



**ANNUAL MEETING OF SHAREHOLDERS
MARCH 12, 2020**

**NOTES FOR A PRESENTATION BY JEAN-MARC EUSTACHE
FOUNDING MEMBER
CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AND CHAIR OF THE EXECUTIVE COMMITTEE**

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TRANSAT A.T. Inc.
TRANSAT ANNUAL MEETING OF SHAREHOLDERS, 2020

JEAN-MARC EUSTACHE

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We come together today for what will probably be our last annual meeting as a listed company, as we head toward the conclusion of a transaction that will mark a new chapter in Transat's history. The company has traded on the Toronto Stock Exchange since 1987, when the lack of airplane seats led Trafic Voyages—which Lina de Cesare and Philippe Sureau, who are both here today, and I had founded in 1982—to begin operating its own airline. Trafic Voyages had itself grown out of the agency Tourbec, which we had taken over in 1979 and whose mission was to help young Quebecers travel and discover the world.

This new chapter, like the conclusion of the transaction, is of course conditional on the regulatory approvals from Canada and Europe, which as you know are pending.

The process is ongoing; we have been replying to the authorities' questions and remain confident that everything will go as planned. In Canada, public consultations ended in mid-January, and we are awaiting the publication of Transport Canada's observations following those consultations—expected by the end of this month—along with the analysis report from the Competition Bureau. This will be an important step in the process.

You will notice I that used the term "analysis report." Given the declaration of public interest, the role of the Competition Bureau is limited to studying the impacts on competition in the marketplace resulting from the planned transaction; in other words, identifying potential difficulties, without necessarily contemplating what

solutions or mitigation measures might be implemented, and without taking more broadly into account the public interest. That role will eventually be assumed by Transport Canada, which is due to make its recommendations to the Minister in early May, after which the Governor-in-Council will render a final decision. We still expect that decision to come in the second quarter of the calendar year.

We must therefore consider the Competition Bureau report—which, unlike the one from Transport Canada, will be public—at some distance, and not draw any direct conclusions from it with regard to the final decision. We saw the same thing in the only other previous case that is relevant to us: the merger of First Air and Canadian North.

On the Europe side, there are no such intermediate steps, but the file is also progressing well.

As you know, with this transaction Transat will join forces with a large, prestigious company that has been extremely successful in the past and that knows the air travel business very well. Combining the strength of Air Canada in aviation and the expertise of Transat in leisure travel means we will be well-armed for success in an environment that is becoming increasingly competitive and where size and integration are important. The evidence for this in recent months has included the spectacular demise of Thomas Cook, but also the collapse of several air carriers, including Jet Airways, Wow Air, flybmi, Aigle Azur and Flybe—not to mention XL Airways, which was once a Transat affiliate under the name Star Airlines. The total number in 2019 was about 20.

In the case of each of these companies, the reason for failure has not been lack of demand: tourism, as well as air transport, continues to grow around the world. In 2019, the number of tourists increased once again, by 4%, reaching 1.5 billion

arrivals¹ according to the UN World Tourism Organization. That's less than the 6% recorded in 2018 and the 7% in 2017, but it's still substantial growth, and forecasts for 2020 were for a similar increase—before the novel coronavirus came into the picture. Looking at air transport specifically, global passenger kilometres grew by 4.2% in 2019.²

In other words, the main contributing factors are supply, and integration, which is often insufficient to ensure optimized operations and capacity to deal with the ups and downs that affect our industry, be they geopolitical, economic, weather-related—or, obviously, in the present case, health-related.

Given that context, I am firmly convinced that the carefully considered decision by the Board of Directors, made unanimously and after studying all of the aspects and evaluating all of the options, was the best possible one. Partnering with Air Canada will bring us the power of a large network, enabling us to increase load factors on our aircraft through more efficient connections, and to make more efficient use of those aircraft, especially during the slower shoulder seasons—an optimization that our current business model does not always allow.

Our company, meanwhile, will contribute a great brand along with our expertise in leisure and all-inclusive vacations, which, as you know, we had begun to complement via our own hotel division.

Throughout 2019 and early 2020, then, we worked non-stop to successfully implement this transaction, which 95% of you approved. But that doesn't mean we've stopped looking after the company's progress. We've kept moving forward with our projects, to be ready to face any eventualities.

¹ <https://www.lechotouristique.com/article/la-croissance-du-nombre-de-touristes-dans-le-monde-a-ralenti-en-2019>

² <https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly---dec-2019/>

First of all, we continued to transform our fleet. A few days from now, our last two Airbus A310s, which have continued to serve us well this winter, will be retired from active service. They will still be available as replacement planes during the summer season, before being withdrawn completely. Our Boeing 737s will also leave the fleet over the next few years. This will make room for our Airbus A321s, including 15 long-range—or LR—models, which are the perfect aircraft for us, able to fly our medium-haul Sun destination routes as well as our longer European routes. We were one of the first carriers in the world to take delivery of this type of jet, and we now have two of them in the fleet, which has helped us in our objective of increasing frequencies. Also of note is the fact that they consume 15% less fuel than the previous generation of aircraft. This brings a great cost benefit, and it also reduces our greenhouse gas emissions.

We also continued efforts to grow our unit revenues. On the one hand, we significantly increased our ancillary revenues, in part by changing our fare classes, introducing a no-baggage option known as Eco Budget. On the other, we continued to restructure our revenue management, which has helped us improve unit revenues across the entire network.

During the period gone by, we also posted improved customer satisfaction scores. Overall satisfaction with our air service now stands at 79.5%, versus 77.1% in 2018. Our net promoter score, or NPS, which corresponds to the difference between those who do not recommend Transat and those who do, jumped from 10 to 17 year-over-year. In the air travel industry, that is a score with which we can be quite satisfied. These results are all the more encouraging, going forward, given that our best scores were given by passengers on A330, A321ceo and especially A321neo LR aircraft, which before long will make up our entire fleet.

Those numbers are borne out by the fact that this past year, we were once again ranked the World's Best Leisure Airline by Skytrax. We intend to hold on to that status in 2020, and I encourage you to go and vote for us.

And we achieved these results even as we continued working tirelessly on our costs—which for our customers, of course, has been a good thing.

Our results for the year 2019 did not live up to our hopes, even though they showed some improvement over the previous year, with our adjusted net loss standing at \$9.4 million—an improvement of \$14.6 million compared with 2018. That improvement has continued into the winter, with a noticeable upswing in the first quarter, which Denis will be explaining in detail in a moment.

The year 2020 therefore seemed to be off to a very good start—until the emergence of the threats posed by COVID-19 to the economy in general and to the tourism economy in particular. On that subject, I will simply say that in our business, rule number one is: “Don’t panic.” Throughout Transat’s long history, we have dealt with all manner of crises. We especially remember the year 2001, which saw both the Flight TS236 incident and the events of 9/11, while in terms of health crises, we have had SARS in 2003, H1N1 in 2009, and Zika beginning in 2016. We therefore expect the coming year to be more challenging than what we were forecasting based on our first quarter, but like any travel company, it is very difficult for us to make any predictions as to the possible magnitude of the impact. We are, however, monitoring the situation daily, and as always, we will do what needs to be done, both in terms of stimulating our sales and reducing our costs. Once again, Denis will be telling you a bit more about this in a few minutes.

Before I conclude, I’d like to take a moment to commend all of Transat’s teams; those who built this company from the start and those who now continue to work hard every day to deliver the results and tackle the challenges I have just

mentioned. We sometimes forget what prolonged periods like these can be like for our teams. Between the initial announcement of indications of interest, on April 30, 2019, and the actual conclusion of the transaction, more than one year will have gone by. That has meant long months of uncertainty, even among the teams who see all the benefits of joining forces with Air Canada. But we have kept up our commitment and our enthusiasm, even achieving an 8th-place ranking recently on *Forbes* magazine's annual list of Canada's Best Employers, and 3rd best in Quebec, behind Hydro-Québec and Ubisoft. That is a jump of 43 places over our ranking last year. I therefore congratulate each and every one of our employees and thank them wholeheartedly for answering the call during that time, for staying focused on the task at hand, and for redoubling their efforts to serve our customers better than ever. Kudos to them. They deserve a round of applause from us.

I will end by saying that we are eager to move on to the next stage, and by thanking our customers, our Board of Directors and our shareholders for supporting us all throughout this journey.