ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
APRIL 30, 2019

NOTES FOR A PRESENTATION BY JEAN-MARC EUSTACHE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Check against delivery

JEAN-MARC EUSTACHE

As you know, we announced this morning that we are in preliminary discussions with more than one party regarding a potential transaction to acquire the Company.

These discussions follow the receipt by the Company of expressions of interest.

We have therefore formed a special committee of independent directors to evaluate the proposals with the assistance of financial and legal advisors and, if deemed appropriate, to undertake a process of formal review of strategic options.

Thereafter, the Special Committee will make recommendations to the Board of Directors in the best interests of the Company and all of its stakeholders.

I want to reiterate that the discussions are at a preliminary stage and no decision has been made on a potential transaction.

For us, our activities continue to follow their normal course.

Our teams are focused on the needs of our customers and on providing them with the same excellent customer service to which they are accustomed.

And we remain focused on implementing our 2018-2022 strategic plan.

Since this meeting is happening at the end of April, a little later than usual, and the 2018–2019 winter season officially comes to a close today, we perhaps benefit from a bit more hindsight and perspective on the year gone by.

Looking at the past year from that longer distance, I would describe it as having been both extraordinary and disappointing.

I probably don’t need to explain at length why it was disappointing. Following a winter that was slightly better than that of 2017, we had a summer season that lagged far behind the record pace established in the years previous, with results that weren’t enough to offset the winter losses.

Overall, we ended fiscal 2018 with an increase in revenues of six percent on a comparable basis, for a total of three billion dollars, which translated into adjusted operating income of 16.5 million dollars, an adjusted net loss of 24.5 million dollars, and a net income attributable to shareholders of 3.8 million dollars.

I cannot yet comment on the second-quarter results, of course, as we won’t be releasing them until June 13, but you are all aware of the first-quarter numbers: Our revenues were on par with those of last year, and we had an adjusted operating loss of 38 million, i.e., the same as in 2017, whereas we had cut it to 29 million in first-quarter 2018.

That said, I do see many positive signs in the year just passed—the first in our five-year strategic plan. We know that the initiatives in the plan have yet to bear fruit, and that some are even handicapping rather than improving our results (I will return to this later). We also know that currency exchange fluctuations and fuel prices have hurt us time and again in recent years. Last year, a stronger Canadian dollar helped us somewhat during the winter, but then the cost of fuel hit us quite hard during the summer, after a sharp increase in the spring. We also know that the playing field is increasingly more competitive, on both our markets, Europe and the South, and that only by following through on all of the transformations laid out in our strategic plan will we work our way through to success.

I will begin by talking about the first of those transformations, perhaps the most significant: our hotel development. At the start of fiscal 2018, it was nothing more than a plan on paper. Today, led by the president of our hotel business unit, Jordi Solé, who joined us in February 2018, we are the proud owners of two parcels of land in Puerto Morelos, near Cancún, in Mexico, which we’ve combined into one; we have an acquisition and construction team; the plans have been drawn; and we will soon have the capacity to start construction. Looking at it today, all this represents expenses, energy and investment. But once our hotels open, this will significantly change the face of Transat, including in financial terms.

To achieve this, we still have the necessary cash flow. Our cash and cash equivalents amounted to 620 million dollars as at January 31. That is 129 million dollars less than a year earlier. The difference is mainly attributable to, on the one hand, the purchase of the land in Puerto Morelos for 76 million dollars, and on the other, the fact that we adopted the new IFRS 15 standard, which means we have temporarily included an extra 33 million dollars in amounts placed in trust.

Looking at our traditional operations, we have moved farther down the field toward our goal as well.

Our fleet transformation is under way, and 2019 will be the pivotal year. As I speak, we are taking delivery of our first Airbus A321neoLR—the LR stands for long range—an aircraft that will be pivotal to this transformation. As you know, it enables us to cover long distances, including transatlantic routes, with smaller seat capacity than the widebody jets we've been using for those flights until now. That in turn means higher frequencies and profitable service on secondary routes, point-to-point, which is the core of our mission. It will also be switchable from Europe to Southern routes in a flexible manner, with none of the aircraft changes that have constrained us up to now. That means both training and operating costs will be lower. We are expecting our second A321neoLR in June, with further deliveries to proceed until we have received the 15 planes we've ordered so far. Short-term, the transition means some additional expenses, but these are an unavoidable step on the way to a better-performing and more aggressive Transat.

Our revenue management and network building capabilities are also improving day by day. The latter have already resulted in agreements like the one with SNCF, France's national rail carrier, for TGV AIR service, allowing us to serve several cities in France as well as Brussels, Belgium, out of Roissy–Charles-de-Gaulle airport, with combination air-rail packages. There is also Worldwide by easyJet, the program granting access to our flights to passengers arriving at London Gatwick airport from any destination served by that U.K.-based carrier. These agreements are a way for us to expand our network and improve our load factors, while remaining true to our DNA as a leisure carrier and not making our operations more complex.

We are also continuing with our cost-reduction and margin-improvement initiatives, and remain on track to reach our global objective of 150 million dollars over the five years of the plan. For summer 2019, we've introduced a new Eco Budget fare class, which lets us offer passengers a low-cost option, with no baggage allowance or flexibility. The Eco Standard and Eco Flex fares offer a different choice for travellers who want more services, while optimizing prices for us.

We have also continued our distribution and digital development efforts, including rollout of the centralized customer file, which provides our customer relation agents with far more comprehensive information on our travellers, and allows them to respond more accurately, more quickly and in a more personalized manner. And just in the past few days we've opened our new agency, branded eX by Transat Travel, in the Quartier Dix30 lifestyle centre on Montreal's South Shore, with a fresh take on the brick-and-mortar travel shopping experience, aimed notably—but not exclusively—at younger generations.

I must also mention that last year our website won the Flèche d'Or Award from Quebec's Association du marketing relationnel for the best customer experience in the Tourism, Leisure and Entertainment category, not only beating out our Canadian competitors, but all the major names in online travel and accommodation distribution as well.

And speaking of customer experience, I'm pleased to point out that in 2018 we also regained our Skytrax Awards ranking as the World's Best Leisure Airline. We had previously held the top spot in 2012, slipping to number two in the intervening years. We are very proud of the fact that our customers, who are directly responsible for this distinction because they voted for us, have once again put us in first place.

In the area of employee relations, Air Transat again made progress this year on Forbes Canada's Best Employers List, announced in January 2019. We finished 51st, a jump from 69th place in 2018, 120th in 2017, and 162nd in 2016. That is a fantastic signal of appreciation from our employees, given that this is one of the few "best-of" lists that is established without any involvement by us, on the basis of a representative survey rather than an application submitted by the company. For the first time ever, we are the number one airline on the list.

I want to conclude by touching on one of Transat's most important commitments: responsible tourism. In 2018, following two years of sustained efforts and 12 years of dedicated work in that direction, we obtained full Travelife Certification, becoming the first tour operator in the world to obtain the distinction for all of its operations, at head office, in agencies and at destination. The certification was awarded following a successful audit comprising more than 200 control points, and demonstrates the seriousness of our efforts. But it is far from being the end of the story: we have now built the 2018–20 Action Plan, which you can view on our website, and which will frame our ongoing efforts to ensure that Transat operations have benefits for the communities where we operate, in our origin markets and at destination, and to ensure that we do not damage the environment, or at least harm it as little as possible.

As you can see, all the fundamentals are in place to ensure the success of our plan. And I thank our customers, our employees, our directors, as well as our shareholders, for their unfailing support.