ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
MARCH 10, 2016

NOTES FOR A PRESENTATION BY DENIS PÉTRIN
VICE PRESIDENT FINANCE AND ADMINISTRATION AND
CHIEF FINANCIAL OFFICER

Check against delivery

Greetings, everyone.

Thank you, Jean-Marc.

I will start with a brief review of the 2015 results.

Revenues stood at $3.6 billion and adjusted operating income was $100 million, which is similar to that posted for 2014.

Our adjusted net income was $43 million, compared with $45 million in 2014.

Net income attributable to shareholders as posted in the financial statements stood at $43 million, compared with $23 million in 2014.

Net earnings per share, diluted, were $1.11, versus $1.16 in 2014.

Summing up 2015, we posted slightly improved results on the Sun destinations market in winter, but that gain was offset by our results in France, where market conditions were very difficult. Subsequently, we once again had an excellent summer on the transatlantic market, which allowed us to end the year on a positive note.

Now let’s take a look at the results for the first quarter of 2016, ended January 31.

We had revenues of $847 million, compared with $789 million in 2015.

We posted an adjusted operating loss of $41 million, compared with one of $36 million last year.

Before non-operating items, the adjusted net loss was $37 million, versus $32 million in 2014.

The net loss attributable to shareholders was $61 million, which is slightly less than the loss posted in 2015 at this time.

The quarterly results are attributable in large part to the weakened Canadian dollar, which led to substantially higher operating costs for our Sun destinations packages, given that we pay our hotel costs in U.S. dollars. For sun packages, the actual net impact was $24 million.

In addition, demand has been cooled somewhat by the uncertain economic climate, notably in Western Canada.

Those two factors, the dollar and the economy, are of course affecting all players in our industry.

This marks the third straight winter in which the Canadian dollar has declined sharply in value during booking season. In fact, for the three last winters (2014-15-16), we estimate the dollar cost us $150 million for sun packages.

Over time, the cost impact of a strong U.S. dollar is offset by higher selling prices, but that doesn’t happen overnight. This winter, around two-thirds of the cost increase will have been absorbed through selling prices. In an environment that is not only competitive, but in which demand is not as strong as it can be, getting to 100% proved difficult.

Going into the second quarter, we already know that the Zika virus threat, which worries many travellers, is yet another factor having an adverse effect on demand.

In our case, we've also had to deal with the threat of strike action by our pilots. That situation had an effect on sales, but we've applied mitigation measures that have succeeded in limiting the impact. The strike risk, as you know, has now been averted; we have reached an agreement in principle that should be approved in the next few weeks.

As a result, we announced this morning that we believe this year's second-quarter results could be lower than those posted in 2015.

Now the summer. On the transatlantic market, 30% of seats have been sold, and load factors are lower by 2.2% compared with last year. We expect our costs to be 4.6% lower (if the cost of fuel and the dollar stay where they are), and selling prices to date are down by 2.5%.

It is still too soon to make any predictions, but we're off to a good start. And keep in mind that our performance this next summer will be compared with the second-best summer in the company's history.

Transat remains very well capitalized. As at January 31, we had $431 million in free cash, and our bank lines of credit were unused.

Total assets stand at $1.8 billion, and we have zero liabilities.

Last year we launched a normal-course-issuer bid. As of March 4, we had completed the program, and repurchased and cancelled the authorized number of 2.3 million shares, for a total of $16.5 million.

We will announce as soon as we can our intention for the future of this program. As of now, because of our intention to see our French business unit, we are in a black-out period.

We have always been, and will remain, alert for opportunities to make acquisitions. As we've mentioned, our priorities in that area are to gain a foothold in the U.S. market as a travel-product packager and distributor, with an eye to growing our business on the Mexico and Caribbean Sun destinations market, or in the hotel business. At the moment, of course, we are well positioned in terms of cash flow to follow up on such plans.

Transat has changed a great deal since 2012. In the past few years, we have taken measures that have truly transformed the organization. We improved our cost structure, and we made Transat better adapted to its environment.

We are disappointed with the numbers for the last quarter, but firmly convinced that they would have been much different had the economic conditions not changed.

This winter, all players had to deal with the Canadian dollar.

In our case, our position on both the sun destinations and transatlantic markets, our cash position (including in due time the proceeds from the sale of France and Greece), our hotel investment, which is now worth more than $100 million, support the thesis of a Transat investment.

Thank you for your attention.

I will now hand things back to Jean-Marc for the next part of the meeting.