Investor Presentation

Results for the quarter ended January 31, 2023

Transat reports a strong quarter in a challenging context

Customer deposits at a record high which supports FY23 adjusted operating margin target of 4-6%

MARCH 9, 2023
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 resumption of operations and actions to improve its cash flows. 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 January 31, 2023, 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.

Despite the resumption of operations and the recovery in demand, concerns related to the pandemic and its economic impacts, combined with the uncertainty of a possible economic downturn, ongoing inflation in many countries, including Canada, and the military conflict between Russia and Ukraine continued to create significant demand uncertainty, and the effects will still be partially present in fiscal 2023. While the situation considerably improved since the second quarter of 2022, the Corporation cannot yet predict with certainty all the impacts of this situation 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. Although the Corporation is currently experiencing a significant resumption of operations, it does not expect to reach the pre-pandemic level before 2024.

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 2022 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 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.
- The outlook whereby, for the full fiscal year 2023, the Corporation expects to deploy capacity equivalent to 90% of the 2019 level.
- The outlook whereby, the combination of demand and higher prices will allow the Corporation to cope with higher costs.
- The outlook whereby, the Corporation maintains the target of an adjusted operating income margin of 4% to 6% for fiscal 2023.

In making these statements, the Corporation assumes, among other things, that no travel or border restrictions will be imposed by government authorities, that the standards and measures for the health and safety of personnel and travellers imposed by government and airport authorities will be consistent with those currently in effect, that travellers will continue to travel despite the health measures and other constraints imposed as a result of the pandemic, that workers will continue to be available to the Corporation, its suppliers and the companies providing passenger services at the airports, 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 and that fuel prices, exchange rates, selling prices, and hotel and other costs remain stable. 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.

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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 derivatives, gain (loss) on business disposals, restructuring charges, asset impairment, depreciation and amortization, foreign exchange gains (losses), gain (loss) on long-term debt modification and other significant unusual items, and by including premiums related to derivatives that 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 the Appendix for more information including a description of such measures and a reconciliation to the most directly comparable IFRS measures.

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Strong booking momentum across all networks allowed to produce better results than 2019

FY23 Q1 delivering further operational and financial progress

- **Capacity of 100% vs. 2019 across all programs and 98% for Sun destinations**

  Deployed a program that capitalized on our historical strengths with a combination of Sun and European destinations that were very popular and allowed us to continuously improve our load factors and prices (yield[1] increased by more than 20% compared with the first quarter of 2019)

- **Current unrestricted liquidity[2] combined with working capital improvements and normalized booking patterns provide the required flexibility for the future**

  Unrestricted liquidity[2] stood at $568 million and cash in trust stood at $524 million which the vast majority will be converted into unrestricted cash in the coming weeks

  Total net debt[2] reduced by $188 million compared to previous quarter and stood at $1.4 billion

- **Continued to implement our strategic plan during the quarter on various fronts**

  Launched a comprehensive airline operational transformation program to improve the efficiency and quality of services

  As part of our network development strategy, we launched a new codeshare partnership with Porter Airlines, in addition to the one entered with WestJet at the beginning of summer 2022 and ten active virtual interlining partnerships

- **Despite concerns of a recession, the North American airline sector is benefitting from a countercyclical recovery with pent-up demand for travel**

  The pace of reservations is similar to 2019 and strong demand is driving up prices which is helping us to cover higher costs

  The Corporation reaffirms its adjusted operating income[2] margin target of approx. **4% to 6% in FY2023[3]**

1. Airline unit revenues expressed in revenue per passenger-mile
2. Refer to Non-IFRS Financial Measures in the Appendix; $468M of cash & cash equivalents + $100M of undrawn credit facilities = unrestricted liquidity of $568M
3. In making such outlook, the Corporation has used a combination of assumptions such as moderate growth in Canada's GDP (risk of short recession), exchange rate at C$1.34 to US$1 and jet fuel price per gallon of C$4.50

Improvement in prices more than compensates lower load factors which help to produce higher revenues than 2019

Travel & Airline
(Capacity and load factor %)

Global

Build on our predominant historical markets and increase our fleet utilization to improve load factors during the quarter

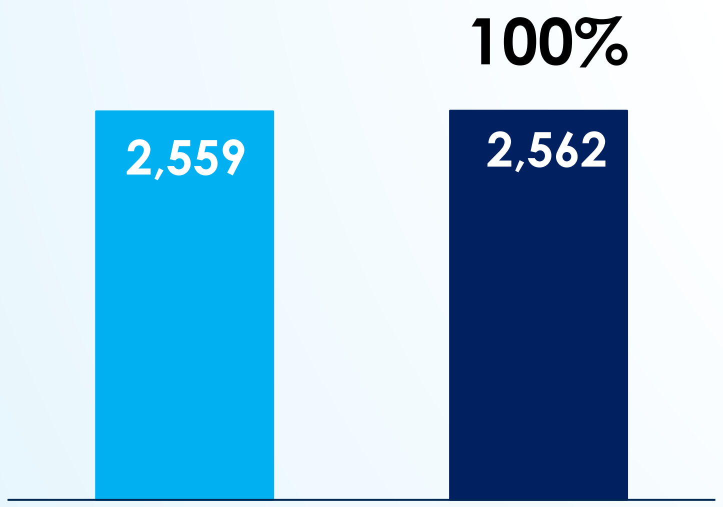
Sun destinations
(Main program)

Return closely to 2019 levels. In January, we reached a similar load factor to 2019

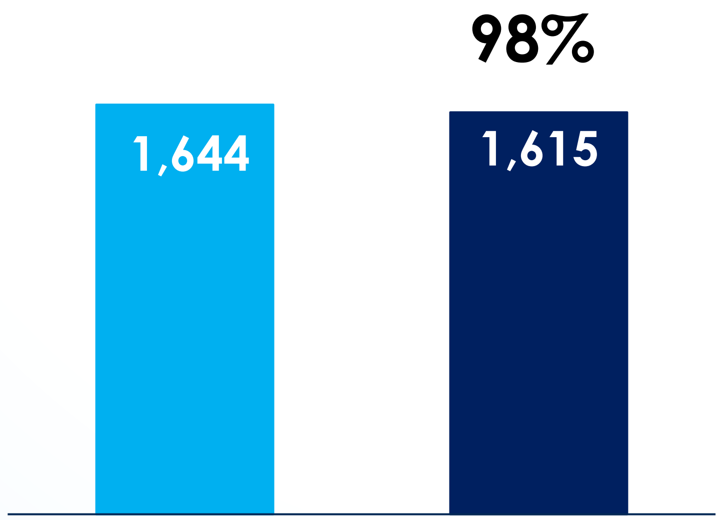
Capacity (in M ASM[1])

% of 2019

FY19 Q1 | FY23 Q1



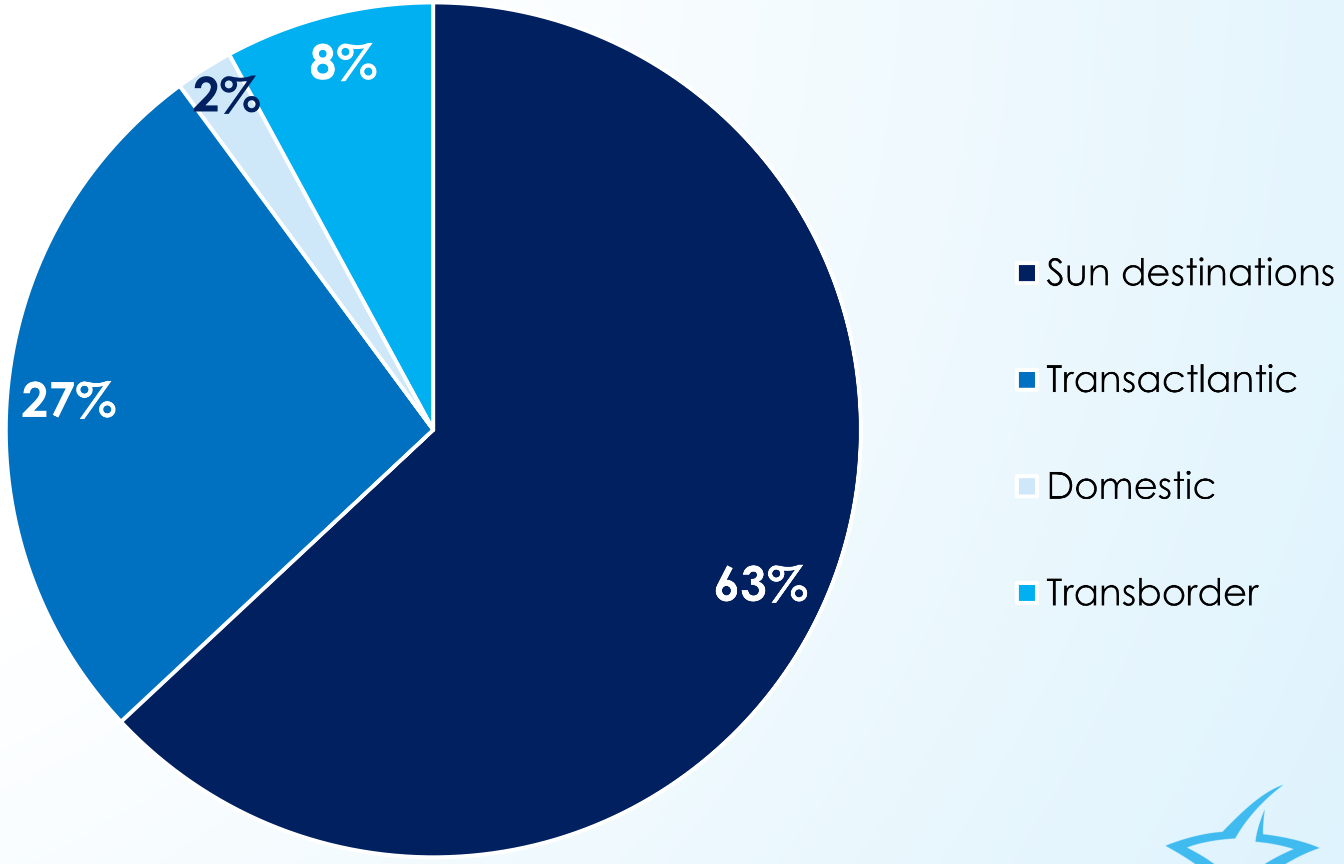
FY19 Q1 | FY23 Q1



	Global FY19 Q1	Global FY23 Q1	Sun destinations FY19 Q1	Sun destinations FY23 Q1
Load Factor %	86.4%	84.5%	86.7%	83.8%

Capacity Allocation (ASM[1])

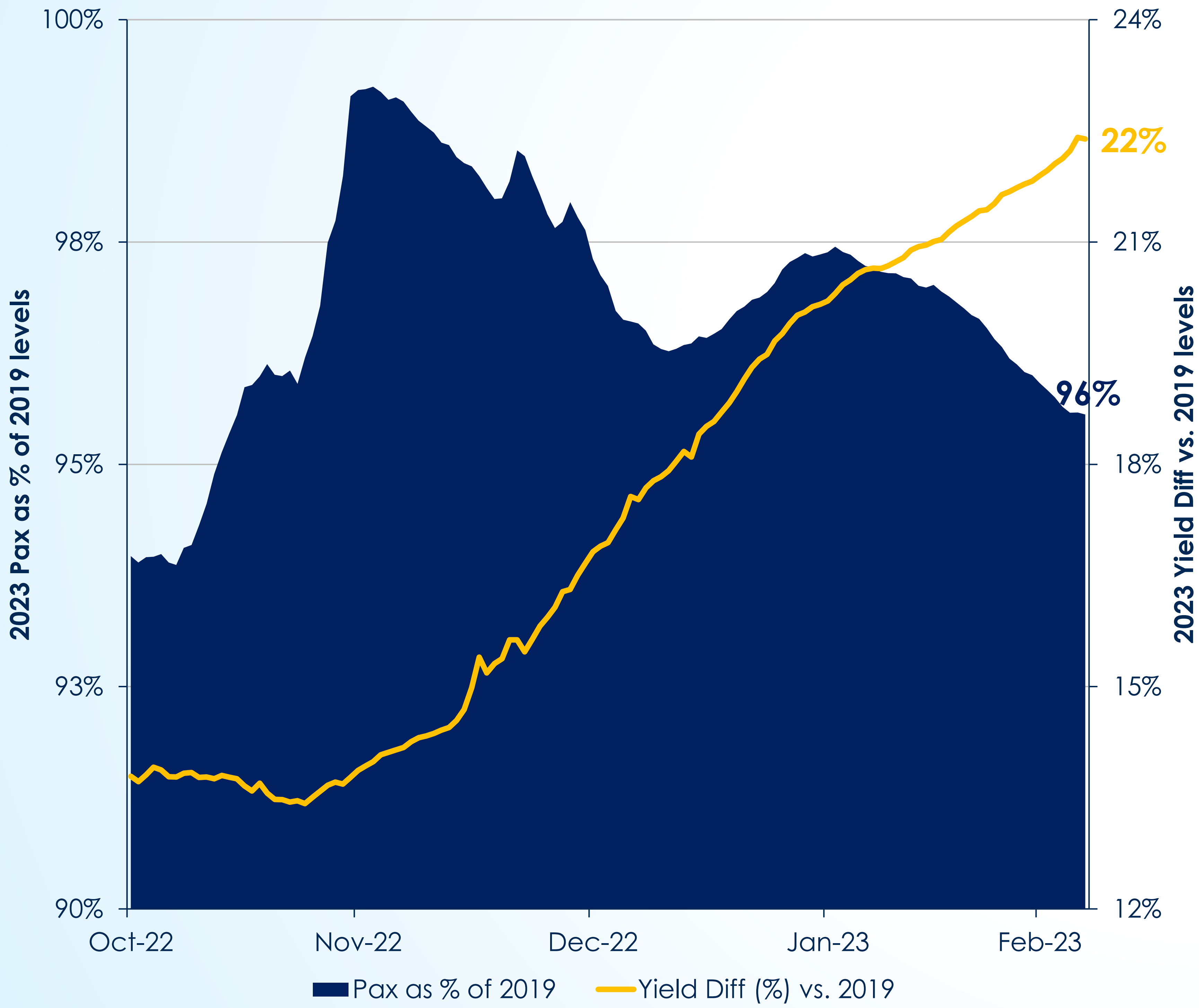
Changes compared to 2019:
Transatlantic by +6% and Transborder by +101%; Decrease in Domestic by -65% and similar capacity on Sun Destinations



1. Available seat miles

The combination of demand and higher prices will allow us to manage higher costs

S1 2023 Bookings and Pricing trends[1] vs. 2019



Indicators across the network (as of Mar 6, 2023)

Versus 2019	Q2	Winter
Load Factor	-4% (79% LF)	-3% (81% LF)
Yield [2]	+25%	+ 22%
Capacity (ASM[3])	-5%	-3%
Capacity (Seats)	-3%	-1%

Glimpse into booking trends, pricing and costs Q2 2023

- To date, load factors are lower than 2019 levels but already 79% of our capacity deployed is sold
- Airline unit revenues (yield) are 25% higher than 2019 level
- The recent drop in jet fuel prices since the end of the quarter will relieve pressure on our operational costs considering that it represents ~20% of our total operating expenses

1. Cumulative bookings net of cancellation and Yield[2]
2. Airline unit revenues expressed in revenue per passenger-mile
3. Available seat miles

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1. FY23 Q1 Highlights & Outlook
2. Strategic Priorities Update
3. FY23 Q1 Results
4. Summary
5. Appendix

Our priority is to transform Transat into an efficient and competitive airline to deliver sustainable financial performance and create shareholder value

1 Simplify / Revitalize the Fleet & Redefine the Network

- *Update fleet based on two complementary aircraft models to increase operational efficiency, reduce seasonality and optimize fixed cost base*
- *Implement and expand partnerships and industry alliances to increase feeder network*
- *Focus on heightened offering in Eastern Canada (Toronto and Montreal), playing into Transat's strengths*

2 Harness Revenue Management to Optimize Sales Generation and Profitability

- *Leverage the full potential of Transat's robust revenue management team and system infrastructure*
- *Maximize ancillary revenues*

3 Continue Focus on Operational Efficiency

- *Finalize and implement exhaustive review of business process and cost structure*
- *Sharpen focus on core airline operations*
- *Extend automation and digitalization of business processes*
- *Optimize fixed cost based including renegotiation of certain commitments (ie. aircraft leases, real estate)*

4 Enhance Customer Engagement and Loyalty

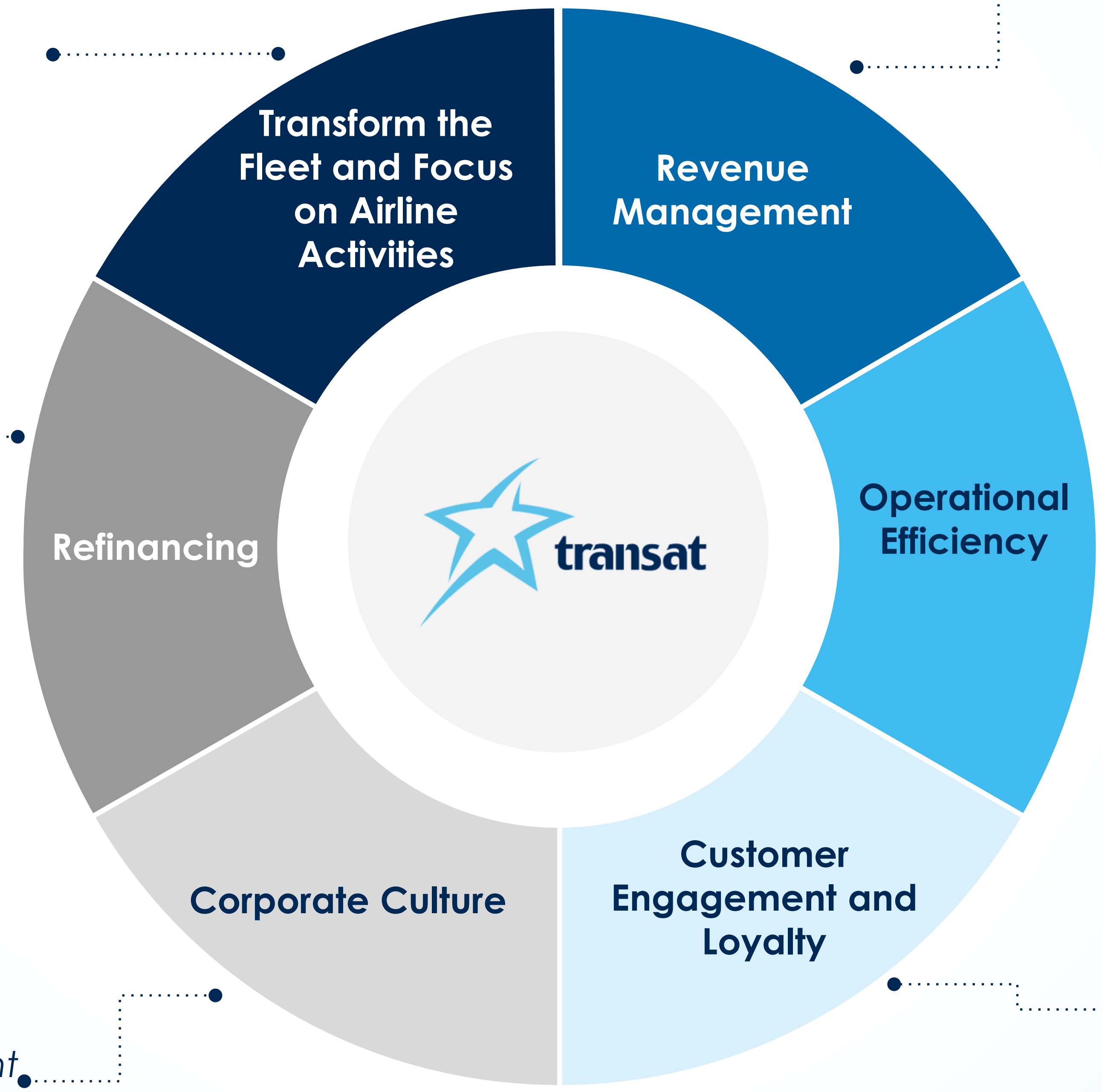
- *Build on leading leisure travel brand reputation and customer trust*
- *Refine customer interactions to ensure satisfaction at every touchpoint*
- *Implement solutions to reduce waiting time at our call center*

5 Refresh Corporate Culture to Propel Success in Changing Marketplace

- *Appointed new executives focused on corporate culture, talent attraction, retention, and mobilization*
- *Continue track record of success with key unions*
- *Leverage sustainability foundation to further implement ESG objectives*

6 Optimize Capital Structure to Support our Strategic Plan

- *Extend near term maturities and take measures to ensure financial flexibility*
- *Divestiture of non-core assets (land in Mexico)*
- *Prepare comprehensive refinancing for long term financial sustainability and profitability*



Advancement status

Completed | Advanced | In progress

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Initiatives executed on the aircraft fleet and network in the past years allow Transat to be well positioned for the future

- **Simplified fleet** with **100% Airbus aircraft (no more seasonal aircraft)**
- **Cockpit Commonality** drives **lower costs, operational efficiencies & flexibility**
- **Network connectivity** and **commercial alliances**
- **19 New A321LR + 4 New A321XLR: >15%** less fuel, **~5,500 tons** less CO2 /year and **50%** less NOx emissions
- **Expect to produce 3% less of ASM**[1] in Winter 2023 compared to 2019

	Pre-Covid (Winter 2019)		**Current** (Winter 2023)		**2023+ Committed** (as of today)
Total Fleet[2]	**55** Permanent: 35, Seasonal: 20		**34** A330: 12, A321LR: 12, A321ceo: 7, ACMI: 3		**42** A330: 12, A321LR: 19, A321ceo: 7, A321XLR: 4
Aircraft Model	**4**	*Airbus & Boeing (Mixed Fleet Operations)*	**2**		**2** *Airbus Only (Cockpit Commonality)*
Physical Capacity (# seats)	**11,005**	*-27 %*	**8,066**	***Better fleet utilization and other operational items*** *contribute to offset partially the lower physical available seats by +24%*	**9,947**

1. Available seat miles
2. Total fleet at the peak of the season but an average of 33 aircraft in operation in Winter 2023 vs. 45 in Winter 2019

1. Cost per Available Seat Mile

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Attentive to the world around us, Transat is committed to operate in a sustainable manner for our customers, our employees and our communities, both here and abroad

1. PLANET
Protect the environment

Priorities:

1. Decarbonation
2. Biodiversity protection
3. Waste reduction

Highlights:

- Fleet transformation
  - Total of 19 A321LR and 4 XLR delivered or ordered, each of which emit 15% less emissions than equivalent aircraft
- Sustainable aviation fuel
  - Offtake agreement for 90% of the SAF produced at the first SAF+ plant in Quebec during its first 15 years of operation

Targets:

- Net zero emissions by 2050
- Set an interim 2030 GHG emissions target[1] (work-in-progress)
- 10% of total fuel uplift is SAF by 2030

13 CLIMATE ACTION

2. PEOPLE
Empower our people

Priorities:

1. Diversity, equity & inclusion (DEI)
2. Community engagement
3. Health & safety

Highlights:

- Increase representation of women on the board and in management positions
  - Gender parity of board of directors achieved (50%)
  - 41%[2] of management positions held by women.
  - Signatory of 25by2025 initiative by IATA to change the gender balance within the aviation industry
- Continue to support communities at home and abroad
  - Partnership with 4Ukraine has helped more than 400 Ukrainians travel to Canada

Target:

- Set a 2030 DEI employee training target
- Develop the 2023-2025 DEI action plan

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

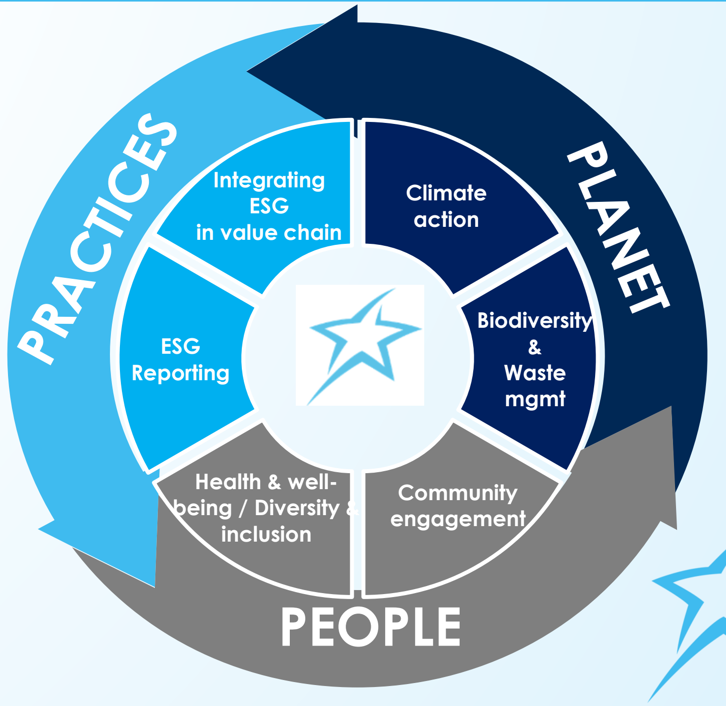
3. PRACTICES
Integrate sustainability into our practises

Priorities:

1. ESG governance and disclosure
2. ESG Integration across the value chain
3. Compliance and risk management

Highlights:

- Strengthen ESG governance
  - Implementation of decarbonization and sustainable tourism committees.
  - 2nd annual TCFD report issued in May 2022
  - Integrated ESG criteria into executive compensation and into retirement savings plan
- Travelife certification renewed in 2022.



1. Well-to-wake GHG emissions related to jet fuel per revenue tonne-kilometre by 2030 from a 2019 base year.
2. From senior manager to President and Chief Executive Officer

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Our adjusted operating results turn positive and we reaffirm our adjusted operating income margin target of 4-6%

(in millions of C$, except per share amounts)	Quarter ended January 31			12-month period ended January 31		
	2023	2022	Change	2023	2022	Change
Audited Consolidated Statements of Loss						
Revenues	**667.5**	**202.4**	**465.0**	**2,107.1**	**285.3**	**1,821.7**
Operating income (loss)	(38.1)	(73.8)	35.7	(267.7)	(377.0)	109.3
Adjusted operating income (loss)[1]	**3.3**	**(36.4)**	**39.7**	**(117.1)**	**(196.6)**	**79.6**
Net income (loss)	(56.6)	(114.3)	57.7	(387.6)	(443.4)	55.8
Adjusted net income (loss)[1]	**(61.6)**	**(95.3)**	**33.8**	**(370.0)**	**(432.6)**	**62.7**
per share[1]	*($1.62)*	*($2.53)*	*$0.91*	*($9.76)*	*($11.46)*	*$1.70*
Audited Consolidated Statements of Cash Flows						
Cash flow from operating activities	195.1	(79.7)	274.8	96.9	(491.9)	588.8
Cash flow from investing activities	(10.5)	(4.2)	(6.3)	(40.1)	2.3	(42.4)
Repayment of lease liabilities	(40.5)	(34.6)	(5.9)	(114.2)	(94.0)	(20.3)
Free cash flow[1]	**144.2**	**(118.4)**	**262.6**	**(57.4)**	**(583.6)**	**526.2**
Reimbursement of non-refundable air ticket	0.0	0.6	(0.6)	5.2	229.6	(224.4)
Normalized free cash flow[1]	**144.2**	**(117.8)**	**262.0**	**(52.2)**	**(354.0)**	**301.8**

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

First Quarter Highlights

- Revenues were up $465 million vs. 2022 driven by:
  - The gradual recovery of demand combined with higher fuel prices contributed to the increase in average selling prices
- Compared with 2019, revenues were up $20 million (+3%)
  - Capacity offered was 100% of that deployed in 2019 across the network with different market allocations
  - Overall, the number of travellers was down 1% (compared to 16% in previous quarter)
- Improvement of adjusted operating income (loss)[1] vs. 2022 of $40 million explained by:
  - Significant increase of average selling prices in main network (25% for Sun destinations and 17% for Transatlantic) compensated by a fuel price increase of 63%

Free Cash Flow

- Normalized free cash flow[1] during the quarter of +$144 million and for the last twelve months of -$52 million
  - Significant working capital improvements occurred during the quarter with the collection of ~$70M from credit card processors receivable
- Cash & cash equivalents stood at $468 million and cash in trust resulting from travel packages sale (high season) continue to increase and stood at $524 million

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Quarterly free cash flow turns positive for the first time in 3 years and our customer deposits at a record high

Ongoing or Accomplished Key Financing Initiatives to Improve Liquidity Position

1. Process to sell the land in Mexico **(book value of US$38M)** — Ongoing
2. **Agreement with credit card processors** to improve the collections of funds **(net cash impact of ~C$70M)** — Accomplished
3. Renegotiated LEEFF to provide **$100M** in new liquidity (+$50M conditional) and extend secured debt maturities ($198M) to April 2024 — Accomplished
4. Renegotiated unsecured credit facility related to travel credits to provide **$43.3M** in additional liquidity — Accomplished
5. Agreement with LEEFF to provide financing facility of **$700M** and extend all secured debt maturities totalized $120M — Accomplished
6. Agreements with major lessors to **defer aircraft rent** until a return to certain level of activities and repayment schedule established over long-term period — Accomplished

Accomplished Ongoing

Gradual Normalization of Working Capital Dynamics

$568M[2]
Unrestricted Liquidity[1] as of January 31, 2023

+$144M
of Free Cash Flow[1] during the first quarter 2023; 24% more than Q1 2020 (which was the record high)

$898M
Customer deposits as of January 31, 2023; 11% more than Q1 2020 (which was the prior record)

1. Refer to Non-IFRS Financial Measures in the Appendix
2. $468M of cash & cash equivalents + $100M of undrawn credit facilities = unrestricted liquidity of $568M

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Focus on our historical strengths and progress on our strategic plan initiatives to enable the delivery of our short-term objectives

SET THE BASIS FOR SUSTAINABLE PERFORMANCE AND FUTURE GROWTH

Optimize the airline operations, increase the aircraft utilization and reduce fixed costs

Optimize revenue management practices and build strategic alliances to improve yield

Focus on customer experience and increase customer loyalty

Improve our capital structure by deleveraging the company through various initiatives

Winter 2023

- **Capacity (ASM):** 97% of 2019 capacity
- **Load factors**: Lower to 2019 by -3% but already at 81% across the network
- **Airline unit revenues (yield)**[1]: 22% higher than 2019
- The combination of demand and increasing prices will help offset the increase in operational costs

FY2023

- **Capacity (ASM):** 90% of 2019 capacity
- **Still plan to reach adjusted operating income[2] margin target:** Approx. 4% to 6% and in making such outlook, the Corporation has used a **combination of assumptions** such as:
  - Moderate growth in Canada's GDP (risk of short recession)
  - Exchange rate at C$1.34 to US$1
  - Jet fuel price per gallon of C$4.50

1. Airline unit revenues expressed in revenue per passenger-mile
2. Refer to Non-IFRS Financial Measures in the Appendix

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Capital Structure Overview (As at January 31, 2023)

Sources of capital	Type of instruments	Accounting policies		Facility amount [1]			Maturity date	Considerations
		Accounts	Carrying amount [1]	Available	Used	Unused		
Bank Facilities	Revolving Credit Facility (1st lien secured)	Long-term debt	49.6	50.0	50.0	-	April 2024	**Interest rate**: Banker's acceptance plus a premium of 4.5% **Financial covenants**: Temporary suspended until Oct 29, 2023
	Subordinated Credit Facility (2nd lien secured)	Long-term debt	70.7	70.0	70.0	-	April 2024	**Interest rate**: Banker's acceptance plus a premium of 9.75% which 3.75% is PIK until Oct 29, 2023 **Financial covenants**: Temporary suspended until Oct 29, 2023
Government Facilities	LEEFF Secured Credit Facility (1st lien secured)	Long-term debt	77.3	98.0	78.0	20.0	April 2024	**Replicate** terms and conditions of Revolving Credit Facility **Term loan**: Possibility to draw the unused portion until Oct 29, 2023
	LEEFF Unsecured Credit Facility	Long-term debt	293.9	392.0	312.0	80.0	Tranche 1 April 2026	**Interest rate**: Fixed at 5.0% until December 31, 2023, increasing to 8.0% until December 31, 2024 and increasing by 2.0% every year thereafter. **PIK**: May be capitalized (PIK) until December 31, 2024 **Term loan**: Possibility to draw the unused portion until Oct 29, 2023 **Additional financing available**: $50 million subject to certain conditions that must be met no later than July 29, 2023
		Deferred financing costs	(12.7)				Tranche 2 July 2027	
	Unsecured Credit Facility related to travel credits	Long-term debt	187.9	353.3	353.3	-	April 2028	**Interest rate**: Fixed at 1.2% until maturity date
		Deferred government grant	163.7					
Long-term debt and deferred government grant net of deferred financing costs			**830.4**	**963.3**	**863.3**	**100.0**		
Lease liabilities	Fleet	Lease liabilities	982.3	-	982.3	-	2023-2034	Additionally, $977 million of off-balance sheet arrangements (not discounted) mainly related to 5 undelivered A321LR and 3 A321XLR (only fully committed)
	Real estate	Lease liabilities	42.5	-	42.5	-	2023-2037	
Government equity derivatives	Warrants	Current portion of liability related to warrants (vested)	24.1	-	24.1	-	Tranche 1 April 2031	Holder can exercised in stock up to 19.9% ownership and 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. The warrants are to vest in proportion to the drawings that will be made, but 50% of vested warrants will be forfeited if the loan were to be repaid in full by **December 31, 2023**
		Liability related to warrants (not vested)	10.4	-	10.4	-	Tranche 2 July 2032	
Total debt [2]			**1,889.7**		**1,922.6**	**100.0**		
Cash	Unrestricted cash	Cash & cash equivalents	(467.7)	-	(467.7)	467.7		
Total net debt [2]			**1,422.0**		**1,454.9**	**567.7**		

1. Amount in millions of C$
2. 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) or Adjusted EBITDA[1]:** Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring charge, other significant unusual items, and including premiums related to derivatives that 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 pre-tax income (loss) or Adjusted EBT[1] :** Income (loss) before income tax expense before change in fair value of 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) and other significant unusual items, and including premiums related to 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)[1]:** Net income (loss) attributable to shareholders before net income (loss) from discontinued operations, change in fair value of derivatives, revaluation of liability related to warrants, gain (loss) on long-term debt modification, 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 related to 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[3]:** 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[2]:** 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.
- **Normalized free cash flow[2]:** Cash used to maintain operations, support capital expenditures, and settle normal debt repayments, all before the net impact of new financing proceeds. It excludes refunds for non-refundable fares being processed for flights impacted by the COVID-19 pandemic.
- **Total debt[1]:** 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[1]**: 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: The reconciliations between IFRS financial measures and non-IFRS financial measures are incorporated by reference in Section 2 Non-IFRS financial measures of our MD&A in our First Quarter Report 2023, which is available on SEDAR at www.sedar.com

Note 2: Refer to page 13 of this presentation for the reconciliations

Note 3: Refer to page 18 of this presentation for the reconciliations

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