TRANSAT A.T. INC.
SECOND QUARTERLY REPORT
Period ended April 30, 2014

June 11, 2014

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TSX: TRZ.B, TRZ.A

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of Transat A.T. Inc.'s operations, performance and financial position for the quarter ended April 30, 2014, compared with the quarter ended April 30, 2013, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2013 and the accompanying notes and the 2013 Annual Report, including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a second-quarter update to the information contained in the MD&A section of our 2013 Annual Report. The risks and uncertainties set out in the MD&A of the 2012 Annual Report are herein incorporated by reference and remain unchanged. The information contained herein is dated as of June 11, 2014. You will find more information about us on Transat's website at www.transat.com and on SEDAR at www.sedar.com, including the Attest Reports for the quarter ended April 30, 2014 and Annual Information Form for the year ended October 31, 2013.

Our financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). We occasionally refer to non-IFRS financial measures in the MD&A. See the Non-IFRS financial measures section for more information. All dollar figures in this MD&A are in Canadian dollars unless otherwise indicated. The terms "Transat," "we," "us," "our" and the "Corporation" mean Transat A.T. Inc. and its subsidiaries, unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "would," the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, extreme weather conditions, fuel prices, armed conflicts, terrorist attacks, general industry, market and economic conditions, disease outbreaks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, labour relations, collective bargaining and labour disputes, pension issues, exchange and interest rates, availability of financing in the future, statutory changes, adverse regulatory developments or procedures, pending litigation and actions by third parties, and other risks detailed from time to time in the Corporation's continuous disclosure documents.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The Corporation made a number of assumptions in making forward-looking statements in this MD&A such as certain economic, market, operational and financial assumptions and assumptions about transactions and forward-looking statements.

Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.
- The outlook whereby the Corporation expects that, if the Canadian dollar remains at its current value against the U.S. dollar, the euro and the pound, operating expenses will increase by 4.4%.
- The outlook whereby the Corporation expects to record satisfying results in the second half, though lower than the record results posted last year.

In making these statements, the Corporation has assumed that pricing trends will hold firm through to season-end, that bookings will continue to track reported trends, that fuel prices, costs and the Canadian dollar relative to European currencies and the U.S. dollar will remain stable, that credit facilities will remain available as in the past and that management will continue to manage changes in cash flows to fund working capital requirements. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this MD&A.

The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance, speak only as of the date this MD&A is issued, and represent the Corporation's expectations as of that date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

NON-IFRS FINANCIAL MEASURES

This MD&A was prepared using results and financial information determined under IFRS. In addition to IFRS financial measures, management uses non-IFRS measures to gauge the Corporation's operational performance. The non-IFRS financial measures have no prescribed meaning under IFRS and are therefore unlikely to be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions. The measures used by the Corporation are furnished to provide additional information and should not be considered in isolation or as a substitute for IFRS financial performance measures.

Generally, a non-IFRS financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures are important as they provide users of our financial statements a better understanding of the results of our recurring operations and their related trends, while increasing transparency and clarity into our operating results. Management also believes these measures to be useful in assessing the Corporation's capacity to discharge its financial obligations.

By excluding from results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect the Corporation's operating performance for the period, such as the change in fair value of derivative financial instruments used for aircraft fuel purchases, restructuring charges, impairment of goodwill, amortization and other significant unusual items, we believe this MD&A helps users to better analyze the Corporation's results and ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

The non-IFRS measures the Corporation uses to gauge operational performance include adjusted operating income (loss), adjusted pre-tax income (loss) and adjusted net income (loss).

Management also uses total debt and total net debt to assess the Corporation's debt level, cash position, future cash needs and financial leverage ratio. Management believes these measures to be useful in gauging the Corporation's financial leveraging.

The non-IFRS measures used by the Corporation are as follows:

Adjusted operating income (loss)	Operating income (loss) before depreciation and amortization expense, restructuring charge and other significant unusual items
Adjusted pre-tax income (loss)	Income (loss) before income tax expense before change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain (loss) on investments in ABCP, gain on disposal of a subsidiary, impairment of goodwill, restructuring charge and other significant unusual items.
Adjusted net income (loss)	Net income (loss) attributable to shareholders before change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain (loss) on investments in ABCP, gain on disposal of a subsidiary, impairment of goodwill, restructuring charge (gain) and other significant unusual items, net of related taxes.
Adjusted net income (loss) per share	Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.
Adjusted operating leases	Aircraft rental expense for the past four quarters multiplied by 5.
Total debt	Long-term debt plus the amount for adjusted operating leases.
Total net debt	Total debt (described above) less cash and cash equivalents and investments in ABCP (the Corporation has had no investments in ABCP since November 9, 2012).

The following table reconciles the non-IFRS financial measures to the most comparable IFRS financial measures :

(in thousands of Canadian dollars, except per share amounts)	Quarters ended April 30		Six-month periods ended April 30	
	2014 $	2013 $	2014 $	2013 $
Operating loss	(17,047)	(10,125)	(50,581)	(40,061)
Restructuring charge	2,226	3,915	2,226	3,915
Depreciation and amortization	10,807	8,940	20,529	17,859
Adjusted operating loss	(4,014)	2,730	(27,826)	(18,287)
Loss before income tax expense	(9,958)	(30,288)	(44,325)	(50,430)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(1,738)	25,236	1,480	16,440
Restructuring charge	2,226	3,915	2,226	3,915
Adjusted pre-tax loss	(9,470)	(1,137)	(40,619)	(30,075)
Net loss attributable to shareholders	(7,903)	(22,760)	(33,552)	(37,897)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(1,738)	25,236	1,480	16,440
Restructuring charge	2,226	3,915	2,226	3,915
Tax impact	(138)	(7,823)	(995)	(5,454)
Adjusted net loss	(7,553)	(1,432)	(30,841)	(22,996)
Adjusted net loss	(7,553)	(1,432)	(30,841)	(22,996)
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	38,868	38,427	38,568	38,323
Diluted adjusted net loss per share	(0.19)	(0.04)	(0.80)	(0.60)

	As at April 30, 2014 $	As at October 31, 2013 $
Aircraft rent for the past four quarter	79,318	81,270
Multiple	5	5
Adjusted operating leases	396,590	406,350
Long-term debt	—	—
Adjusted operating leases	396,590	406,350
Total debt	396,590	406,350
Total debt	396,590	406,350
Cash and cash equivalents	(404,554)	(265,818)
Total net debt	(7,964)	140,532

FINANCIAL HIGHLIGHTS

	Quarters ended April 30				Six-month periods ended April 30			
(in thousands of dollars, except per share amounts)	2014 $	2013 $	Difference $	Difference %	2014 $	2013 $	Difference $	Difference %
Consolidated Statements of Loss								
Revenues	1,118,620	1,106,824	11,796	1.1	1,965,842	1,912,538	53,304	2.8
Adjusted operating loss[1]	(4,014)	2,730	(6,744)	(247.0)	(27,826)	(18,287)	(9,539)	(52.2)
Net loss attributable to shareholders	(7,903)	(22,760)	14,857	(65.3)	(33,552)	(37,897)	4,345	11.5
Basic loss per share	(0.20)	(0.59)	0.39	66.1	(0.87)	(0.99)	0.12	12.1
Diluted loss per share	(0.20)	(0.59)	0.39	66.1	(0.87)	(0.99)	0.12	12.1
Adjusted net loss attributable to shareholders	(7,553)	(1,432)	(6,121)	(427.4)	(30,841)	(22,996)	(7,845)	(34.1)
Diluted adjusted net loss per share[1]	(0.19)	(0.04)	(0.15)	(375.0)	(0.80)	(0.60)	(0.20)	(33.3)
Consolidated Statements of Cash Flows								
Operating activities	66,215	107,634	(41,419)	(38.5)	163,953	169,008	(5,055)	(3.0)
Investing activities	(21,214)	(16,351)	(4,863)	(29.7)	(29,858)	(1,639)	(28,219)	(1,721.7)
Financing activities	(933)	(1,590)	657	41.3	556	(1,332)	1,888	141.7
Effect of exchange rate changes on cash and cash equivalents	890	(1,422)	2,312	162.6	4,085	(1,064)	5,149	483.9
Net change in cash and cash equivalents	44,958	88,271	(43,313)	(49.1)	138,736	164,973	(26,237)	(15.9)

	As at April 30, 2014 $	As at October 31, 2013 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	404,554	265,818	138,736	52.2
Cash and cash equivalents in trust or otherwise reserved	341,683	403,468	(61,785)	(15.3)
	746,237	669,286	76,951	11.5
Total assets	1,444,655	1,290,073	154,582	12.0
Debt	—	—	—	—
Total debt[1]	396,590	406,350	(9,760)	(2.4)
Total net debt[1]	(7,964)	140,532	(148,496)	(105.7)

[1] *SEE NON-IFRS FINANCIAL MEASURES*

OVERVIEW

CORE BUSINESS

Transat is one of the largest integrated tour operators in the world. We operate solely in the holiday travel industry and market our services mainly in the Americas and Europe. As a tour operator, Transat's core business consists in developing and marketing holiday travel services in package and air-only formats. We operate as both an outgoing and incoming tour operator by bundling services bought in Canada and abroad and reselling them in Canada, France, the U.K. and in ten other European countries, directly or through intermediaries, as part of a multi-channel distribution strategy. Transat is also a retail distributor, both online and through travel agencies, some of which it owns. Transat deals with numerous air carriers, but relies on its subsidiary Air Transat for a significant portion of its needs. Transat offers destination services to Canada, Mexico, Dominican Republic and Greece. Transat holds an interest in a hotel business that owns and operates properties in Mexico and Dominican Republic.

VISION

As a leader in holiday travel, Transat intends to pursue growth by inspiring trust in travellers and by offering them an experience that is exceptional, heart-warming and reliable. Our customers are our primary focus, and sustainable development of tourism is our passion. We intend to expand our business to other countries where we see high growth potential for an integrated tour operator specializing in holiday travel.

STRATEGY

To deliver on its vision, the Corporation intends to continue: deriving synergies from its vertical integration model, which distinguishes it from several of its rivals; growing its market share in France, where it ranks among the largest tour operators; and tapping into new markets or expanding operations in markets not yet fully served. To increase its buying power for its traditional destinations, Transat is targeting new markets with potential demand for these routes.

Alongside these initiatives, Transat intends to leverage targeted technology investments and efficiency gains from changes to its internal management structure to improve its operating income and maintain or grow market share in all its markets. Cost management remains a core strategic issue in light of the tourism industry's slim gross margins.

Transat acknowledges the growing strategic importance of sustainable development in the holiday and air travel industries. This phenomenon, heightened by the anticipated growth in tourism and air travel, manifests itself in various ways, particularly through regulations and tariffs on greenhouse gas emissions and higher customer and investor expectations in this area. Given this trend and the vested interest tourism companies have in seeing the environment protected and destination communities remaining amenable to tourism, Transat undertook to adopt avant-garde policies on corporate responsibility and sustainable tourism. In doing so, the Corporation targets, among other things, the following benefits: lower resource consumption, with the associated cost savings; brand differentiation and greater customer loyalty, potentially boosting our commercial benefits; and enhanced employee loyalty and motivation.

For fiscal 2014, Transat has set the following targets:

1. Transat is currently committed to a cost reduction and margin improvement program, and, in 2014, sought to improve results during the winter while aiming to maintain its profitability over the summer.

2. In 2014, Transat will modify the Air Transat fleet by insourcing its narrow-body aircraft, except for supplemental requirements, and continue its shift toward an adaptable fleet to meet its seasonal needs.

3. From a product and customer experience standpoint, projects to improve performance, efficiency and margins will continue, particularly upgrades to our Canadian call centres and refinement of sun destination collections.

4. Transat intends in 2014 to refine its distribution strategy, particularly with a view to enhancing customer proximity through the appropriate business technologies and applications.

5. Transat is carrying out a strategic review and intends in 2014 to review its organizational structure based on the growth prospects it has identified.

Our key performance drivers are adjusted operating income (loss), market share, and revenue growth, which are essential to successfully implement our strategy and meet our objectives.

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives. Our financial resources consist primarily of cash not held in trust or otherwise reserved and the undrawn balances of our credit facilities. Our non-financial resources include our brand, structure, employees and relationships with suppliers.

CONSOLIDATED OPERATIONS

REVENUES

	Quarters ended April 30				Six-month periods ended April 30			
	2014	2013	Difference	Difference	2014	2013	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Americas	940,445	944,411	(3,966)	(0.4)	1,662,652	1,635,128	27,524	1.7
Europe	178,175	162,413	15,762	9.7	303,190	277,410	25,780	9.3
	1,118,620	1,106,824	11,796	1.1	1,965,842	1,912,538	53,304	2.8

We derive our revenues from outgoing tour operators, air transportation, travel agencies, distribution, incoming tour operators and services at travel destinations. Revenues for the quarter ended April 30, 2014 were up $11.8 million from fiscal 2013, and $53.3 million for the first half of the year. These increases resulted primarily from higher average selling prices and the euro's strengthening against the dollar. For the second quarter, total travellers declined 5.3% as we scaled back our product offering on sun destinations, our primary market for this period, by 5.8%. For the six-month period, total travellers were down 3.6%, while we reduced our sun destination product offering by 1.9% over 2013.

OPERATING EXPENSES

	Quarters ended April 30				Six-month periods ended April 30			
(in thousands of dollars)	2014 $	2013 $	Difference $	Difference %	2014 $	2013 $	Difference $	Difference %
Costs of providing tourism services	722,785	702,200	20,585	2.9	1,260,284	1,201,120	59,164	4.9
Salaries and employee benefits	90,827	93,186	(2,359)	(2.5)	174,154	175,551	(1,397)	(0.8)
Aircraft fuel	93,686	97,101	(3,415)	(3.5)	164,644	163,326	1,318	0.8
Commissions	64,556	64,830	(274)	(0.4)	111,584	107,711	3,873	3.6
Aircraft maintenance	30,710	28,145	2,565	9.1	54,755	48,897	5,858	12.0
Aircraft rent	19,853	20,556	(703)	(3.4)	39,023	40,975	(1,952)	(4.8)
Airport and navigation fees	20,779	21,776	(997)	(4.6)	35,548	37,150	(1,602)	(4.3)
Other	81,664	80,215	1,449	1.8	155,902	160,010	(4,108)	(2.6)
Depreciation and amortization	10,807	8,940	1,867	20.9	20,529	17,859	2,670	15.0
Total	1,135,667	1,116,949	18,718	1.7	2,016,423	1,952,599	63,824	3.3

Total operating expenses for the quarter and six-month period increased $18.7 million (1.7%) and $63.8 million (3.3%), respectively, compared with fiscal 2013. These increases resulted primarily from the depreciation of the dollar against the U.S. dollar, the euro and the pound sterling, as we scaled back our sun destination product offering by 5.8% and 1.9% for the second quarter and the six-month period, respectively.

As a result, operating expenses in the Americas and Europe rose 0.4% and 8.7%, respectively, for the second quarter, while for the six-month period, they increased 2.7% and 6.6%, respectively,

COSTS OF PROVIDING TOURISM SERVICES

The costs of providing tourism services are incurred by our tour operators. They include hotel room costs and the cost of booking blocks of seats or full flights with carriers other than Air Transat. These costs rose $20.6 million (2.9%) for the quarter and $59.2 million (4.9%) for the six-month period, respectively, compared with the corresponding periods of the previous fiscal year, as we scaled back our sun destination product offering for the quarter and the six-month period. The higher costs resulted primarily from the dollar's weakening against the U.S. dollar and euro and the increase in hotel room costs.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits were down $2.4 million (2.5%) for the quarter and $1.4 million (0.8%) for the six-month period, compared with fiscal 2013. The decreases result from scale-backs in our offering and savings attributable to workforce reductions made during fiscal 2013, and were offset by annual salary reviews and the weakening of the dollar against the euro, the pound sterling and the U.S. dollar. Salaries and employee benefits also factored in a $2.2 million restructuring charge consisting primarily of termination benefits paid during the quarter, compared with $3.9 million in 2013.

AIRCRAFT FUEL

Aircraft fuel expense was down $3.4 million (3.5%) for the quarter and increased $1.3 million (0.8%) for the six-month period compared with fiscal 2013. For the quarter, the decrease resulted primarily from the drop in flight hours logged by our aircraft fleet, which was offset by the dollar's weakening against the U.S. dollar (as fuel is primarily paid for in U.S. dollars), compared with the corresponding quarter a year earlier, while the increase for the six-month period resulted from a weaker dollar against the U.S. dollar and higher destination fuel prices compared with 2013.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Year over year, commission expense was down $0.3 million (0.4%) for the second quarter and up $3.9 million (3.6%) for the six-month period. As a percentage, commissions accounted for 5.8% of revenues for the quarter compared with 5.9% in fiscal 2013 and 5.7% for the six-month period compared with 5.6%.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs, consisting mainly of engine and airframe maintenance expenses incurred by Air Transat, were up $2.6 million (9.1%) and $5.9 million (12.0%) for the second quarter and sixth month period, respectively, compared with the same periods a year earlier. These increases resulted from the dollar's weakening against the U.S. dollar and the repayment relating to aircraft maintenance received by the Corporation in the first quarter of fiscal 2013.

AIRCRAFT RENT

Aircraft rent declined for the quarter and six-month period $0.7 million (3.4%) and $2.0 million, respectively, due in large part to the renewal of certain aircraft leases under improved conditions, partly offset by the dollar's weakening against the U.S. dollar.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees, consisting mainly of fees charged by airports and air traffic control entities, were down $1.0 million (4.6%) and $1.6 million (4.3%) for the second quarter and six-month period ended April 30, 2014, respectively, owing to our reduced offering and downward adjustments to certain provisions.

OTHER

Other expenses for the second quarter and six-month period were up $1.4 million (1.8%) and down $4.1 million (2.6%), respectively, compared with fiscal 2013, with the increase for the quarter owing mainly to the dollar's weakening against other currencies and the decrease for the six-month period resulting primarily from lower marketing costs and other operating expenses.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense, comprising the depreciation of property, plant and equipment and the amortization of intangible assets subject to amortization and deferred incentive benefits, was up $1.9 million and $2.7 million in the second quarter and six-month period, respectively, compared with the corresponding periods of fiscal 2013. The increases resulted from improvements made to our aircraft fleet, mainly for the reconfiguration of our Airbus A330s.

OPERATING LOSS

In light of the foregoing, the Corporation recorded an operating loss for the second quarter of $17.0 million (1.5%) compared with an operating loss of $10.1 million (0.9%) in 2013. For the six-month period, the Corporation recorded an operating loss of $50.6 million (2.6%) compared with $40.1 million (2.1%) in 2013. The deterioration in operating income was mainly attributable to the sharp weakening of the dollar against the U.S. dollar, which led to increases to operating expenses of $22.0 million and $36.0 million for the quarter and the six-month period, respectively, compared with 2013. Operating losses for the quarter and the six-month period include a $2.2 million restructuring charge compared with $3.9 million in fiscal 2013.

The Corporation reported higher adjusted operating losses for the second quarter and the first half of the year of $4.0 million (0.4%) and $27.8 million (1.4%), respectively, compared with adjusted operating losses of $2.7 million (0.2%) and 18.3 million (1.0%) in fiscal 2013.

GEOGRAPHIC AREAS

AMERICAS

	Quarters ended April 30				Six-month periods ended April 30			
	2014	2013	Difference	Difference	2014	2013	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	940,445	944,411	(3,966)	(0.4)	1,662,652	1,635,128	27,524	1.7
Operating expenses	956,124	951,745	4,379	0.5	1,703,305	1,658,733	44,572	2.7
Operating loss	(15,679)	(7,334)	(8,345)	(113.8)	(40,653)	(23,605)	(17,048)	(72.2)

Second-quarter revenues at our North American subsidiaries from sales in Canada and abroad were down $4.0 million (0.4%) compared with fiscal 2013, owing mainly to our decision to reduce our sun destination product offering by 5.8% and transatlantic routes by 2.9%, which lowered traveller volumes by 5.9% while average selling prices were higher. The Corporation reported an operating loss for the quarter of $15.7 million (1.7%) compared with an operating loss of $7.3 million (0.8%) in fiscal 2013. The higher operating loss was mainly attributable to the sharp weakening of the dollar against the U.S. dollar, which led to a rise in operating expenses. The combination of higher selling prices and cost reduction initiatives was not sufficient to offset the impact of increased costs. The operating loss for the quarter includes a $2.2 million restructuring charge compared with $3.9 million in fiscal 2013.

Revenues at our North American subsidiaries for the six-month period ended April 30, 2014 were up $27.5 million (1.7%) compared with fiscal 2013, driven by higher average selling prices, while total travellers declined 3.8%. During the six-month period, we scaled back our sun destination product offering by 1.9% and transatlantic routes by 6.2% compared with fiscal 2013. For the six-month period, the Corporation recorded an operating loss of $40.7 million (2.4%) compared with $23.6 million (1.4%) in 2013. The higher operating loss was mainly attributable to higher costs driven by the depreciation of the dollar against the U.S. dollar. The operating loss for the six-month period includes a $2.2 million restructuring charge compared with $3.9 million in fiscal 2013.

EUROPE

	Quarters ended April 30				Six-month periods ended April 30			
	2014	2013	Difference	Difference	2014	2013	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	178,175	162,413	15,762	9.7	303,190	277,410	25,780	9.3
Operating expenses	179,543	165,204	14,339	8.7	313,118	293,866	19,252	6.6
Operating loss	(1,368)	(2,791)	1,423	51.0	(9,928)	(16,456)	6,528	39.7

Compared with 2013, revenues at our European subsidiaries for the second quarter, resulting from sales in Europe and Canada were up $15.8 million (9.7%) from the same period of fiscal 2013, driven by the strengthening of the euro and the pound sterling against the dollar. In local currency terms, revenues in France were up while revenues in the U.K were down following our decision to reduce our offering. Total travellers for the quarter were down 0.5% compared with 2013, while average selling prices were slightly lower than in the same period of fiscal 2013. Our European operations reported an operating loss of $1.4 million (0.8%) for the quarter compared with $2.8 million (1.7%) in fiscal 2013.

Revenues for the six-month period at our European subsidiaries were up $25.8 million (9.3%), driven by the strengthening of the euro and the pound sterling against the dollar. In local currency terms, revenues of our European entities declined slightly following our decision to reduce our offering. Total travellers for the six-month period were down 2.3% compared with fiscal 2013, while average selling prices were comparable. Our European operations reported an operating loss of $9.9 million (3.3%) for the six-month period compared with $16.5 million (5.9%) in fiscal 2013.

OTHER EXPENSES (REVENUES)

(in thousands of dollars)	Quarters ended April 30 2014 $	2013 $	Difference $	Difference %	Six-month periods ended April 30 2014 $	2013 $	Difference $	Difference %
Financing costs	457	706	(249)	(35.3)	941	1,374	(433)	(31.5)
Financing income	(2,016)	(1,790)	(226)	(12.6)	(4,060)	(3,615)	(445)	(12.3)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(1,738)	25,236	(26,974)	(106.9)	1,480	16,440	(14,960)	(91.0)
Foreign exchange loss (gain) on long-term monetary items	226	(212)	438	206.6	(679)	(206)	(473)	(229.6)
Share of net income of an associate	(4,018)	(3,777)	(241)	(6.4)	(3,938)	(3,624)	(314)	(8.7)

FINANCING COSTS

Financing costs include interest on long-term debt and other interest as well as financial expenses. Financing costs were down $0.2 million over the second quarter and $0.4 million over the six-month period, primarily due to lower expenses related to our credit facilities.

FINANCING INCOME

Financing costs were down $0.2 million over the second quarter and $0.4 million over the six-month period compared with the corresponding periods of fiscal 2013, due to higher bank balances.

CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS USED FOR AIRCRAFT FUEL PURCHASES

The change in fair value of derivative financial instruments used for aircraft fuel purchases represents the change in fair value, for the period, of the portfolio of derivative financial instruments held and used by the Corporation to manage its exposure to fuel price instability. For the second quarter, the fair value of derivative financial instruments used for aircraft fuel purchases rose $1.7 million compared with a $25.2 million decrease in 2013.

FOREIGN EXCHANGE LOSS (GAIN) ON LONG-TERM MONETARY ITEMS

Foreign exchange gains and losses on long-term monetary items result mainly from the exchange effect on foreign currency deposits. For the second quarter, the Corporation posted a $0.2 million foreign exchange loss on long-term monetary items compared with a $0.2 million foreign exchange gain in 2013. The Corporation recognized a $0.7 million foreign exchange gain for the six-month period compared $0.2 million in 2013.

SHARE OF NET INCOME OF AN ASSOCIATE

Our share of net income of an associate represents our share of the net income of our hotel business, Caribbean Investments B.V. ["CIBV"]. This share of net income for the second quarter totalled $4.0 million compared with $3.8 million for the same quarter of fiscal 2013. For the six-month period, the share of net income amounted to $3.9 million compared with $3.6 million for the first half of fiscal 2013. The increases in share of net income resulted from improved operating profitability compared with 2013.

INCOME TAXES

Income tax recovery for the second quarter totalled $3.4 million compared with $8.7 million for the corresponding period of the previous fiscal year. Income tax recovery for the six-month period amounted to $12.9 million compared with $14.9 million for the first half of fiscal 2013. Excluding the share in net income of an associate, the effective tax rate for the second quarter and six-month period stood at 24.0% and 26.6%, respectively, compared with 25.6% and 27.6% for the same periods of fiscal 2013. The change in tax rates for the quarter and the six-month period resulted from differences between countries in the statutory tax rates applied to taxable income.

NET LOSS AND NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

As a result of the items discussed in *Consolidated operations*, the Corporation reported a net loss $6.6 million for the quarter ended April 30, 2014 compared with a net loss of $21.6 million in 2013. Net loss attributable to shareholders for the quarter stood at $7.9 million or $0.20 per share (basic and diluted) compared with a net loss of $21.6 million or $0.59 per share (basic and diluted) for the corresponding quarter of the previous fiscal year. The weighted average number of outstanding shares used to compute per share amounts for the second quarter of 2014 was 38,868,000 and 38,427,000 for the corresponding period of 2013.

For the six-month period ended April 30, 2014, the Corporation reported a net loss amounting to $31.5 million compared with $35.5 million for the first half of fiscal 2013. Net loss attributable to shareholders for the six-month period stood at $33.6 million or $0.87 per share (basic and diluted) compared with a net loss of $37.9 million or $0.99 per share (basic and diluted) for the corresponding period of the previous fiscal year. The weighted average number of outstanding shares used to compute per share amounts for the first half of 2014 was 38,568,000 compared with 38,323,000 for the corresponding period of fiscal 2013.

For the second quarter, the Corporation posted an adjusted net loss of $7.6 million ($0.19 per share) compared with $1.4 million ($0.04 per share) in 2013. The Corporation reported an adjusted after-tax loss for the six-month period amounting to $30.8 million ($0.80 per share) compared with $23.0 million ($0.60 per share) for the first half of fiscal 2013.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. Revenues rose compared with the corresponding quarters. Average selling prices were up while total travellers declined for both the winter and summer seasons. Our margins improved each quarter, mainly due to higher average selling prices and our cost reduction and margin improvement initiatives, except for the quarters of fiscal 2014 where the sharp decline in the dollar led to increases in certain operating expenses. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

(in thousands of dollars, except per share data)	Q3-2012 $	Q4-2012 $	Q1-2013 $	Q2-2013 $	Q3-2013 $	Q4-2013 $	Q1-2014 $	Q2-2014 $
Revenues	909,056	763,441	805,714	1,106,824	927,004	808,616	847,222	1,118,620
Aircraft rent	22,361	24,529	20,419	20,556	20,530	19,765	19,170	19,853
Operating income (loss)	12,498	41,731	(29,936)	(10,125)	41,803	70,096	(33,534)	(17,047)
Adjusted operating income (loss)	22,074	52,946	(21,017)	2,730	53,053	80,055	(23,812)	(4,014)
Net income (loss)	9,664	17,154	(13,940)	(21,556)	41,469	55,229	(24,860)	(6,606)
Net income (loss) attributable to shareholders	9,405	16,614	(15,137)	(22,760)	41,149	54,723	(25,649)	(7,903)
Basic earnings (loss) per share	0.25	0.43	(0.39)	(0.59)	1.07	1.42	(0.67)	(0.20)
Diluted earnings (loss) per share	0.25	0.43	(0.39)	(0.59)	1.07	1.40	(0.67)	(0.20)
Adjusted net income (loss)	10,521	28,684	(21,564)	(1,432)	30,759	54,804	(23,288)	(7,553)
Adjusted net income (loss) per share	0.28	0.75	(0.56)	(0.04)	0.80	1.40	(0.60)	(0.19)

LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2014, cash and cash equivalents totalled $404.6 million compared with $265.8 million as at October 31, 2013. As at the end of the second quarter of fiscal 2014, cash and cash equivalents held in trust or otherwise reserved amounted to $341.7 million compared with $403.5 million as at October 31, 2013. The Corporation's statement of financial position reflects working capital of $36.0 million and a ratio of 1.04 compared with a working capital of $81.1 million and a ratio of 1.10 as at October 31, 2013.

Total assets grew $154.6 million to $1,444.7 million as at April 30, 2014 from $1,290.1 million as at October 31, 2013, driven primarily by a $138.7 million increase in cash and cash equivalents, higher income taxes receivable of $22.9 million and a $16.0 million rise in deposits. These changes and changes in other main monetary asset items reflect the seasonal nature of our operations. The Corporation recorded a $26.1 million decline in equity to $415.3 million as at April 30, 2014 from $441.4 million as at October 31, 2013, mainly due to the net loss attributable to shareholders of $33.6 million and the $5.4 million unrealized loss on cash flow hedges, offset by the $10.2 million gain on translation of financial statements of foreign subsidiaries.

CASH FLOWS

	Quarters ended April 30			Six-month periods ended April 30		
	2014	2013	Difference	2014	2013	Difference
(in thousands of dollars)	$	$	$	$	$	$
Cash flows related to operating activities	66,215	107,634	(41,419)	163,953	169,008	(5,055)
Cash flows related to investing activities	(21,214)	(16,351)	(4,863)	(29,858)	(1,639)	(28,219)
Cash flows related to financing activities	(933)	(1,590)	657	556	(1,332)	1,888
Effect of exchange rate changes on cash	890	(1,422)	2,312	4,085	(1,064)	5,149
Net change in cash and cash equivalents	44,958	88,271	(43,313)	138,736	164,973	(26,237)

OPERATING ACTIVITIES

Cash flows generated by operating activities in the second quarter amounted to $66.2 million compared with $107.6 million for the corresponding period of fiscal 2013. This $41.4 million decrease resulted from a $45.6 million decline in the net change in non-cash working capital balances related to operations which in turn resulted primarily from a larger decrease in trade and other payables during the quarter, due, among others, to payments to certain variable compensation programs in respect of fiscal 2013, offset by the $3.7 million increase in net change in other assets and liabilities related to operations.

Cash flows from operating activities decreased by $5.1 million to $164.0 million for the six-month period of fiscal 2014 from $169.0 million in 2013. The decrease resulted from the $15.3 million decline in the net change in non-cash working capital balances related to operations and the $7.0 million reduction in the net change in other assets and liabilities related to operations, and an increase in the net change in provision for overhaul of leased aircraft.

INVESTING ACTIVITIES

Cash flows used in investing activities totalled $21.2 million for the second quarter compared with $16.4 million in 2013, and consisted of additions to property, plant and equipment and other intangible assets. In 2013, additions to property, plant and equipment and other intangible assets amounted to $12.4 million and the cash and cash equivalents reserved (non-current) balance rose by $3.9 million.

Cash flows used in investing activities totalled $29.9 million for the six-month period, up $28.2 million from $1.6 million in 2013. Additions to property, plant and equipment and other intangible assets increased by $7.8 million to $32.9 million and we also received a $3.0 million balance of sale price receivable related to the disposal of a subsidiary in 2012. In 2013, we received $27.4 million following the sale of our sole remaining investments in ABCP.

FINANCING ACTIVITIES

Cash flows used in financing activities totalled $0.9 million for the second quarter of fiscal 2014, down $0.7 million from $1.6 million for the same quarter of fiscal 2013 due primarily to a lower dividend payout to a non-controlling interest compared with 2013.

Cash flows generated by financing activities in the six-month period amounted to $0.6 million compared with $1.3 million in cash flows used in financing activities the year-over-year period. The increase in cash flows results from share issues totalling $1.7 million, compared with $0.5 million in 2013.

CONSOLIDATED FINANCIAL POSITION

(in thousands of dollars, except per share data)	April 30, 2014 $	October 31, 2013 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	404,554	265,818	138,736	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	341,683	403,468	(61,785)	Seasonal nature of operations
Trade and other receivables	132,413	112,738	19,675	Seasonal nature of operations and foreign exchange difference
Income taxes receivable	28,522	5,645	22,877	Increase in income taxes recoverable given certain subsidiaries' taxable income, and tax instalments
Inventories	10,284	13,143	(2,859)	Seasonal nature of operations
Prepaid expenses	64,933	73,453	(8,520)	Decrease in prepayments to certain service providers due to the seasonal nature of operations
Derivative financial instruments	5,411	7,720	(2,309)	Favourable change in the dollar compared with the U.S. currency with respect to forward exchange contracts entered into
Deposits	52,609	36,575	16,034	Seasonal nature of operations
Deferred tax assets	27,965	22,048	5,917	Increase due to certain subsidiaries' taxable income
Property, plant and equipment	126,455	115,025	11,430	Additions during the period and foreign exchange differences, offset by depreciation
Goodwill	98,690	94,723	3,967	Foreign exchange difference
Intangible assets	71,799	67,333	4,466	Additions during the period and foreign exchange differences, offset by depreciation
Investments and other assets	79,337	72,384	6,953	Foreign exchange difference and share of net income of an associate
Liabilities				
Trade and other payables	373,840	326,687	47,153	Seasonal nature of operations and foreign exchange difference
Provision for overhaul of leased aircraft	32,825	28,057	4,768	Foreign exchange difference and seasonal nature of operations
Income taxes payable	6,385	19,729	(13,344)	Settlement of balances due
Customer deposits and deferred income	540,293	410,340	129,953	Seasonal nature of operations
Derivative financial instruments	11,530	4,675	6,855	Unfavourable change in the dollar compared with the U.S. currency and in fuel prices with respect to forward contracts entered into
Other liabilities	53,872	48,096	5,776	Increase in deferred incentive benefits
Deferred tax liabilities	10,601	11,096	(495)	No significant difference
Equity				
Share capital	224,008	221,706	2,302	Issued from treasury
Share-based payment reserve	15,741	15,391	350	Share-based payment expense offset by the exercise of options
Retained earnings	173,283	206,835	(33,552)	Net loss for the period
Unrealized gain (loss) on cash flow hedges	(3,011)	2,380	(5,391)	Net loss on financial instruments designated as cash flow hedges
Cumulative exchange differences	5,288	(4,919)	10,207	Foreign exchange gain on translation of financial statements of foreign subsidiaries

FINANCING

As at April 30, 2014, the Corporation had several types of financing, consisting primarily of a revolving term credit facility as well as lines of credit for issuing letters of credit.

The Corporation has a $50.0 million revolving term credit facility for its operations, maturing in 2015, which is renewable or immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on a universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and will be further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rates, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at April 30, 2014, all the financial ratios and criteria were met and the credit facility was undrawn.

With regard to our French operations, we also have access to undrawn lines of credit totalling €11.5 million [$17.5 million].

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and liquidity, some of which are reflected as liabilities in the notes to the unaudited interim condensed consolidated financial statements.

Obligations that are not reported as liabilities are considered off-balance sheet arrangements. These contractual arrangements are entered into with non-consolidated entities and consist of the following:

- Guarantees
- Operating leases

Off-balance sheet agreements that can be estimated, excluding agreements with service providers, amounted to approximately $648.6 million as at April 30, 2014 ($655.8 million as at October 31, 2013) and is detailed as follows:

(in thousands of dollars)	As at April 30, 2014 $	As at October 31, 2013 $
Guarantees		
Irrevocable letters of credit	20,622	21,850
Collateral security contracts	1,152	1,137
Operating leases		
Obligations under operating leases	626,816	632,804
	648,590	655,791

Note: The amount for obligations under operating leases as at October 31, 2013 reported in the Annual Report for the year ended October 31, 2013 included obligations under agreements with aircraft suppliers in the amount of $112.5 million. This amount should have been included under agreements with suppliers.

In the normal course of business, guarantees are required in the travel industry to provide indemnifications and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts. Historically, Transat has not made any significant payments under such guarantees. Operating leases are entered into to enable the Corporation to lease certain items rather than acquire them.

The Corporation also has a $75.0 million annually renewable revolving credit facility for issuing letters of credit in respect of which the Corporation must pledge cash totalling 105% of the amount of the letters of credit as collateral security. As at April 30, 2014, $61.4 million had been drawn down.

In addition, the Corporation has a $35.0 million guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at April 30, 2014, $16.9 million was drawn down under this credit facility for issuing letters of credit to some of our service providers.

For its French operations, the Corporation has guarantee lines of credit amounting to €11.0 million [$16.5 million], of which €2.3 million had been drawn down [$3.5 million].

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits of £22.1 million [$40.9 million], which has been fully drawn down.

As at April 30, 2014, off-balance sheet arrangements had decreased by $7.2 million. This decrease resulted from repayments made during the six-month period, offset by the dollar's weakening against the U.S. dollar, the euro and the pound sterling.

We believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

DEBT LEVELS

The Corporation did not report any debt on its statement of financial position while our off-balance sheet arrangements, excluding agreements with suppliers and other obligations, decreased $7.2 million to $648.6 million as at April 30, 2014 from $655.8 million as at October 31, 2013.

The Corporation's total debt rose to $396.6 million, down $9.8 million from its October 31, 2013 level, while total net debt declined $148.5 million, from $140.5 million as at October 31, 2013 to an excess of $8.0 million as at April 30, 2014. The decline in total net debt resulted from higher cash and cash equivalent balances as at October 31, 2013.

OUTSTANDING SHARES

As at April 30, 2014, the Corporation had three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at May 30, 2014, there were 1,438,397 Class A Variable Voting Shares outstanding and 37,234,283 Class B Voting Shares outstanding.

STOCK OPTIONS

As at June 11, 2014, there were a total of 2,784,187 stock options outstanding, 1,329,650 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of 9 Airbus A310 aircraft (250 seats), 12 Airbus A330 (345 seats) and a Boeing 737-800 (189 seats).

On July 24, 2013, the Corporation announced the signing of an eight-year lease in respect of four short-haul Boeing 737-800s. One of these craft was commissioned during the second quarter of 2014 while the three others are scheduled for commissioning in summer 2014.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, Consolidation: Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 became effective on November 1, 2013. Adoption of this standard had no impact on the Corporation's financial statements.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard requires an entity to present information on the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 became effective on November 1, 2013. This disclosure requirements refer to the annual consolidated financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 became effective on November 1, 2013. Except for additional disclosures, the adoption of this standard had no impact on the Corporation's financial statements.

IAS 19, Employee Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits*. The amendments eliminate the option to defer the recognition of gains and losses, known as the corridor method, which improves comparability and faithfulness of presentation. The amendments also streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (loss), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations. The amendments also require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations. Under the previous IAS 19, interest income was presented separately from interest expense and calculated based on the expected return on the plan assets. Finally, the amendments enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments made to IAS 19 became effective on November 1, 2013. Except for additional disclosures, the adoption of this standard had no impact on the Corporation's financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments*, has been issued and is applicable at a later date to be determined by the IASB, with earlier application permitted. IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. The Corporation continues to assess the impact of adopting this standard on its financial statements.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers,* a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's fiscal years beginning on November 1, 2017, with earlier adoption permitted. The Corporation is assessing the impact of adopting this standard on its financial statements.

CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 of the Canadian Securities Authorities, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer that, among other things, deem adequate as at April 30, 2014 the design of:

- Disclosure controls and procedures, which provide reasonable assurance that material financial information has been duly disclosed by the Corporation and its subsidiaries and that this information is recorded, processed, summarized and reported within the time periods specified in legislation;
- Internal control over financial reporting ("ICFR"), which provides reasonable assurance regarding the reliability of the Corporation's financial reporting and its compliance with IFRS in its financial statements.

The President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation have also evaluated whether there were changes to its ICFR during the quarter ended April 30, 2014 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

The transatlantic market outbound from Canada and Europe accounts for a very significant portion of Transat's business in the summer. For the period May to October 2014, Transat's capacity on that market is lower by 1% than that for summer 2013. To date, 65% of that capacity has been sold. Load factors are 2.4% lower and selling prices of bookings taken are approximately 4.3% higher, compared with the same date in 2013. If the Canadian dollar remains at its current value against the U.S. dollar, the euro and the pound, this will result in an increase in operating expenses of 4.4%.

On the Sun destinations market outbound from Canada, Transat's capacity is higher by 9% than that for the previous year. To date, 49% of that capacity has been sold, load factors are 1% lower, and selling prices are higher.

In France, compared with last year at the same date, medium-haul bookings are ahead by 24%, while long-haul bookings are at a similar level. Variations in the product mix have resulted in a lower average selling price, with no negative impact on the average margin.

To the extent the aforementioned trends hold, the Corporation expects to record satisfying results in the second half, though lower than the record results posted last year.

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars) (unaudited)	As at April 30, 2014 $	As at October 31, 2013 $
ASSETS		
Current assets		
Cash and cash equivalents	404,554	265,818
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	300,848	361,743
Trade and other receivables	132,413	112,738
Income taxes receivable	28,522	5,645
Inventories	10,284	13,143
Prepaid expenses	64,933	73,453
Derivative financial instruments	5,411	7,720
Current portion of deposits	31,432	13,267
Current assets	978,397	853,527
Cash and cash equivalents reserved	40,835	41,725
Deposits	21,177	23,308
Deferred tax assets	27,965	22,048
Property, plant and equipment	126,455	115,025
Goodwill	98,690	94,723
Intangible assets	71,799	67,333
Investments and other assets *[note 6]*	79,337	72,384
Non-current assets	466,258	436,546
	1,444,655	1,290,073
LIABILITIES		
Trade and other payables	373,840	326,687
Current portion of provision for overhaul of leased aircraft *[note 7]*	10,327	11,029
Income taxes payable	6,385	19,729
Customer deposits and deferred revenues	540,293	410,340
Derivative financial instruments	11,530	4,675
Current liabilities	942,375	772,460
Provision for overhaul of leased aircraft	22,498	17,028
Other liabilities *[note 9]*	53,872	48,096
Deferred tax liabilities	10,601	11,096
Non-current liabilities	86,971	76,220
EQUITY		
Share capital *[note 10]*	224,008	221,706
Share-based payment reserve	15,741	15,391
Retained earnings	173,283	206,835
Unrealized gain (loss) on cash flow hedges	(3,011)	2,380
Cumulative exchange differences	5,288	(4,919)
	415,309	441,393
	1,444,655	1,290,073

See accompanying notes to interim condensed consolidated financial statements

NOTICE

The Corporation's independent auditors have not performed a review of the accompanying interim condensed consolidated financial statements.

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

(in thousands of Canadian dollars, except per share amounts) (unaudited)	Quarters ended April 30, 2014 $	Quarters ended April 30, 2013 $	Six-month periods ended April 30, 2014 $	Six-month periods ended April 30, 2013 $
Revenues	1,118,620	1,106,824	1,965,842	1,912,538
Operating expenses				
Costs of providing tourism services	722,785	702,200	1,260,284	1,201,120
Salaries and employee benefits	90,827	93,186	174,154	175,551
Aircraft fuel	93,686	97,101	164,644	163,326
Commissions	64,556	64,830	111,584	107,711
Aircraft maintenance	30,710	28,145	54,755	48,897
Airport and navigation fees	20,779	21,776	35,548	37,150
Aircraft rent	19,853	20,556	39,023	40,975
Other	81,664	80,215	155,902	160,010
Amortization	10,807	8,940	20,529	17,859
	1,135,667	1,116,949	2,016,423	1,952,599
Operating loss	(17,047)	(10,125)	(50,581)	(40,061)
Financing costs	457	706	941	1,374
Financing income	(2,016)	(1,790)	(4,060)	(3,615)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(1,738)	25,236	1,480	16,440
Foreign exchange (gain) loss on long-term monetary items	226	(212)	(679)	(206)
Share of net income of an associate	(4,018)	(3,777)	(3,938)	(3,624)
Loss before income tax expense	(9,958)	(30,288)	(44,325)	(50,430)
Income taxes (recovery)				
Current	(2,592)	1,870	(8,566)	(8,521)
Deferred	(760)	(10,602)	(4,293)	(6,413)
	(3,352)	(8,732)	(12,859)	(14,934)
Net loss for the period	(6,606)	(21,556)	(31,466)	(35,496)
Net income (loss) attributable to:				
Shareholders	(7,903)	(22,760)	(33,552)	(37,897)
Non-controlling interests	1,297	1,204	2,086	2,401
	(6,606)	(21,556)	(31,466)	(35,496)
Loss per share attributable to shareholders *[note 10]*				
Basic	(0.20)	(0.59)	(0.87)	(0.99)
Diluted	(0.20)	(0.59)	(0.87)	(0.99)

See accompanying notes to unaudited interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars, except per share amounts) (unaudited)	Quarters ended April 30, 2014 $	Quarters ended April 30, 2013 $	Six-month periods ended April 30, 2014 $	Six-month periods ended April 30, 2013 $
Net loss for the period	(6,606)	(21,556)	(31,466)	(35,496)
Other comprehensive income (loss)				
Items that will be reclassified to net loss				
Change in fair value of derivatives designated as cash flow hedges	(31,925)	2,166	(23,203)	2,060
Reclassification to net loss	12,516	(585)	15,868	(1,424)
Deferred taxes	5,142	(525)	1,944	(165)
	(14,267)	1,056	(5,391)	471
Foreign exchange gains (losses) on translation of financial statements of foreign subsidiaries	(892)	(411)	10,207	(800)
Total other comprehensive income (loss)	(15,159)	645	4,816	(329)
Comprehensive loss for the period	(21,765)	(20,911)	(26,650)	(35,825)
Attributable to:				
Shareholders	(23,004)	(22,108)	(28,442)	(38,208)
Non-controlling interests	1,239	1,197	1,792	2,383
	(21,765)	(20,911)	(26,650)	(35,825)

See accompanying notes to unaudited interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders							
				Accumulated other comprehensive income (loss)				
(in thousands of Canadian dollars) (unaudited)	Share capital $	Share-based payment reserve $	Retained earnings $	Unrealized gain (loss) on cash flow hedges $	Cumulative exchange differences $	Total $	Non-controlling interests $	Total equity $
Balance as at October 31, 2012	220,736	13,336	145,198	(475)	(12,469)	366,326	—	366,326
Net income (loss) for the period	—	—	(37,897)	—	—	(37,897)	2,401	(35,496)
Other comprehensive income (loss)	—	—	—	471	(782)	(311)	(18)	(329)
Comprehensive income (loss)	—	—	(37,897)	471	(782)	(38,208)	2,383	(35,825)
Issued from treasury	484	—	—	—	—	484	—	484
Share-based payment expense	—	1,087	—	—	—	1,087	—	1,087
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(2,401)	(2,401)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(18)	(18)	18	—
	484	1,087	—	—	(18)	1,553	(2,383)	(830)
Balance as at April 30,2013	221,220	14,423	107,301	(4)	(13,269)	329,671	—	329,671
Net income for the period	—	—	95,852	—	—	95,852	846	96,698
Other comprehensive income	—	—	2,180	2,384	7,683	12,247	667	12,914
Comprehensive income	—	—	98,032	2,384	7,683	108,099	1,513	109,612
Issued from treasury	481	—	—	—	—	481	—	481
Exercise of options	5	—	—	—	—	5	—	5
Share-based payment expense	—	968	—	—	—	968	—	968
Dividendes	—	—	—	—	—	—	(2,787)	(2,787)
Other changes in non-controlling interest liabilities	—	—	1,502	—	—	1,502	(1,502)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	3,443	3,443
Reclassification of non-controlling interest exchange difference	—	—	—	—	667	667	(667)	—
	486	968	1,502	—	667	3,623	(1,513)	2,110
Balance as at October 31, 2013	221,706	15,391	206,835	2,380	(4,919)	441,393	—	441,393
Net income (loss) for the period	—	—	(33,552)	—	—	(33,552)	2,086	(31,466)
Other comprehensive income (loss)	—	—	—	(5,391)	10,501	5,110	(294)	4,816
Comprehensive (income) loss	—	—	(33,552)	(5,391)	10,501	(28,422)	1,792	(26,650)
Issued from treasury	468	—	—	—	—	468	—	468
Exercise of options	1,834	(589)	—	—	—	1,245	—	1,245
Share-based payment expense	—	939	—	—	—	939	—	939
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(2,086)	(2,086)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(294)	(294)	294	—
	2,302	350	—	—	(294)	2,358	(1,792)	566
Balance as at April 30, 2014	224,008	15,741	173,283	(3,011)	5,288	415,309	—	415,309

See accompanying notes to unaudited interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars) (unaudited)	Quarters ended April 30, 2014 $	2013 $	Six-month periods ended April 30, 2014 $	2013 $
OPERATING ACTIVITIES				
Net loss for the period	(6,606)	(21,556)	(31,466)	(35,496)
Operating items not involving an outlay (receipt) of cash :				
Amortization	10,807	8,940	20,529	17,859
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(1,738)	25,236	1,480	16,440
Foreign exchange (gain) loss on long-term monetary items	226	(212)	(679)	(206)
Share of net income of an associate	(4,018)	(3,777)	(3,938)	(3,624)
Deferred taxes	(760)	(10,602)	(4,293)	(6,413)
Employee benefits	564	538	1,127	1,075
Share-based payment expense	456	551	939	1,087
	(1,069)	(882)	(16,301)	(9,278)
Net change in non-cash working capital balances related to operations	58,944	104,563	164,635	179,914
Net change in other assets and liabilities related to operations	3,977	231	10,851	246
Net change in provision for overhaul of leased aircraft	4,363	3,722	4,768	(1,874)
Cash flows related to operating activities	66,215	107,634	163,953	169,008
INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	(21,214)	(12,438)	(32,858)	(25,076)
Increase in cash and cash equivalents reserved	—	(3,913)	—	(3,913)
Consideration received on disposal of a subsidiary	—	—	3,000	—
Proceeds from sale of investments in ABCP	—	—	—	27,350
Cash flows related to investing activities	(21,214)	(16,351)	(29,858)	(1,639)
FINANCING ACTIVITIES				
Proceeds from issuance of shares	225	226	1,714	484
Dividends paid to a non-controlling interest	(1,158)	(1,816)	(1,158)	(1,816)
Cash flows related to financing activities	(933)	(1,590)	556	(1,332)
Effect of exchange rate changes on cash and cash equivalents	890	(1,422)	4,085	(1,064)
Net change in cash and cash equivalents	44,958	88,271	138,736	164,973
Cash and cash equivalents, beginning of period	359,596	247,877	265,818	171,175
Cash and cash equivalents, end of period	404,554	336,148	404,554	336,148
Supplementary information (as reported in operating activities)				
Income taxes paid (recovery)	5,882	487	27,143	2,135
Interest paid	233	150	259	425

See accompanying notes to unaudited interim condensed consolidated financial statements

[Unless specified otherwise, amounts are expressed in thousands of Canadian dollars, except for per share amounts] [unaudited]

Note 1 CORPORATE INFORMATION

Transat A.T. Inc. [the "Corporation"] is incorporated under the *Canada Business Corporations Act*. The Corporation's head office is located at 300 Léo-Pariseau Street, Montréal, Québec, Canada. The Class A variable voting shares and Class B voting shares are listed on the Toronto Stock Exchange.

The Corporation is an integrated company specializing in the organization, marketing and distribution of holiday travel in the tourism industry. The core of its business consists of tour operators based in Canada and Europe which are vertically integrated with its other services of air transportation, distribution through a dynamic travel agency network, value-added services at travel destinations, and accommodations.

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended April 30, 2014 were approved by the Corporation's Board of Directors on June 11, 2014.

The Corporation's operations are seasonal in nature; consequently, interim operating results do not necessarily proportionately reflect the operating results for a full year.

Note 2 BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"] and as adopted by the Accounting Standards Board of Canada. These interim condensed consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting.*

These interim condensed consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency, except where otherwise indicated. Each entity of the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation's Annual Report for the year ended October 31, 2013.

These interim condensed consolidated financial statements have been prepared on a going concern basis, at historical cost, except for financial assets and liabilities that were measured at fair value.

Note 3 CHANGES IN ACCOUNTING POLICIES

IFRS 10, *CONSOLIDATED FINANCIAL STATEMENTS*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated statements of an entity. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 became effective November 1, 2013. The adoption of this standard had no impact on the Corporation's financial statements.

IFRS 12, *DISCLOSURE OF INTERESTS IN OTHER ENTITIES*

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information on the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 became effective November 1, 2013. These disclosure requirements pertain to the annual consolidated financial statements.

IFRS 13, *FAIR VALUE MEASUREMENT*

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 became effective November 1, 2013. Except for additional disclosures, the adoption of this standard had no impact on the Corporation's financial statements.

IAS 19, *EMPLOYEE BENEFITS*

In June 2011, the IASB amended IAS 19, *Employee Benefits*. The amendments eliminate the option to defer the recognition of gains and losses, known as the corridor method, improving comparability and faithfulness of presentation. The amendments also streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (loss), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations. The amendments also require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations. Under the previous IAS 19, interest income was presented separately from interest expense and calculated based on the expected return on plan assets. Finally, the amendments enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that the Corporation is exposed to through its participation in those plans. The amendments to IAS 19 became effective on November 1, 2013. Except for additional disclosures, the adoption of this standard had no impact on the Corporation's financial statements.

Note 4 FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, has been issued and is applicable at a later date to be determined by the IASB, with earlier application permitted. IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. The Corporation continues to assess the impact of adopting this standard on its financial statements.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's fiscal years beginning on November 1, 2017, with earlier adoption permitted. The Corporation is assessing the impact of adopting this standard on its financial statements.

Note 5 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at April 30, 2014, cash and cash equivalents in trust or otherwise reserved included $231,159 [$294,473 as at October 31, 2013] in funds received from customers, consisting primarily of Canadians, for services not yet rendered and for some of which the availability period had not ended, in accordance with Canadian regulators and the Corporation's business agreement with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included $110,524, of which $40,835 was recorded as non-current assets [$108,995 as at October 31, 2013, of which $41,725 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 6 INVESTMENTS AND OTHER ASSETS

	As at April 30, 2014 $	As at October 31, 2013 $
Investment in an associate – Caribbean Investments B.V. ["CIBV"]	77,510	70,041
Deferred costs, unamortized balance	562	639
Sundry	1,265	1,704
	79,337	72,384

The change in the investment in CIBV is detailed as follows:

	$
Balance as at October 31, 2013	70,041
Share of net income	3,938
Exchange difference	3,531
Balance as at April 30, 2014	77,510

Note 7 PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

The provision for overhaul of leased aircraft relates to maintenance on leased aircraft used by the Corporation in respect of operating leases. The change in the provision for overhaul of leased aircraft for the quarters ended April 30 is detailed as follows:

	$
Balance as at October 31, 2013	28,057
Additional provisions	3,022
Utilization of provisions	(3,844)
Exchange difference	1,228
Balance as at January 31, 2014	28,463
Additional provisions	4,127
Utilization of provisions	(174)
Exchange difference	410
Balance as at April 30, 2014	32,826
Current provisions	10,327
Non-current provisions	22,499
Balance as at April 30, 2014	32,826

	$
Balance as at October 31, 2012	31,869
Additional provisions	2,234
Utilization of provisions	(7,650)
Exchange difference	(180)
Balance as at January 31, 2013	26,273
Additional provisions	6,307
Utilization of provisions	(2,874)
Exchange difference	289
Balance as at April 30,2013	29,995
Current provisions	15,122
Non-current provisions	14,873
Balance as at April 30, 2013	29,995

Note 8 LONG-TERM DEBT

The Corporation has a $50,000 revolving term credit facility for its operations, maturing in 2015, which is renewable or immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on a universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and will be further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at April 30, 2014, all the financial ratios and criteria were met and the credit facility was undrawn.

The Corporation also has a $75,000 annually renewable revolving credit facility for issuing letters of credit in respect of which the Corporation must pledge cash totalling 105% of the amount of the letters of credit as collateral security. As at April 30, 2014, $61,439 had been drawn down.

Operating lines of credit totalling €11,500 [$17,475] have been authorized for certain French subsidiaries. These operating lines of credit are renewable annually and were undrawn as at April 30, 2014.

Note 9 OTHER LIABILITIES

	As at April 30, 2014 $	As at October 31, 2013 $
Employee benefits	31,668	30,940
Deferred lease inducements	19,338	16,036
Non-controlling interests	25,546	23,800
	76,552	70,776
Less non-controlling interests included in Trade and other payables	(22,680)	(22,680)
	53,872	48,096

Note 10 EQUITY

AUTHORIZED SHARE CAPITAL

CLASS A VARIABLE VOTING SHARES

An unlimited number of participating Class A Variable Voting Shares ["Class A Shares"] which may be owned or controlled only by non-Canadians as defined by the *Canada Transportation Act* ["CTA"], carrying one vote per Class A Share unless [i] the number of issued and outstanding Class A Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any higher percentage that the Governor in Council may specify pursuant to the CTA); or [ii] the total number of votes cast by or on behalf of holders of Class A Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed, the vote attached to each Class A Share will decrease automatically, without further act or formality. Under the circumstance described in subparagraph [i] above, the Class A Shares as a class cannot carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation. Under the circumstance described in subparagraph [ii] above, the Class A Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that can be exercised at the said meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further action on the part of the Corporation or the holder if [i] the Class A Share is or becomes owned and controlled by a Canadian as defined by the CTA; or [ii] the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

CLASS B VOTING SHARES

An unlimited number of Class B Voting Shares ["Class B Shares"], participating, which may be owned and controlled by Canadians as defined by the CTA only and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation.

Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further action on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

PREFERRED SHARES

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

ISSUED AND OUTSTANDING SHARE CAPITAL

The changes affecting Class A Shares and Class B Shares were as follows:

	Number of shares	Amount ($)
Balance as at October 31, 2012	38,295,668	220,736
Issued from treasury	94,250	484
Balance as at April 30, 2013	38,389,918	221,220
Issued from treasury	77,253	481
Exercise of options	1,316	5
Balance as at October 31, 2013	38,468,487	221,706
Issued from treasury	48,492	468
Exercise of options	147,410	1,834
Balance as at April 30, 2014	38,664,389	224,008

As at April 30, 2014, the number of Class A Shares and Class B Shares stood at 1,438,397 and 37,225,992, respectively.

OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2013	2,692,544	12.18
Granted	374,374	12.49
Exercised	(147,410)	8.45
Cancelled	(135,321)	12.68
Balance as at April 30, 2014	2,784,187	12.40
Options exercisable as at April 30, 2014	1,329,650	15.18

LOSS PER SHARE

Basic and diluted loss per share were computed as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2014	2013	2014	2013
(in thousands of dollars, except per share data)	$	$	$	$
NUMERATOR				
Net loss attributable to shareholders of the Corporation used in computing basic and diluted loss per share	(7,903)	(22,760)	(33,552)	(37,897)
DENOMINATOR				
Weighted average number of outstanding shares	38,867	38,427	38,588	38,345
Effect of dilutive securities				
Stock options	—	—	—	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	38,867	38,427	38,588	38,345
Loss per share				
Basic	(0.20)	(0.59)	(0.87)	(0.99)
Diluted	(0.20)	(0.59)	(0.87)	(0.99)

In light of the loss recognized for quarters and six-month periods ended April 30, 2014 and 2013, respectively, 2,784,187 and 2,938,517 outstanding stock options were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Note 11 SEGMENTED DISCLOSURE

The Corporation has determined that it has a single operating segment: holiday travel. Therefore, the consolidated statements of loss include all the required information. With respect to geographic areas, the Corporation operates mainly in the Americas and Europe. Sales between geographic areas are accounted for at prices that take into account market conditions and other considerations.

	Quarter ended April 30, 2014			Six-month period ended April 30, 2014		
	Americas $	Europe $	Total $	Americas $	Europe $	Total $
Revenues	940,445	178,175	1,118,620	1,662,652	303,190	1,965,842
Operating expenses	956,124	179,543	1,135,667	1,703,305	313,118	2,016,423
Operating loss	(15,679)	(1,368)	(17,047)	(40,653)	(9,928)	(50,581)

	Quarter ended April 30, 2013			Six-month period ended April 30, 2013		
	Americas $	Europe $	Total $	Americas $	Europe $	Total $
Revenues	944,411	162,413	1,106,824	1,635,128	277,410	1,912,538
Operating expenses	951,745	165,204	1,116,949	1,658,733	293,866	1,952,599
Operating loss	(7,334)	(2,791)	(10,125)	(23,605)	(16,456)	(40,061)

	Revenues[(1)] Quarters ended April 30,		Revenues[(1)] Six-month periods ended April 30,		Property, plant and equipment, goodwill and other intangible assets	
	2014 $	2013 $	2014 $	2013 $	As at April 30, 2014 $	As at October 31, 2013 $
Canada	921,724	923,536	1,629,929	1,600,894	197,152	187,103
France	169,095	152,684	288,060	261,908	47,620	42,059
United Kingdom	7,333	8,370	12,890	13,696	34,619	33,073
Other	20,468	22,234	34,963	36,040	17,553	14,846
	1,118,620	1,106,824	1,965,842	1,912,538	296,944	277,081

(1) Revenues are allocated based on the subsidiary's country of domicile.

Note 12 GUARANTEES

The Corporation has entered into agreements in the normal course of business containing clauses meeting the definition of a guarantee. These agreements provide compensation and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events, including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 8, 18, 19, 25 and 26 to the financial statements for the fiscal year ended October 31, 2013 provide information about some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in most of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases expire at various dates through 2034. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance coverage in such circumstances.

COLLATERAL SECURITY CONTRACTS

The Corporation has entered into collateral security contracts with certain suppliers. Under these contracts, the Corporation guarantees the payment of certain services rendered that it undertook to pay. These contracts typically cover a one-year period and are renewable.

The Corporation has entered into collateral security contracts whereby it has guaranteed a prescribed amount to its customers, at the request of regulatory agencies, for the performance of the obligations included in mandates by its customers during the term of the licenses granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at April 30, 2014, these guarantees totalled $1,152. Historically, the Corporation has not made any significant payments under such agreements. As at April 30, 2014, no amounts have been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

The Corporation has a $35,000 guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at April 30, 2014, $16,898 had been drawn down under the facility.

For its European operations, the Corporation has guarantee facilities renewable annually amounting to €11,000 [$16,716]. As at April 30, 2014, letters of guarantee had been issued totalling €2,290 [$3,480].

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