ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

MARCH 12, 2015

NOTES FOR A PRESENTATION BY DENIS PÉTRIN
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Check against delivery

Hello. Thank you, Jean-Marc.

I'll start with a brief summary of fiscal 2014.

Transat posted revenues of $3.8 billion, or $100 million more than the previous year, and adjusted operating income of $100 million, versus $120 million in 2013.

Our adjusted net income was $45 million, compared with $63 million in 2013. Net income attributable to shareholders, meanwhile, stood at $23 million, against $58 million the previous year.

The diluted adjusted net income per share was $1.16, compared with $1.63 in 2013.

The unfavourable year-over-year variance is due essentially to our winter-season results. In 2014, we had an outstanding summer—the second-best in the organization's history.

The sudden drop in value of the Canadian dollar at the start of 2014, and its subsequent worsening, adversely affected our winter results by $36 million. The impact of currency fluctuations is particularly damaging in winter, because not only our hotel purchases, but a significant part of our air costs as well, are paid for in U.S. dollars.

I now turn to the results for the first quarter of 2015, which ended January 31.

We had revenues of $789 million, a decrease of 7% compared with the first quarter of 2014, following our decision to reduce capacity.

We posted an adjusted operating loss of $36 million, versus one of $24 million last year.

The net loss attributable to shareholders is $64 million, which takes into consideration a $32-million non-cash loss resulting from fuel-hedging accounting, which we record in the statement of income. U.S. currency hedging resulted in a $42 million favorable variation which is recorded in the balance sheet, rather than in the statement of income. So the net of the two variations is favourable, but only the negative part ($32 million) has an impact on the results.

The adjusted net loss excluding non-operating items is $32 million, compared with $23 million in 2014.

The reasons for this loss are as follows:

During the quarter, we saw the price of fuel drop sharply, while the Canadian dollar lost ground against all other currencies. In an industry with very slim margins like ours, variations of this magnitude have a substantial impact.

The barrel price of crude oil has gone down, but the price of aircraft fuel that we buy at airports, and particularly at destination, did not go down in the same proportion.

On our Sun destinations routes, for example, the combined effect of the sliding Canadian dollar on all our costs paid in U.S. dollars, and the real decline in fuel prices on the ground, has been an increase in operating expenses of 3.1%.

So, to sum up:

- In the Sun market, our initiatives helped mitigate the combined impact of fuel-cost and currency fluctuations.
- We adjusted selling prices upward to counter the increase in expenses, but the competitive environment meant that we weren't able to completely stop the losses, which explains the poor performance compared with 2014.

- Half of the unfavourable year-over-year variation is due to results in France.
- Lastly, we had fewer aircraft sublease agreements during the fall.

So all in all, a difficult quarter.

A few words now on the winter season, which ends April 30.

For the same reasons mentioned in my first-quarter review, it is going to be difficult, in spite of the measures taken, to completely offset the increase in operating expenses of 2.2% caused by the weakened Canadian dollar. For the record, that increase was forecast to be just 0.1% on December 12, 2014, when we announced our outlook for winter.

Consequently, we announced this morning that we believe our second-quarter results may be inferior to those posted last year.

Looking at the summer: 32% of seats have been sold, load factors are higher by 2% than last year at this time, our costs are lower by 3.8% (fuel cost & currency), and selling prices to date are lower by 3.5%. But we must not forget that our basis for comparison here is the exceptional summer that we had last year.

Our 2015–2017 strategic plan encompasses several initiatives aimed at further reducing our costs, and generating additional revenues as well. Over the three years of the plan, our goal is to save some $100 million, and we have already identified projects representing 85% of that amount.

Air and hotel costs together account for 80% of Transat's operating expenses.

On the air side, our flexible narrow-body fleet is now fully implemented, and has been since mid-December. This initiative will translate into cost reductions of $15 million compared with winter 2014, but the favourable variation annualized over the duration of the plan will be at least $20 million.

A further objective is to achieve more flexibility with our fleet of Airbus A330s. Already this winter, our long-term lease agreements mean we can keep three of them on the ground. We want to go even further, withdrawing two more A330s from the winter fleet used in Canada, for example by leasing them to other airlines, as we already do with XL Airways in France, for one aircraft. This will allow us to fly more narrow-body planes, which are better suited to Sun routes.

The other major project on the aviation side is to grow our so-called ancillary revenues.

By the end of this year, we will have implemented the Datalex air travel commercialization software. With it, we'll be able to push sales of additional services with much more flexibility than at present. This means Option Plus service and seat selection, among other things. Wherever they are, and whichever distribution channel they choose, our customers will be able to purchase these services when they make their bookings.

In late 2014, we signed a new freight subcontracting agreement, and we expect that the favourable impact of that decision alone will be some $3 million.

Ancillary revenues, over the plan period, will increase from $49 million in 2014 to around $60 million in 2017.

Based on 2014 numbers, our hotel costs in sun destinations in the winter are of the order of $650 million, including $500 million paid in US dollars which are taking the brunt of the impact of the declining Canadian dollar. Every 10%

drop in the value of the Canadian currency results in an increase in our hotel costs of $50 million. This is obviously a key are of focus.

No one is in a position to accurately predict what will happen with currency exchange rates. There are two determining factors to be kept in mind, however, when it comes to future conditions in the Sun destinations market.

1. First, there has been increased demand in Canada these past few years, propelled by a very strong Canadian dollar and the fact that hoteliers had rooms to fill, given the lower numbers of U.S. tourists in the wake of the 2008 financial crisis.

2. With a weaker Canadian dollar (one U.S. dollar costs $1.25 Canadian) and U.S. demand rebounding, we will have to be very agile in managing our product, because these two factors will drive our input costs upward.

We must therefore take a highly strategic approach to, on the one hand, managing our air capacity (with an increasingly flexible and competitive fleet), and on the other, our hotelier agreements. To that end, we are leveraging our long-standing supplier relationships along with our expertise in simultaneous management of these dual perishable inventories; that is, aircraft seats and hotel rooms.

Under the circumstances, we are particularly pleased that we can count on the Ocean Hotels partnership, and as Jean-Marc mentioned, we are increasingly going to make that venture into a strategic development tool.

Our investment in Ocean represents a value of $85 million on the statement of financial position, and from now on we are going to be giving Ocean the visibility it deserves by recording its results, which are very good, in EBITDA.

So, to sum up the financial components of the strategic plan, we have projects worth more than $100 million, with $85 million of that already identified, including several projects that are already completed, like narrow-body internalization, and others that are on the way to being implemented. Potential impact of acquisitions is not included in these figures.

As at January 31, our free cash amounted to $394 million, and we have available unused lines of credit. Total assets are in the order of $1.7 billion.

As you can see, we are maintaining a very good balance sheet, and we've improved it, in compliance with the 2012–2014 plan objective.

This morning we announced our intention to launch a normal-course issuer bid share-buyback program.

So when all is said and done, we have successfully implemented the 2012–2014 strategic plan, and despite what the quarterly results may suggest, the organization is in a better position than before—at any rate, it certainly is with respect to cost structure. The 2015–2017 plan is one of continuity: achieving profitability in winter of course remains a priority, but along with that objective, we are also targeting growth.

Thank you for your attention.

I now turn the meeting back to Jean-Marc for the next part.