transat

Investor Presentation

Results for quarter ended April 30, 2022

Recovery confirmed with a sharp increase in volume

JUNE 9, 2022

Ticker: TRZ/CN

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 flows and its outlook for booking trends, capacity, aircraft utilization and improvement of profitability. 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 April 30, 2022, a material uncertainty exists that may cast significant doubt on the Corporation’s ability to continue as a going concern. The MD&A's Section 7. Financial position, liquidity and capital resources 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, 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 some demand uncertainty, at least for fiscal 2022. For the 2022 winter season, the Corporation rolled out a reduced winter program that had to be adjusted following the emergence of the Omicron variant and new restrictive measures implemented by Canada and other countries. The Corporation cannot predict all the impacts of COVID-19 on its operations and results, the pace at which the situation will improve or precisely when conditions will become normal again. Since the beginning of the pandemic, the Corporation 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 2022, 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 2021 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 the Corporation anticipates operating at certain capacity levels based on expected booking trends
- The outlook whereby, subject to going concern uncertainty as discussed in Section 7. Financial position, liquidity and capital resources of the MD&A and Note 2 to the interim condensed consolidated financial statements, we believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

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

We report our financial results in accordance with IFRS. This presentation was prepared using results and financial information determined under IFRS. In addition to IFRS financial measures, this presentation also contains non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures used by management to assess the Corporation's operational performance including adjusted operating loss, adjusted net loss, adjusted loss per share, total net debt, net cash burn, current ratio, free cash flow and unrestricted liquidity. These measures do not have a standardized meaning under IFRS. 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 including a description of such measures and a reconciliation to the most directly comparable IFRS measures.

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Transat’s Recent Journey

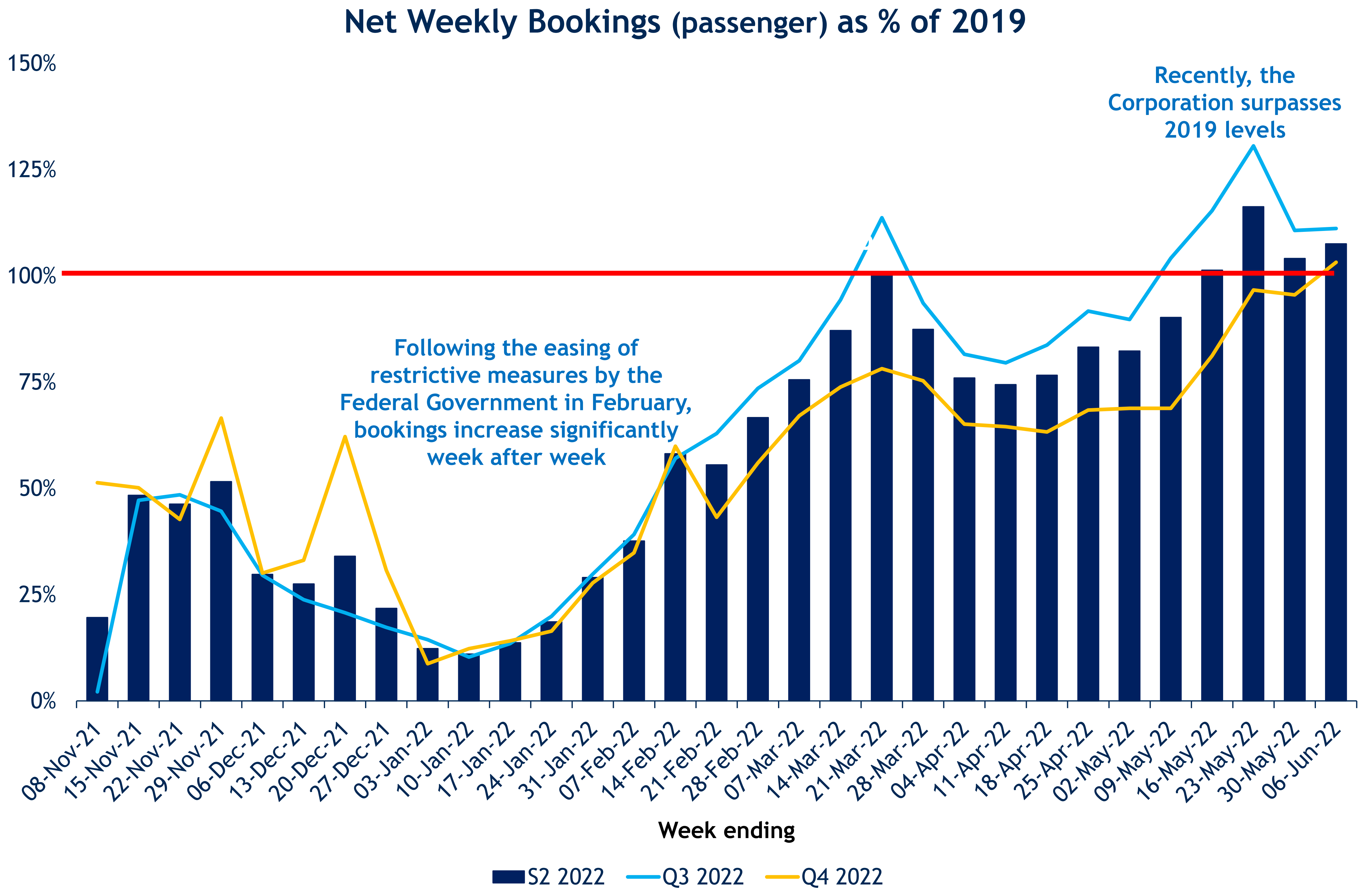
Airline and Commercial Operations	• Post Omicron effect, bookings rebounded strongly allowing us to end the quarter on a very encouraging note and generate revenues of $358 million for the period (40% of 2019 revenues from 30% in previous quarter)
	• Recalled more than 3,000 employees since the lowest level in April 2021
	  • 3-year collective bargaining agreement signed with pilots in May 2022
	• Progress in developing the network with the opening of many routes
	  o During the summer, the Corporation will increase its overall capacity to ~90% of 2019
	  o For the transatlantic program, the Corporation’s main market for the summer season, the planned capacity is at 75% of 2019 levels
	  o Additional routes possible via connectair by Air Transat platform (virtual interlining agreements with 8 airline companies)
	• Air Transat and WestJet have launched a new transatlantic codeshare in May (on time for the summer season)
	  o On April 28, WS code has been activated for sale on selected Air Transat operated flights beginning May 17 to/from specific European destinations through connections in Montreal and Toronto, and on May 4, TS code has been activated on select WestJet domestic flights
	• With all these initiatives, the Corporation will offer more than 1,200 itineraries in summer 2022 compared with ~500 in 2019

Leadership	• Major renewal of the Corporation’s Board of Directors (10 members elected with independent Chairman of the Board) o Arrival of 5 new officers: in the past 12 months: Annick Guérard who was appointed as President and CEO on May 27, 2021, Julie Tremblay and Daniel Desjardins who joined on January 1, 2022, and Valérie Chort and Stéphane Lefebvre who joined on April 27, 2022

Financing and Liquidity	• Unrestricted liquidity[1] of approximately $516 million as at April 30,2022 from $528 million in the previous quarter, which includes:
	  o $511 million of cash & cash equivalents
	  o $5 million of available undrawn funds from credit facilities
	• Net cash burn[1] in the first quarter decreased to $3 million per month from $27 million in the previous quarter attributable to an increase in volume during the month of March and April following the easing of restrictive measures by the Federal Government in February
	• Consumers are ready to accept price hikes to an extent and we have gradually implemented a hedging program to protect the Corporation against significant fuel price increases during the summer
	• Management is pursuing discussions with all existing lenders in a spirit of continued collaboration to amend financing agreements in order to ensure greater financial flexibility to the Corporation

1. Refer to Non-IFRS Financial Measures in the Appendix

Overall Bookings Trend



Bookings Development During the Quarter

- Revenue growth in the quarter was dampened by the sharp decline in demand and massive de-bookings due to the hole left by Omicron during the first quarter and the Federal government advisory regarding non-essential travel
  - Corporation initially cancelled 30% of flights scheduled from January to the end of February
  - In addition, at the beginning of February, the Corporation cancelled more winter season flights
  - Resulted in a total winter season capacity reduction of 22% vs. initially deployed capacity

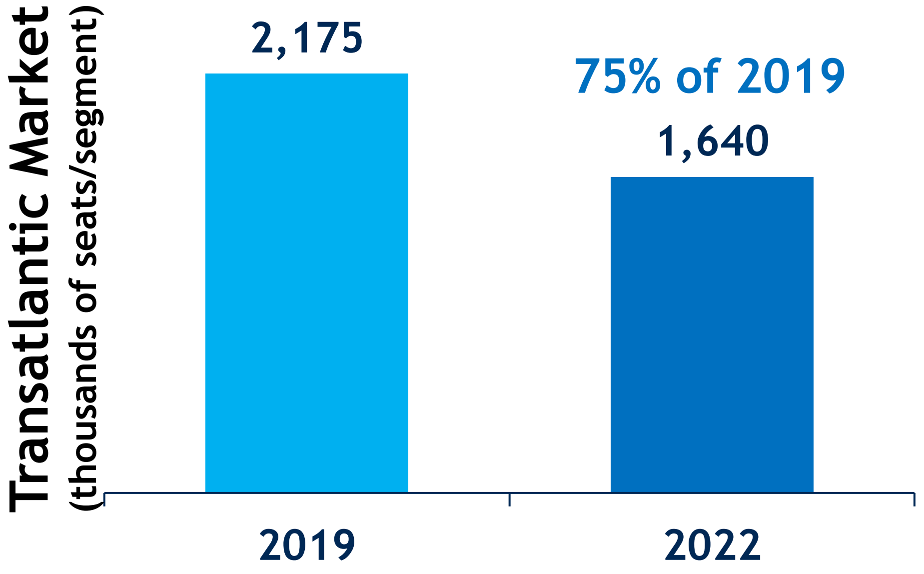
Outlook

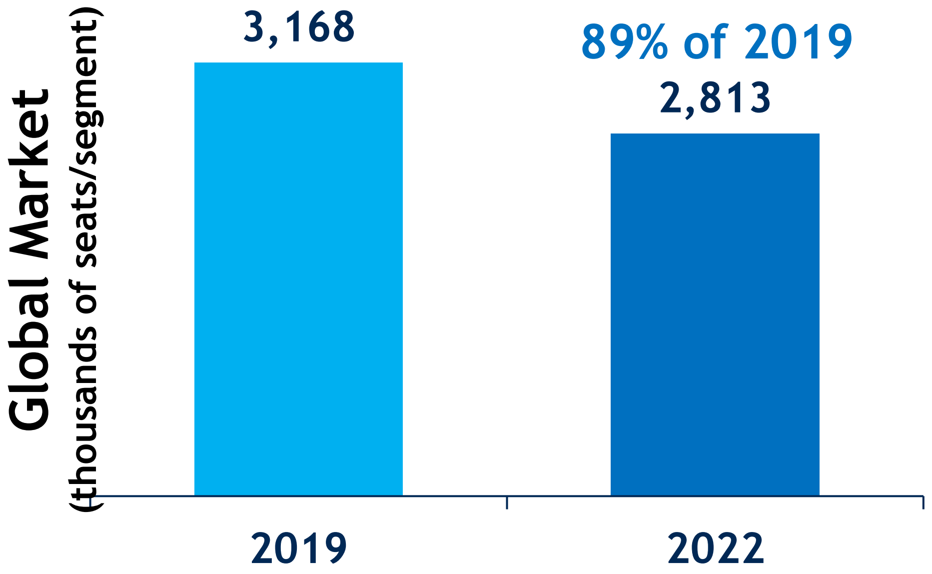
- Across all our markets, the planned capacity for summer 2022 represents ~90% of 2019 capacity levels
  - Different capacity allocation vs. 2019 (higher diversification)
  - Expect later booking trend to continue
- Positive signs on average selling price across all our programs since the beginning of spring
- Monitor closely the fuel price as we anticipate an impact on the pricing structure
  - In the meantime, the Corporation will continue optimizing its fuel management and has implemented a hedging program to limit the impact

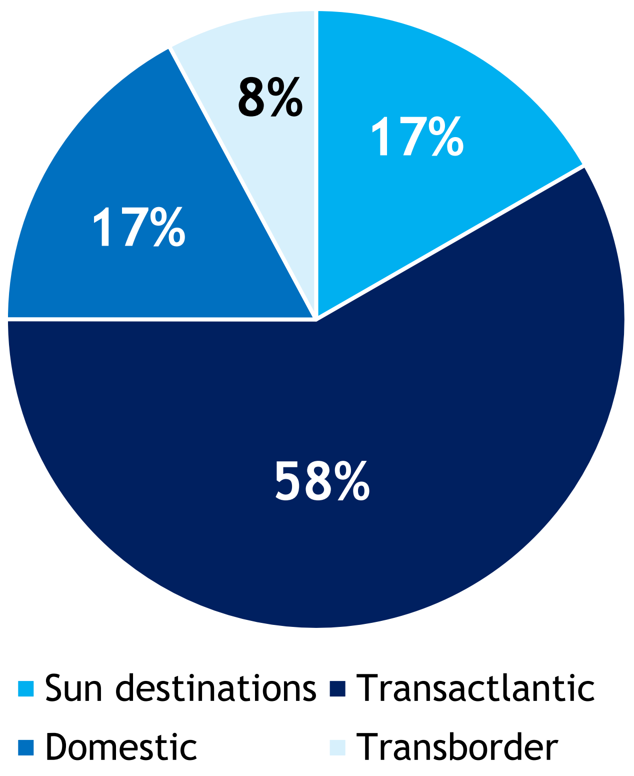
Load factors improved in recent months, reaching 85% on flights from March to May for the South program (main market for this period)**;**
Encouraging signs for the summer as prices and bookings have been gradually increasing since the beginning of spring across all our programs

Summer Capacity Outlook (as at May 31, 2022)

Transat Capacity Allocation

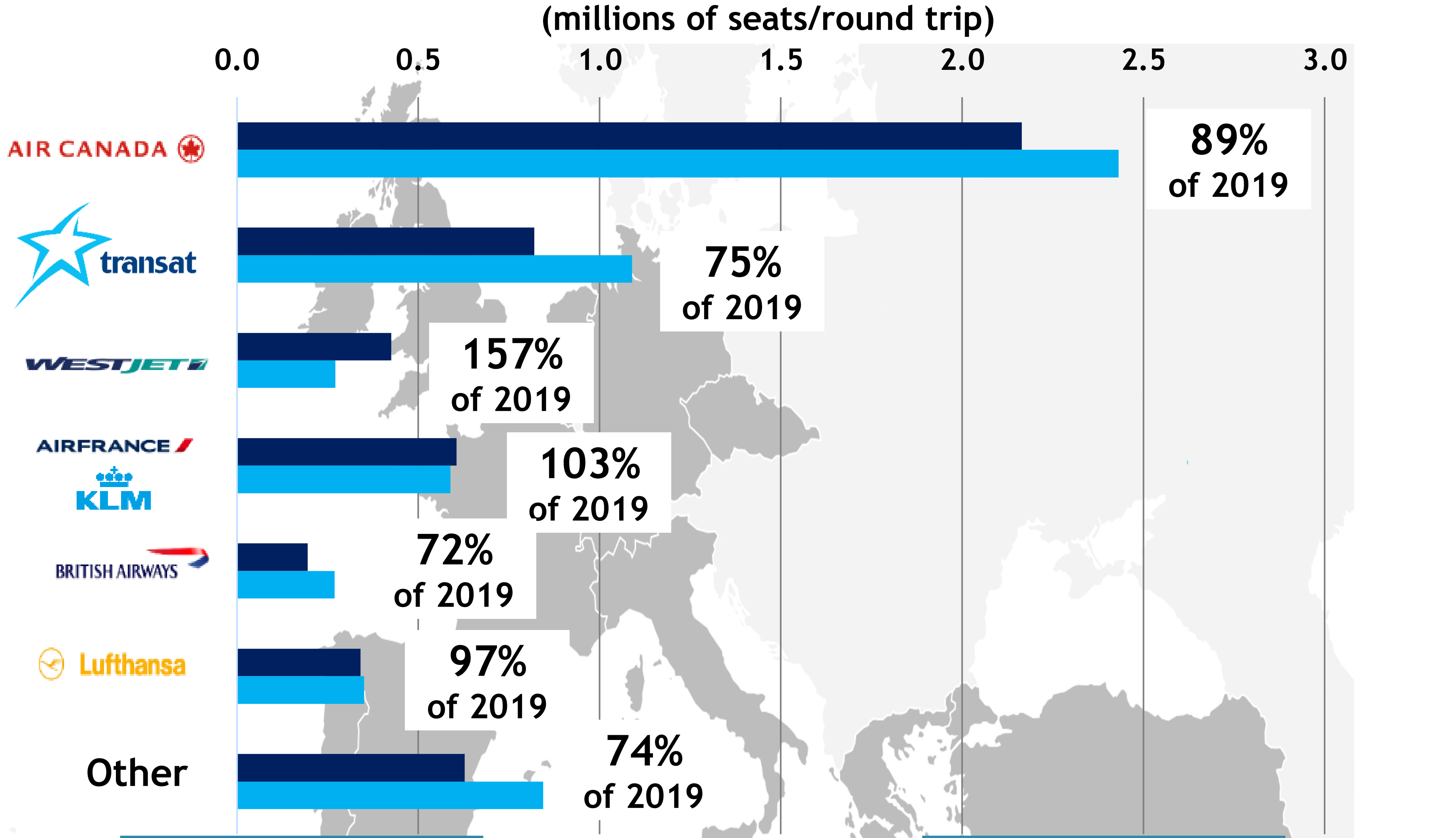






Larger proportion of our capacity will be deployed on transborder, and domestic market compared to 2019

Transatlantic Capacity Breakdown [1]



2019 Total seats in the market 5,845,000

2022 Total seats in the market 5,179,000

89% of 2019

1. Capacity between Canada and the following European countries: France, United Kingdom, Italy, Spain, Portugal, Greece, Netherlands, Denmark, Iceland, Poland, Turkey, Germany, Belgium, Ireland, Switzerland, Austria, Hungary and Croatia

Transat's global capacity will continue to ramp up in summer 2022 up to ~90% of 2019 capacity with a larger diversification through four markets

Continue to implement its strategic plan to set foundations for sustainable financial performance

1

Advancement status

Flattened organzational structures

1. *Automation and digitization of business processes*

Renegociation of certain commitments

1. *Aircraft lease agreements*
2. *Reduction of real estate footprint*

Refocusing on principal activities

1. *Discontinued hotel operations*

6

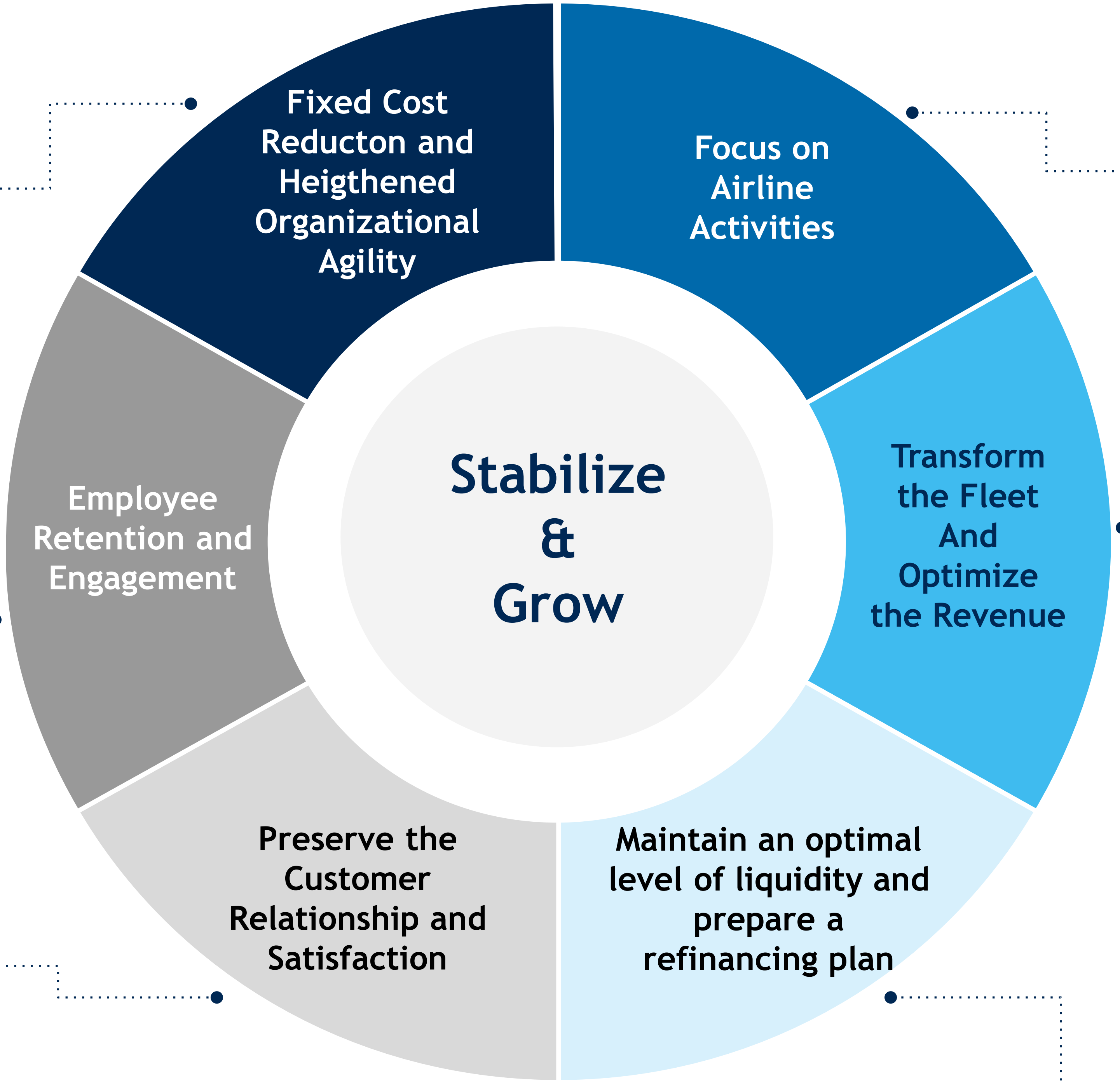
Maintain employee engagement and satisfaction

1. *Implement retention program*
2. *Work on the extension of collective bargaining agreements*

5

***Communicate proactively** by leveraging our leisure travel brand reputation and customer trust*

1. *Offer a healthy and safe travel experience*
2. *Implement solution to reduce waiting time at our call center*



2

Advancement status

***Redefine the network** through:*

1. *Implementation of strategic alliances;*
2. *Heightened offer from Eastern Canada (more specifically in Montreal) and;*
3. *Heightened offer during the low season to better support fixed costs*

3

Simplification and rejuvenation of the fleet

1. *Simplify and complementary aircraft models (pilots and training)*
2. *Introduction of A321neoLR (higher performing aircraft and fully adapted to our two core markets)*
3. *Increase fleet utilization*

***Improve revenue management practices** to optimize RASM[1]*

1. *Implement and familiarize with the best RM system*
2. *Maximize ancillary revenues*

4

***Optimization of our capital structure** to support our strategic plan*

1. *Ensure greater financial flexibility for near term*
2. *Prepare and execute refinancing for long term*

Completed In progress

1 Revenue per available seat miles

Strong Pre-COVID 19 Momentum from Strategic Initiatives

Acceleration of Renewed Transat to Support COVID-Era Liquidity

Factors that Impacted Profitability

High Operational Costs from Complicated Fleet

Reduced Profit Margins for Tour Packages

Consumer Behavior Evolution and Emergence of Online Vendors

Direct Competition with Traditional Airlines in the Transatlantic Market

Strategic Initiatives

Revenue Management & Fleet Optimization

-41%
Seasonal Fleet Reduction

+12%
Increase in Aircraft Utilization

Achieved best winter season results in +10 years[1]

+9%
Increase in seats offered despite…

-13%
…decrease in the number of aircraft

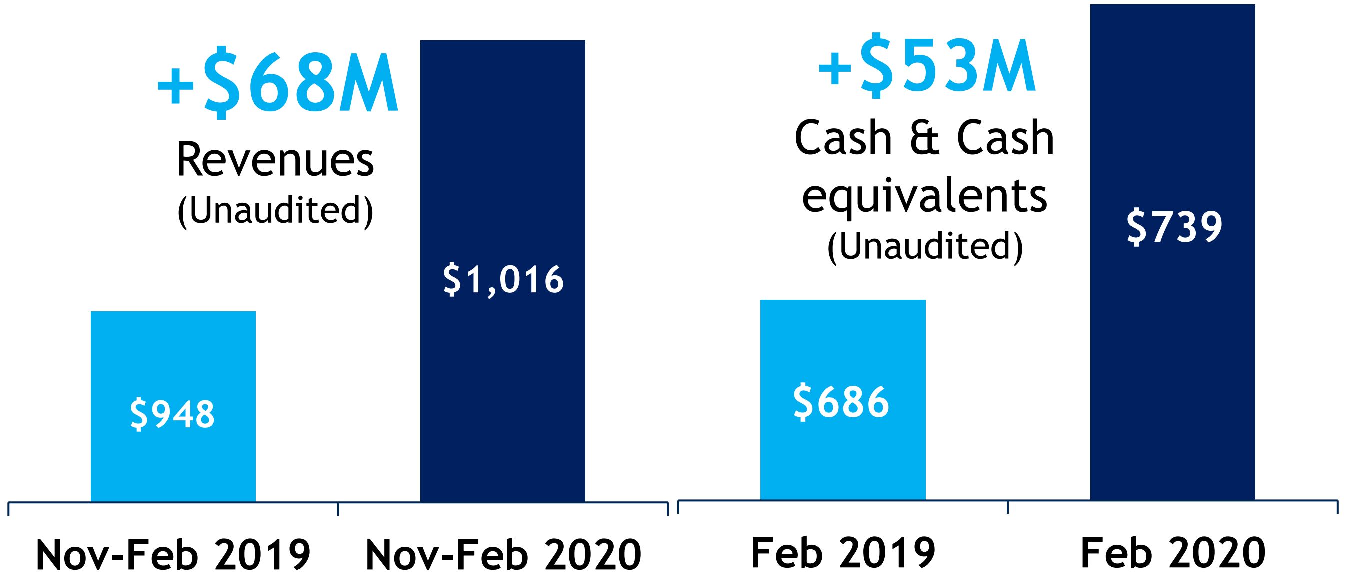
Winter 2020 results vs. 2019 results

Achievements
(Proof of Concept)

Significant operational efficiency gains which results in +81% EBIT margin improvement

+9%
Number of Seats Offered

-7%
Unit Costs (CASM) vs. 2019



+10.9% Passengers

from less than 1.6M to more than 1.7M over the period

1. November - February 2020

Refreshed Aircraft Fleet

- **Simplified fleet** with **100% Airbus aircraft**
- **Cockpit Commonality** drives **lower costs, operational efficiencies & flexibility**
- **Network connectivity** and **commercial alliances**
- **17 New A321NEO LR: >15%** less fuel, **~5,500 tonnes** less $CO2$ /year and **50%** less NOx emissions

	Pre-Covid (Summer 2019)		**Current** (Summer 2022)		**2023+ Committed** (as of today)	
Total Fleet	39		31	A330: 12 A321neoLR: 10 in operation + 2 to be delivered in the coming weeks A321ceo: 7	36	A330: 12 A321neoLR: 17 A321ceo: 7
Aircraft Model	4	*Airbus & Boeing (Mixed Fleet Operations)*	2		2	*Airbus Only (Cockpit Commonality)*
Physical Capacity (# seats)	10,817	*-27 %*	7,861	*Return to pre-COVID seats production with a lower number of physical available seats*	8,856	

Strategic fleet renewal and better utilization will be the largest contributor to the targeted profitability improvement (post-pandemic)

1. Cost per Available Seat Mile

Aspiring North American Leader in Corporate Responsibility

Reducing GHG Emissions

Fleet Renewal

The A321neoLR is the core of our fleet transformation, with lowest fuel consumption and GHG emissions in its class.

Fuel & Energy Efficiency Program

~12% reduction in fuel consumption & GHG emissions / 100 passenger km since 2010

30% Reduction in CO2 through building energy efficiency program

SAF+ CONSORTIUM

Sustainable Aviation Fuel

Offtake agreement for 90% of sustainable e-fuel produced by SAF+ in its 1st plant over 15 years

Sustainable Tourism

Travelife CERTIFIED Excellence in sustainability

Certified since 2018

- Reducing environmental impact
- Engaging with communities
- Educating employee & customers
- Working across supply chain
- Promoting certified hotels

Community Engagement

- SOS Children's Village
- 4Ukraine.ca
- Children's Wish Foundation
- Transat Tourism Chair
- Big Hearts Challenge fundraising campaign etc.

BEST 50 CORPORATE CITIZENS

WORLD'S TOP FEMALE FRIENDLY COMPANIES Forbes 2021 POWERED BY STATISTA

WORLD'S BEST EMPLOYERS Forbes 2021 POWERED BY STATISTA

Air transat — WORLD AIRLINE AWARDS 2021 SKYTRAX WINNER — Air Transat 2021 World's Best Leisure Airline

1 Q2 2022 Key Highlights

2 Operational Update and Strategic Overview

3 Q2 2022 Results and Sustainability Measures

4 Closing Remark

5 Appendix

Most Recent Financial Results

(in millions of C$, except per share amounts)	Quarter ended April 30			6-month period ended April 30		
	2022	2021	Change	2022	2021	Change
Unaudited Consolidated Statements of Loss						
Revenues	**358.2**	**7.6**	**350.6**	**560.6**	**49.5**	**511.1**
Operating loss	(87.5)	(86.5)	(1.0)	(161.4)	(184.5)	23.2
Adjusted operating loss[1]	**(51.0)**	**(51.0)**	**(0.1)**	**(87.4)**	**(104.6)**	**17.2**
Net loss attributable to shareholders	(98.3)	(69.6)	(28.7)	(212.6)	(130.1)	(82.5)
Adjusted net loss[1]	**(111.6)**	**(103.3)**	**(8.3)**	**(206.9)**	**(212.3)**	**5.5**
per share [1]	*($2.96)*	*($2.74)*	*($0.22)*	*($5.48)*	*($5.63)*	*$0.14*
Unaudited Consolidated Statements of Cash Flows						
Cash flow from operating activities	24.6	(100.6)	125.3	(55.1)	(206.9)	151.9
Cash flow from investing activities	(10.8)	(5.1)	(5.7)	(15.0)	(7.0)	(8.0)
Repayment of lease liabilities	(24.8)	(16.5)	(8.3)	(59.4)	(31.6)	(27.8)
Free cash flow[1]	**(11.0)**	**(122.2)**	**111.2**	**(129.5)**	**(245.6)**	**116.1**
Reimbursement of non-refundable air ticket	1.5	0.4	1.1	2.4	0.4	2.0
Non-recurring items[2]	-	23.7	(23.7)	37.0	26.4	10.6
Net cash burn[1]	**(9.5)**	**(98.1)**	**88.6**	**(90.1)**	**(218.7)**	**128.6**
Monthly net cash burn [1]	*(3.2)*	*(32.7)*	*29.5*	*(15.0)*	*(36.5)*	*21.4*

Highlights of the Second Quarter Results

- Revenues were up $351 million vs. 2021 driven by:
  - Combination of a higher number of travellers after the effect of Omicron subsided and higher average selling price on main market
- Revenue growth was attenuated by the drop in demand following the emergence of Omicron variant
  - The Corporation reduced its total winter season capacity by 22% vs. initial deployed capacity
- Similar adjusted operating loss[1] vs. 2021 explained by:
  - Gradual ramp-up of activities which implies an increase of fixed costs (pilots recall)
  - Fuel prices surged by 75% during the quarter compared with 2021

Net Cash Burn[1]

- Net cash burn[1] during the quarter of -$10 million (avg. monthly net cash burn of $3 million)
- Improvement of net cash burn by +90% explained by the increase in bookings and average selling price with departures in March and April
- Cash burn should accelerate during shoulder period (May and June) but should return to positive side during the peak (July and August)

1. Refer to Non-IFRS Financial Measures in the Appendix
2. Refer to the breakdown of nonrecurring items in the Appendix

Financial Position & Liquidity Runway

Initiatives to Improve Liquidity Position Since the Beginning of the Pandemic

1. **$863M** in available financing[1] and in continuing discussions with all existing lenders to ensure greater financial flexibility
2. Return to lessors **of 8 Airbus A330s and 5 Boeing 737-800;** No outstanding seasonal aircraft agreements
3. Reduction in expenses and investments through **negotiations with suppliers**
4. Continuous **flight program adjustments** as the COVID-19 situation evolves
5. Apply for **wage and rent subsidies**
6. Launch the process to sell the land held in Mexico

Advance Discussions for Additional Financial Flexibility to De-Risk the Recovery

$516M[3]

Unrestricted Liquidity[2] as of April 30, 2022

-$3M

of monthly net cash burn[2] during the quarter supported by strong sales over March and April compared to an average of -$25M per month during previous quarters

$494M

Customer deposits as of April 30, 2022; Rebuilt our book of order to ~80% of pre-pandemic levels after reimbursing more than $500M of travel credits during the second half of 2021

1. As at April 30, 2022, $859M was drawn and see Appendix for more details about financing overview
2. Refer to Non-IFRS Financial Measures in the Appendix
3. $511M of cash & cash equivalents + $5M of undrawn credit facilities = unrestricted liquidity of $516M

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4 **Closing Remark**

5 Appendix

Transat: A Renewed Leisure Airline in a Recovering Industry

Recovering Leisure Travel Industry	Leading Leisure Airline	Renewed Transat
		
Tourism growth above GDP supported by favorable socioeconomic development	Robust global network to 25+ countries & strong key markets' capacity[1]	Fixed cost reduction & Enhanced revenue management practices
Tourism contributes towards growth and development of many economies	Strong brand position with a focus on customer experience	Refreshed aircraft fleet which is the cornerstone of operational efficiency
Leisure travel is expected to lead the travel industry recovery	Named World's Best Leisure Airline four years in a row[2]	Revitalized executive team with a new approach

Transat: an efficient and lean global leisure airline ready to thrive in a recovering industry

1. Includes flight destinations originating in Canada to Mexico, Dominican Republic, Cuba, Caribbean, Jamaica and South & Central America, United States and Europe.
2. Named World's Best Leisure Airline in 2018, 2019 and 2021. 2020 awards were suspended because of COVID-19.

Financing Overview

Sources of capital	Type of instruments	Accounting policies: Accounts	Accounting policies: Carrying amount (in millions of C$)	Facility amount (in millions of C$) As at Apr 30, 2022: Available	Used	Unused	Maturity date	Considerations
Bank facilities	Revolving Credit Facility (secured 1st rank)	Current portion of long-term debt	49.7	50.0	50.0	-	April 2023	**Interest rate:** Bankers' acceptance plus a premium of 4.5% **Financial covenants:** temporary suspension until Oct 30, 2022
	Subordinated Credit Facility (secured 2nd rank)	Current portion of long-term debt	72.2	70.0	70.0	-	April 2023	**Interest rate:** Bankers' acceptance plus a premium of 6.0% **PIK:** Until Oct 31, 2022, an additional capitalizable premium of 3.75% **Financial covenants:** temporary suspension until Oct 30, 2022
Government facilities	LEEFF Secured Credit Facility (1st rank)	Current portion of long-term debt	77.3	78.0	78.0	-	April 2023	Reflect terms and conditions of Revolving Credit Facility Drawn the outstanding amount during second quarter **Financial covenants:** temporary suspension until Oct 30, 2022
	LEEFF Unsecured Credit Facility	Long-term debt Deferred financing costs	267.3 0.0	312.0	312.0	-	April 2026	Drawn the outstanding amount during second quarter Renegotiation of certain terms of the agreement in March 2022: a) Bears interest at 5.0% until December 31, 2023 (previously until April 29, 2022), increasing to 8.0% until December 31, 2024 (previously until April 29, 2023), increasing by 2.0% every year thereafter. b) Interest may be capitalized (PIK) until December 31, 2024 (previously until April 29, 2023)
	Unsecured Credit Facility related to travel credits	Long-term debt Deferred government grant	169.7 177.0	353.3	348.6	4.7	April 2028	Renegotiation of certain terms of the agreement in March 2022: a) Increase the available amount by $43.3 million (up to $353.3 million) b) Maintain the interest rate at 1.2%
Long-term debt and deferred government grant net of deferred financing costs			**813.2**	**863.3**	**858.6**	**4.7**		
Lease liabilities	Aircraft rent	Lease liabilities	884.7	-	884.7	-	2022-2033	Additionnally, $595M off-balance sheet arrangements (not discounted) related to 7 undelivered A321neoLR aircraft
	Real estate rent	Lease liabilities	46.2	-	46.2	-	2022-2037	
Government facilities	Warrants (equity derivatives)	Liability related to warrants	37.4	-	37.4	-	April 2031	50% of the vested warrants can be cancelled if the LEEFF Unsecured Credit Facility is fully repaid by December 31, 2023 (previously until April 29, 2022)
Total debt[1]			**1,781.5**		**1,826.9**	**4.7**		
Cash	Unrestricted cash	Cash & cash equivalents	(511.2)	-	(511.2)	511.2		
Total net debt[1]			**1,270.3**		**1,315.6**	**515.9**		

1. Refer to Non-IFRS Financial Measures in the Appendix

Non-IFRS Financial Measures

The non-IFRS measures, non-IFRS ratios, total of segment measures, capital measures and/or other financial measures used by the Corporation are as follows:

- **Adjusted operating income (loss))[1]:** Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring charge, 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 net income (loss)[1]:** 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, 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[1]:** Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.
- **Unrestricted liquidity[2]:** Cash & cash equivalents plus available undrawn funds from credit facilities. The Corporation uses this measure to assess the total potential cash available in the short term.
- **Free cash flow[1]:** Cash flow from operating activities minus cash flow from investing activities and repayment of lease liabilities. The Corporation uses this measures to demonstrate the cash that's available to be distributed in a discretionary way such as repayment of long-term debt or government deferred grant, distribution of dividend to shareholders, etc.
- **Net cash burn[1]:** Cash used to maintain operations, support capital expenditures, and settle normal debt repayments, all before the net impact of new financing proceeds. It excludes non-recurring items such as refunds for non-refundable fares being processed for flights impacted by the COVID-19 pandemic and other one-time items. **Monthly net cash burn** is the net cash burn for the financial period, divided by the number of months in the financial period. The Corporation uses this measure to demonstrate the normalize cash is losing per the defined financial period as they burn through their cash reserves. It occurs when a company's operating costs excluding non-recurring items are higher than their revenue.
- **Total debt[2] :** Long-term debt plus lease liabilities, deferred government grant and liability related to warrants, net of deferred financing cost related to the unsecured debt - LEEFF. Management uses total debt to assess the Corporation's debt level, future cash needs and financial leverage ratio. Management believes this measure is useful in assessing the Corporation's capacity to meet its current and future financial obligations.
- **Total net debt[2] :** Total debt (described above) less cash and cash equivalents. Total net debt is used to assess the cash position relative to the Corporation's debt level. Management believes this measure is useful in assessing the Corporation's capacity to meet its current and future financial obligations.

Note 1: Refer to page 14 of this presentation – Most Recent Financial Results for the reconciliations

Note 2: Refer to page 19 of this presentation – Financing Overview for the reconciliations

Breakdown of non-recurring items

(in millions of C$)	Quarter ended April 30			6-month period ended April 30		
	2022	2021	Change	2022	2021	Change
Non-recurring items						
Insurance premium payment prepaid for one year coverage	-	-	-	9.4	-	9.4
Unfavourable cash settlement to terminate fuel derivatives contract	-	3.1	(3.1)	-	5.8	(5.8)
Special cash payment of vacation bank due to COVID-19	-	33.1	(33.1)	-	33.1	(33.1)
Reverse break fee (Transaction with AC)	-	(12.5)	12.5	-	(12.5)	12.5
Breakup fee for early return of aircraft leases	-	-	-	23.8	-	23.8
Increase in cash collateral related to the issuance of letters of credit	-	-	-	6.8	-	6.8
GST (recovery)/payment related to delivery of A321neoLR	-	-	-	(3.0)	-	(3.0)
Total non-recurring items	**-**	**23.7**	**(23.7)**	**37.0**	**26.4**	**10.6**

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We would like to thank all of our employees, customers, investors, financial and commercial partners for their continuous support and contribution through these unprecedented times

Annick Guérard
President and CEO