

**Lisbon, Portugal, May 30, 2021:** Transportes Aéreos Portugueses, S.A. ("TAP" or "Company") informs on Trading Update in relation to the 1<sup>st</sup> quarter of 2021.

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 OF 2021

- **The coronavirus pandemic continued to delay the demand recovery, with an increase in cases and new travel restrictions during the first three months of 2021. Although demand showed some signs of recovery in January, additional restrictions to flights and people's mobility were imposed in February and March in countries where TAP operates, forcing TAP to quickly adjust its capacity again. As such, on January 31, TAP announced the suspension of 93% of its operation during the month of February 2021.**
  - During the first quarter of 2021 ("1Q21"), forward bookings and load factors were driven by leisure traffic in short-haul European routes and visiting friends & relatives (VFR) traffic in long-haul routes, which contributed to keep load factors stable in that period as compared to the fourth quarter of 2020 ("4Q20") – even though, capacity (as measured by ASKs) in 1Q21 was nearly half of that in 4Q20.
  - As the recovery was delayed by a new increase in COVID-19 cases and the imposed travel restrictions during February and March, TAP acted swiftly to adjust its network and mitigate the negative impact on costs and cash consumption.
  - While 1Q21 YoY figures suggest that further adjustments have yet to be captured to reduce the gap between the drop in operating revenues and costs, significant progress has been made. TAP continued to reinforce all measures to protect its cash position, namely initiatives to convert fixed into variable costs, continuous renegotiation of commercial agreements and respective payment schedules, suspension of non-essential CAPEX, and significant adjustments to labor costs.
  - During 1Q21, TAP implemented the following labor reforms under the Restructuring Plan delivered to the European Commission, which aimed to adjust the cost structure and optimize its workforce:
    - On March 1, 2021, Labor Emergency Agreements came into effect, with wage reductions for each professional group. TAP also adhered to the classic lay-off scheme, adopting a mechanism for reducing working hours between 5% and 90%.
    - A voluntary program to reduce headcount was implemented across the Company, which included measures such as termination by mutual agreement, retirement and pre-retirement, part time work and unpaid leave, open from February 11, 2021 to March 24, 2021. Moreover, TAP implemented a program of voluntary applications to move workers to Portugália for Cabin Crew, Pilots and Maintenance Technicians.
    - Furthermore, 386 term contracts were not renewed during 1Q21.
    - As a result, during the first three months of 2021, employee costs decreased by nearly 30%, YoY, and it is expected that the full impact of the voluntary measures will be higher in upcoming next quarters.
  - Discussions with lessors continued to be held during 1Q21, with the aim of deferring rent payments and maintenance reserves, as well as negotiating future rents.
- **As the European Commission's decision regarding TAP Group's Restructuring Plan approaches, TAP continues to take decisive actions to face the continued pressure on the European aviation industry and to be in a strong position to capture the future traffic recovery, which will be dictated by an effective roll-out of vaccines and improved coordination on pre-flight testing.**
  - A Transformation Office, with TAP senior executives and external advisors, has been working for the past several months and will continue to work in the negotiation and implementation of the Restructuring Plan submitted to the European Commission on December 10, 2020. This plan aims to ensure the sustainability and profitability of TAP, through adequate planning of routes and fleet, adjusting the offer to the current market environment post COVID-19, to support revenue enhancement and an overall program for cost reduction, through third party negotiations, increase in efficiency of group's units and the rightsizing of the Company.
  - For the upcoming months, and according to IATA, some demand recovery is expected, with the reduction of travel restrictions supported by vaccine rollout and pent-up travel demand, with year 2021 recovering to 52% of 2019 global passenger numbers. As such, TAP stands ready to adjust its capacity and meet an increase in demand.

- Also, recent news flow on the effectiveness and roll out of vaccines for COVID-19 in Europe and the U.S. has been encouraging, along with the potential implementation of a coordinated approach to pre-flight testing, which should dictate the demand recovery path for global air travel.
- **1Q21 results were significantly affected by the continued impact of COVID-19, with capacity and total operating income falling by 81% and 74% YoY, respectively. Recurring EBITDA totaled EUR -104.1 million (minus EUR 3.2 million QoQ), while Net Income registered EUR -365.1 million in the quarter (increase of EUR 164.6 million QoQ). TAP's cash position stood at EUR 237.6 million as of March 31, 2021, compared with EUR 518.8 million as of December 31, 2020. TAP ended 1Q21 with an operating fleet of 93 aircraft.**
  - Capacity, as measured by ASKs, fell 81% YoY (-52% QoQ), while passenger load factor decreased 21.7 p.p. YoY (-1.3 p.p. QoQ) to 50.2% in 1Q21.
  - Total operating income decreased 74% YoY (-32% QoQ) to EUR 150.0 million, whereas passenger revenue fell 83% YoY (-42% QoQ). The cargo segment maintained its positive momentum and continued to perform well in 1Q21, increasing 36% YoY.
  - The swift capacity reduction, coupled with the implementation of cost reduction initiatives, allowed for a decrease in operating costs of 49% YoY (-34% QoQ) to EUR 377.7 million in 1Q21.
  - Recurring EBITDA decreased EUR 3.2 million QoQ to EUR -104.1 million, while EBIT increased EUR 126.8 million QoQ to EUR -227.7 million in 1Q21.
  - Net Income for 1Q21 was negative in EUR 365.1 million, out of which EUR -109.8 million were related to net currency exchange. Most of this effect was related with the depreciation of the EUR against the USD (which has a strong impact on future aircraft rents, albeit a limited cash impact during the analyzed period).
  - The measures implemented to protect TAP's cash position, coupled with the loan received from the Portuguese State in 2020, allowed TAP to finish the first quarter of 2021 with a cash position of EUR 237.6 million. Adding credit card receivables from Brazil would bring TAP's total liquidity to EUR 255.9 million at the end of 1Q21 (considering the EUR/BRL exchange rate as of March 31, 2021).
  - Gross financial debt increased EUR 83 million QoQ, which is mostly explained by an increase in lease liabilities with purchase option (i.e., financial leases) of EUR 63 million QoQ.
  - Regarding fleet, three older-generation aircraft were phased-out (2 A330 and 1 A320) during the 1Q21. Thus, TAP's operating fleet consisted of 93 aircraft as of March 31, 2021 (including the regional fleet operated by Portugália and White), out of which 3 wide-body aircraft were exclusively allocated to the cargo segment.
  - Given the continued effort to use more efficient aircraft and increase operational flexibility, it is expected that 2 A320neo and 1 A321neo LR will start commercial operations during the second quarter of 2021.
  - The A321neo LR plays a key role in TAP's strategy, as it allows TAP to use a narrow-body aircraft in long-haul routes with a lower trip cost when compared to a wide-body aircraft. This is particularly important given the high uncertainty and low demand environment that the European aviation industry is currently facing.

## MAIN OPERATIONAL INDICATORS

TAP, S.A. Consolidated	1Q21	4Q20	1Q20	Change (%)	
				1Q21 vs 4Q20	1Q21 vs 1Q20
Passenger ('000)	393	795	2 960	-50.6%	-86.7%
RPK (million)	1 007	2 138	7 696	-52.9%	-86.9%
ASK (million)	2 007	4 153	10 703	-51.7%	-81.2%
Load Factor (%)	50.2	51.5	71.9	n.m.	n.m.
Block Hours	21 079	33 894	81 114	-37.8%	-74.0%
Number of Departures	6 138	10 500	26 512	-41.5%	-76.8%
Average Stage Length (km)	2 394	2 205	1 994	+8.6%	+20.1%
Active Staff (end of period) <sup>1)</sup>	7 526	8 106	9 143	-7.2%	-17.7%

1) Excludes staff not placed and not active.

## MAIN FINANCIAL INDICATORS

TAP, S.A. Consolidated	1Q21	4Q20	1Q20	Change (%)	
				1Q21 vs 4Q20	1Q21 vs 1Q20
Total Operating Income (million €)	150.0	218.9	583.2	-31.5%	-74.3%
Passenger Income (million €)	86.7	148.4	513.3	-41.6%	-83.1%
Cargo and Mail Income (million €)	44.4	46.0	32.7	-3.4%	+36.0%
Recurring EBITDA (million €) <sup>1)</sup>	-104.1	-100.8	-21.9	-3.2%	<-200%
<i>Recurring EBITDA margin</i>	-69%	-46%	-4%	n.m.	n.m.
Operating Result (EBIT) (million €)	-227.7	-354.6	-155.3	+35.8%	-46.6%
<i>EBIT margin</i>	-152%	-162%	-27%	n.m.	n.m.

1) Recurring EBITDA = Operating Result + Depreciation, amortization and impairment losses + Restructuring + Other non recurrent items.

## FINANCING AND CONTRACTUAL OBLIGATIONS

TAP, S.A. Consolidated EUR million	31-Mar-21	31-Dec-20
<b>Financial Debt</b>	<b>2 673.4</b>	<b>2 590.4</b>
Bank Loans & Bonds	947.4	941.0
Portuguese State Loan	1 224.4	1 210.8
Lease liabilities with purchase option	501.6	438.6
<b>Cash and cash equivalents</b>	<b>237.6</b>	<b>518.8</b>
<b>Net Financial Debt</b>	<b>2 435.8</b>	<b>2 071.6</b>
<b>Lease liabilities without purchase option</b>	<b>2 068.6</b>	<b>2 038.6</b>

**INCOME STATEMENT**

TAP, S.A. Consolidated EUR million	1Q21	4Q20	1Q20	Change (%)	
				1Q21 vs 4Q20	1Q21 vs 1Q20
<b>Operating Income</b>	<b>150.0</b>	<b>218.9</b>	<b>583.2</b>	<b>-31.5%</b>	<b>-74.3%</b>
Passenger	86.7	148.4	513.3	-41.6%	-83.1%
Maintenance	6.7	20.5	32.0	-67.3%	-79.0%
Cargo and mail	44.4	46.0	32.7	-3.4%	+36.0%
Other operating income	12.1	4.1	5.3	+199.0%	+130.0%
<b>Operating Costs</b>	<b>377.7</b>	<b>573.5</b>	<b>738.5</b>	<b>-34.1%</b>	<b>-48.9%</b>
Aircraft fuel	37.6	54.1	153.3	-30.5%	-75.5%
Traffic operating costs	53.1	69.9	169.0	-24.2%	-68.6%
Employee costs	114.0	108.0	162.7	+5.6%	-29.9%
Aircraft maintenance costs	6.1	7.1	13.3	-13.1%	-53.9%
Cost of materials consumed	5.3	4.2	23.1	+26.7%	-76.9%
Commercial, communication and marketing costs	10.4	10.0	45.0	+4.1%	-76.9%
Impair. losses in inventories, receiv. and provisions	0.9	35.0	1.0	-97.3%	-3.6%
Other operating expenses	26.6	31.5	37.8	-15.6%	-29.7%
Restructuring	0.0	93.7	0.7	-100.0%	-98.6%
Other non recurrent items	5.7	4.3	0.0	+33.9%	> 200%
Depreciation, amortisation and impairment losses	117.9	155.7	132.7	-24.3%	-11.1%
<b>EBIT (Operating Result)</b>	<b>-227.7</b>	<b>-354.6</b>	<b>-155.3</b>	<b>+35.8%</b>	<b>-46.6%</b>
<b>EBIT margin</b>	<b>-151.9%</b>	<b>-162.0%</b>	<b>-26.6%</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Recurring EBIT <sup>1)</sup></b>	<b>-222.0</b>	<b>-256.6</b>	<b>-154.6</b>	<b>+13.5%</b>	<b>-43.6%</b>
<b>Recurring EBIT margin</b>	<b>-148.0%</b>	<b>-117.2%</b>	<b>-26.5%</b>	<b>n.m.</b>	<b>n.m.</b>
Interest and similar income	8.2	8.4	8.7	-2.1%	-5.0%
Interests and similar expenses	-73.5	-67.9	-59.5	-8.2%	-23.5%
Overhedge Costs - Covid Effect	7.5	-22.4	-150.3	n.m.	n.m.
Net currency exchange	-109.8	122.5	-100.5	-189.6%	-9.2%
<b>Earnings before taxes</b>	<b>-395.2</b>	<b>-313.9</b>	<b>-457.0</b>	<b>-25.9%</b>	<b>13.5%</b>
Income tax	30.2	-215.7	62.0	+114.0%	-51.3%
<b>Net income/ (loss)</b>	<b>-365.1</b>	<b>-529.6</b>	<b>-395.0</b>	<b>31.1%</b>	<b>7.6%</b>
<b>EBITDA <sup>2)</sup></b>	<b>-109.8</b>	<b>-198.9</b>	<b>-22.6</b>	<b>+44.8%</b>	<b>&lt;-200%</b>
<b>EBITDA margin</b>	<b>-73.2%</b>	<b>-90.8%</b>	<b>-3.9%</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Recurring EBITDA <sup>3)</sup></b>	<b>-104.1</b>	<b>-100.8</b>	<b>-21.9</b>	<b>-3.2%</b>	<b>&lt;-200%</b>
<b>Recurring EBITDA margin</b>	<b>-69.4%</b>	<b>-46.1%</b>	<b>-3.8%</b>	<b>n.m.</b>	<b>n.m.</b>

1) Recurring EBIT = Operating Result + Restructuring + Other non recurrent items.

2) EBITDA = Operating Result + Depreciation, amortization and impairment losses.

3) Recurring EBITDA = Operating Result + Depreciation, amortization and impairment losses + Restructuring + Other non recurrent items.

### SUBSEQUENT EVENTS

#### **FILING FOR THE DECLARATION OF INSOLVENCY OF SPdH – SERVIÇOS PORTUGUESES DE HANDLING, S.A. (GROUNDFORCE PORTUGAL)**

- On May 10, 2021 TAP has filed for the insolvency of SPdH - Serviços Portugueses de Handling, S.A. (Groundforce Portugal) ("SPdH") in the Commercial Courts of Lisbon.
- TAP, as a creditor of SPdH, has legal standing to file this application, and has taken into consideration that (a) SPdH is the company currently providing ground-handling services to TAP at the airports of Lisbon, Oporto, Faro, Funchal and Porto Santo and that (b) SPdH is held by companies of the TAP Group (other than TAP), namely TAP - Transportes Aéreos Portugueses, SGPS, S.A. ("TAP SGPS") and Portugália - Companhia Portuguesa de Transportes Aéreos, S.A., although these TAP Group companies only have a minority shareholding in SPdH, which does not allow them to decisively influence the strategic options and conduct of the company's business.

Nevertheless, in light of:

a) SPdH's worsening financial situation,

b) the inexistence of credible solutions for the possibility of SPdH obtaining financing (in particular, following the refusal of financing and provision of guarantee by Caixa Geral de Depósitos and Banco Português de Fomento); and

c) the lack of conditions that, in TAP's view, the main SPdH shareholder, either itself or through the members it has appointed to SPdH's management body, has to restore the confidence of its creditors.

TAP deemed that SPdH's insolvency filing is the solution that best protects the majority of this company's stakeholders, with the objective that, if SPdH is declared insolvent, its creditors (including its employees) will be given a voice and primacy regarding the following critical options:

- (i) if it proves viable, to evaluate the possibility of the continuity of SPdH's activity and decide on the approval of a recovery plan; or
- (ii) if the option mentioned in (i) above is not viable, so that the liquidation of SPdH is carried out in an orderly manner and that, as far as possible, the degree of satisfaction of each of its creditors is optimized.

Following the filing of SPdH's application for insolvency, the procedure specific to the declaratory phase of insolvency proceedings will follow, by means of a judicial review of TAP's application and of any opposition that may be filed by SPdH, which may culminate in a ruling of declaration of insolvency or a ruling rejecting TAP's filing.

- The mere filing for a declaration of insolvency does not have the legal effect of paralyzing the activity of SPdH and the services it provides. In any case, the various stakeholders are actively working on solutions to remedy any operational difficulties that may arise in the context of the insolvency proceedings and the decisions that may be handed down therein.

### **EUROPEAN COMMISSION APPROVES EUR 462 MILLION PORTUGUESE SUPPORT TO COMPENSATE TAP FOR DAMAGE SUFFERED DUE TO CORONAVIRUS OUTBREAK)**

- On April 23, 2021, the European Commission announced that it had approved a EUR 462 million Portuguese support measure in favor of TAP to be in line with the European Union state aid rules, which aimed to compensate TAP for the damage suffered due to the coronavirus outbreak between March 19, 2020 and June 30, 2020.
- Portugal notified to the European Commission an aid measure to compensate TAP for the damage it suffered between March 19, 2020 and June 30, 2020 as a direct result of the containment measures and travel restrictions that Portugal and other destination countries had to introduce to limit the spread of the coronavirus.
- The support took the form of a EUR 462 million equity stake in TAP S.A..
- In order to ensure that there will be no overcompensation, the measure provides that, by September 2021, Portugal will review and report back to the European Commission on the amount of actual damage suffered, following independent verification based on the company's audited accounts.
- The European Commission found that the Portuguese measure will compensate damage that is directly linked to the coronavirus outbreak, and it also found that the measure is proportionate, as the compensation does not exceed what is necessary to make good the damage.

### **INCREASE OF TAP'S SHARE CAPITAL**

- In the context of the State aid granted to TAP, approved by the European Commission by decision of April 23, 2021 (Decision SA.62304 (2021/N), as subsequently amended, to compensate the COVID-19 damages incurred during the period from March 19, 2020 to June 30, 2020, an increase of TAP's share capital was concluded on May 24, 2021 through a cash contribution in the amount of EUR 462,000,000.00 (four hundred and sixty two million Euro) by the Portuguese Republic, through the Directorate General of Treasury and Finance, and the subscription by the latter of 92,400,000 (ninety two million and four hundred thousand) new ordinary shares representing the share capital of TAP, each with a unit value of EUR 5.00 (five Euro).
- Following this share capital increase, TAP's share capital has increased from EUR 41,500,000.00 (forty-one million and five hundred thousand Euro) to EUR 503,500,000.00 (five hundred and three million and five hundred thousand Euro), and the Portuguese Republic, through the Directorate General of the Treasury and Finance, has become a direct shareholder of TAP, with a shareholding of circa 92% in TAP, with the remaining circa 8% of TAP's share capital still being held directly by TAP SGPS.
- This increase of TAP's share capital results in a strengthening of TAP's capital structure and does not materially change the control exercised over TAP to the extent that the Portuguese Republic currently holds, directly and indirectly, a 72.5% stake in the share capital of TAP SGPS, meaning that the ultimate beneficial owner of TAP remains unchanged.

### GLOSSARY

**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.

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

**IATA:** International Air Transport Association.

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

**QoQ:** Quarter over quarter.

**Recurring EBIT:** Operating Result + Restructuring + Other non recurrent items.

**Recurring EBITDA:** Operating Result + Depreciation, amortization and impairment losses + Restructuring + Other non recurrent items.

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

**YoY:** Year over year.

### CAUTIONARY STATEMENT

This document was prepared by TAP and may be subject to change. 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 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, in the airline industry, in competition and in 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 Management believes that the preparation of the financial statements as at March 31, 2021 should be made on a going concern basis, based on (i) the approval by the European Commission, on June 10, 2020, of the State aid to TAP Group, in the form of a loan in the amount of EUR 1.2 billion, (ii) the Restructuring Plan approved by TAP Group, 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-19 pandemic, combined with a strategy of fleet reduction, reduction of operational costs and investment, (iii) the notification by the Portuguese State to the European Commission, on March 11, 2021, of an additional aid measure to compensate TAP for the damage it suffered between March 19, 2020 and June 30, 2020 as a direct result of the containment measures and travel restrictions that Portugal and other destination countries had to introduce to limit the spread of the coronavirus, (iv) the direct or indirect shareholders' financial support and/or ability to obtain external financial resources (v) as well as the ongoing interactions with the European Commission about the adequacy of the Restructuring Plan, the fundamental purpose of which is to ensure the financial and economic sustainability, viability and continuity of the operations of TAP Group.

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