



**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
MARCH 10, 2016**

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

Check against delivery

All in all, we are satisfied with the 2015 results: we posted an adjusted operating income of \$100 million, similar to 2014.

Furthermore, on a crowded transatlantic market, we managed to achieve historic results during the summer. That performance allowed us to offset the winter losses, which were attributable in part to a weakening of the market in France, as we succeeded in improving our results on Sun destinations routes. The overall outcome was that we closed out the year on a very positive note. In a few minutes, Denis will be presenting a more detailed analysis of the numbers, as well as going over the first-quarter results, which we announced this morning. For a third winter in a row, after a good start, the industry had to cope with a declining dollar, hence the disappointing numbers.

Last year we told you about our development and growth plan, which we are committed to seeing through to a successful conclusion. In 2015, we continued to lay the foundations of that plan.

A critical element of the plan is our cost- and margin-improvement initiative. It is about making Transat more efficient, more productive, and leveraging every opportunity available to generate additional margin. From 2012 to 2014, we implemented an initial round of measures that, on a like-for-like basis, made a difference of \$55 million. The 2015–2017 plan, meanwhile, calls for further savings and gains of at least \$100 million, \$45 million of which was delivered in 2015, as planned. The target for 2016 is \$30 million. So, the organization has changed, is changing, and will continue to change.

The market, of course, has not remained stable—far from it. And so these numbers did not translate directly on the bottom line. The key thing to remember is that our cost structure has improved significantly.

Air Transat is one of the main pillars of our development. And the \$45-million cost improvement achieved in 2015 stemmed in large part from the changes we made to our fleet strategy, which were the most significant changes ever made in the company since its founding.

These past few years, Air Transat has undergone a major transformation, with the insourcing of narrow-body aircraft and, most important, implementation of a double flexible fleet. Many of our pilots fly wide-body jets in the summer season and narrow-body jets in winter, and the number of aircraft in operation varies with the seasons. This winter, for example, we are flying 19 narrow-body planes and 12 wide-body planes, and in the summer that will shift to 23 wide-body and 7 narrow-body. In sum, aircraft come in and come out based on need, thanks to a number of ad hoc agreements.

On the transatlantic market, we are very good, thanks to a number of competitive advantages. We will continue to add new destinations, and to adjust frequency and capacity based on demand. After Prague in 2014 and Budapest in 2015, we are launching another new destination, Zagreb, in 2016. We are more committed than ever to continuing our growth in the European market, where we are well established. And I'm talking about travel in both directions, too, because we remain a major player in bringing tourists to Canada. Right now, the weak Canadian dollar is helping demand westbound.

This winter, Air Transat was the first Canadian airline to operate Syrian refugee flights, and we have so far made 41 of them, bringing some 11,000 people to the country, departing from Amman, Jordan. We take great pride in being part of this large-scale humanitarian operation, put together by the International Organization for Migration and the Canadian government.

Our \$100-million plan is built on many initiatives, not just those involving the fleet. With regard to our Sun destinations, we have very actively pursued efforts to refine our hotel strategy.

Simply put, the strategy is to consolidate relations with our hotelier partners, to manage our exclusive resorts efficiently, and to structure and commercialize our product supply based on consumers' actual expectations. Last year I told you how 36% of our customers chose our main collections, Luxury, Distinction and Sun Savvy. That proportion will probably be similar this winter, but we are maintaining our objective of 50% by 2017. Our offering is structured well, our marketing programs are consistent and efficient, and we are satisfied with the progress made. We have launched a new collection, Solo, which has proved quite popular, as does the Family collection, at the other end of the spectrum. As you can see, we have something for all customer profiles.

In fact, although we still have work to do, we've succeeded in tightening our operations enough to ramp up capacity. And that's exactly what we did this winter, with a planned 5% increase over last year, mostly in the first quarter. Of course, we remain extremely alert to any adjustment that may prove necessary.

We've progressed in the implementation of the Datalex system, which allows us to push sales of optional services, like seat selection for example. The goal is to increase our so-called ancillary revenues by \$20 million over the plan period, bringing in a total of \$75 million.

I'd like to move on now to three major strategic elements of the plan, which will be key drivers of development and growth. They are distribution, hotels, and our recentring of operations on the Americas, announced a few weeks ago.

Transat is not just a travel producer. Since the very beginning, and to a large extent, we have also been a distributor.

In that business line, we've been saying for years that we want to reach consumers through every possible channel, and offer them the broadest possible array of travel destinations and formats.

During 2015 we moved to tighten our network of agencies in Canada, which now comprises almost 500 points of sale, most of them franchisees. As of today, 31 of our owned agencies have been modernized and migrated to the new Transat Travel / Voyages Transat banner, and the results are very encouraging. More people are going to these agencies, sales are up, and sales of Transat products are up as well. That bodes very well for the future. It tells us that our brand carries promise.

In the same vein, we made a major shift in 2015 by grouping our entire online product offering under the Transat brand. In doing so, we took a huge step forward in configuring what we refer to as an integrated distribution ecosystem, which will provide our customers with even more user-friendly access to our products and services.

We will eventually have only one holiday website, and one airline website, both optimized for mobile.

We are also improving our ability to centralize customer data, so we can better target our marketing efforts.

And we are working on a bona fide mobile app.

Now, the hotel business.

Hotels are another major growth vector. We have built an enviable reputation in passenger aviation. We want to do the same when it comes to accommodations at Sun destinations.

Since 2007 we have been a partner with H10 Hotels in Ocean Hotels, a company that owns and operates, or manages on behalf of third parties, some 3,225 rooms at present, spread across seven resorts in three countries. Our target is to reach 5,000 rooms by the end of the strategic plan period. We have other projects on the drawing board.

The vision is to better control customer experience and have a distinctive offering, and thus be in a better position to inspire loyalty among travellers... which is the big challenge on the sun market. Our hotels are well-managed, they are profitable, and they are at the forefront in terms of sustainability. In addition to our solid ties with H10, we will thus remain on the lookout for development opportunities.

Third, markets.

Among the distinguishing features of our industry, as you know, are fierce competition, volatility and low margins. Another, fortunately, is considerable demand, sustained growth and a promising future. In 2015 there were 1.1 billion international travellers, and despite the many obstacles that sometimes stand in their way, the tourists always show up. In the worst case, they switch destination, choose three-star instead of four-star accommodations, or shorten their trips. But it takes a lot for them not to pack their bags. And this has been true for 60 years, worldwide.

The future, however, belongs to the companies that are smart enough to build on their strengths. With that in mind, we recently confirmed our intention to focus development on two fronts: our transatlantic product offering, on the one hand, and our development in the Americas, primarily through Sun destinations, on the other. We are comfortable with that decision, which resulted from careful consideration as part of the discussions leading to the 2015–2017 strategic plan.

One logical outcome was the decision to put our tour operator business units in France and Greece up for sale.

I want to be perfectly clear, and repeat that this asset-disposal plan is not a result of the economic climate, and will have *no impact* on Air Transat's current routes in France and elsewhere in Europe. Air Transat and Transat France are two different units. As an airline, we are keeping our sales networks, our marketing staff and our sales outlets, maintaining our capacity, and sticking with our growth plans on the European side.

Growth in the Americas could take many forms. But concretely—and this isn't the first time we've explained this—our priority will be to establish ourselves as a travel distributor in the United States, so as to maximize purchasing power on the Sun destinations market, including in the summer. We have never lost sight of that market, believe me. But when we do make a move, it will be because the right opportunity has come up.

We cannot ignore the current global and Canadian economic context, which seems to have an impact on demand. As well, we must keep an eye on currency fluctuations. Future projects will be analysed with great care. But a fact remains: we are in a good position. We are one of the market leaders, we have a solid balance sheet, we have significant cash reserves... We will make the right moves at the right time, in keeping with the interest of shareholders.

We have a great team. Once again in 2015, in spite of the challenges, we received a host of rewards and recognition from the industry, in the areas of customer service and overall performance, as well as for our initiatives in sustainable development, something to which we remain firmly committed. I would like to take this opportunity to formally pay tribute to all of our employees, without whom none of this would be possible. I am grateful to all of the members of the senior executive, as well.