



TRANSAT ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

APRIL 27, 2022

NOTES FOR A PRESENTATION BY ANNICK GUÉRARD

**PRESIDENT AND CHIEF EXECUTIVE OFFICER
AND DIRECTOR OF THE COMPANY**

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TRANSAT A.T. Inc.
**TRANSAT ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS, 2022**

ANNICK GUÉRARD

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Thank you, Raymond, and hello everyone.

It feels like the year 2021, the results of which are the focus of today's meeting, was just a short while ago, but very far away at the same time.

The impacts of the COVID-19 pandemic were felt for the entire year, reducing our revenues to \$125 million. After a restart in July 2020, we were again forced to suspend operations for six months, from January 29 to July 30, a shutdown that lasted even longer than the one the year before.

Despite the many efforts that we pursued and intensified during this period to limit our costs and scale back the business to its leanest possible form, we posted significant losses: an adjusted operating loss of \$214 million (\$401 million before adjustment) and an adjusted net loss of \$446 million (with a net loss of \$390 million).

After spending summer 2021 in slowdown mode, we ramped up efforts to deploy capacity during the winter and be ready for a summer 2022 season with volumes similar to 2019. It's a long process: when you put a company on pause like that, you can't just flip a switch to get it up and running again. We've had to recall our employees, recruit new people, retrain everyone who needs it, including our pilots and flight attendants, and reopen our air routes one by one.

I said that 2021 feels like not so long ago because COVID unfortunately didn't go away on November 1 and we still had to go through an aftershock during this reconstruction work. The emergence of the Omicron variant significantly affected our sales and load factors during the first quarter and part of the second.

But 2021 also feels distant because we are now in a much different situation than we were last year. In spite of Omicron, we did not interrupt our investments in the restart, and we are now further along than ever on the track that should lead us to a business volume close to where we were before the crisis began.

Our deployed capacity for the first six months of the year is around half of what it was in 2019. This summer, it will be back up to around 90% of that of 2019. Although it's early yet, we are seeing healthy demand, with perhaps a bit more of a wait-and-see attitude for Europe than for our Sun destinations. Sales are happening later than in past years, and the events in Ukraine may well be a contributing factor. Our attitude today, however, is grounded in cautious optimism in the face of an encouraging, albeit still unpredictable, situation. The summer may still bring challenges, but one way or another we are really on course for a strong future.

Our current expectation is that by 2023 we will have rebuilt our full program, to at least the same level as 2019. This robust recovery bolsters our drive to return to a cash-flow-positive situation, which we expect will happen by 2024.

This recovery means we have been able to recall many of our people. Before the onset of the pandemic, we had 5,800 employees, including 5,100 in Canada. At the peak of the crisis, we had kept fewer than 900 on the job.

At the moment we have approximately 3,400 active employees worldwide. We are continuing to recall people, in particular our cabin crews and our pilots, to ensure we are fully staffed for the summer, and we expect to end the year with about 4,500 employees.

I must highlight just how essential our employees have been in keeping Transat resilient. I'm thinking not only of those who worked tirelessly every day throughout the pandemic, clocking long hours to keep the company running and get our jets back in the skies, but also everyone who spent long months at home and immediately answered the call when we asked them to return. Today we are seeing that our teams' level of engagement is higher than it ever was before COVID.

Unfortunately, we have also had to let a number of employees go over the past few months, while others have moved on to pursue new opportunities. The restructuring we have undertaken will allow us to generate efficiency gains. And as Raymond just mentioned, we have also taken the opportunity to move forward with a refreshed senior executive team, and they are the people we need to execute our Strategic Plan.

That plan, I remind you, has been designed in three phases: one of stabilization in 2021 and 2022, followed by a transformation phase lasting from 2022 to 2025, and leading to a phase of prosperity, where we will be in a position to capitalize on our successes and propel Transat into a new era of growth.

We have done a lot of what we needed to do to stabilize the company, and have now embarked on the transformation phase. Its objective is to refocus Transat on our core business as an airline and achieve greater profitability than in the past, both by reducing our unit costs and by increasing our unit margins. We've already taken several steps in that direction.

We began by concentrating our route relaunches in Eastern Canada, notably in Quebec and Ontario, with a focus on Montreal, of course. From our Western bases, we have restarted domestic connections only, as feeders for our international routes eastward. This now enables us to leverage our strength on this side of the country, operate more profitable routes and provide better service, with more destination and schedule options, to our customers, who are especially loyal and attached to the company. It also means we can operate our aircraft much more often, and in so doing reduce our cost per passenger-kilometre.

We have also streamlined our fleet down to two types of Airbus aircraft, A330s and A321s, whose systems are 100% compatible, making operations a great deal simpler. Those planes include the A321LR which, as we've said before, is the perfect aircraft for the current context, and having a number of them available now gives us a head start on our competition. We will be flying 12 of these jets this summer.

Our focus on expanding our aviation business also means leveraging a network of alliances, given today's world in which no one can operate alone. Here too, we have started laying the foundations, for example by announcing codeshare agreements with WestJet and Porter Airlines, and setting up a virtual interlining service, connectair by Air Transat, with several partner carriers. These new alliances enable us to offer our customers many new destinations. We will be actively pursuing development of commercial agreements over the coming year to continue enhancing the quality of our product offering.

Looking at revenue management: we are ramping up all of our optimization efforts, adopting the industry-leading revenue management system, developing best practices to maximize our yields, and also recruiting new, highly experienced talent. Thanks to this new step, we will more quickly achieve our unit margin targets.

Our work to refocus on our core business has also led us to dismantle our hotel division. That said, of course, we are not neglecting the production and marketing of package travel, and we retain the ability to offer our customers the best accommodations and the best all-inclusive prices, as in the past, in collaboration with our hotelier partners.

On the topic of costs, we have conducted a complete review of all of our business costs and contracts, including our aircraft and property leases. I want to mention the work done to downsize our real estate footprint. We have significantly reduced the floor areas of our headquarters in Montreal and our administrative spaces in Toronto. This has been accomplished through a very ambitious and extremely flexible teleworking policy. Beyond the financial rewards, we are already seeing the other ways this benefits us as an employer, both with our existing employees and the candidates we hope to attract to our organization.

Our Strategic Plan is therefore well on track. We started strong, and we are continuing to build momentum, both to meet our long-term goals and to capitalize on the next 18 to 24 months, when

our flexibility and responsiveness will allow us to make gains and consolidate our position as the market repositions itself.

We are maintaining dialogue with the government to ensure that we have the necessary resilience and the means to implement our recovery plan. Once our financial profile has been re-established through a return to full-volume operations, and in a context of reduced uncertainty, we will be able to optimize our financing.

I take this opportunity to thank the Government of Canada, which has heard our appeals for support to deal with the pandemic. The Large Employer Emergency Financing Facility provided us with the cash flows we needed during the most challenging, most critical period, and federal employee and wage support programs have helped a great deal as well. Support on this scale is enabling this country's aviation industry to remain vital, and that will of course be beneficial to all consumers going forward.

As I have often said, our recovery must happen responsibly and sustainably. For many years now, Transat has been a leader in this area, be it in terms of environmental stewardship, community inclusion or employee engagement in causes. Our Strategic Plan emphasizes three pillars that support a comprehensive policy: employee development, diversity and inclusion, and of course the environment, in particular the decarbonization of our operations.

On this last point, which is the really major challenge facing the aviation industry in the coming years, we have once again demonstrated our commitment in the area of sustainable fuels, first by signing an offtake agreement to acquire e-fuel, which will support implementation of a made-in-Montreal carbon-capture technology, and second by partnering in an industry-wide effort to develop sustainable fuels in Canada.

To provide a structured framework for all of our efforts and give ourselves tools to monitor and share information on our progress, we plan to introduce a comprehensive plan for our environmental, social and governance (ESG) efforts, with measurable targets and indicators, by early 2023.

When we talk about responsibility, for a Montreal-based company, we cannot ignore the role of the French language in our business. I applaud the efforts by MÉDAC, Quebec's shareholder education and advocacy movement, to promote the use of French by local corporations.

French has been integral to Transat's identity since its founding. It is the mother tongue of the vast majority of our senior executives and officers, and all of them speak French.

It has always been fundamental principle that our customers, especially those from Quebec, be served in French on board our aircraft. We are a Montreal company and French is our main language. Our employees in Quebec and France are able to work in their own language, just as

we give our English- and Spanish-speaking employees in Canada, the United Kingdom, Mexico and the Caribbean the opportunity of course to work in theirs.

As a travel company, our mission is to forge connections between the countries and regions of the world. Exploration and openness to others are values we believe in, our *raison d'être*, and they motivate our employees every single day. In recent decades, thanks in part to the impetus of companies like Transat, the world has come closer together, in a way: the ability to travel between countries and between continents has become something of a given, no longer limited to members of an elite.

COVID threw that certainty into disarray, with many countries, including Canada, moving to close their borders and make travel more difficult—to view it as the very source of their ills, even. There were sound reasons to be prudent, but those measures were taken in a context of economic isolationism that had already been in the air for some years. Ecological concerns also lend themselves well to a discourse that can lead us to turn inward, and homeward.

The Russian aggression in Ukraine has driven home, in the most appalling manner, the fact that openness and the willingness to get to know others—those most Canadian, most Québécois of values—are fundamental to living in a world of peace. We believe profoundly in the importance of maintaining and continuing to develop that connection with the world, of helping our customers to visit other countries, perhaps to reunite with loved ones living there.

We will pursue our mission and we will do so responsibly, progressively reducing our impact on the environment, but also with ever greater ambition and the same passion that has always been our hallmark.

Thank you.