transat

Results for fourth quarter 2020

Results reflecting the magnitude of the COVID-19 crisis

Transaction with Air Canada submitted to shareholders on December 15

Regulatory approvals pending

Closing expected by February 15, 2021

INVESTOR'S PRESENTATION
DECEMBER 2020

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. 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 October 31, 2020, there exists material uncertainty that may cast significant doubt on the Corporation’s ability to continue as a going concern. Section 7 of the MD&A, Financial position, liquidity and capital resources and note 2 to the 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, both in Canada and at certain destinations the Corporation flies to, the imposition of quarantine measures 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. In response to the first wave of the pandemic, the Corporation temporarily suspended its airline operations from April 1 to July 22, 2020. Subsequently, the Corporation implemented reduced summer and winter programs and is continuously making adjustments based on the level of demand and decisions made by health and state authorities. 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 cost reduction, 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 the likelihood of the availability of a vaccine in the near future makes it possible to hope for the resumption of 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, unfavorable 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, labor relations, collective bargaining and labor disputes, pension issues, maintaining insurance coverage at favorable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of the MD&A.

This presentation also contains certain forward-looking statements about the Corporation concerning a transaction involving the acquisition of all the shares of the Corporation by Air Canada [the “transaction with Air Canada” or the “arrangement”]. These statements are based on certain assumptions deemed reasonable by the Corporation, but are subject to certain risks and uncertainties, several of which are outside the control of the Corporation, which may cause actual results to vary materially. In particular, the completion of the transaction with Air Canada is subject to certain closing conditions that are customary in this type of transaction, including regulatory approvals, particularly authorities in Canada and the European Union. Notably, a public interest assessment of the arrangement regarding national transportation is being undertaken by the Canadian authorities. The Commissioner of Competition released on March 27, 2020 his advisory report to the Minister of Transport further to the Minister's determination that the proposed arrangement raises issues with respect to the public interest regarding national transportation. On May 1, 2020, Transport Canada in turn provided its assessment report to the Minister of Transport. To proceed, the transaction with Air Canada will have to receive approval from the Governor in Council, on the Minister of Transport’s recommendation. The Governor in Council does not have a deadline for issuing a decision and there can be no assurance that the transaction with Air Canada will be approved before the outside date. On May 25, 2020, the European Commission decided to open an in-depth (“Phase II”) investigation to assess the transaction with Air Canada with regard to European Union antitrust regulations. The move to Phase II is part of the European Commission's normal process of assessing the impact of transactions submitted for its approval when there are concerns that a transaction may effectively reduce competition. On September 28, 2020, the European Commission released a statement of objections to the arrangement. The provisional deadline by which the Commission must render its decision is now February 9, 2021. The competition authorities’ assessment process is currently complicated by the COVID 19 pandemic and the impact it is having on the international commercial aviation market.

Among other things, the vast majority of North American, European and international air carriers have requested financial assistance measures, but have had to implement reductions in capacity (as the Corporation did). This context could impact the obtaining of approvals from regulatory authorities, especially regarding the appropriate package of remedies aimed at obtaining those approvals. The decision to propose or agree to any remedies remains with Air Canada and will depend on the impact such remedies may have on the financial position, operations and business prospects of Air Canada. If Air Canada is unable to come to an agreement with the regulatory authorities and obtain the required approvals before the outside date of February 15, 2021, the arrangement agreement may be terminated in accordance with its terms.

Caution regarding forward-looking statements

Under the revised arrangement agreement, the deadline for obtaining the regulatory approvals is set at February 15, 2021 [the “outside date”]. If the required approvals are obtained and the conditions are met, it is now expected that the arrangement will be completed before that date.

Moreover, although the Corporation has been able to put in place a new subordinated short-term credit facility and make amendments to its senior revolving term credit facility, such arrangements are for a limited duration and will need to be replaced if the arrangement is not consummated on or before the new outside date of February 15, 2021. In particular, the new short-term loan facility matures on the earlier of March 31, 2021 and the closing of the arrangement. Furthermore, the temporary suspension of the application of certain financial ratios under the Corporation’s revolving term credit facility and the new short-term loan facility expires on January 30, 2021, after which time, absent of any extension, the Corporation could be in default of its obligations and the term of its borrowings could be accelerated. Pursuant to the terms of the arrangement agreement, the Corporation’s ability to put in place new sources of financing is restricted and requires Air Canada’s consent. As a result, if the requisite shareholder and regulatory approvals are not obtained and the arrangement is not consummated on or prior to the outside date, the Corporation will need to address the challenges posed by its cash position and the maturing lending facilities. If the Corporation is not able to renew maturing facilities at acceptable conditions or find financing alternatives, its financial position and business prospects could be materially and adversely affected. Furthermore, if the arrangement is not approved by the shareholders and otherwise not consummated, there is a risk that Transat’s lenders, lessors, credit card processors, clients and other trade partners become more preoccupied by Transat’s financial position, prospects and ability to execute its strategic plan as a going concern, which could result in more onerous credit terms, repayment obligations, an inability to refinance maturing indebtedness or find new sources of financing, restricted access to goods and services, and/or reduced business, all of which could significantly and adversely affect Transat’s cash flows and ability to continue as a going concern.

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 situation will affect its operating results and cash position.
- The outlook whereby Air Canada will acquire all of the shares of the Corporation.
- The outlook whereby if the required regulatory approvals are obtained and conditions are met, it is expected that the transaction with Air Canada will close prior to February 15, 2021.
- The outlook whereby, subject to obtaining additional financing as discussed in Section 7. Financial position, liquidity and capital resources of the MD&A and note 2 to the consolidated financial statements, the Corporation has the resources it needs to meet its 2021 objectives and to continue building on its long-term strategies.
- The outlook whereby, subject to obtaining additional financing as discussed in Section 7. Financial position, liquidity and capital resources of the MD&A and note 2 to the consolidated financial statements, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and its borrowing capacity.
- The outlook whereby travel credits will be used by customers and not reimbursed in cash.
- The outlook whereby the Corporation will be able to favorably negotiate concessions and deferrals with its aircraft lessors, owners of premises, suppliers, credit card processors and the extension of the temporary suspension of the application of certain financial ratios granted by the lenders of its revolving term credit facility and its subordinated short-term credit facility.

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.

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Update on transaction and COVID-19 impact

Transaction with Air Canada update

- On October 9, 2020, a revised arrangement agreement was approved unanimously by Transat's Board of Directors, under which Air Canada will acquire all the issued and outstanding shares of Transat at the price of $5.00 per share, payable at the holder's option in cash or in Air Canada shares or a combination thereof, and then form a combined world-class company based in Montréal. Air Canada shares issuable under the option of payment in shares will be issued on the basis of a price of $17.47 per Air Canada share, translating into an exchange ratio of 0.2862 Air Canada share per Transat share. The revised arrangement agreement terminates and replaces the original arrangement agreement between Transat and Air Canada dated June 27, 2019, as subsequently amended on August 11, 2019.
- The transaction is expected to close during the first (calendar) quarter of 2021, subject to receiving all regulatory approvals and other usual closing conditions for this type of transaction
  - ✓ Awaiting decision from Minister of Transport and Canadian Cabinet: No deadline for issuing a decision
  - ✓ European Commission: Decision expected by February 9, 2021 given significant amount of information requested
  - ✓ There can be no assurance that the transaction with Air Canada will be approved before the outside date (February 15, 2021)

April 30, 2019
TRZ announces being in preliminary discussions with more than one party concerning a transaction involving the acquisition of the Corporation

May 16, 2019
TRZ and AC announce exclusive negotiations whereby AC will acquire TRZ for $13 per voting share in cash

June 27, 2019
AC and TRZ announce the finalization of the arrangement agreement at $13 per voting share in cash

July 23, 2019
TRZ announces the mailing of its circular in connection with the special meeting of shareholders to approve the plan of arrangement with AC

August 11, 2019
AC increases offer to $18 per voting shares and TRZ break fee to $40M and locks-up from Letko Brosseau, largest shareholder of TRZ

August 23, 2019
TRZ shareholders approved the transaction at 94.7%

August 28, 2019
TRZ announces receipt of Final
Court Approval for the transaction with AC

March 27, 2020
Release of the Competition Bureau report

May 2, 2020
Transport Canada has made a recommendation to the Minister of Transport

May 25, 2020
The European Commission announced it has opened an in-depth investigation to assess the proposed acquisition of TRZ by AC, under the EU Merger Regulation. the European Commission now has until September 30, 2020 to make a decision

September 28, 2020
The European Commission released a statement of objections to the arrangement. The provisional deadline to render its decision is January 29, 2021

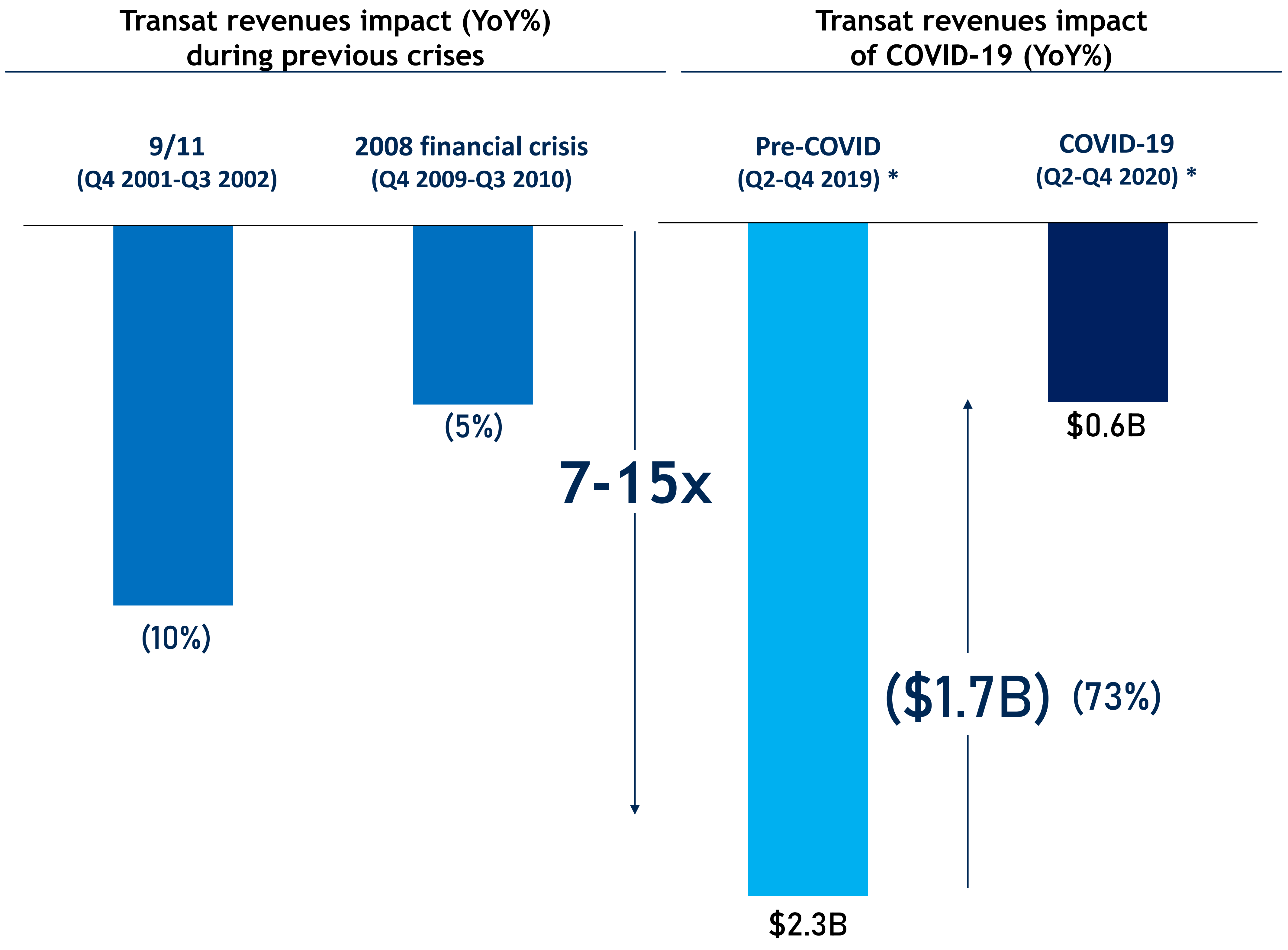
October 9, 2020
Revised arrangement agreement whereby AC will acquire TRZ for $5 per voting share in cash or in AC shares (exchange ratio of 0.2862)

December 15, 2020
Special meeting of shareholders to vote regarding the transaction

First quarter of 2021 (calendar)
Planned closing of combination of Transat and Air Canada

REGULATORY AUTHORITIES INVESTIGATION

Impact of COVID-19 is unprecedented



* Period of February to October

- **FY 2020:** IATA (1) expects a reduction of ~50% of seats offered by airlines compared to 2019 which represent a global loss of revenues of ~US$ 400-500B
- **First half of 2021 (Jan-Jun):** IATA (1) expects a reduction of 30% to 45% of seats offered by airlines compared to 2019 which represent a global loss of revenues of ~US$ 150-200B
- **A vast majority of air carriers around the world are benefitting from government aid to face this unprecedented crisis including:**
  - ✓ U.S. government adopted the CARES Act (2), a global economic relaunch plan of US$ 2T including US$ 61B for US airline carriers at preferable terms and conditions *(interest rate between 2.5%-3.5%)*
  - ✓ European air carriers received some financial support as well, varied according to jurisdiction, with rescue plan totalling more than € 30B at preferable terms and conditions

(1) International Air Transport Association released on November 24, 2020
(2) Coronavirus Aid, Relief, and Economic Security Act

2

Cost reduction measures and Financing

Cost reduction measures taken to preserve liquidity

1

OPERATIONS AND FLEET

- The Corporation decided to permanently withdraw A310 from the fleet
- 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 adapted to the post-COVID-19 market *(see new fleet on p. 11)*
- The Corporation has been negotiating with its suppliers to benefit from cost reductions and change in payment terms
- The Corporation has been negotiating with aircraft and real estate lessors of flexible terms and conditions
- The Corporation has been reviewing and right-sizing the entire corporate structure
  - Other permanent cost reductions under review such as but not limited to G&A expenses
  - Commercial expenses have been temporarily reduced to reflect current market conditions

2

WORKFORCE

- Management and Board of directors adopted a voluntary temporary reduction of their compensation ranging from 10% to 20% which was in place until November 1, 2020 with the exception of high management and members of the board of Directors which are maintained
- The Corporation proceeded with the gradual temporary layoff up to 85% of its workforce at the height of the crisis
  - Following the resumption of the airline operations, the Corporation was able to recall a certain number of employees, thereby adjusting its workforce to 25% of its pre-pandemic level
- As of March 15, 2020, the Corporation made use of the Canada Emergency Wage Subsidy program (“CEWS”) for its Canadian workforce
  - Enabled it to finance part of the salaries of its staff still at work and;
  - Offered its employees that were temporarily laid off the possibility of receiving part of their salary equivalent to the amount of the grant received, with no work required
  - As at October 31, 2020, approx. 2/3 of the subsidy received corresponded to compensation paid to employees who were not working

Transformation of the fleet

	Type of aircraft	Capacity (seats)	PRE-COVID Summer 2019	PRE-COVID Winter 2020	CURRENT Summer 2020	CURRENT Winter 2021	OBJECTIVES DUE TO COVID-19
LONG-HAUL	A330-200/300	332-375 seats	20	20	19	15	2 aircraft matured at the end of the year and 3 early terminations signed at the end of summer; 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	6	7	10 outstanding aircraft to be delivered until 2023
LONG-HAUL	**Subtotal**		**28**	**26**	**25**	**22**	
MEDIUM-HAUL	B737 (permanent)	189 seats	5	5	2	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	4	
MEDIUM-HAUL	A321neo/ceo (seasonal)	190 seats	0	8	3	-	No short-term contract planned
MEDIUM-HAUL	**Subtotal**		**11**	**22**	**9**	**5**	
	TOTAL FLEET		**39**	**48**	**34**	**27**	

Overview of the fleet that the Corporation has but not in operation as we're currently operating the equivalent of two aircraft

Financing and cash flows to increase liquidity

3

LIQUIDITY

- The Corporation proceeded to the disposal of A310 engines and spare parts
- The Corporation has reduced its investment expenditures where possible without jeopardizing its future development
- The Corporation has been negotiating with aircraft and real estate lessors to defer payments
- In March, as a precautionary measure, the Corporation drew down on its revolving credit facility of $50M.
- As of October 31, cash and cash equivalents stood at $426M (change in free cash year-over-year of $189M excluding the drawdown on our revolving credit facility)
- The Corporation has been negotiating with aircraft and real estate lessors to defer payments
- In order to protect its cash position and allow recovery after the restrictions have been lifted, the Corporation issued travel credit vouchers to their customers valid for an **unlimited time** and **transferable** due to the exceptional situation and in particular to the travel restrictions imposed by governments

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FINANCING

- On October 9, 2020, the Corporation put in place a $250M subordinated short-term credit facility with the National Bank of Canada as the lead arranger to bring us over the outside date of the transaction
  - May be drawn down by tranches before February 28, 2021, subject to the satisfaction of applicable borrowing conditions
  - Loan facility matures on the earlier of March 31, 2021 and the closing of the arrangement with Air Canada
- The Corporation has been able to make certain amendments to its existing senior revolving credit facility
  - Temporary suspension of the application of certain financial ratios
  - New requirement to maintain a minimum level of unrestricted cash
- The Corporation is currently discussing with potential lenders, including government authorities which include an application under the Large Employer Emergency Financing Facility (LEEFF)

3

Status on Airline and Commercial operations

Status on airline and commercial operations

- **On July 23, 2020, the Corporation partially resumed airline operations after four months of inactivity**
  - ✓ Operates a reduced summer program consisting of 23 routes to some 17 destinations was then progressively implemented
- **The main challenges Transat faces in the short and medium term**
  - ✓ Lower revenues attributable to travel restrictions (lower demand, pressure on unit revenues)
  - ✓ Increased cost pressure (post-COVID operational adjustments)
  - ✓ Cash pressure
  - ✓ Travelers confidence
- **For the winter program (November 1st, 2020 to April 30, 2021), Transat gradually offers a reduced program of international flights departing from Montreal, Toronto and Quebec City**
  - ✓ With the lack of visibility on future demand, the key objective is to remain flexible, but keep some ongoing operations (currently operating the equivalent of two aircraft) in light of uncertainty resulting from the COVID-19 second wave and to continued border restrictions and requirements in Canada and elsewhere
  - ✓ Important to keep flying despite strong headwinds to be well positioned once COVID-19 is under control and demand comes back
- **Transat provides a simple and safe travel experience at every step**
  - ✓ Launched its *Traveller Care* program regarding health measures which are regularly updated in compliance with recommendations issued by regulatory authorities
- **Customer demand is expected to benefit from various factors, including:**
  - ✓ Recent positive developments around the emergence of an effective vaccine
  - ✓ On the ground observations that a significant portion of the population is waiting to resume leisure travel following prolonged lockdown orders and travel restrictions
- **In return, the recovery period will allow Transat to anchor its position in the leisure market and increase its competitiveness on the medium and long haul**
  - ✓ Transat has demonstrated that it is on the right path to recovery, as it would have achieved a clear improvement in its results in the first half of 2020 (pre-COVID)
  - ✓ According to studies conducted by several consulting firms, there will not be lasting structural change in the demand for leisure travel over time
  - ✓ The context presents a unique opportunity for Transat to accelerate its transformation, especially from a fleet and organization perspectives

Traveller Care - Health and safety program

Program Objectives

- Reinforce our commitment with respect to the health and safety of our customers at each contact point
- Prioritize the health and safety of our travellers, crew and employees in line with the measures required by the different regulatory authorities
  - ✓ Take into consideration social distancing
  - ✓ Offer a service with limited contact
  - ✓ Deploy health care and personal hygiene solutions
  - ✓ Prioritize online actions
- Deploy health and safety measures as well as providing travellers with a practical guide for their next trip

Health and safety measures at all key points

- The program establishes new health and safety measures throughout all Transat touchpoints
  - ✓ Travel agencies
  - ✓ Planning and booking
  - ✓ Airport and onboard
  - ✓ At destination

4 Financial Results and Position

Most recent financial results

Fourth-Quarter Highlights (resumption of operations)

- The Corporation suspended all of its flights during nearly four months
- International flights restrictions, quarantine measures and border closure stopped our sales and limited our recovery
- Partial resumption of our operations starting July 23rd and maintaining flights during the entire quarter on a reduce scale
- As a result, significant decrease of our revenues by (96%) compared to 2019 and adjusted EBITDA decreased by ($188M)
  - ✓ Despite few cost reduction measures implemented, the Corporation had to maintain certain fixed costs during the shutdown of its operations and thereby, the collapse of revenues is more pronounced than the decrease of operating expenses
  - ✓ The decline in operating results was accentuated by the unfavorable settlement of fuel-related derivative contracts

Highlights for the year (impacts of COVID-19)

- Strong pre-COVID adjusted operating income (EBITDA)
  - ✓ Improvement year-over-year until beginning of March by ~$63M due to profitability improvement of Sun destinations program which is the principal program during winter season
- The net loss attributable to shareholders amounted to $497M which includes $100M of special items and $11M of loss on assets disposals (more details in the Appendix and Note 19-20 of the consolidated financial statements)

(in millions of C$, except per share amounts)	Quarter ended October 31		Twelve-month periods ended October 31	
	2020	2019 (2)	2020	2019 (2)
Revenues	**28.4**	**693.2**	**1,302.1**	**2,937.1**
Adjusted EBITDAR (1)	(91.8)	98.2	(98.8)	239.3
Adjusted EBITDA (1)	(90.7)	97.5	(122.2)	192.4
Adjusted EBT (1)	**(154.2)**	**41.9**	**(360.7)**	**(6.5)**
Adjusted net income (loss) (1)	**(156.4)**	**30.1**	**(355.3)**	**(9.4)**
Per share	($4.14)	$0.80	($9.41)	($0.25)
Net income (loss) attributable to shareholders	**(238.1)**	**23.1**	**(496.5)**	**(32.4)**

(1) Refer to Non-IFRS Financial Measures in the Appendix
(2) Results restated to reflect the adoption of IFRS 16

Current financial position

Cash burn: $50M per month or $150M for the quarter (similar to Q3)

- Monetary profitability of ($120M) excl. settlement of fuel-related derivative contracts
- Unfavorable settlement of fuel-related derivative contracts of ($23M)
- Financing and insurance costs of ($14M)
- Customer deposit refunds of ($10M) – *Flight only*
- Disposal of A310 engines for $8M
- GST recovery on 3 A321neoLR delivered in June/July for $13M

Variation explanation vs. 2019

- Significant decrease in monetary profitability
- Acquisition of one spare engine for A321neoLR ($17M)
- Offset partially by $50M drawdown on our revolving credit facility
- Issuance of credit vouchers and lower level of refunds than anticipated which limit partially the drop in cash in 2020

Current financial position

- **Customer deposits (incl. travel credit vouchers):** As at October 31, the travel credit vouchers issued to customers in compensation of the cancellation of their flights due to COVID-19 represent $532M of which 43% is in trust account *(packages)*
- **Current ratio change:** Mainly attributable to the increase in the current portion of lease liabilities (rent deferrals) and the decrease in free cash

Financing

- Efforts under way to secure financing to cover liquidity needs estimated at $500M for the year 2021 in absence of a transaction
- The Corporation has put in place a $250M subordinated credit facility which matures on March 31, 2021 (bring us beyond the outside date of February 15, 2021)
- If required, the Corporation could also try to extend the maturity date of the subordinated loan to give itself sufficient time to put in place a long-term financing

(in millions of C$)	Position as at			Variance ($)	
	Oct 31 2020	Jul 31 2020	Oct 31 2019	QoQ	YoY
Cash & cash equivalents	426.4	576.4	564.8	(150.0)	(138.4)
Cash in trust or otherwise reserved	252.4	280.4	301.5	(28.0)	(49.1)
Total cash	**678.8**	**856.8**	**866.3**	**(178.0)**	**(187.5)**
Trade and other receivables	95.3	115.3	137.9	(20.0)	(42.6)
Prepaid expenses	47.2	38.4	74.5	8.8	(27.3)
Current assets	**851.1**	**1,037.4**	**1,118.7**	**(186.3)**	**(267.6)**
Total assets	**2,016.1**	**2,413.4**	**2,324.5**	**(397.3)**	**(308.4)**
Trade and other payables	232.2	253.8	311.1	(21.6)	(78.9)
Customer deposits and deferred revenue	608.9	638.1	561.4	(29.2)	47.5
Current liabilities	**1,014.3**	**1,112.3**	**987.0**	**(98.0)**	**27.4**
Long-term debt	50.0	50.0	-	-	50.0
Total liabilities	**1,949.7**	**2,103.0**	**1,767.0**	**(153.3)**	**182.7**
Shareholder's equity	66.3	310.3	557.5	(244.0)	(491.1)
Total liabilities and shareholder's equity	**2,016.1**	**2,413.4**	**2,324.5**	**(397.3)**	**(308.4)**
Current ratio (1)	**0.84**	**0.93**	**1.13**	**(0.09)**	**(0.29)**
Customer deposits coverage ratio (2)	**111%**	**134%**	**154%**	**(23%)**	**(43%)**

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

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Risk and Uncertainties

Key risks and uncertainties *

Risk relating to the ability to continue as a going concern:

- The consolidated financial statements have been prepared on a going concern basis which assumes that the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and meet its obligations in the normal course of business.
- While we are confident that the transaction with Air Canada will be completed, we cannot be certain of this outcome. ***Should the transaction not be completed***, the Corporation's ability to continue as a going concern for the next 12 months is dependent on its ability to ***obtain necessary financing*** in the aggregate amount of approximately ***$500M*** prior to the maturity of the new subordinated short-term credit facility which is currently March 31, 2021 and is in discussions with potential lenders, including government authorities

Potential negative impacts of the COVID-19 pandemic include but are not limited to:

- Significant ***reduction or even elimination of demand*** for products and services due to government travel and border restrictions
- ***Disruptions in operations*** due to quarantines
- Customer deposits (travel credit vouchers): Exposed to the ***risk of having to make refunds*** or of not having access to financial support
- ***Travel-related measures requiring physical distancing*** that could result in additional costs to the Corporation (new laws)
- ***Negative impact on global credit and capital markets :*** Refinancing at reasonable terms and conditions
- ***Inability to meet the financial ratios:*** Obtaining an extension of the suspension of their application resulting in more onerous credit terms or repayment obligations that could adversely affect our cash flows
- ***Tighter credit conditions*** proposed by business partners
- ***Write-down of assets*** as well non-recurring expenses resulting from adjustments to the cost structure
- ***Significant volatility in fuel prices and exchange rates***: Resulting negative impact on the value of the derivative contracts used to manage fuel-price and foreign exchange risk
- Terminations completed to date and ***exposed to legal actions by these employees for additional indemnities***
- ***Amounts withheld by credit card processors***: Creating additional adverse pressure on our cash flow
- ***Transaction with Air Canada***: Inability to reach an agreement with the regulatory authorities in terms of solutions or remedies given the current widespread context

* More details under section Risks and Uncertainties in the MD&A included in our 2020 Annual Report

Appendix

Pre-COVID financial overview

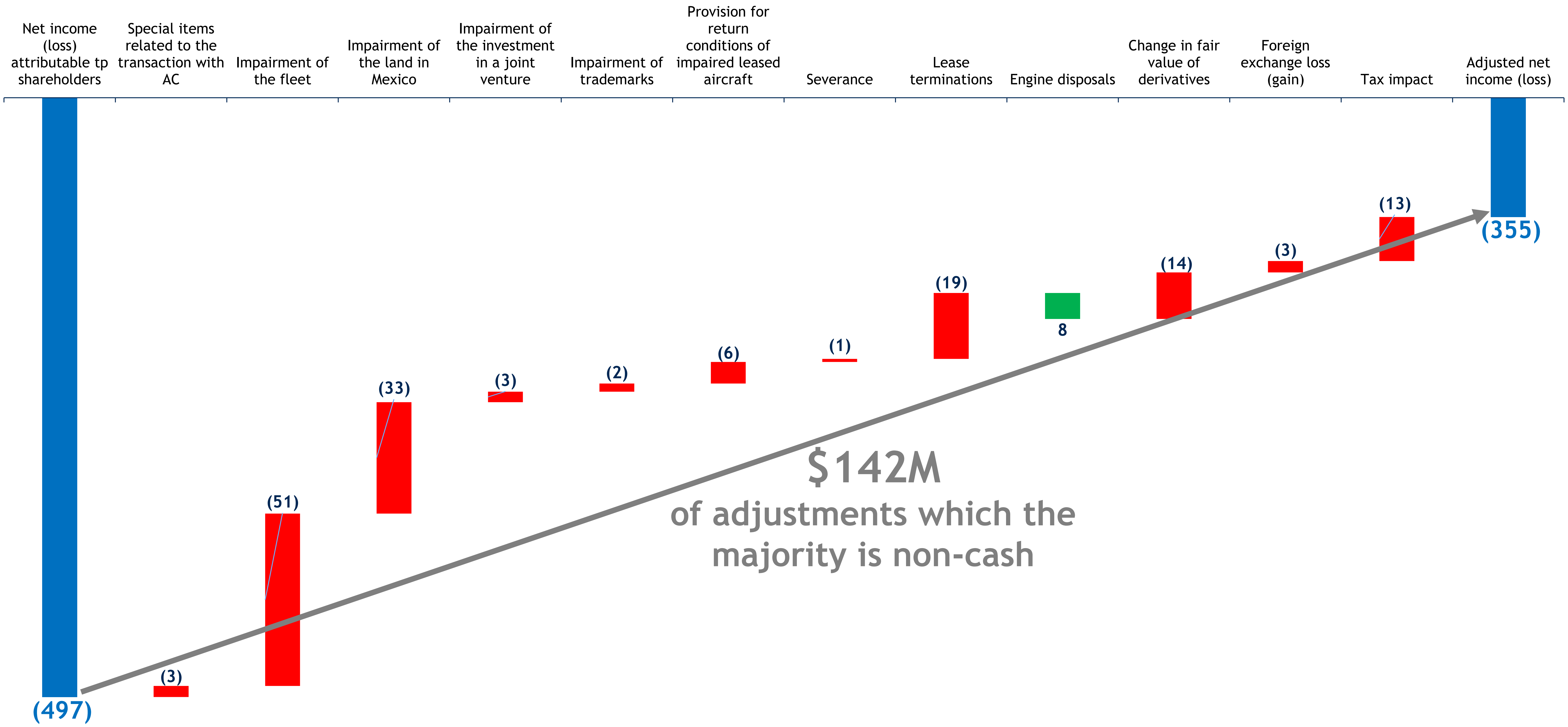
(all amounts in C$ millions)	2019 Comparable (November to February)	2020 Pre-COVID (November to February)	Difference
Revenues	$948	$1,016	+$68
Adjusted EBITDAR (1)	$23	$74	+$51
Adjusted EBT (1)(2)	($65)	($13)	+$51
Cash and cash equivalents	$686	$739	+$54
Cash and cash equivalents in trust or otherwhise reserved	$360	$350	+$10
Customer deposits and deferred revenues	$739	$764	+$26
Trade and other payables	$327	$391	+$63 (3)
Financial covenants			
Customer deposits coverage	136%	135%	
Cash ratio	36%	37%	
Current ratio	1.14	1.04	
Leverage ratio(4)	3.9x	2.6x	

(1) Excludes non recurring expenses .
(2) Excludes the impact of realized mark-to-market of derivative instruments
(3) Includes $23M of payables related to the transaction with Air Canada
(4) Position as at January 31

Observations

- Strategic initiatives taken by Transat over the last few years started to contribution to the financial performance of the Corporation before COVID
  - ✓ Increase of 11% of travellers compared to previous year (period of November to February)
  - ✓ Higher margin on both sun destinations and transatlantic program
- Pre-COVID: Transat had a sound balance sheet with a total cash position of $1.1B as at February 29, 2020 mainly attributable to the divestiture a few non-core assets in the last 4 years for a proceeds of $330M which only a minimal portion was invested toward the development of the hotel division

Adjusted net income (loss) reconciliation



Non-IFRS financial measures

Non-IFRS financial measures included in this presentation are not defined under IFRS. Therefore, 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 non-IFRS measures used by the Corporation in this presentation are defined as follows:

- **Adjusted EBITDAR:** Operating income (loss) before aircraft rent, depreciation and amortization expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items 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 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 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 charge in fair value of fuel-related derivatives and other derivatives, 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, 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 amount of deferred tax assets in the carrying and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives 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

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

Experienced and results-driven executive team

Jean-Marc Eustache
Chairman of the Board
President and
Chief Executive Officer
Transat A.T. Inc

Jean-Marc Eustache was the principal architect of the 1987 creation of Transat A.T. Inc. His forward-thinking business vision — focused on vertical integration — combined with outstanding leadership skills have helped elevate Transat A.T. Inc. to the rank of Canada's tourism industry leader. With its subsidiaries and affiliates, the Company has also become international in scope and one of the world tourism industry's largest players. .

He holds a Bachelor of Science degree in Economics (1974) from l'Université du Québec à Montréal. He began his career in the tourism industry in 1977 at Tourbec, a travel agency specializing in youth and student tourism, before founding Trafic Voyages — the foundation for the creation of Transat A.T. in 1982.

Annick Guérard
Chief Operating
Officer
Transat A.T. Inc.

Since November 2017, Annick Guérard is Transat's Chief Operating Officer. She heads all of the Company's operations and commercial activities. With her extensive knowledge of the industry and its issues, combined with her qualities of vision, leadership and effectiveness, she plays a key role in Transat's development and success.

She joined Transat in 2002 and has served in numerous senior management posts involving strategy, operations, sales and marketing, the digital shift, revenue management, customer service and product development, for several Transat business units. Ms. Guérard previously had a career in engineering consulting in the transportation industry, then served as a senior consultant in operations management for Deloitte Consulting. She holds a bachelor's degree in civil engineering from Polytechnique Montréal and an MBA from HEC Montréal as well as the designation ICD.D. from the Institute of Corporate Directors. She sits on the boards of Pomerleau and Espace Go theatre.

Jordi Solé
President,
Hotel division
Transat A.T. Inc.

Jordi Solé was appointed President of Transat's hotel division in 2018. Since 2001, he has overseen the operations of resorts belonging to several major international hotel chains, where he has acquired extensive experience in operations, sales, marketing and staff management at all-inclusive resorts. He began his career in the industry in Spain as Deputy Managing Director of Barcelo Hotels and Resorts, where he optimized operational and organizational procedures across Europe. In 2009, he came to Latin America as head of Iberostar Hotels and Resorts in Mexico, where he oversaw the 10 resorts in the region (4,000 rooms and 4,500 employees). More recently, he was appointed Senior Vice-President, Operations, for Blue Diamond Resorts, participating in the extensive growth and development of the company.

Mr. Solé holds an MBA from IESE Business School and a bachelor's degree in industrial engineering from Universitat Politècnica de Catalunya, in Barcelona, Spain

Jean-François Lemay
President and
General Manager
Air Transat

Jean-François Lemay joined Transat's senior management team in October 2011. He has some 30 years of experience in the practice of law, including with the firms Desjardins Ducharme, then Bélanger Sauvé and finally Dunton Rainville, where he was a partner and member of the executive committee. A specialist in labor law, he has advised many clients on issues related to labor relations, human rights and freedoms, and occupational health and safety. He is invited regularly to speak to professional associations and is the author of numerous articles on labor relations. He has also served as a lecturer in labor law with the Law Faculty of Université de Montréal, where he obtained his law degree, and as a professor in labor law with the École du Barreau of the Quebec Bar.

Denis Pétrin
Vice-President,
Finance
& Administration
And CFO
Transat A.T. Inc.

Denis Petrin, CPA has held the position of Vice-President, Finance and Administration and Chief Financial Officer for Transat A.T. Inc. since 2009.

He began his career with EY before joining Air Transat in 1990. In 1997, he was appointed Vice-President, Finance and Administration for Air Transat to which was added the equivalent position for Transat Tours Canada in 2003.

Mr. Petrin holds a bachelor's degree in Business Administration from Université du Québec à Trois-Rivières.

THANK YOU TO OUR EMPLOYEES, CUSTOMERS, INVESTORS AND FINANCIAL PARTNERS