

Earnings Release

Fourth Quarter and Full Year 2020 Results

Lisbon, Portugal, April 22, 2021: Transportes Aéreos Portugueses, S.A. ("TAP" or "Company") informs on the fourth quarter and full year 2020 results.

The financial information presented in this document refers to the unaudited consolidated financial statements of TAP, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Highlights of the Fourth Quarter of 2020 ("4Q20"):

- **Number of carried passengers decreased 7.6% in 4Q20 compared with the previous quarter ("3Q20"), and 80.6% compared with the fourth quarter of 2019 ("4Q19"), as a result of the continuation and worsening of the COVID-19 pandemic, which dictated a deterioration in 4Q20 results, due to greater mobility restrictions in markets where TAP operates, namely during the Christmas and New Year's holiday season.**
- **ASK increased 27.1% compared with the previous quarter**, which was offset by the decrease in load factor of about 6 p.p. when compared with 3Q20 and about 26 p.p. when compared with 4Q19.
- **Operating revenues increased to 218.9 million** (+12.2% compared with the previous quarter), driven by an increase in RPK of around 14.0% when compared with 3Q20, as well as cargo revenue growth of 74% vs. the previous quarter.
- **Operating costs increased 51.8% when compared with 3Q20 to EUR 573.5 million**, of which EUR 93.7 million refers to provisions for non-recurring restructuring costs. This percentage increase is also the result of an increase in the main operating cost items (in particular, fuel costs and employee costs increased 24.6% and 19.4%, respectively).
- **Recurring EBITDA¹ registered a negative value of EUR 100.8 million in 4Q20**, which represents a decrease over the previous quarter of about EUR 52.1 million and EUR 240.5 compared with the same period last year. **Operating Result (EBIT) recorded a negative figure of EUR 354.6 million in 4Q20**, compared with EUR 3.6 million in 4Q19.
- **Net income registered a negative figure of EUR 529.6 million in 4Q20**, heavily impacted by income taxes, which recorded a negative value of EUR 215.7 million.
- **Solid cash and cash equivalents position of EUR 518.8 million at the end of the quarter, due to the proceeds of the remaining financing from the Portuguese State, within the state aid context, in a total amount of EUR 1,200 million ("State Aid")**. Considering the amount available in credit card receivables in Brazil of EUR 27.2 million, **total liquidity at the end of the quarter was EUR 546 million**.

Highlights of the Full Year 2020:

- **Both the operation and the results in 2020 were severely impacted by the drop in activity as a result of the COVID-19 pandemic, with passenger numbers falling 72.7%**, after growing for 4 consecutive years, which was slightly lower than the decrease in demand in Europe (measured in RPK) of 74.1% according to IATA data. **Passenger revenue decreased 70.9% in 2020**, which compares with a **global industry decline of 68.8%** (according to IATA).
- **Operating revenues reached EUR 1,060.2 million, a decrease of EUR 2,238.6 million (-67.9%) compared to 2019 operating revenues**. This figure was penalized by the decrease in passenger revenue of EUR 2,065.6 million (-70.9%) and maintenance of EUR 143.4 million (-67.9%), which was slightly offset by a smaller decline in cargo revenue of EUR 11.7 million YoY (-8.5%), for a total cargo revenue of EUR 125.7 million.
- **Operating costs amounted to EUR 2,024.9 million in 2020, which represents a decrease of EUR 1,226.6 million (-37.7%) when compared to the same period last year** and is mostly explained by the significant reduction in variable costs, due to the Company's quick reaction to adjust its capacity and a result of negotiations with suppliers and lessors and labour measures (non-renewal of 1,042 fixed-term employment contracts and adherence to support measures for progressive recovery). Also, out of the negotiations with providers, we highlight the agreement reached with Airbus, which changed the delivery dates of 15 new-generation aircraft, allowing for a CAPEX reduction of approximately USD 1,000 million between 2020-2022.
- **Operating costs were penalized by non-recurrent costs**, namely impairment costs (EUR 44.1 million) and restructuring costs (EUR 96.1 million).

¹ Recurring EBITDA = Operating Result + Restructuring Costs + Non recurring items + Depreciation, amortization and impairment losses.

- **Operating Result (EBIT) registered a decrease** of EUR 1,011.9 million YoY **to EUR -964.8 million in 2020**. When adjusted for non-recurring items and restructuring costs, **recurring EBIT was EUR -858.4 million and recurring EBITDA was EUR -273.7 million**.
- **Net income for the year was negative EUR 1,203.3 million**. We highlight a positive impact from exchange rate differences (EUR 162.1 million) related with the appreciation of the EUR against the USD (with a strong impact on future rents and, therefore, almost no cash effect during the year), which more than offset the depreciation of the BRL against the EUR. Conversely, Jet Fuel overhedging costs had a negative impact of EUR 165.3 million, as a result of the drop in activity caused by the COVID-19 pandemic.
- Concerning **liquidity**, TAP acted swiftly and quickly to the mobility restrictions that were imposed and revised throughout the year, which allowed TAP to maintain sufficient liquidity until the **formalization of the State Aid. This loan granted by the Portuguese State in the amount of EUR 1,200 million was received until December 31, 2020**, impacting short term liabilities in balance sheet.
- **TAP's fleet went through a significant adjustment in 2020**, given the new reality in the sector in which it operates and within the Company itself. TAP ended 2020 with an **operating fleet of 96 aircraft, a net decrease of 9 aircraft** when compared to the end of 2019, when the Company had an operating fleet of 105 aircraft. During 2020, 7 new-generation Airbus aircraft entered service (2 A330neo, 2 A321neo LR, 2 A321neo, and 1 A320neo) and 16 aircraft exited operations (10 A319, 3 A320, 1 A321, and 2 A332). The aircraft that joined TAP's operating fleet are in line with the Company's strategy on using smaller aircraft, with lower trip costs, which allows TAP to adapt its operation according to the pace of the recovery in demand. It should also be noted that during the second half of the year, two A332 were converted into cargo aircraft, given the increase in demand in this segment.
- The last quarter of 2020 was characterized by the preparation of the **Restructuring Plan, which was submitted to the European Commission on December 10, 2020. This plan sets out the pillars and strategic lines that will ensure TAP's sustainability and profitability considering the new demand scenario**, from the adaptation of the workforce, routes and fleet, as well as the adaptation of the TAP product to the current and post COVID-19 reality. As such, the Restructuring Plan aims to ensure the survival and sustainability of TAP Group, while ensuring that it continues to contribute to the Portuguese economy. The Restructuring Plan foresees that TAP shall achieve a balanced operating result until 2023, ensuring that it is able to meet its financial commitments in their maturities. It is now expected the conclusion of the ongoing negotiations with the European Commission for the approval of the Restructuring Plan, which shall be concluded shortly.

Subsequent Events:

- **Operating capacity reduction for February 2021**: on January 31, 2021, TAP informed the market and the general public that it would suspend 93% of its operation during the month of February 2021, compared to the same period of the previous year, due to the restrictions on flights and mobility imposed by the authorities of the countries where TAP operates. During this period, TAP continued to ensure national air mobility between Lisbon, Oporto, Madeira, and the Azores, as well as international air connection to cities with relevant Portuguese communities, such as Newark, Boston, Toronto, Madrid, Barcelona, Malaga, Valencia, Amsterdam, Brussels, Geneva, Zurich, Luxembourg, Paris, Nice, Toulouse, Marseille, Lyon, Milan, Rome, Bissau, Conakry, Dakar, Maputo, Praia, São Vicente, and São Tomé and Príncipe.
- **Entering into of emergency agreement with unions representing TAP's employees, the program of labor measures of voluntary adherence and the adherence to lay-off**

On January 14, 2021, the Council of Ministers' Resolution no. 3/2021, which was published in the Official Gazette (*"Diário da República"*), declared TAP, Portugal – Companhia Portuguesa de Transportes Aéreos, S.A. (*"Portugália"*) and Cateringpor – Catering de Portugal, S.A. (*"Cateringpor"*) as companies in a difficult economic situation. This Council of Ministers' Resolution was regulated by Ordinance (*"Despacho"*) no. 818-A/2021, of January 14, 2021 (published on the Official Gazette on January 19, 2021), which established, *inter alia*, that TAP, Portugal and Cateringpor should commence negotiations for the revision or for the repeal and substitution of the collective bargain agreements of those companies during the first quarter of 2021, adapting those instruments to the new competitive reality of the companies and of the sector, whereby those negotiations may be preceded by temporary emergency agreements to be adjusted with the signatory unions of the referred collective bargain agreements, as an alternative to the alternate framework setting the working conditions.

In accordance with this determination, a joint negotiation process was conducted between the unions, the management, and the Portuguese Government, with a view to enter into the said emergency agreements, by trying to reach a consensual solution on the path to make TAP's restructuring and recovery viable. On February 28, 2021, TAP informed the market and the general public that this process was successfully concluded, with all unions representing the vast majority of TAP's workers having ratified the negotiated emergency agreements (*"Emergency Agreements"*).

The Emergency Agreements entered into force on March 1, 2021, enabling the protection of a greater number of jobs, in comparison with the alternate framework, without prejudice to the metrics proposed in the Restructuring Plan. It was also announced that non-unionized TAP employees would benefit from an alternate framework equal to the Emergency Agreements in place for the respective professional groups. Therefore, the salary reduction applied to ground staff and cabin crew is 25% over 4 years, and for flight deck crew is 50%, decreasing progressively until 35% over 4 years, both reductions applicable only to income above EUR 1,330.

Alongside with the Emergency Agreements, TAP has developed a set of labor measures based on voluntary adherence for TAP's employees, which includes mutually agreed terminations, early retirement, pre-retirement, part-time work, unpaid leaves. As of today, and although some cases are still under analysis, 791 employees adhered to the program of voluntary labor measures, which represents a resizing of about 730 jobs. Additionally, 49 employees adhered to the voluntary applications program to Portugal. The Company also has the option to adopt other types of measures to its resizing, to achieve the cost reductions forecasted in the Restructuring Plan.

TAP also informed that it would resort to classical layoff, pursuant to articles 298 *et seq.* of the Portuguese Labor Code ("Código do Trabalho"). Within this framework, measures to reduce normal working periods or suspend employment agreements began on March 1, 2021 and may be extended to a period of up to 12 months, under the terms and for the purposes of articles 300(3) of the Portuguese Labor Code. The inclusion in this legal framework shall be evaluated on a monthly and individual basis, to identify whether it should be maintained, altered or terminated, according to the Company's needs.

- **Equipment purchase agreement with SPdH:** within a context of a cash shortage at SPdH—Serviços Portugueses de Handling, S.A. ("SPdH") and to avoid a scenario of disruption in the continuity of ground handling services provided to TAP, on March 19, 2021, TAP acquired from SPdH certain equipment for a total price of EUR 6.97 million, having simultaneously leased the same equipment to SPdH until July 26, 2022. Under certain circumstances, SPdH may exercise the option to purchase the said equipment until May 30, 2021.

Details for TAP's FY20 Earnings Conference Call:

- **Date:** April 23, 2021
- **Start time:** 16:00 Lisbon time (GMT +1)]
- **Speakers:**
Miguel Frاسquilho – Chairman of the Board of Directors
Ramiro Sequeira – Interim Chief Executive Officer
Alexandra Reis – Interim Chief Financial Officer | Market Relations Representative

- **Webcast and dial-in:**

For details on the webcast and dial-in, please pre-register using the following link:

www.incommuk.com/customers/tap2020earningscall

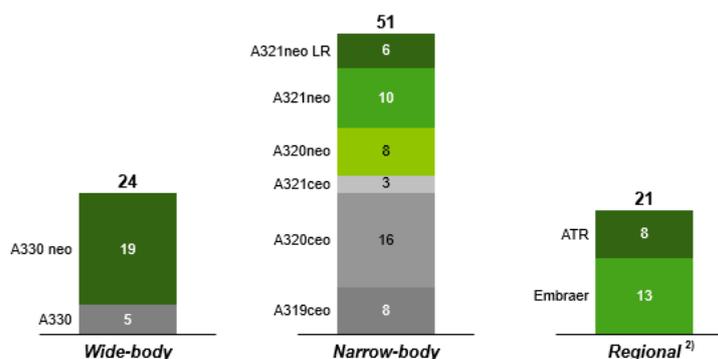
This call is directed for investors and financial analysts.

MAIN OPERATING INDICATORS

TAP, S.A. Consolidated	4Q20	3Q20	4Q19	Change (%)		2020	2019	Change	
				4Q20 vs 3Q20	4Q20 vs 4Q19			Abs.	%
Passenger ('000)	795.5	861.1	4 091.7	-7.6%	-80.6%	4 657.2	17 051.9	-12 394.7	-72.7%
RPK (million)	2 138.1	1 875.5	10 311.5	+14.0%	-79.3%	11 876.2	42 065.4	-30 189.2	-71.8%
ASK (million)	4 152.5	3 266.3	13 306.6	+27.1%	-68.8%	18 376.0	52 527.2	-34 151.1	-65.0%
Load Factor (%)	51.5	57.4	77.5	-5.9 p.p.	-26.0 p.p.	64.6	80.1	-15.5 p.p.	n.m.
Block Hours	33 894	29 182	101 876	+16.1%	-66.7%	147 213	409 522	-262 309	-64.1%
Number of Departures	10 500	10 304	33 461	+1.9%	-68.6%	47 900	136 705	-88 805.0	-65.0%
Average Stage Length (km)	2 204.9	1 903.5	1 975.4	+15.8%	+11.6%	2 044.2	1 955.9	88.3	+4.5%
Active Staff (end of period) ¹⁾	8 106	8 510	9 006	-4.7%	-10.0%	8 106	9 006	-900	-10.0%

1) Excludes staff not placed and not active.

OPERATING FLEET AS OF DECEMBER 31, 2020 ¹⁾



1) Operating fleet as of December 31, 2020 differs from total fleet by 10 aircraft, as the former does not include aircraft that are in the phase-out process, which should be concluded in 2021 – 2 A332, 6 A319, and 2 A320.

2) Fleet from White and Portugália (wet-lease).

INCOME STATEMENT FOR 4Q20 AND FY20

TAP, S.A. Consolidated EUR million	4Q20	3Q20	4Q19	Change (%)		2020	2019	Change	
				4Q20 vs 3Q20	4Q20 vs 4Q19			Abs.	%
Operating Income	218,9	195,2	808,7	+12,2%	-72,9%	1.060,2	3.298,8	-2.238,6	-67,9%
Passenger	148,4	154,6	710,3	-4,0%	-79,1%	848,4	2.914,0	-2.065,6	-70,9%
Maintenance	20,5	8,9	50,4	+129,5%	-59,4%	67,9	211,3	-143,4	-67,9%
Cargo and mail	46,0	26,4	37,1	+74,0%	+24,0%	125,7	137,4	-11,7	-8,5%
Other operating income	4,1	5,2	10,9	-22,4%	-62,7%	18,2	36,1	-17,8	-49,4%
Operating Costs	573,5	377,8	805,1	+51,8%	-28,8%	2.024,9	3.251,6	-1.226,6	-37,7%
Aircraft fuel	54,1	43,4	195,3	+24,6%	-72,3%	260,5	789,7	-529,2	-67,0%
Traffic operating costs	69,9	62,9	205,4	+11,2%	-65,9%	350,8	807,3	-456,6	-56,6%
Employee costs	108,0	90,4	166,9	+19,4%	-35,3%	419,7	678,6	-258,9	-38,2%
Aircraft maintenance costs	7,1	2,3	13,7	>+200%	-48,3%	24,4	56,1	-31,7	-56,5%
Cost of materials consumed	4,2	6,7	25,3	-37,5%	-83,3%	40,3	141,3	-101,0	-71,5%
Commercial, communication and marketing costs	10,0	10,2	27,3	-2,2%	-63,4%	69,2	153,2	-84,0	-54,8%
Impair. losses in inventories, receiv. and provisions	35,0	-0,6	-2,0	<-200%	<-200%	44,1	0,0	44,1	>+200%
Other operating expenses	31,5	28,4	37,1	+10,8%	-15,3%	125,0	144,1	-19,1	-13,2%
Restructuring	93,7	0,6	0,7	>+200%	>+200%	96,1	5,0	91,1	>+200%
Other non recurrent items	4,3	3,2	-1,0	+31,9%	<-200%	10,3	0,5	9,8	>+200%
Depreciation, amortisation and impairment losses	155,7	130,2	136,4	+19,6%	+14,1%	584,7	475,7	108,9	+22,9%
EBIT (Operating Result)	-354,6	-182,6	3,6	-94,1%	<-200%	-964,8	47,2	-1.011,9	<-200%
EBIT margin	-162,0%	-93,6%	0,4%	n.m.	n.m.	-91,0%	1,4%	-92,4 p.p.	n.m.
Recurring EBIT ¹⁾	-256,6	-178,8	3,3	-43,4%	<-200%	-858,4	52,7	-911,1	<-200%
Recurring EBIT margin	-117,2%	-91,6%	0,4%	n.m.	n.m.	-81,0%	1,6%	-82,6 p.p.	n.m.
Interest and similar income	8,4	8,2	8,5	+2,1%	-0,7%	33,6	33,8	-0,3	-0,8%
Interests and similar expenses	-67,9	-58,7	-59,1	+15,6%	+14,9%	-245,8	-185,4	-60,4	+32,6%
Overhedge Costs	-22,4	-6,6	0,0	<-200%	n.m.	-165,3	0,0	-165,3	n.m.
Net currency exchange	122,5	97,6	73,3	25,6%	+67,1%	162,1	-21,3	183,4	>+200%
Earnings before taxes	-313,9	-142,2	26,3	-120,8%	<-200%	-1.180,2	-125,7	-1.054,5	<-200%
Income tax	-215,7	23,5	-11,1	<-200%	<-200%	-50,1	30,1	-80,1	<-200%
Net income/ (loss)	-529,6	-118,7	15,2	<-200%	<-200%	-1.230,3	-95,6	-1.134,6	<-200%
Recurring EBITDA ²⁾	-100,8	-48,7	139,7	-107,2%	<-200%	-273,7	528,4	-802,1	<-200%
Recurring EBITDA margin	-46,1%	-24,9%	+17,3%	n.m.	n.m.	-25,8%	+16,0%	-41,8 p.p.	n.m.

1) Recurring EBIT = Operating Result + Restructuring Costs + Non recurring items.

2) Recurring EBITDA = Operating Result + Restructuring Costs + Non recurring items + Depreciation, amortization and impairment losses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

TAP, S.A. Consolidated EUR million	31-Dec-20	31-Dec-19
Assets		
Non-current assets		
Tangible fixed assets	2 944.3	3 026.3
Investment Properties	1.5	2.1
Intangible assets	24.9	25.4
Investments in associates	0.2	0.2
Deferred tax assets	129.1	111.0
Other non current assets	24.3	16.7
Other receivables	92.2	116.3
	3 216.4	3 298.0
Current Assets		
Inventories	80.2	100.3
Clients and Other receivables	1 115.6	1 288.1
Income tax receivable	0.3	0.5
Other current assets	26.0	34.7
Other financial assets	-	4.9
Cash and cash equivalents	518.8	426.3
	1 740.7	1 854.8
Total Assets	4 957.1	5 152.8
EQUITY AND LIABILITIES		
Equity		
Share Capital	41.5	41.5
Supplementary contributions and other capital instruments	154.4	154.4
Legal reserves	8.3	8.3
Hedge reserves	(22.9)	16.4
Other reserves	(0.2)	(0.2)
Retained earnings	(105.0)	9.8
Group Net income/(loss)	(1 230.3)	(95.6)
Total equity	(1 154.3)	134.5
Non-current liabilities		
Provisions	109.0	77.8
Provisions for restructuring	93.2	-
Loans	596.0	957.9
Lease liabilities with purchase option	397.2	239.0
Lease liabilities without purchase option	1 611.4	1 852.0
Post-employment benefits obligations	109.6	96.4
Deferred tax liabilities	108.0	59.8
	3 024.4	3 282.9
Current Liabilities		
Loans	345.0	125.5
Loan from Portuguese Government	1 210.8	-
Lease liabilities with purchase option	41.3	35.9
Lease liabilities without purchase option	427.3	426.7
Suppliers and Other payables	386.5	571.7
Income tax payable	0.0	0.0
Liabilities from unused flight documents	602.0	480.8
Other current liabilities	74.0	94.8
	3 087.0	1 735.3
Total liabilities	6 111.4	5 018.3
Total equity and liabilities	4 957.1	5 152.8

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2020 AND 2019

TAP, S.A. Consolidated EUR million	2020	2019
OPERATING ACTIVITIES		
Receipts from customers	1.230,2	3.499,5
Payments to suppliers	-1.123,3	-2.510,3
Payments to employees	-437,9	-626,5
Payments of low value and short-term leases	-6,2	-7,4
Cash generated from operations	-337,2	355,3
Income tax (payment)/receipt	-0,3	0,3
Other receipts/payments relating to operating activities	24,6	-18,5
Cash flow from operating activities (1)	-312,9	337,1
INVESTMENT ACTIVITIES		
Receipts from:		
Other financial assets	16,5	133,1
Tangible fixed assets	1,0	23,3
Investment grants	0,8	0,0
Loans granted	842,0	824,7
Interested and similar income	34,6	33,3
	894,9	1.014,4
Payments relating to:		
Financial investments	-108,1	-150,4
Tangible fixed assets	-54,5	-132,5
Intangible assets	-7,9	-21,7
Loans granted	-889,5	-844,6
	-1.060,0	-1.149,1
Cash flow from investment activities (2)	-165,1	-134,7
FINANCING ACTIVITIES		
Receipts from:		
Borrowings	1.225,0	702,0
Lease liabilities with purchase option	16,3	77,0
	1.241,3	779,1
Payments relating to:		
Borrowings	-179,7	-249,8
Lease liabilities with purchase option	-35,7	-38,8
Lease liabilities without purchase option	-213,6	-296,7
Interests and similar costs	-62,0	-58,1
Interest elements of lease liabilities without purchase option	-32,4	-119,8
Fuel derivatives related to overhedge	-145,0	0,0
	-668,4	-763,3
Cash flow from financing activities (3)	572,9	15,8
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)	94,9	218,2
EFFECT OF CURRENCY EXCHANGE DIFFERENCES	-2,4	-5,3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	426,3	213,4
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	518,8	426,3

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.

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

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.

YoY: Year-on-year; meaning, the change from the same period of the previous year.

CAUTIONARY STATEMENT

This document was prepared by TAP and may be subject to change and/or complemented at any moment. All data included in the present document refers to the document date, and TAP has no obligation to update it.

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