transat

Results for third quarter 2021

Operations resumed July 30

Net cash burn better than earlier projections attributable to increased bookings and our continuing effective cost controls

INVESTOR'S PRESENTATION
SEPTEMBER 2021

Caution regarding forward-looking statements

This presentation contains certain forward-looking statements with respect to the Corporation, including those regarding its results, its financial position, the impacts of the coronavirus [“COVID-19”] pandemic, its outlook for the future and planned measures, including in particular the gradual resumption of certain flights and actions to improve its cash flow. These forward-looking statements are identified by the use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “will,” “would,” the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements.

As at July 31, 2021, there exists material uncertainty that may cast significant doubt on the Corporation’s ability to continue as a going concern. The Financial position, liquidity and capital resources section of the MD&A and note 2 to the interim condensed consolidated financial statements contain more detail on this issue..

The global air transportation and tourism industry has faced a collapse in traffic and demand. Travel restrictions, uncertainty about when borders will reopen fully, both in Canada and at certain destinations the Corporation flies to, the imposition of quarantine measures and vaccination and testing requirements both in Canada and other countries, as well as concerns related to the pandemic and its economic impacts are creating significant demand uncertainty, at least for fiscal 2021. For the first half of winter 2021, the Corporation rolled out a reduced winter program. On January 29, 2021, following the Canadian government’s request to not travel to Mexico and the Caribbean, and the introduction of new quarantine measures and COVID-19 testing requirements, the Corporation announced the complete suspension of all its regular flights and the repatriation of its clients to Canada. Starting July 30, 2021, the Corporation partially resumed its operations and gradually rolled out a reduced summer program. The Corporation cannot predict all the impacts of COVID-19 on its operations and results, or precisely when the situation will improve. The Corporation has implemented a series of operational, commercial and financial measures, including new financing and cost reduction measures, aimed at preserving its cash. The Corporation is monitoring the situation daily to adjust these measures as it evolves. However, until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results. While progress on vaccination and the lifting of certain restrictions have made it possible to resume operations at a certain level during 2021, the Corporation does not expect such level to reach the pre-pandemic level before 2023.

The forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, real or perceived terrorism, outbreaks of epidemics or disease, consumer preferences and consumer habits, consumers’ perceptions of the safety of destination services and aviation safety, demographic trends, disruptions to the air traffic control system, the cost of protective, safety and environmental measures, competition, the Corporation’s ability to maintain and grow its reputation and brand, the availability of funding in the future, fluctuations in fuel prices and exchange rates and interest rates, the Corporation’s dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, changes in legislation, unfavourable regulatory developments or procedures, pending litigation and third party lawsuits, the ability to reduce operating costs, the Corporation’s ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of the MD&A included in our 2020 Annual Report.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation’s forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The forward-looking statements in this presentation are based on a number of assumptions relating to economic and market conditions as well as the Corporation’s operations, financial position and transactions. Examples of such forward-looking statements include, but are not limited to, statements concerning:

The outlook whereby until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results.
The outlook whereby, subject to going concern uncertainty as discussed in the Basis of Preparation and Going Concern Uncertainty section in this MD&A and note 2 to the interim condensed consolidated financial statements, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and its borrowing capacity.

In making these statements, the Corporation has assumed, among other things, that travel and border restrictions imposed by government authorities will be relaxed to allow for a resumption of operations of the type and scale expected, that the standards and measures imposed by government and airport authorities to ensure the health and safety of personnel and travellers will be consistent with those announced or currently anticipated, that travellers will continue to travel despite the new health measures and other constraints imposed as a result of the pandemic, that credit facilities and other terms of credit extended by its business partners will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this presentation.

The Corporation considers that the assumptions on which these forward-looking statements are based are reasonable.

These statements reflect current expectations regarding future events and operating performance, speak only as of the date this presentation is issued, and represent the Corporation’s expectations as of that date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

Non-IFRS financial measures

This presentation was prepared using results and financial information determined under IFRS. In addition to IFRS financial measures, management uses non-IFRS measures to assess the Corporation's operational performance. It is likely that the non-IFRS financial measures used by the Corporation will not be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions. The measures used by the Corporation are intended to provide additional information and should not be considered in isolation or as a substitute for IFRS financial performance measures.

Generally, a non-IFRS financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures are important as they provide users of our consolidated financial statements with a better understanding of the results of our recurring operations and their related trends, while increasing transparency and clarity into our operating results. Management also believes these measures to be useful in assessing the Corporation's capacity to fulfil its financial obligations.

By excluding from our results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect our operating performance for the period, such as the change in fair value of fuel-related derivatives and other derivatives, gain (loss) on business disposals, restructuring charges, asset impairment, depreciation and amortization, foreign exchange gains (losses) and other significant unusual items, and by including premiums for fuel-related derivatives and other derivatives matured during the period, we believe this presentation helps users to better analyze our results, as well as our ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

See the Non-IFRS financial measures slide in Appendix for more information

Table of contents

1

Key Highlights

Key highlights of the quarter

Resumption of operations

- On July 30, 2021, the Corporation partially resumed its operations and gradually rolled out a reduced summer program.

Changes In leadership

- On May 26, 2021, Jean-Marc Eustache stepped down from his role as President and Chief Executive Officer and handed over the leadership of the Corporation to Annick Guérard. Ms. Guérard who rose through the ranks and has served as Chief Operating Officer since November 2017 and, in that capacity, has spearheaded the Corporation 2022-2026 strategic plan
  - Mrs. Guérard also joined the Board of Directors which is now chaired by Mr. Raymond Bachand, the Lead Director of the Corporation
- On May 31, 2021, Daniel Godbout, Senior Vice-President and Advisor to the President, informed the Corporation that he would be retiring. Mr. Godbout will not be replaced in his functions.
- On June 23, 2021, the Corporation announced the departure of Denis Pétrin, Vice-President, Finance and Administration, and Chief Financial Officer. Mr. Pétrin left his functions on July 9 and was temporarily replaced by Jacques Simoneau, member of the Board of Directors of Transat, who will serve in an interim role until the recruitment process for Mr. Pétrin's successor is completed.
- As a result of the Corporation's announcement to cease the hotel activity, Jordi Solé's employment agreement was terminated on August 31, 2021.
- On November 9, 2018, the Corporation had announced the departure of Jean-François Lemay, President of Air Transat, when effective once the Corporation had found his successor. Given the circumstances related to the proposed Air Canada transaction, as well as the COVID-19 pandemic, Mr. Lemay and the Corporation have mutually agreed to postpone the planned departure. To ensure identifying a qualified successor and a smooth transition, Mr. Lemay's departure has been postponed until July 31, 2022.
- In addition, two new members have joined the Corporation's management committee: Ms. Michèle Barre, Vice-President, Network, Revenue Management and Pricing, and Mr. Joseph Adamo, President, Transat Distribution Canada and Chief Sales and Marketing Officer.

Funding of $700 million from the Government of Canada concluded on April 29 **(more details are shown on p.9)**

Acquisition of the remaining 30% minority interest in the incoming tour operator (Trafictours and its subsidiaries)

- The minority shareholder had the option to require Transat to purchase its minority interest since 2019 at price based on a pre-determined formula
- On May 31, 2021, following a mutual agreement between the two parties, the purchase price was set a $24.5 million which is lower than the book value of $34.9 million as at April 30, 2021. This cash outflow was included in our funding package from the Government of Canada (LEEFF)

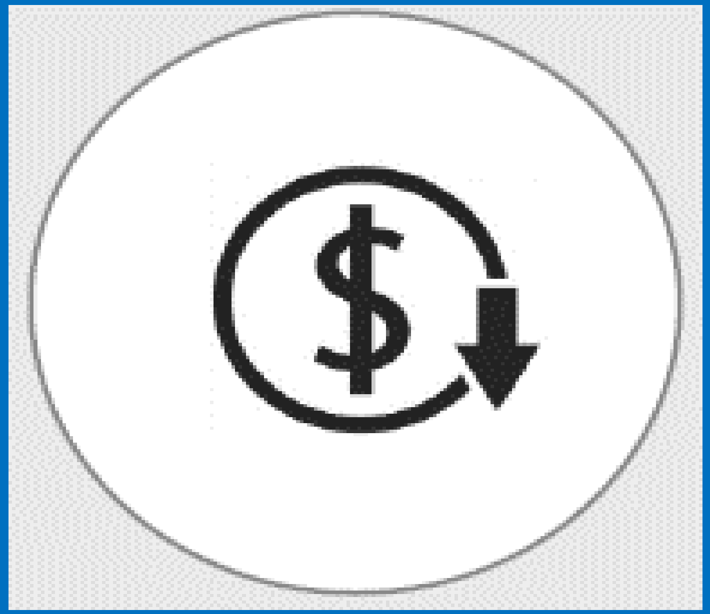
End of discussions for the acquisition of the Corporation

- On April 7, 2021, Mr. Péladeau delivered to the Corporation a non-binding proposal contemplating a transaction pursuant to which Gestion MTRHP inc. would acquire all of the shares of Transat for a consideration of $5.00 per share, payable in cash. On June 21, 2021, the Corporation announced that the ongoing discussions with Pierre Karl Péladeau concerning the potential acquisition of all of the shares of the Corporation through his company Gestion MTRHP inc. had ended

2 Sustainability of the Corporation

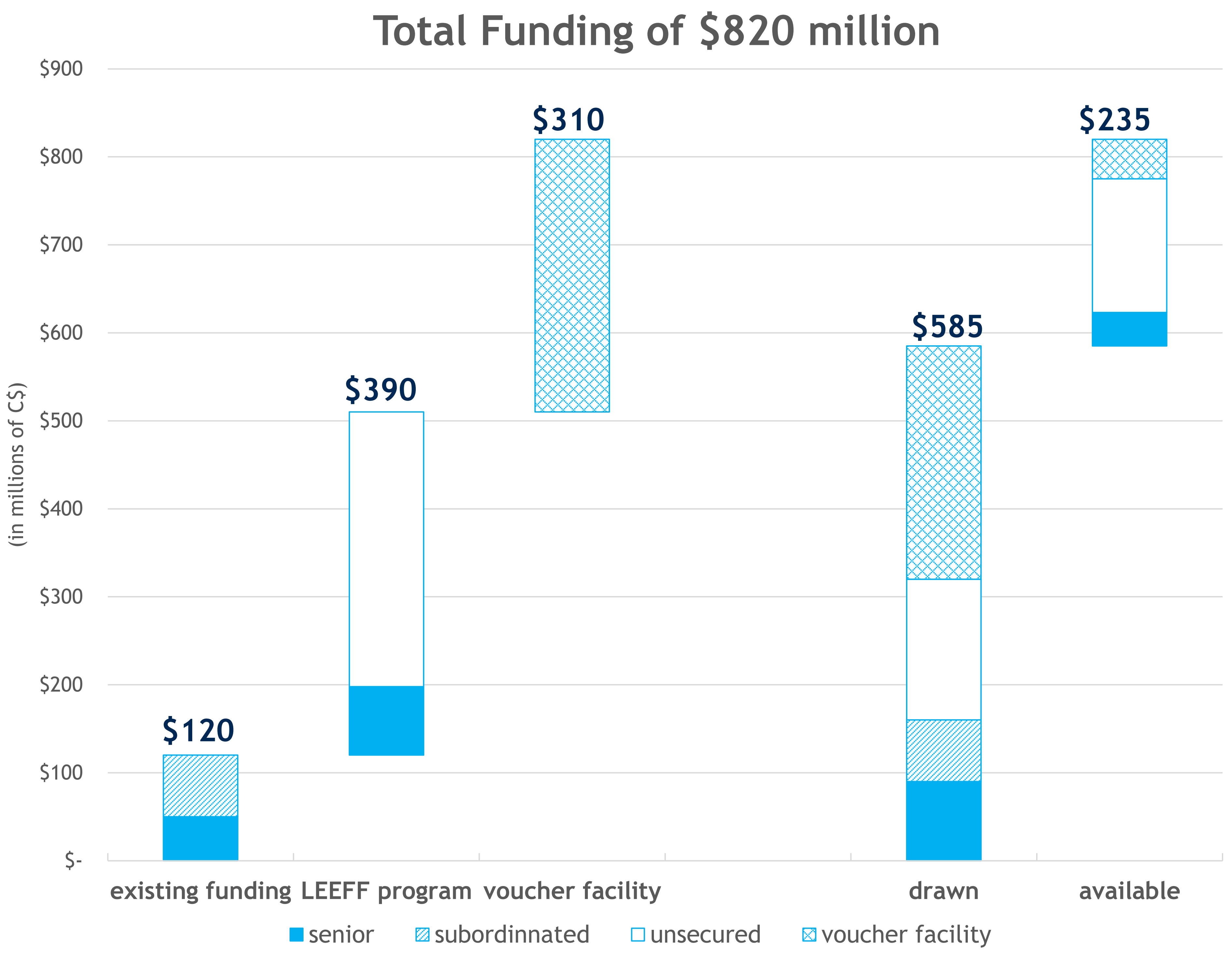
Cost reduction measures taken to preserve liquidity

INITIATIVES RELATED
TO OPERATIONS, FLEET AND WORKFORCE



- The Corporation entered into an agreement with the Government of Canada that allows it to borrow up to $700 million in additional liquidity through the Large Employer Emergency Financing Facility ["LEEFF"]
  - In total, the available financing therefore represents a maximum of $820.0 million, of which $585 million was drawn as at July 31, 2021 which $265 million was used to repay travellers
- The Corporation accelerated the expected retirement of its Boeing 737 fleet and some of its Airbus A330s to expedite the **transformation of its fleet** and make it more uniform and more adaptable to the post-COVID-19 market *(see new fleet on p. 18)*
  - During the first quarter of 2021, two Airbus A330 and one Boeing 737-800 have been returned early to lessors
- The Corporation **continuously adjusts its flight schedule** to take into account the evolution of the pandemic (border restrictions and requirements in Canada and elsewhere)
  - July 30, 2021, the Corporation partially resumed its operations and gradually rolled out a reduced summer program.
- The Corporation is continuously negotiating with its suppliers, including aircraft lessors to benefit from cost reductions and changes in payment terms, and is continuing to implement measures to reduce expenses and investments.
- The Corporation is continuing to benefit from the Canada Emergency Wage Subsidy [“CEWS”] for its Canadian workforce which enables it to:
  - Finance a portion of the salaries of its workforce still at work until August 28, 2021, and;
  - Propose employees temporarily laid off to receive a part of their salary equivalent to the amount of the grant received, with no work required.

Existing and additional funding



Transat secured <u>$700 million</u> from the Government of Canada:

- An amount of **<u>$390 million</u>**, representing the liquidity needed to **<u>support Transat until its business has recovered</u>** to a level where it can generate cash once again, broken down as follows:
  - An amount of $78 million in the form of a non-revolving and secured credit facility bearing interest at CDOR (Canadian Dollar Offered Rate) plus 4.5% and maturing in 2 years; the facility is secured by a first-ranking charge on the assets of Transat A.T. Inc.
  - A $312 million non-revolving and unsecured credit facility with a 5-year maturity, loaned at a rate of 5% in the first year, increasing to 8% in the second year, and by 2% per annum thereafter, with the possibility of capitalization of interest in the first two years, yet backed by the issuance of 13 million warrants at a strike price of $4.50 maturing in 10 years [(1)].
  - The warrants are to vest in proportion to the drawings that will be made, and 50% would be forfeited if the loan were to be repaid in full in the first year (refer to the press release of April 29 for more details)
  - In connection with the establishment of these credit facilities, Transat has made certain commitments, including restrictions on dividends, stock repurchases and executive compensation and maintaining active employment at the level of April 28, 2021.
- An amount of **<u>$310 million</u>** consisting of an unsecured credit facility to **<u>provide reimbursement to travellers</u>** who were scheduled to travel on or after February 1, 2020, for whom a travel credit was issued as a result of COVID-19. This amount is repayable over a 7-year term and is loaned at the current 7-year Canada Bond rate of 1.22%.
- **<u>$585 million drawn</u>** on our credit facilities on a total available of $820 million

[(1)] The number of shares issuable upon exercise of the warrants may not exceed 25% of the current number of issued and outstanding shares, nor may it result in the holder owning 20% or more of the outstanding shares upon exercise of the warrants. In the event of an exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

3

Financial Results and Position

Most recent financial results

(in millions of C$, except per share amounts)	Quarter ended July 31			Nine-month period ended July 31		
	2021	2020	Change	2021	2020	Change
Revenues	**12.5**	**9.5**	**3.0**	**62.0**	**1,273.6**	**(1,211.6)**
Adjusted EBITDA [(1)]	(50.9)	(79.9)	29.0	(155.5)	(31.4)	(124.1)
Adjusted EBT [(1)]	(115.4)	(140.6)	25.2	(327.4)	(204.9)	(122.5)
Adjusted net income (loss) [(1)]	**(115.6)**	**(139.8)**	**24.2**	**(328.0)**	**(198.9)**	**(129.1)**
Per share	*($3.06)*	*($3.70)*	*($0.64)*	*($8.69)*	*($5.27)*	*($3.42)*
Net income (loss) attributable to shareholders	**(138.1)**	**(45.1)**	**(93.0)**	**(268.2)**	**(258.5)**	**(9.7)**
Cash flow supplementary information's						
Cash flow from operating activities	(283.3)	(145.4)	(137.9)	(490.2)	77.4	(567.6)
Cash flow from investing activities	13.1	(1.8)	14.9	6.1	(68.0)	74.1
Repayment of lease liabilities	(12.1)	(10.0)	(2.1)	(43.7)	(48.9)	5.2
Free cash flow [(1)]	**(282.3)**	**(157.2)**	**(125.1)**	**(527.8)**	**(39.5)**	**(488.3)**

Highlights of the third quarter

- Due to the global COVID-19 pandemic, the Corporation suspended its airline operations on January 29, 2021, at the request of the Government of Canada for the second time since March 2020, until their partial resumption on July 30, 2021.
- Revenues are coming mostly from our subsidiary Trafictours (incoming tour operator in Mexico and Caribbean)
- Transat reported an adjusted operating loss of $50.9 million compared with $79.9 million in 2020, an improvement of $29.0 million.
  - Improvement in the adjusted operating loss were due to the settlement of fuel derivative contracts in the third quarter of 2020.

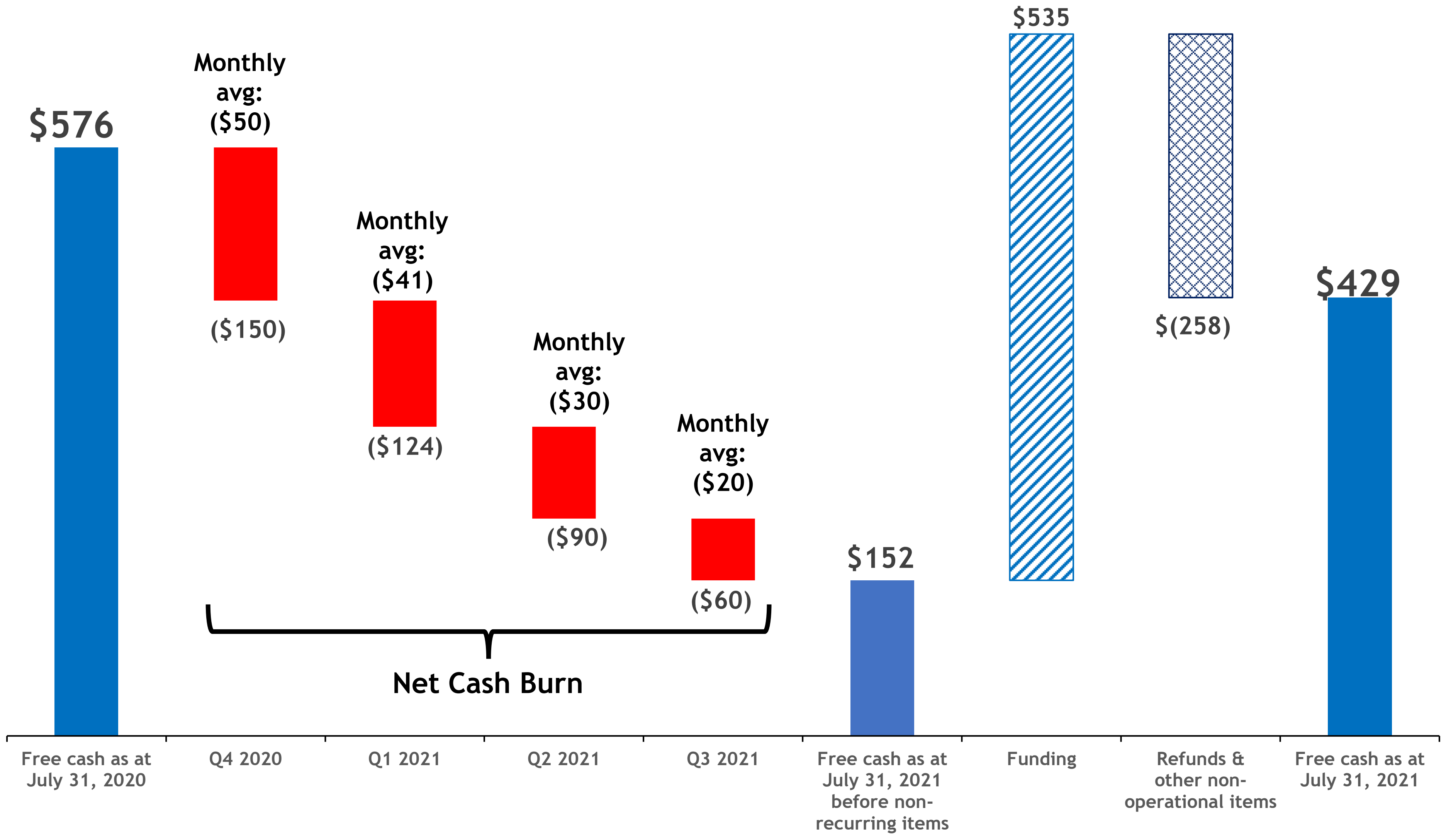
Highlights of the nine-month period

- For the first half of Winter 2021, demand was very weak, and the Corporation's capacity represented a fraction of the 2020 level.
- Net loss attributable to shareholders amounted to $268.2 million compared with $258.5 million for the corresponding nine-month period of last year. Excluding non-operating items, the adjusted net loss was $328.0 million compared with $198.9 million in 2020
- Impact of non-operating items on 2021 results (mainly non-cash)
  - Change in fair value of derivatives: $10.7 million (no outstanding derivatives as at July 31 compared to Oct 31, 2020)
  - Favourable foreign exchange effect on lease liabilities (aircraft): $46.7 million (USD/CAD of 1.25 vs. 1.33 in Oct 31, 2020)
  - Revaluation of liability related to warrants: -$10.2 million (share price of $5.80 in July 31 vs. $4.88 in April 30)
  - Gain on asset disposals (early termination of aircraft): $19.8 million
  - Special items (impairment of prepaid expenses due to voucher refunds net of items related to AC transaction): -$7.3 million

(1) Refer to Non-IFRS Financial Measures in the Appendix

Current financial position

Cash Burn Evolution



	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Current ratio (1)	0.93	0.84	0.77	0.85	1.27
Customers deposit coverage ratio (2)	134%	111%	96%	106%	211%

(1) Current ratio = current assets / current liabilities
(2) Customer deposits coverage ratio = Total ST cash / Customer deposits and deferred revenue

Third Quarter Net Cash Burn of $60 million which correspond to a monthly average of $20 million compared to $30 million in previous quarter

- **Cash flow from operating activities: -$48.5M adjusted for non-recurring items** (-$283.3M per financial statement)
  - **Net fixed costs of -$52.8M** (Salaries net of wage subsidy, airline costs, G&A and net interest expenses
  - **Net change in working capital items of +$4.4M** adjusted for non-recurring items such as voucher refunds, professional fees (M&A transaction), reduction in LT pension funds liability following the departure of Jean-Marc Eustache
- **Cash flow from investing activities: -$0.3M adjusted for non-recurring items** (+$13.1M per financial statement)
  - Reduced capital expenditures program to -$0.3M
  - Net cash burn excludes buyback of Trafictours put option and decrease in LT cash in trust to pay LT pension funds liability
- **Cash flow from financing activities: -$12.1M adjusted for non-recurring items** (-$353.0M per financial statement)
  - Reduction in lease liabilities (aircraft and real estate) of -$12.1M which represent 30% of normal quarterly payment
  - Net cash burn excludes drawdown on LEEFF and Refunds Facility

Similar cash burn is expected for the next quarter

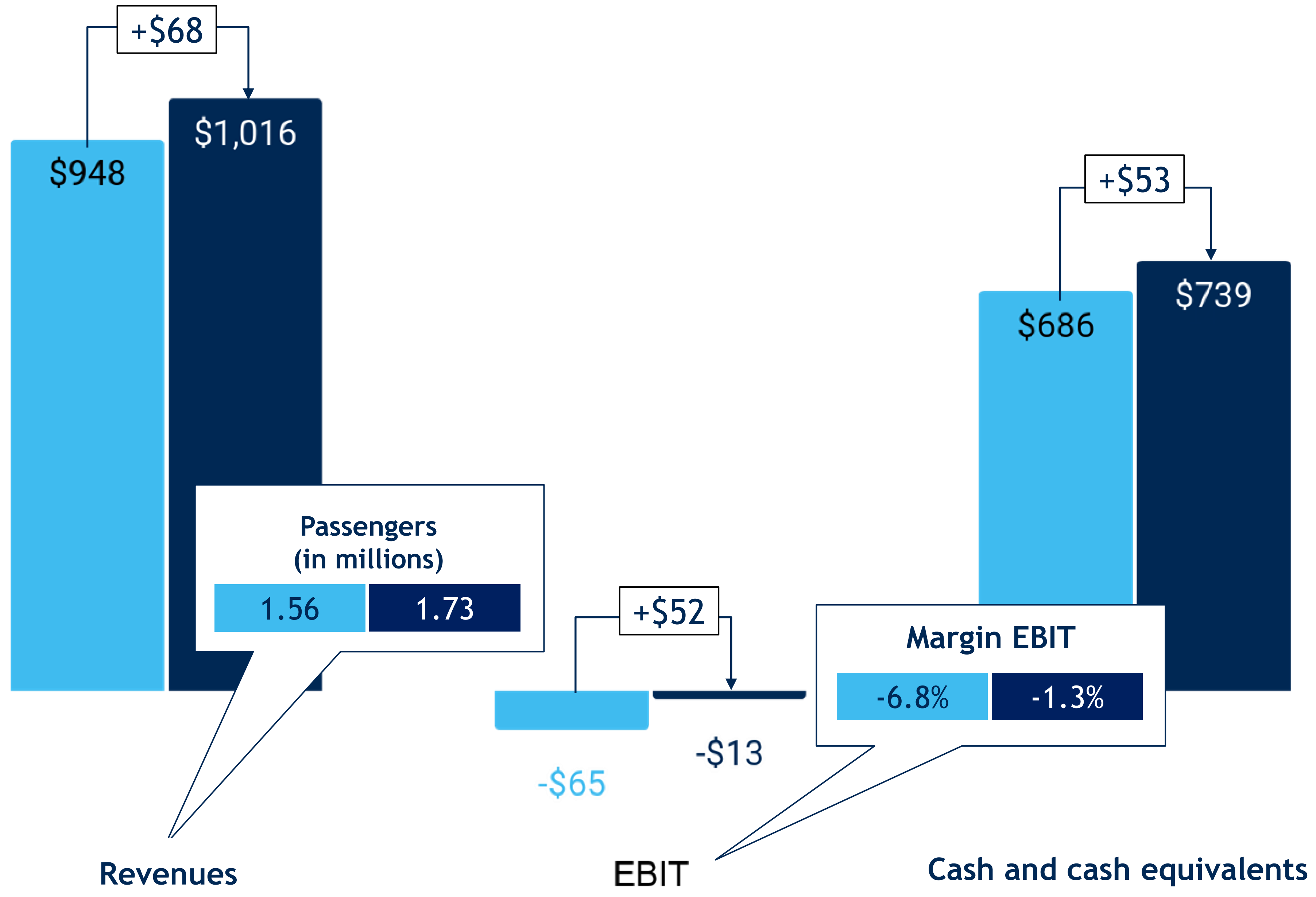
- **Customer refunds and related financing:**
  - The Corporation had received requests for about 90% of the amount of credits issued and made refunds for more than 80% of amounts claimed
  - The Corporation expects to draw all the $310M voucher facility at its disposal.
  - The drawdown on both credit facility from Government of Canada greatly enhance both the **current ratio** and the **customer deposit ratio.**
  - Considering that the customers had until August 26 to submit their refund requests and the Corporation has until November 30 to process these, the financing activities will decrease accordingly

4

Strategic Plan

Pre-COVID financial overview

Comparative results 2019 and 2020 (in millions $CAD)



November to February 2019 | November to February 2020

$CAD millions unless otherwise indicated

Note 1 : Excludes non-recurring expenses
Note 2: Excludes impact of MTM on derivative producs

Observations

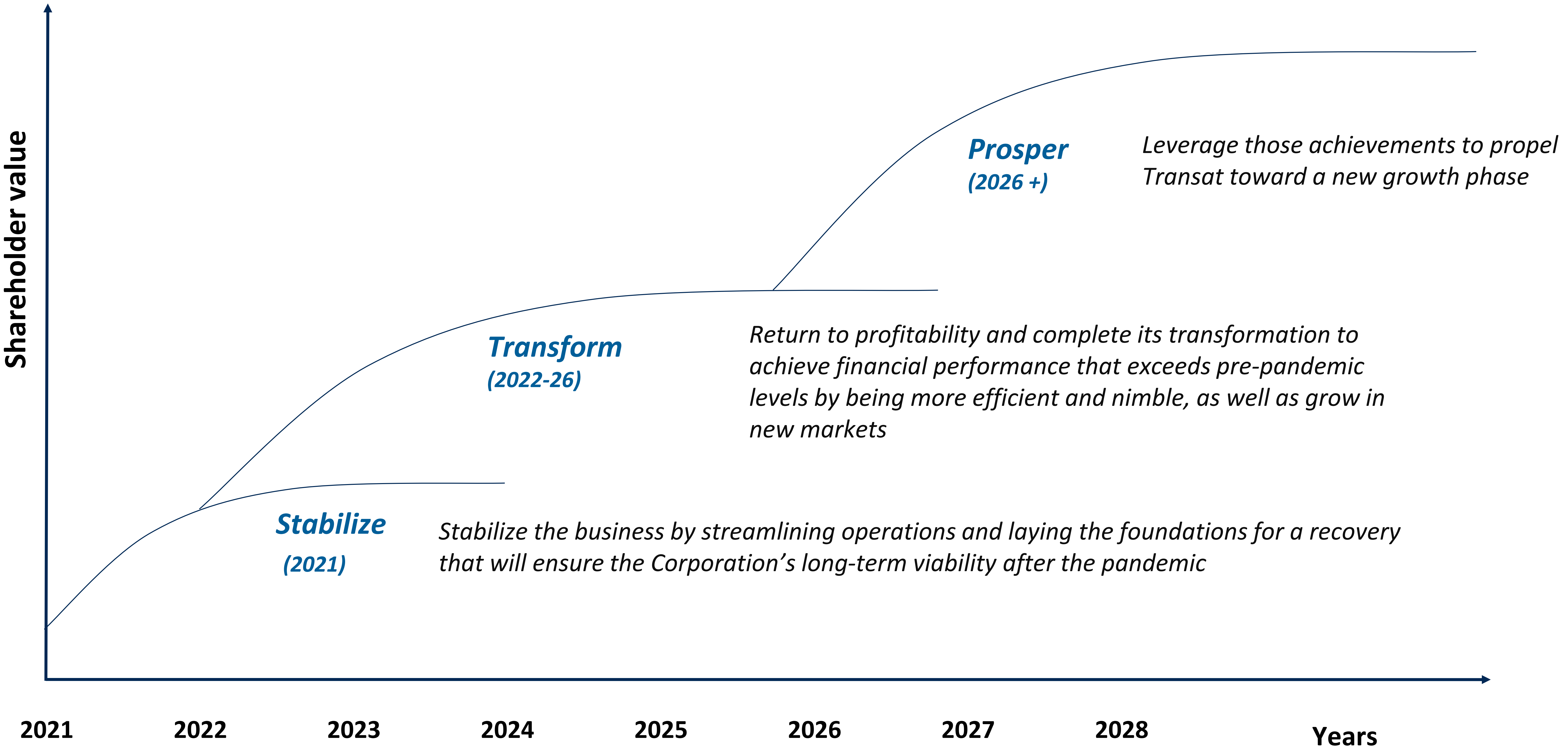
Strategic improvements implemented :

- **Seasonal fleet reduction** (13 aircraft in 2020 vs 22 in 2019)
- **12% increase aircraft utilization** (vs 2019)

Resulted in an important operational efficiency gain :

- **9% increase in seats offered** notwithstanding a decrease in the number of aircraft (48 aircraft vs 55 in winter 2019)
- **7% decrease in unit costs** (CASM) vs 2019

Growing in three steps



Implementing changes and building on our strengths

1

Flattened organzational structures (automation and digitization of business processes)

Renegociation of certain number of commitments (aircraft, real estate footprint, …)

Refocusing on principal activities (discontinued hotel operations)

2

Redefined the network through:

- *Implementation of strategic alliances;*
- *Heightened offer from Eastern Canada (more precisely in Montreal) and;*
- *Heightened offer during the low season to better support fixed costs*

3

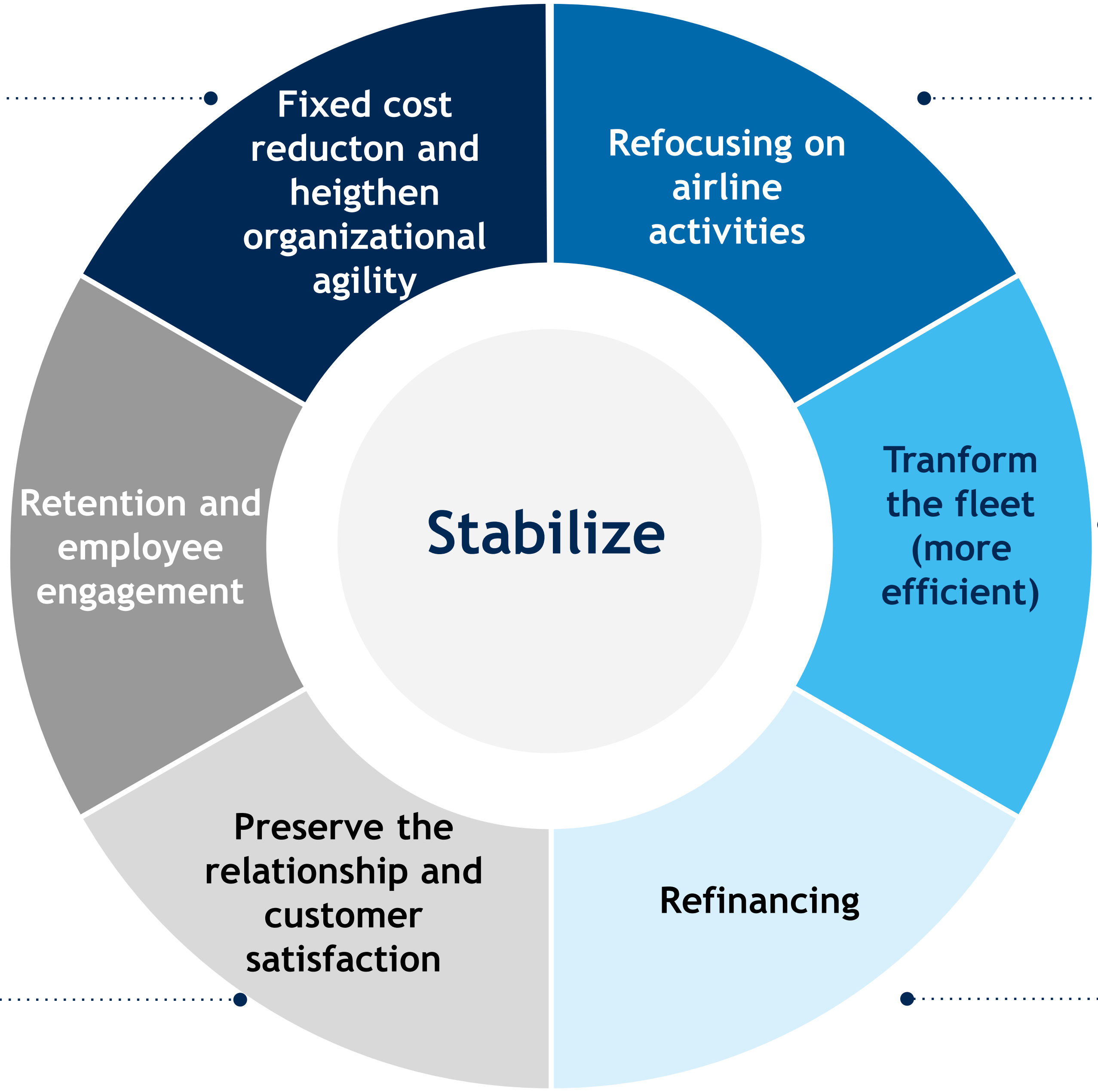
Simplification and rejuvenation of the fleet (moving from 4 incompatible aircraft models to 2 complementary models (pilots and training)

Integration of A321neoLR (higher performing aircraft which is fully adapted to our two core markets and help to increase the aircraft utilization)

Improve revenue management practices to optimize RASM

4

Optimization of our capital structure for the sustainability of the Corporation and to support our strategic plan



5

Communicate proactively by leveraging our leisure travel brand reputation and customer trust during the recovery period (Offer a health and safety travel experience)

6

Maintain the engagement and employee satisfaction during the recovery period

Appendix

Resizing of the fleet

	Type of aircraft	Capacity (seats)	PRE-COVID Summer 2019	PRE-COVID Winter 2020	CURRENT Winter 2021	CURRENT Summer 2021	OBJECTIVES DUE TO COVID-19
LONG-HAUL	A330-200/300	332-375 seats	20	20	15	15	2 aircraft matured at the end of the FY2020 and 3 early terminations signed at the end of summer 2020; On-going efforts to reduce this number further
LONG-HAUL	A310	250 seats	6	3	-	-	Permanent withdrawn from the fleet (aircraft owned)
LONG-HAUL	A321neoLR	199 eats	2	3	7	10	7 outstanding aircraft to be delivered until 2023
LONG-HAUL	**Subtotal**		**28**	**26**	**22**	**25**	
MEDIUM-HAUL	B737 (permanent)	189 seats	5	5	1	1	4 early terminations and on-going negotiations to terminate the last one
MEDIUM-HAUL	B737 (seasonal)	136-189 seats	2	5	-	-	No short-term contract planned
MEDIUM-HAUL	A321neo/ceo (permanent)	190 seats	4	4	4	7	
MEDIUM-HAUL	A321neo/ceo (seasonal)	190 seats	0	8	3	-	No short-term contract planned
MEDIUM-HAUL	**Subtotal**		**11**	**22**	**8**	**8**	
	TOTAL FLEET		**39**	**48**	**30**	**33**	

Overview of the fleet that the Corporation has but not in operation as it gradually resumed its operations on July 30 following 6 months of complete shutdown

Non-IFRS financial measures

The non-IFRS measures used by the Corporation are as follows:

- **Adjusted EBITDA (adjusted operating income (loss)):** Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the aforementioned items to ensure better comparability of financial results.

- **Adjusted EBT (adjusted pre-tax income (loss)):** Income (loss) before income tax expense before change in fair value of fuel-related derivatives and other derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, lump-sum payments related to collective agreements, asset impairment, foreign exchange gain (loss) and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results.

- **Adjusted net income (loss):** Net income (loss) attributable to shareholders before net income (loss) from discontinued operations, change in fair value of fuel-related derivatives and other derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, lump-sum payments related to collective agreements, asset impairment, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted net income (loss) is also used in calculating the variable compensation of employees and senior executives.

- **Adjusted net income (loss) per share:** Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.

- **Free cash flow:** Cash flow from operating activities minus Cash flow from investing activities and Repayment of lease liabilities

Note: The reconciliations between IFRS financial measures and non-IFRS financial measures are available in our Third Quarter Report 2021 and Annual Report 2020 by clicking on the following links : Third Quarter Report 2021 and Annual Report 2020

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WE WOULD LIKE TO THANK OUR EMPLOYEES, CUSTOMERS, INVESTORS AND FINANCIAL PARTNERS