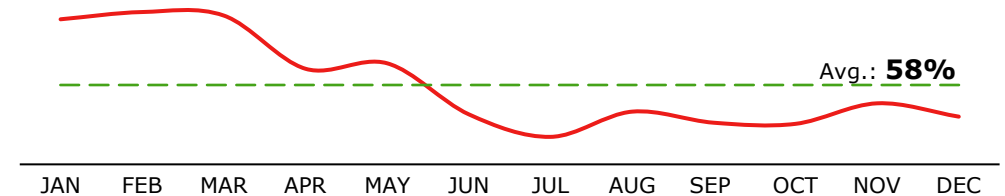
Customer experience

improved with reduction of ATR fleet, e.g., leading to an extra +15 NPS points on "Ponte Aérea" (LIS-OPO)

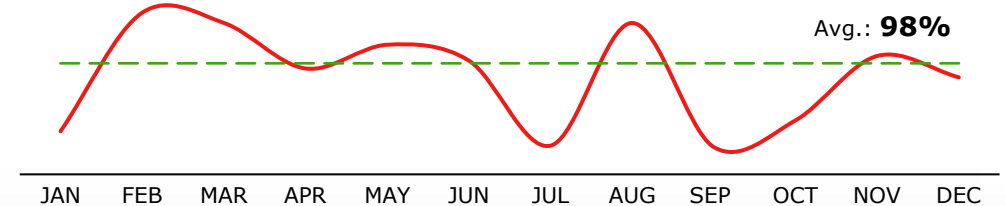
Challenging environment impacting operational performance

- Demanding geopolitical and macro-economic context, with war, inflation and interest rate hike
- Omicron restrictions in 1Q, with ~1.850 flights impacted
- Delays in aircraft delivery, motivating use of ACMI
- Supply chain constraints, impacting availability of maintenance parts
- AOG aircraft in Guiné for 4 months
- NAV Topsky software update, affecting ~300 flights
- Capacity shortage in providers and social unrest across Europe, with own TAP cabin crews' strike

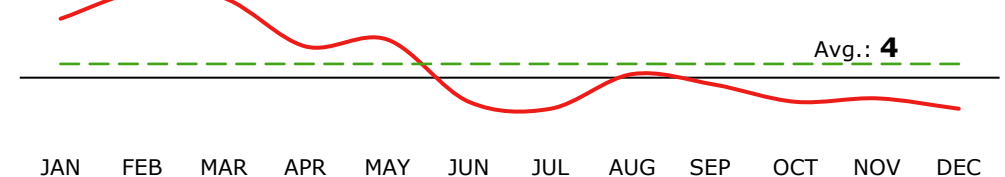
OTP¹ 2022



Regularity^{1,2} 2022



NPS 2022



1. Including only regular flights (excludes cargo only & charters)

2. Operational window cancellations

TAP made good progress in the 1st year of its transformation plan

5 pillars of the transformation plan

CUSTOMER

- ✓ **Improved call center** response rate with new best-in-class provider (30% → 80%)
- ✓ Opened **31 new lounges**
- ✓ **Reduced refund backlog** by 82%

REVENUE

- ✓ **+21% RASK** vs. 2019
- ✓ **Cargo and M&E** important contributors to revenues (11%)
- ✓ Reorganized **commercial team**
- ✓ Optimized **network**
- ✓ **Re-boost ancillary revenues** (+28% per pax vs. 2019)
- ✓ Review **pricing structure** and **branded fares**

COST

- ✓ Total savings of c. EUR 150m by renegotiating c. **2,900 contracts** with suppliers
- ✓ **Fuel efficiency** measures (c. EUR 9m savings)
- ✓ Savings of c. EUR 1.5m per year through aircraft **weight reduction**

PEOPLE/ ENABLERS

- ✓ **Invested in training** offer (more than EUR 1m investment)
- ✓ Hiring of **779 new employees**
- ✓ All CLAs denounced and **start of negotiations** (i.e.: end of part-time, increase of minimum guarantee, retention measures)

FOCUS ON AVIATION BUSINESS

- ✓ **Operation shutdown** in M&E Brazil
- ✓ **Groundforce** (in progress)

TAP performing in all financial metrics

Revenues

Vs. 2019



EBIT

Vs. 2019



Recurring EBIT

Vs. 2019



Recurring EBIT Margin

Vs. 2019



Net Income

Vs. 2019



4Q 2022

EUR 1,045m

29%

EUR 123m

>1,000%

EUR 95m

>1,000%

9.1%

+8.7 pps.

+EUR 156m

+EUR 141m

FY 2022

EUR 3,485m

6%

EUR 268m

468%

EUR 249m

372%

7.1%

+5.5 pps.

EUR 66m

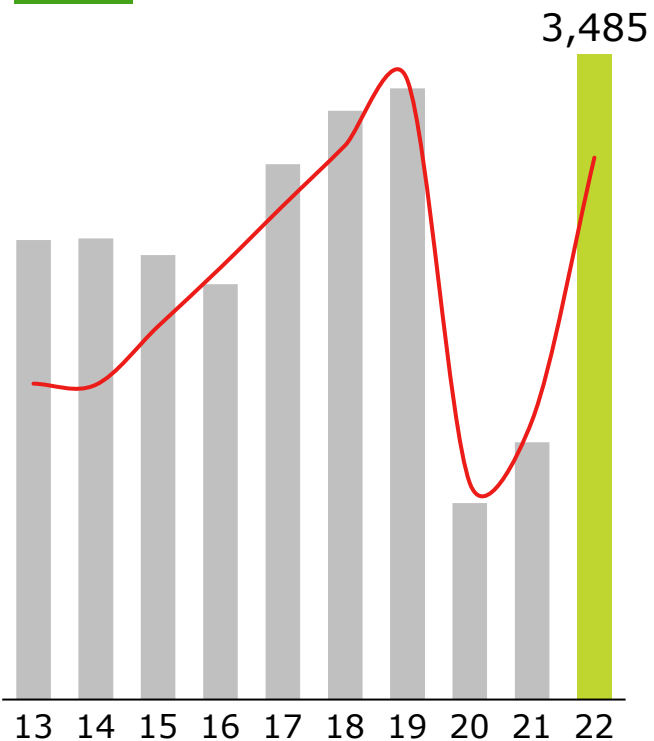
+EUR 161m

TAP needs to achieve stable profits avoiding historic volatility

Record performance with less capacity

Revenues

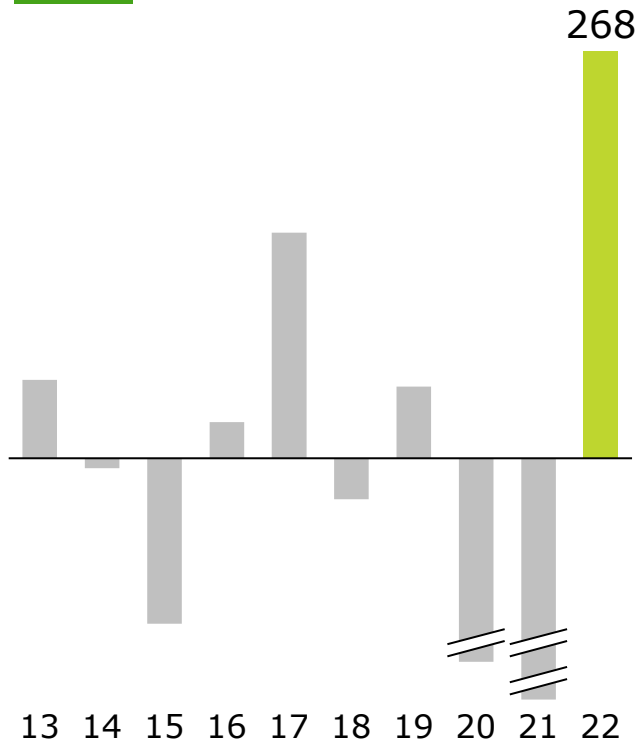
EURm



— ASK

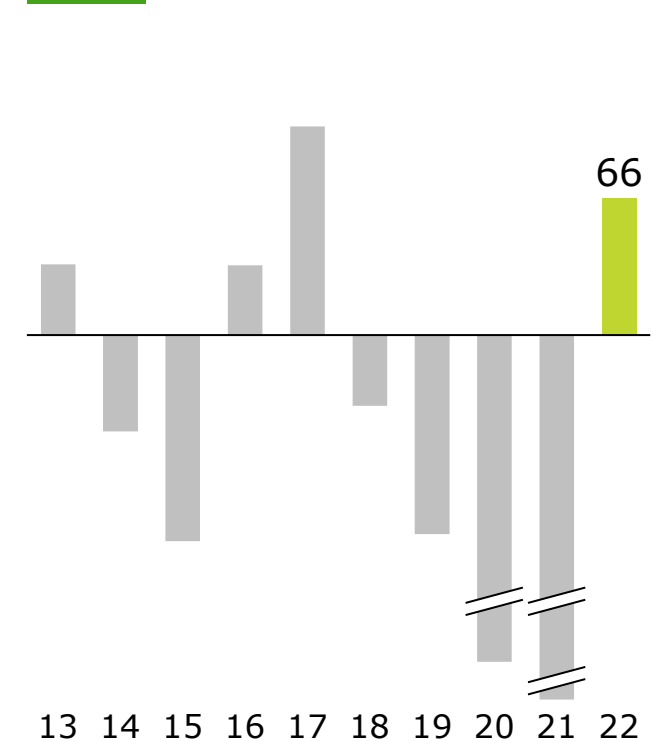
EBIT

EURm



Net Income

EURm



TAP is on the right path, but still challenges ahead

- **A Congested hub airport**
- **A Competition** with capacity to invest
- **New competitive CLAs are critical**
- Cost reduction needed despite **inflation**
- Keep Focus on **cash-flow** generation
- **Deleverage** balance sheet



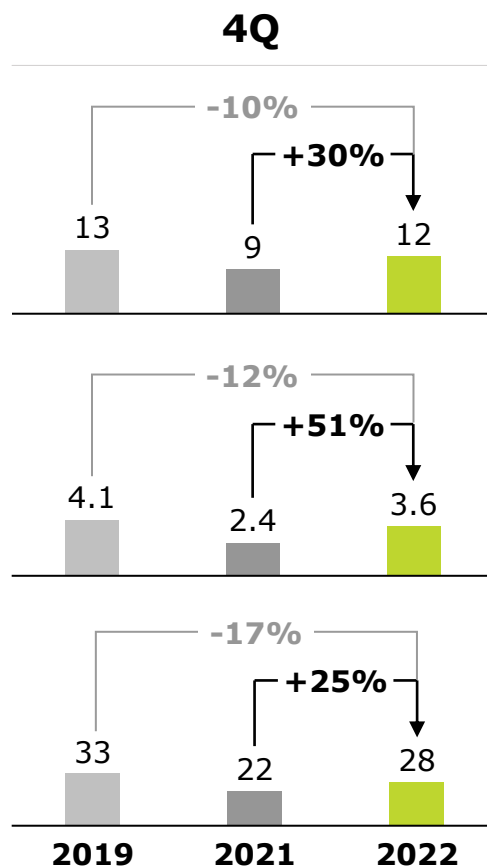
4Q and FY 2022 Results



Volume metrics recovering but still below pre-crisis levels

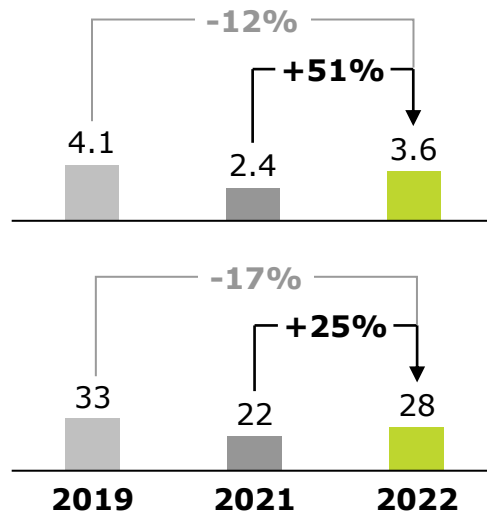
ASKs

Billions



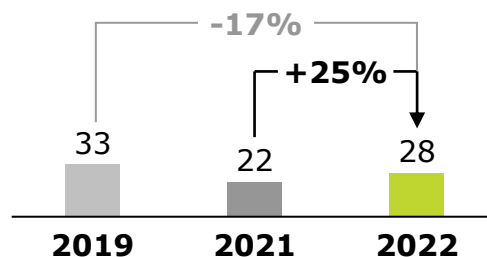
Passengers

Millions



Departures

Thousands



Comments

Volume metrics impacted by smaller fleet. ASKs reaching 90% of 2019 levels in 4Q

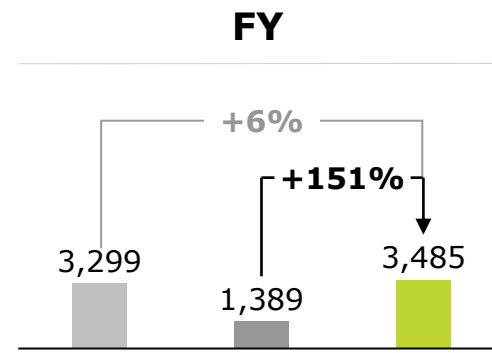
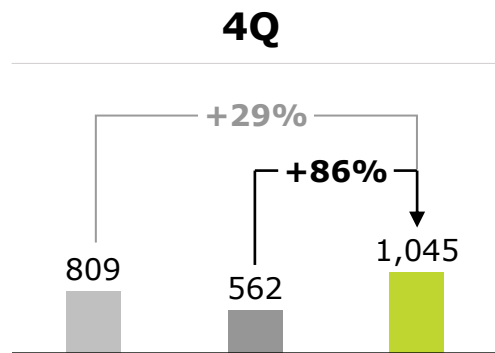
Number of passengers more than doubled versus 2021, reaching 88% of 2019 levels in 4Q

83% of 2019 departures achieved in 4Q

Revenues grew above pre-crisis level with less capacity

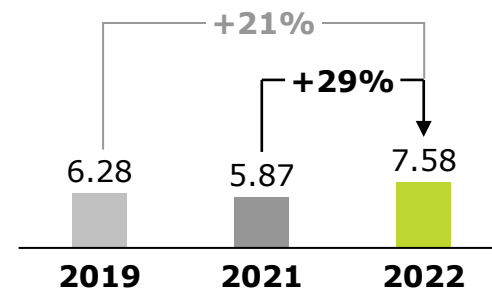
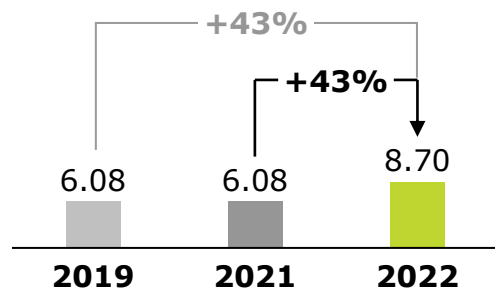
Total operating revenue

EUR Millions



RASK

EUR cents



Comments

Revenues grew significantly and were 29% above pre-crisis level in 4Q, despite - 10% ASK vs. 2019

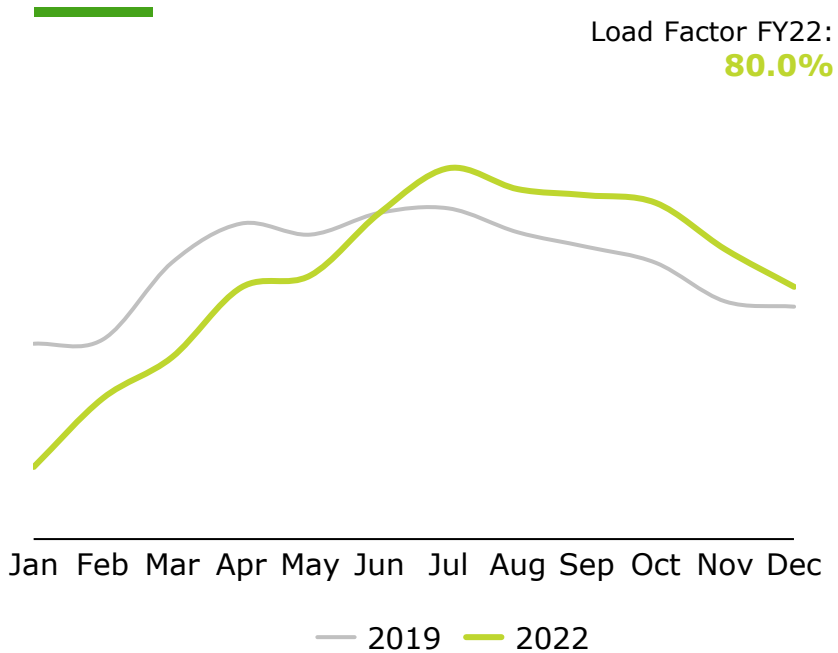
Passenger business represents about 90% of total revenues

Unit revenues clearly above 2019 level (+43% in 4Q) driven by higher fares and strongly improved load factors

Higher load factors and yields drive revenue

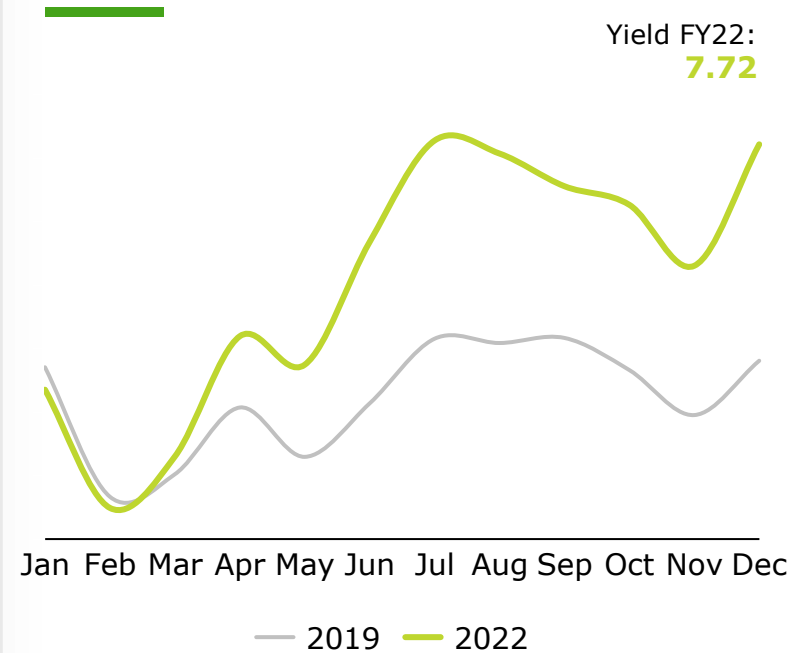
Load factors

In %



Yields

In EUR cents



Comments

Load factors steadily improving until July and staying well above pre-crisis level in the second half

Yields on average about 20% above 2019 levels

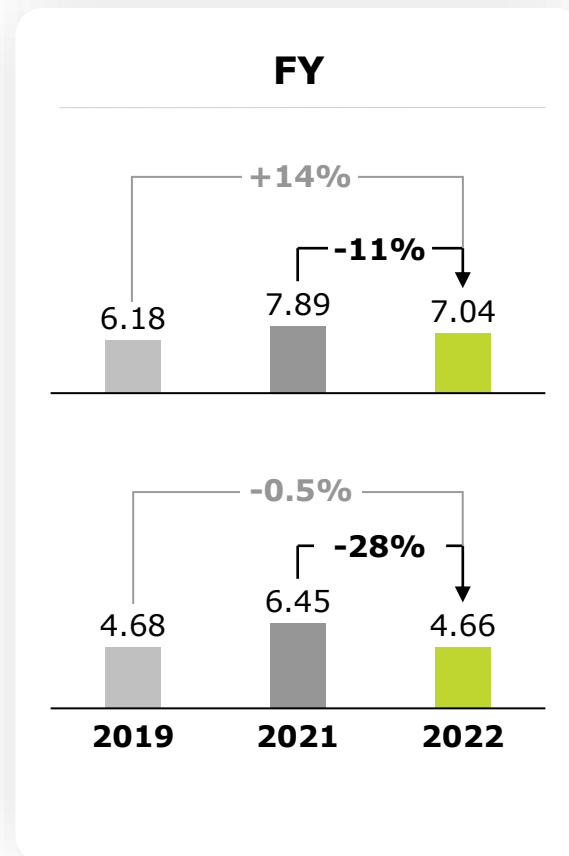
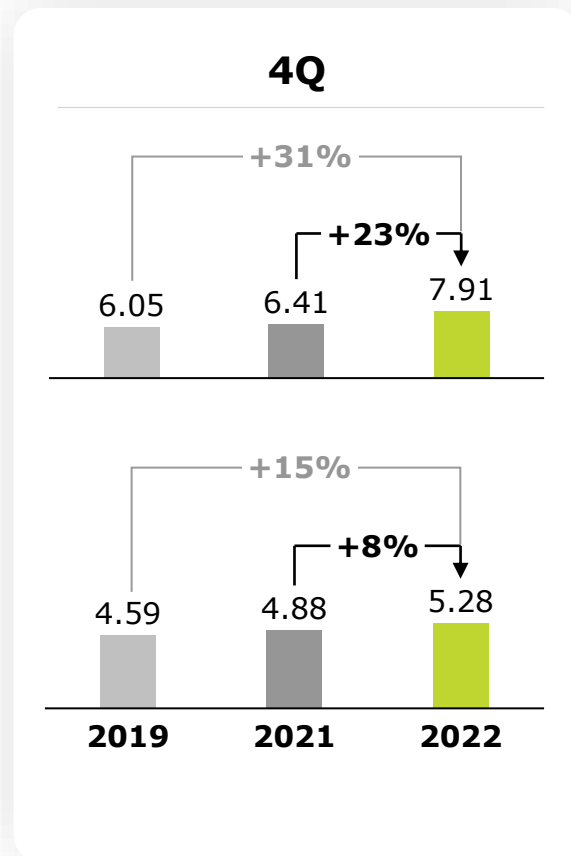
Ex-fuel unit cost reduction despite lower capacity than 2019

Recurring CASK

EUR cents

Recurring CASK ex-fuel

EUR cents



Comments

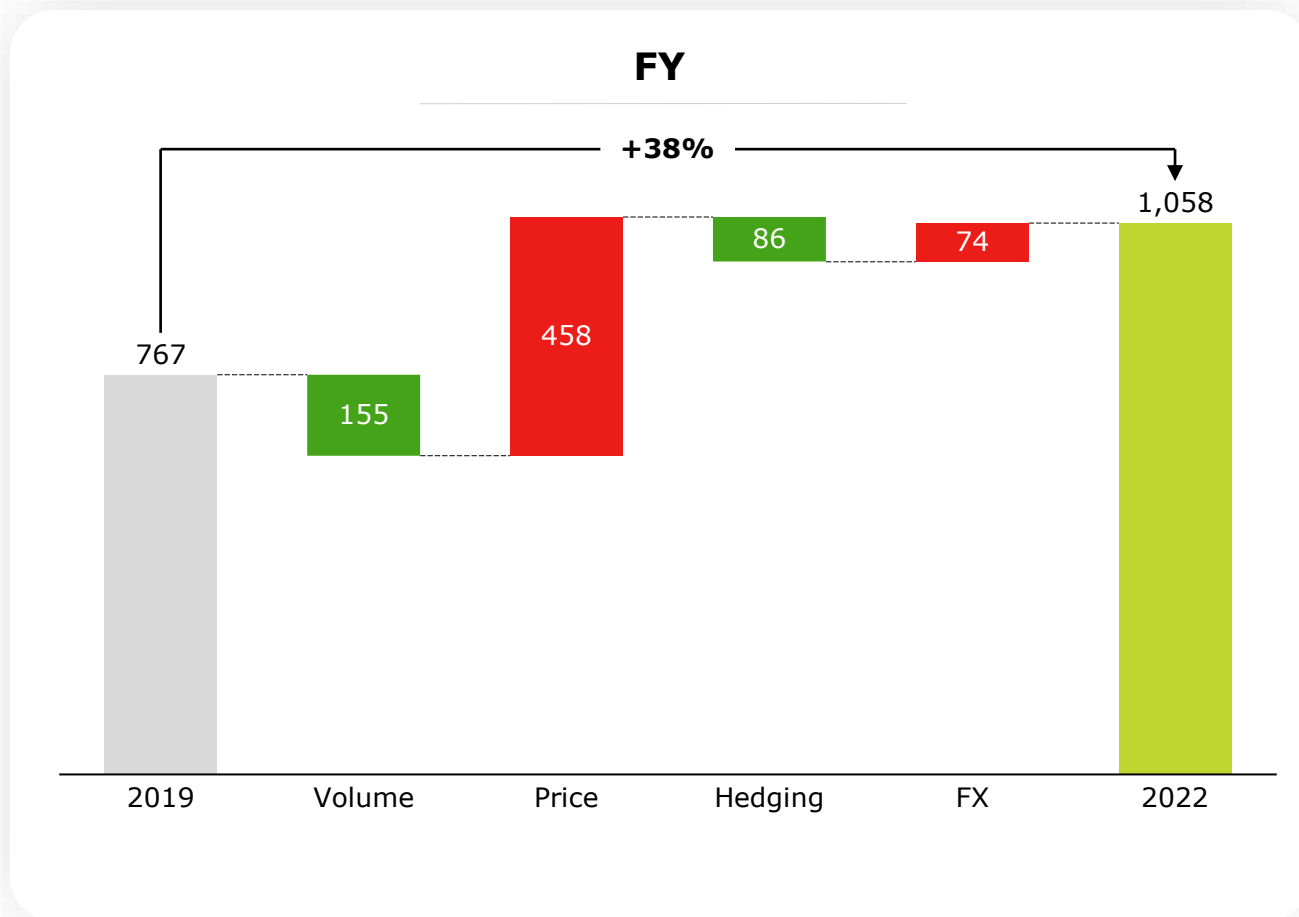
Year-on-year CASK development impacted by lower ASK recovery in 4Q than in previous quarters and further increased fuel prices

CASK ex-fuel decreased slightly versus 2019, despite lower ASK and higher inflation

Steep fuel price increases slightly offset by hedging result

Fuel cost

EUR million

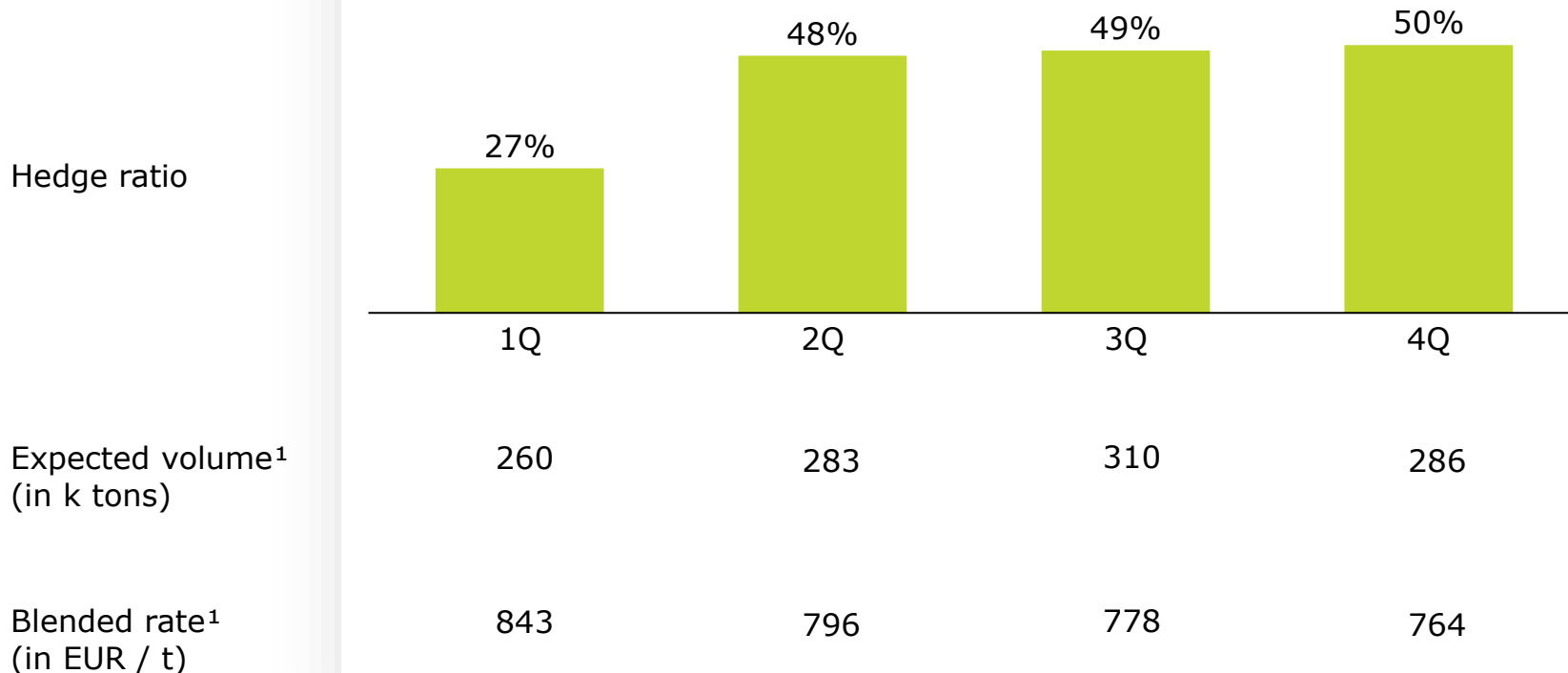


Comments

Higher fuel costs essentially reflect the drastically increased Jet-fuel prices and USD appreciation, overcompensating effects from lower activity and hedging

TAP currently expects close to EUR 1bn fuel cost for FY 2023

Fuel Hedging



Comments

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

Current hedge ratio for the full year is around 44%

In order to reduce impacts from FX, TAP performs the majority of hedges in EUR

1. Based on forward jet fuel prices and forward rates as of March 14, 2023.

Positive operating profit, significantly ahead of plan

Recurring EBITDA¹

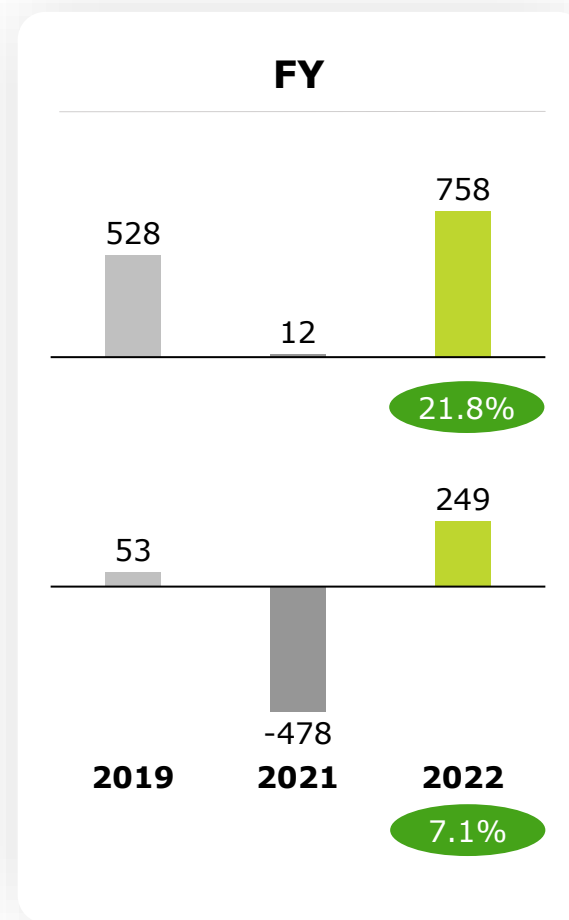
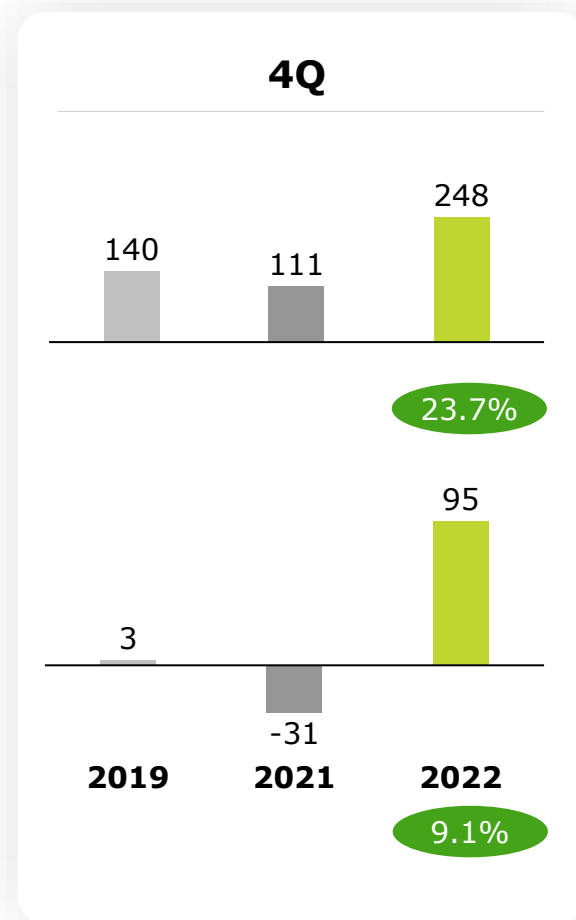
EUR million

Margin

Recurring Operating Result² (EBIT)

EUR million

Margin



Comments

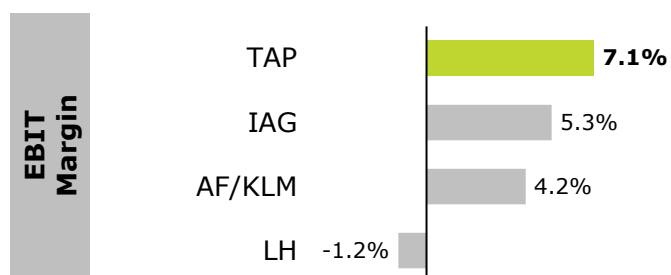
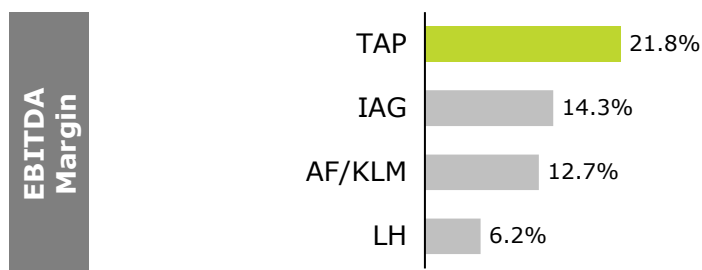
Operating profit significantly higher than pre-crisis, despite higher fuel costs

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.

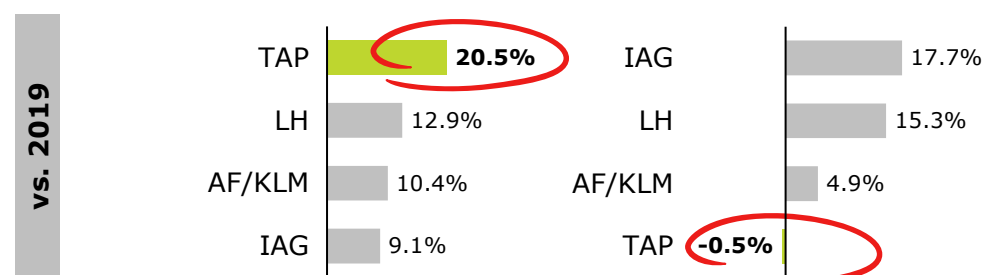
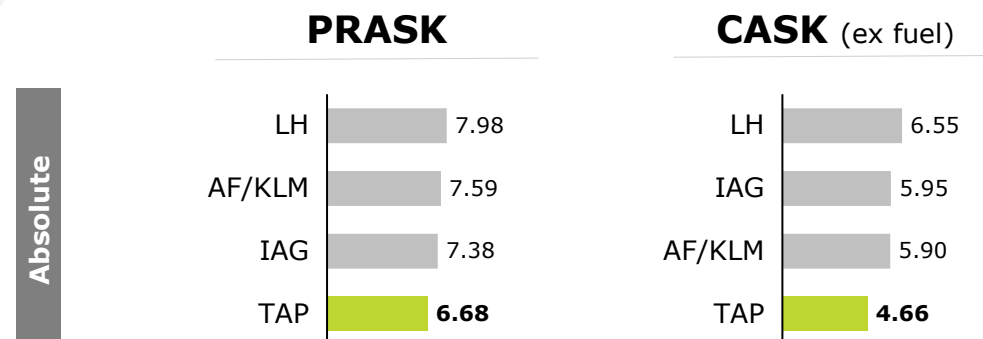
TAP operating results in FY 22 compare well with its key peers

FY 22 financial benchmark¹



1. AF/KLM excluding MRO, IAG whole group and LH passenger business only. For better comparability TAP's EBIT definition was applied to peers. Recurring EBIT and EBITDA for TAP

FY 22 Unit revenues / cost benchmark²

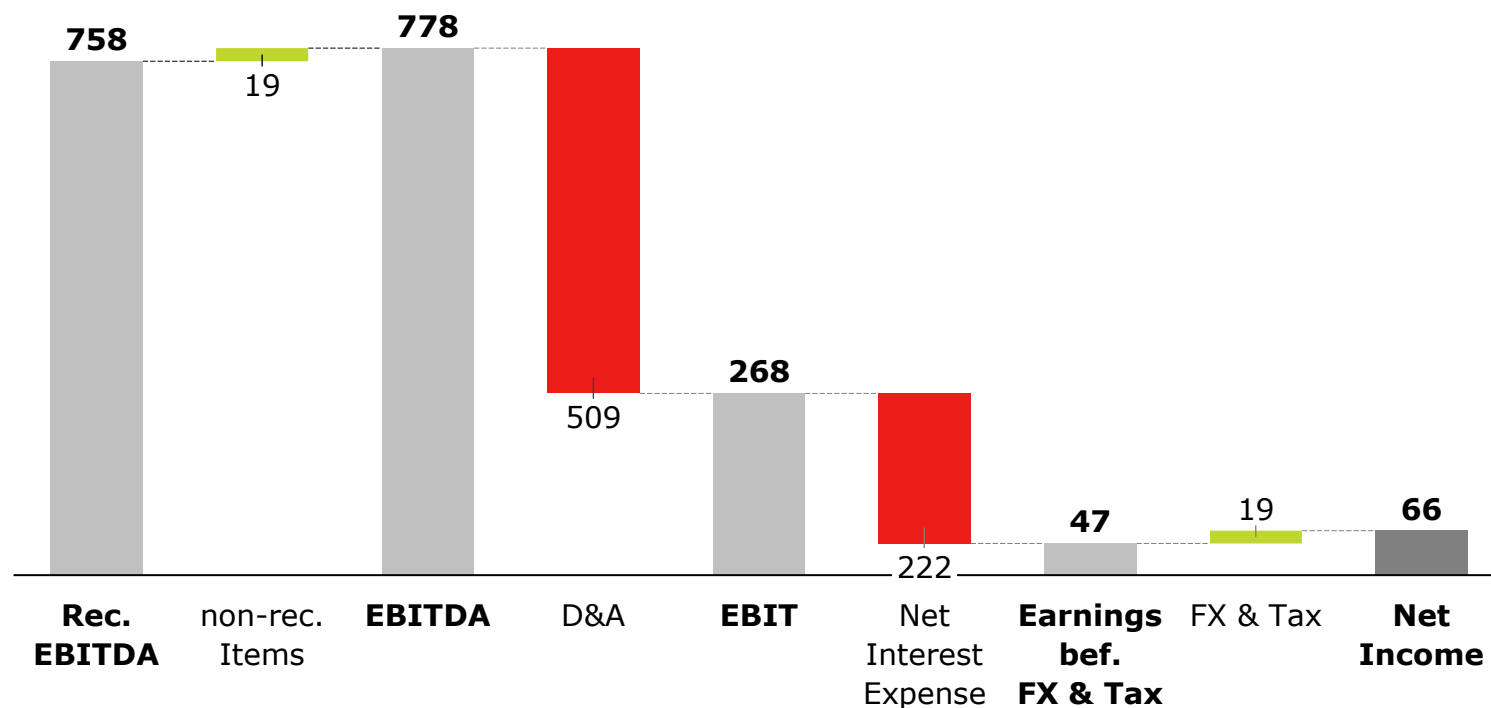


2. AF/KLM excluding MRO, IAG whole group and LH passenger business only; TAP PRASK and CASK definition applied to peers. TAP: Recurring CASK ex-fuel

Positive net income achieved

FY 2022 Net Income bridge

EUR million



Comments

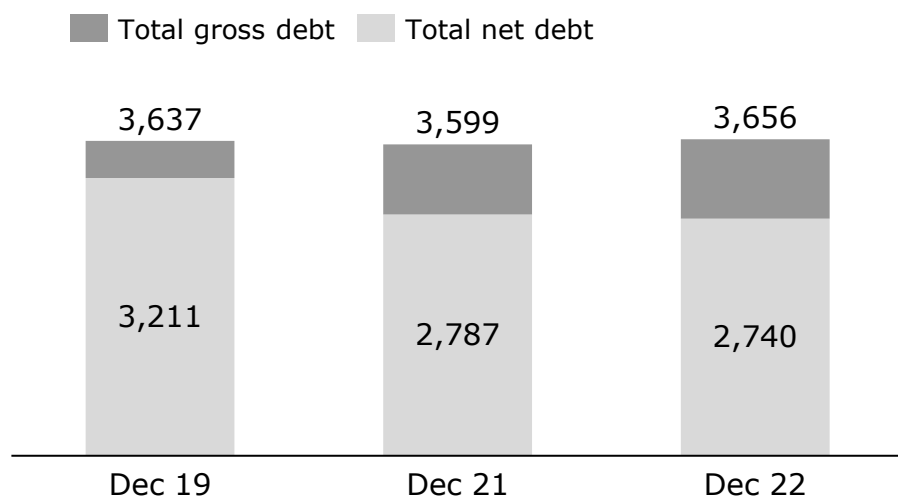
Interest expenses slightly lower than previous year due to the equity conversion of the 1.2bn state loan

Lower impact from currency movements due to hedging strategy in the context of financial risk management

Debt still high but leverage clearly reduced

Financial debt position

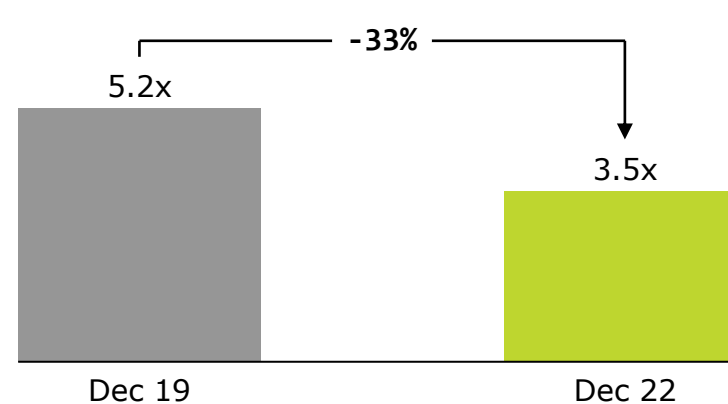
EUR million



- Increase in gross debt on the back of new aircraft leases and USD appreciation
- Shift from operational leases to financial leases
- 78% of debt is fixed rate

Leverage

Net debt / EBITDA

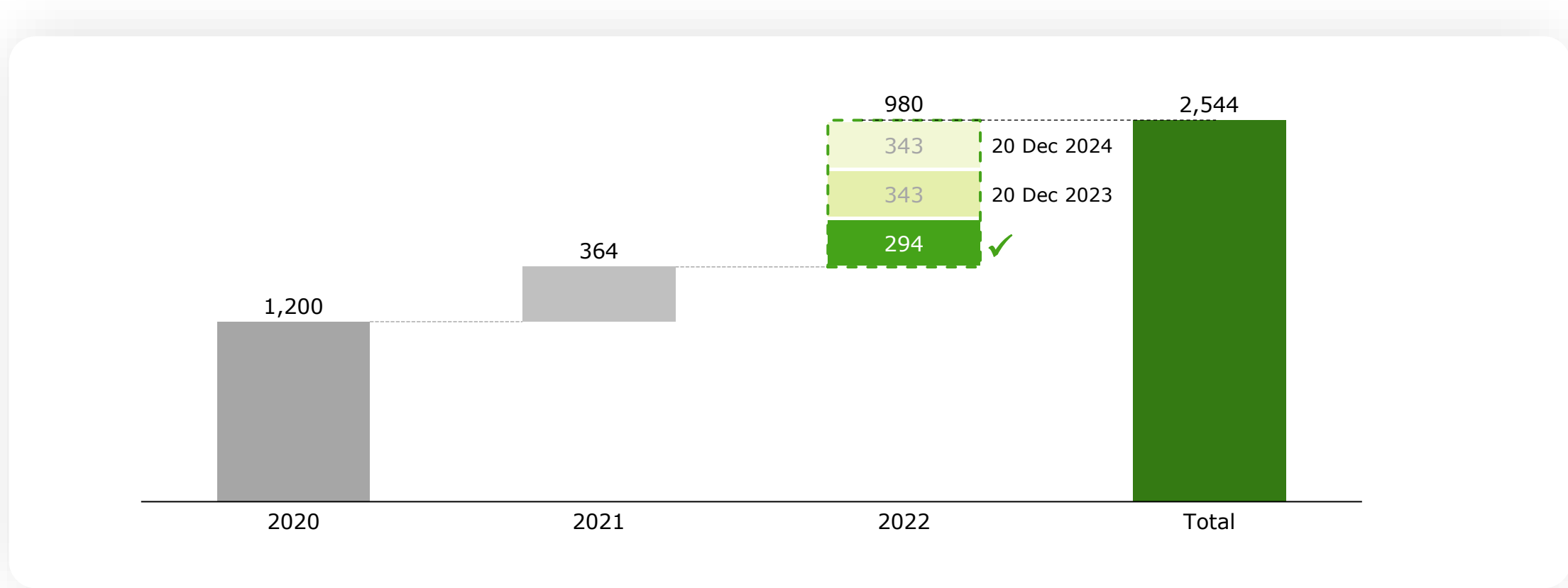


- Driven by improved profitability

Capital Increase of EUR 980m subscribed on 27 December 2022

Restructuring Aid

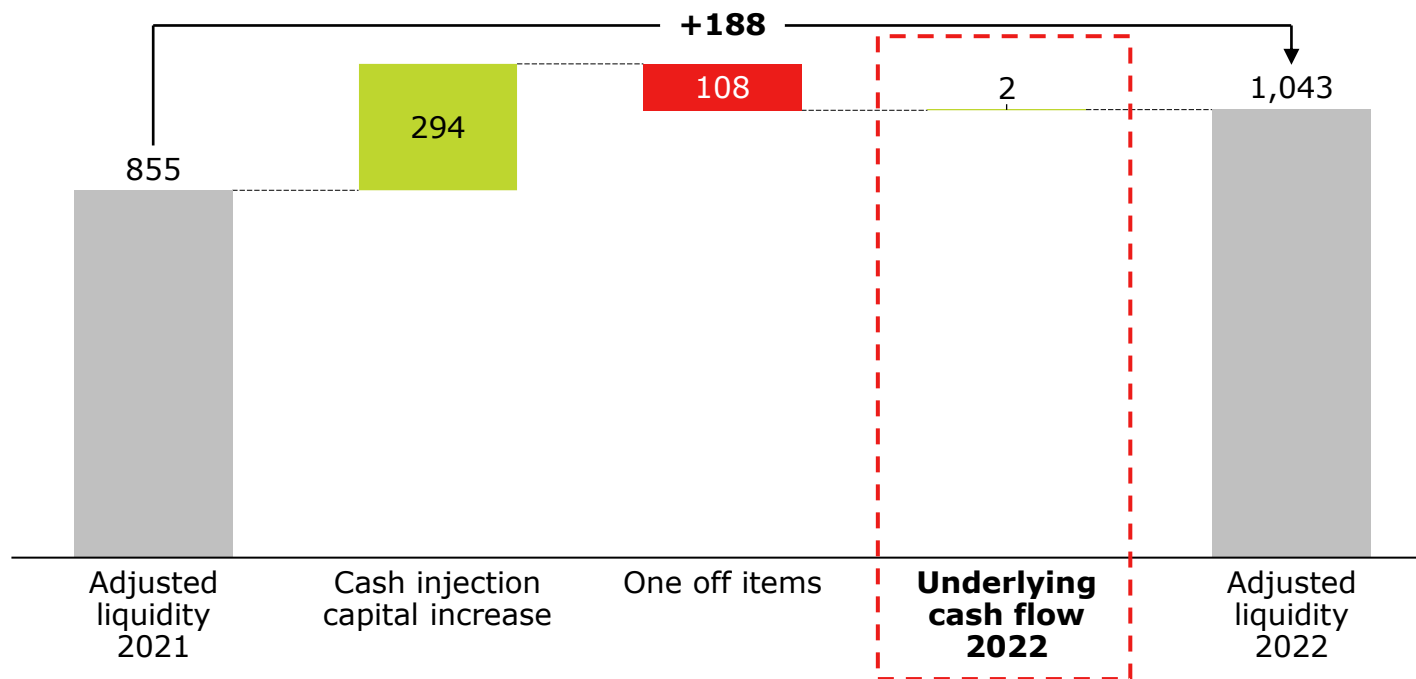
EUR million



Strengthened liquidity and underlying cash flow break-even

Adjusted Liquidity

Cash & Equivalents + Brazil flown receivables, EUR million



Comments

Increased liquidity position benefits from strong operational performance and first tranche of capital increase

Excluding one-off items, underlying cash-flow achieved break-even

Outlook & next steps



TAP has the foundations for a sustainable & profitable business



Unique geographic location

being the natural gateway out of Europe

Historic and cultural ties to Brazil

being the market leader in Europe–Brazil traffic

Increasing exposure to North America

being a growing wealthy market to Portugal

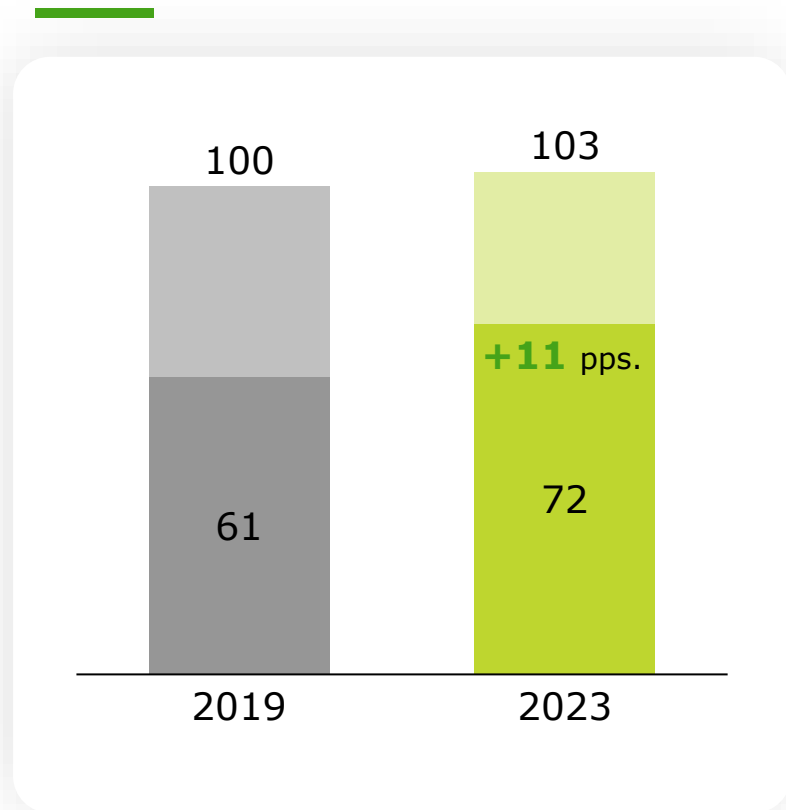
Distinctive capacity in Africa

being a reference in West/Southern AF-EU traffic

Positive booking outlook confirms positive demand trend

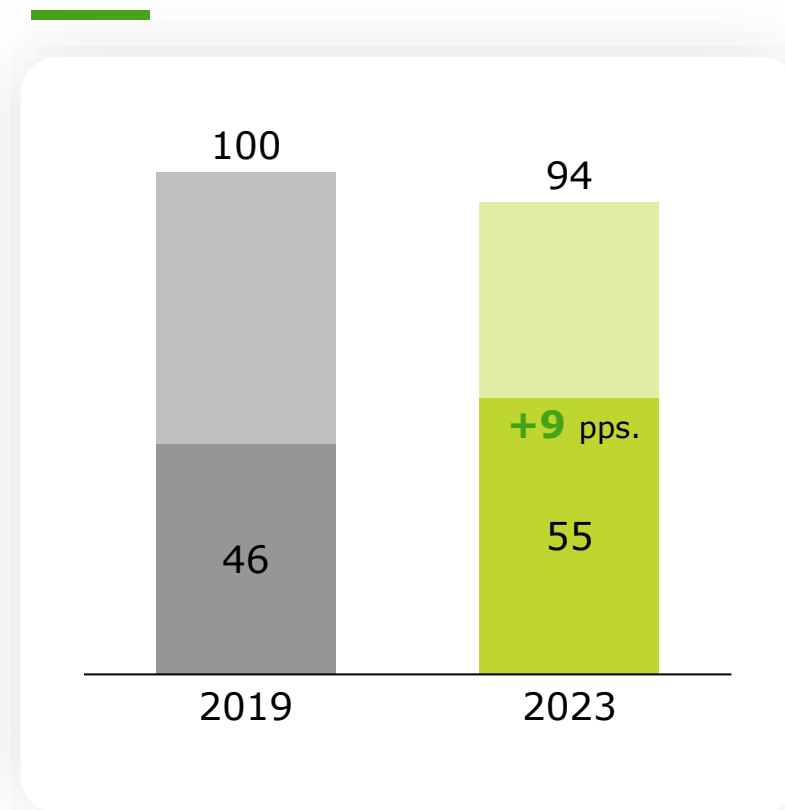
Booked Load Factor 1Q

As of 10 Mar 2023



Booked Load Factor 2Q

As of 10 Mar 2023



■ 2019 Capacity in ASK base 100%

■ Forward booking load factor 2019

■ 2023 Capacity in ASK in % of 2019

■ Forward booking load factor 2023

Transformation agenda will continue to be our focus in 2023

CUSTOMER

- Improve **disruption management & self-service recovery**
- Further optimize **call center** performance & service quality
- Clean **claims** backlog
- Revamp **website and app**
- Enhance **in-flight experience**
- Review benefits of **frequent flyer program**
- Improve **LIS Lounges**

REVENUE

- Grow capacity in **Brazil and US**
- Relaunch **Stopover** Program
- Enhance **TAP corporate** program
- Continue to improve yield through **dynamic pricing** technics
- Continuously grow **ancillary revenues** through new ancillaries, pricing and communication

COST

- Re-negotiate **third-party contracts**
- Re-negotiate contracts with **aircraft** suppliers and lessors
- Optimize **inventory management**
- Implement a program of **operational improvement**
- Launch additional **fuel efficiency** measures
- Deploy **new distribution strategy** (NDC)

PEOPLE/ ENABLERS

- Sign **new CLAs** to promote growth and development by **unlocking productivity**
- Foster a **performance management** culture
- Transform TAP culture** via new ways of working
- Revamp the **sustainability strategy and SAF sourcing** approach
- Deliver on an **ambitious digital roadmap**

FOCUS ON AVIATION BUSINESS

- Conclude **Groundforce** process

Summing up, in 2023 we will continue to focus our transformation ...

- ... investing in **customer experience**
- ... enhancing our **operational resilience**
- ... improving our **cost structure**
- ... engaging **with our employees**
- ... honoring the **investment of the Portuguese**

 **Transforming TAP into a sustainably profitable airline**



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Q&A

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Thank You

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