TAP Air Portugal – a perfect fit for Lufthansa Group

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TAP Air Portugal | A perfect fit for the portfolio of Lufthansa Group

Established profitable airline enabling **immediate value creation**

Provides access to one of **Europe's most attractive growth economies**

Unique platform providing **immediate scale and exposure to South Atlantic growth**

Unique opportunity | TAP as one of the very few remaining European network carriers at scale

Profitable carrier with ~17% EBITDA[1] margin and ~6% EBIT[1] margin

Unique position as Western-most EU hub, allowing strong midpoint connectivity to South and North America

Diversified network across Europe, South America and North America

Strong position for traffic from Europe to Brazil with 26% market share

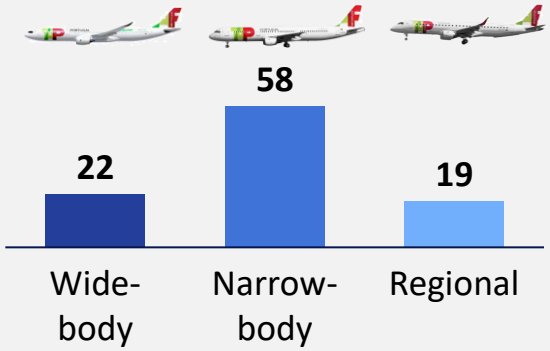
~46% seat share in Lisbon at a capacity-constrained hub

One of the youngest and most modern fleets in the world with <10 years avg. fleet age and >70 % next gen share

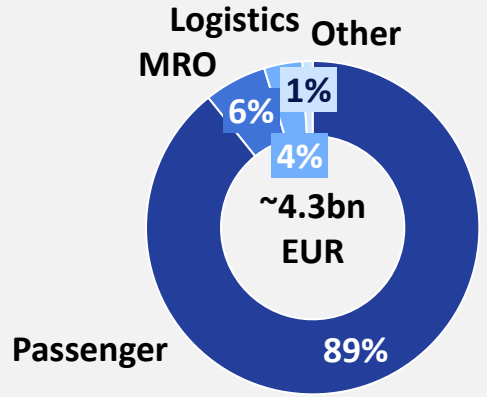
State of the art MRO facilities with strong footprint in particular in LEAP engines

Strong and local customer base with >9M loyalty members and 80+ partners

Current fleet[2]



Revenue breakdown[2]



Notes: (1) FY2025 recurring EBIT(DA) excl. restructuring and other non-recurring items | (2) Based on FY2025

Investment rationale | A scarce, highly complementary network carrier, extending Lufthansa Group's proven multi-hub model with clear value creation

1 **Complementary networks**	Step-change in scale at both ends of the Atlantic, especially in South America
2 **Strong hub addition**	LIS as advantaged hub with OPO as strategic secondary base
3 **Non-passenger airline growth**	Established MRO, cargo and loyalty capabilities extending the LHG platform
4 **Tangible value creation**	Up to 450m EUR run-rate net synergies across TAP and LHG, accretive to ROCE targets, and EPS accretive in the first full year after closing
5 **Strong partnership and governance**	Decade-long collaboration through Star Alliance entering a new chapter based on joint control and a robust governance framework

- **Continuation of a proven and disciplined consolidation playbook, extending the multi-hub / -brand model**
- **Intended path to majority expressed by Portuguese government**

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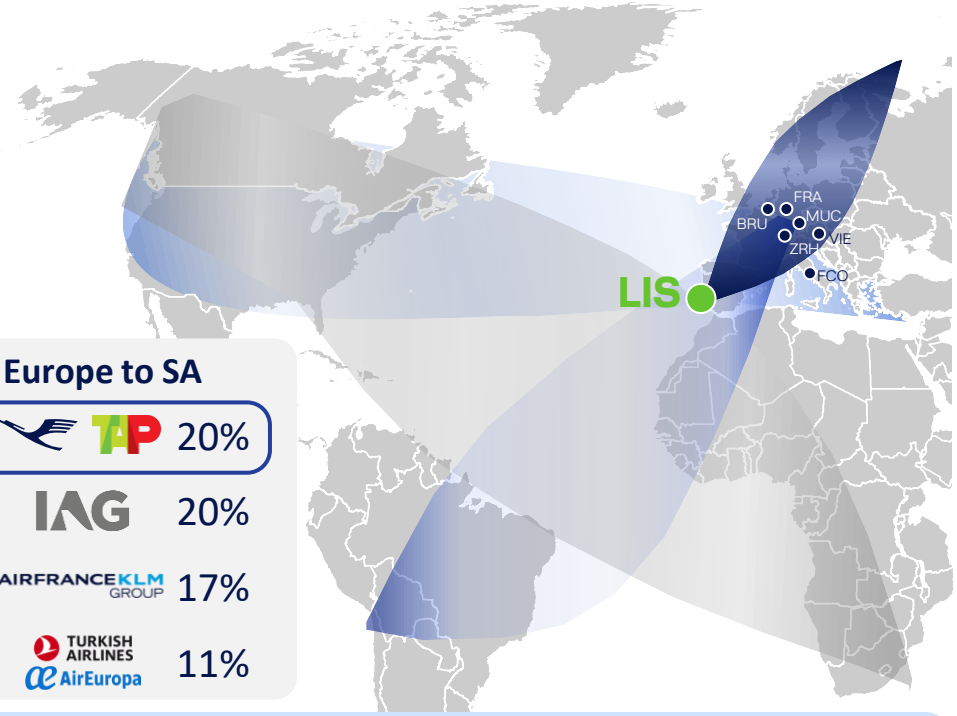
Complementary networks | Complementing Lufthansa Group's setup allows us to match competition on South Atlantic and Brazil routes



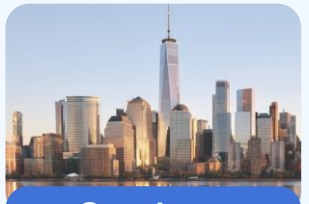
Europe to SA

1.	TAP	20%
1.	IAG	20%
3.	AIRFRANCE KLM GROUP	17%
4.	TURKISH AIRLINES / AirEuropa	11%

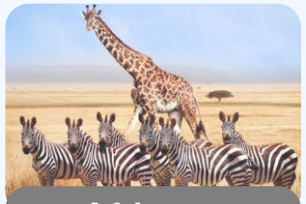
Lisbon hub has a complementary catchment & structurally different economics

Europe to Portugal

Europe to South America



Southern Europe to North America



Africa to North America

	Europe to Portugal	Europe to South America	Southern Europe to North America	Africa to North America
Total # of Passengers[1]	42m	20m	26m	7m
Market CAGR (2025-30')	2-3%	6%	7%	7%
Market shares today				
LH	7%	9%	12%	7%
TAP	21%	20%	17%	8%

Source: IATA DDS
Note: (1) Total bi-directional passengers (2025)

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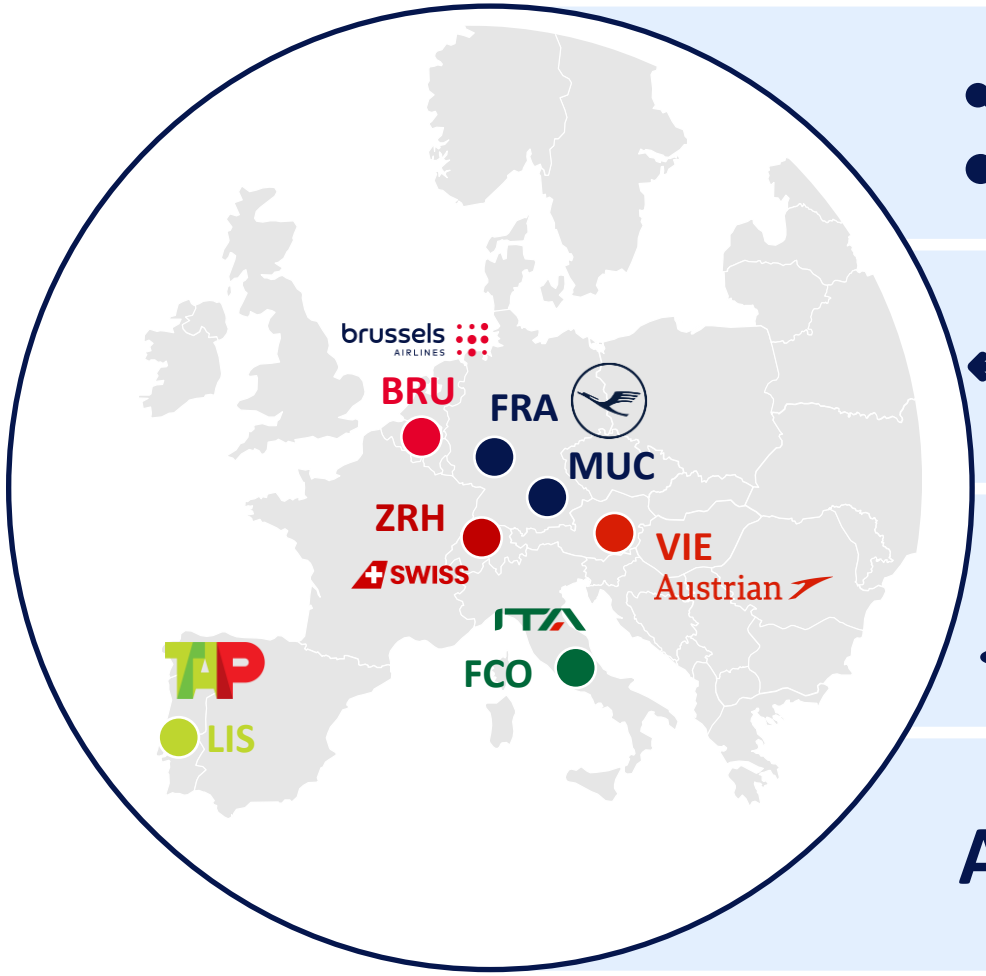
Strong hub addition | TAP opens unique markets for LHG‘s hub systems as number one operator for Brazil and South America



Optimised feeder flows across the Group network

- Integration of Lisbon into Lufthansa Group‘s multi-hub network
- Optimised passenger flows between Europe, Brazil and South America

Lisbon as the primary long-haul gateway

- Dedicated South Atlantic hub complementing existing Group hubs
- Strengthens network position across Brazil, Africa and the Americas

Porto as strategic secondary base with long-haul expansion

- Complementary base alongside Lisbon, supporting South Atlantic growth
- Strong, growing and profitable P2P long-haul demand to key regions

A++

TAP joins transatlantic joint venture with United and Air Canada

- Enabling coordinated schedules, pricing and joint offers on Europe-NA routes
- Strengthening TAP‘s traffic flows to North America

Non-passenger airline growth | Comprehensive strategic partnership leveraging the full breadth of the Lufthansa Group platform

Maintenance, repair and overhaul

Portugal as a leading European MRO hub established by TAP M&E and Lufthansa Technik

One of the **largest complementary MRO clusters** in Europe with **~3,000 employees**

~700 jobs and **300m EUR of investment** through new LHT facility in Santa Maria

Air Freight

Yield uplift on TAP cargo volume through access to LHG's cargo sales platform

Joint benefits from optimization of **TAP's belly freight capacity and management**

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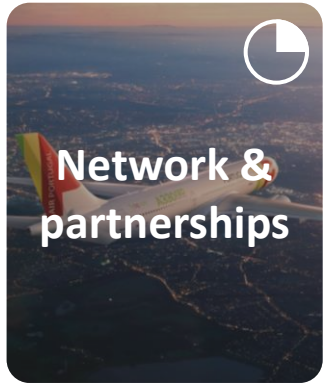
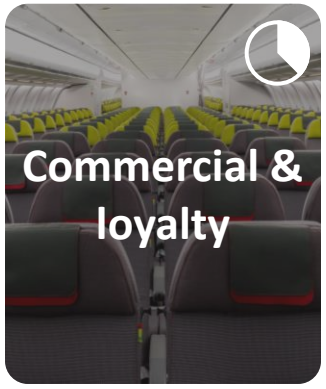
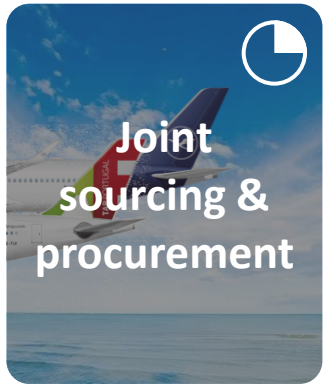
Tangible value creation | Up to 450m EUR run-rate net synergies and double-digit ROCE accelerating path to achieving LHG mid-term targets

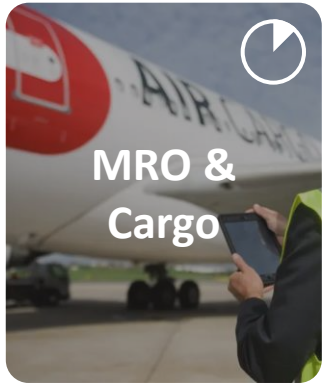
Up to 450m EUR

combined run-rate net synergies across four key categories









Tangible minority synergies incl. A++ with further upside in majority scenario

Financial impact on Lufthansa Group

- Investment in TAP **accounted** for using **equity method** in **Lufthansa Group's accounts**
- **Synergy potential already achievable in minority shareholder situation**
- **Fully funded** from **available cash-on-hand**, leaving LHG's liquidity within target corridor
- **Continued strong commitment to investment grade rating**
- **EPS accretive** in the **first full year after closing**
- **Double-digit ROCE accelerating** path to **achieving LHG mid-term targets**
- **Dividend step-up mechanism** to ensure an adequate participation in **value creation during minority**

8 ◯ = Indicative contribution to total synergies

Strong partnership & governance | Joint control of TAP with Lufthansa Group assuming a leading role in the day-to-day business

Governance structure

PARPÚBLICA PARTICIPAÇÕES PÚBLICAS (SGPS), S.A.
50.1% of shares

TAP

LUFTHANSA GROUP
Up to 49.9% of shares[1]

Joint control as principle via qualified majority

Board of Directors

Majority
appointed by the Portuguese State

Minority
appointed by LHG

Executive Committee

Operational leadership of TAP, including **CEO appointment right** for LHG

- **Governance model enables expected value creation from investment**
- **Well-balanced agreed financial policy securing capital return to Lufthansa Group**

Note: (1) Stake may increase to up to 49.9% to the extent the 5% tranche reserved for TAP employees is not fully subscribed, with unsubscribed shares to be acquired by Lufthansa Group at the same price per share

Summary of key transaction terms | Disciplined valuation, fully funded from cash-on-hand preserving full financial flexibility of Lufthansa Group

	Acquisition of up to a 49.9% stake in TAP	Envisaged path to acquire the remaining 50.1% of TAP
Headline price	• Acquisition of **44.9% stake in TAP** for a **purchase price of 1,025m EUR** • **Locked box concept** based on **2025 closing accounts, 1.5% p.a. ticking fee**	Acquisition of **50.1% stake in TAP** for a proposed **purchase price of 1,300m EUR**
Valuation and dividends	• **Valuation incl. synergies in-line** with average **EU FSNC EV/EBITDA current trading multiple** • **Dividend step-up** in minority scenario, up to 75%	**Potential stock consideration** resulting in up to 5% shareholding in Lufthansa Group by the Portuguese government
Unsubscribed employee shares	• **Stake may increase by up to 5.0%** through **unsubscribed employee offer shares** • **Unsubscribed shares** to be acquired **at the same price per share**	**Further incremental synergies in majority ownership scenario**
Financing	• **Consideration paid in cash** at closing and is fully **financed from available cash-on-hand** • **No impact** on Lufthansa Group's **financial flexibility**	**Overall deal economics and valuation metrics in** line with minority investment
Timeline	• **Transaction expected to be signed shortly** • **Transaction expected to close in H1-2028** subject to customary closing conditions	**Sale of majority stake subject to separate process**, expected to be **initiated shortly**

Notes: FSNC = Full-Service Network Carrier

Disclaimer: Completion of the transaction remains subject to finalizing the transaction documents and approval by the relevant authorities

Key takeaways | Minority investment in TAP ‘ticks all the boxes’ to further strengthen Lufthansa Group’s position as Europe’s leading airline group

- Strong industrial logic with **step-change in South America footprint**
- Access to **attractive LIS hub to further drive multi-hub strategy**
- Opportunity to **leverage the full breadth of the LHG platform**
- **Attractive return profile** supported by synergies
- **Joint control and extensive minority protections** safeguarding LHG’s investment

Value accretive next step in our consolidation journey with a tangible path to majority