TRANSAT A.T. INC.
SECOND QUARTERLY REPORT
Period ended April 30, 2015

June 10, 2015

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Trading symbols
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, 2015, compared with the quarter ended April 30, 2014, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2014 and the accompanying notes and the 2014 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 2014 Annual Report. The risks and uncertainties set out in the MD&A of the 2014 Annual Report are herein incorporated by reference and remain unchanged. The information contained herein is dated as of June 10, 2015. 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, 2015 and the Annual Information Form for the year ended October 31, 2014.

These 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 its global summer results to be similar to those of last year.
- The outlook whereby the Corporation expects a decrease in operating expenses of 4.4% on the transatlantic market and an increase of 2.0% on sun destinations for the second semester, compared with the same period last year.

In making these statements, the Corporation has assumed, among other things, that travellers will continue to travel, that credit facilities will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year and that fuel prices, foreign exchange rates and hotel and other destination-based costs will remain steady. 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 assess the Corporation's operational performance. It is likely that the non-IFRS financial measures used by the Corporation will not 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 with 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, depreciation and 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 assess 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 assessing the Corporation's capacity to discharge its current and future financial obligations.

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, gain on disposal of a subsidiary, restructuring charge, impairment of goodwill 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, gain on disposal of a subsidiary, restructuring charge, impairment of goodwill 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.

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	
	2015 $	2014 $	2015 $	2014 $
Operating income (loss)	(9,744)	(13,029)	(57,235)	(46,643)
Restructuring charge	—	2,226	—	2,226
Amortization	13,139	10,807	24,877	20,529
Adjusted operating income (loss)	3,395	4	(32,358)	(23,888)
Income (loss) before income tax expense	34,090	(9,958)	(53,784)	(44,325)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(43,106)	(1,738)	665	1,480
Restructuring charge	—	2,226	—	2,226
Adjusted pre-tax income (loss)	(9,016)	(9,470)	(53,119)	(40,619)
Net income (loss) attributable to shareholders	24,704	(7,903)	(39,610)	(33,552)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(43,106)	(1,738)	665	1,480
Restructuring charge	—	2,226	—	2,226
Tax impact	11,779	(138)	(125)	(995)
Adjusted net income (loss)	(6,623)	(7,553)	(39,070)	(30,841)
Adjusted net income (loss)	(6,623)	(7,553)	(39,070)	(30,841)
Adjusted weighted average number of outstanding shares used in computing earnings per share	38,815	38,867	38,755	38,588
Adjusted net income (loss) per share	(0.17)	(0.19)	(1.01)	(0.80)

	As at April 30, 2015 $	As at October 31, 2014 $
Aircraft rent for the past four quarters	96,057	87,229
Multiple	5	5
Adjusted operating leases	480,285	436,145
Long-term debt	—	—
Adjusted operating leases	480,285	436,145
Total debt	480,285	436,145
Total debt	480,285	436,145
Cash and cash equivalents	(441,536)	(308,887)
Total net debt	38,749	127,258

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share amounts)	Quarters ended April 30 2015 $	2014 $	Difference $	Difference %	Six-month periods ended April 30 2015 $	2014 $	Difference $	Difference %
Consolidated Statements of Income								
Revenues	1,018,498	1,118,620	(100,122)	(9.0)	1,807,079	1,965,842	(158,763)	(8.1)
Adjusted operating income[1]	3,395	4	3,391	n/a	(32,358)	(23,888)	(8,470)	35.5
Net income (loss) attributable to shareholders	24,704	(7,903)	32,607	(412.6)	(39,610)	(33,552)	(6,058)	18.1
Basic earnings (loss) per share	0.64	(0.20)	0.84	(420.0)	(1.02)	(0.87)	(0.15)	17.2
Diluted earnings (loss) per share	0.64	(0.20)	0.84	(420.0)	(1.02)	(0.87)	(0.15)	17.2
Adjusted net income (loss)[1]	(6,623)	(7,553)	930	(12.3)	(39,070)	(30,841)	(8,229)	26.7
Adjusted net income (loss) per share[1]	(0.17)	(0.19)	0.02	(10.5)	(1.01)	(0.80)	(0.21)	26.3
Consolidated Statements of Cash Flows								
Operating activities	76,802	66,215	10,587	16.0	174,294	163,953	10,341	6.3
Investing activities	(22,930)	(21,214)	(1,716)	8.1	(38,004)	(29,858)	(8,146)	27.3
Financing activities	(2,720)	(933)	(1,787)	191.5	(2,738)	556	(3,294)	(592.4)
Effect of exchange rate changes on cash and cash equivalents	(3,247)	890	(4,137)	(464.8)	(903)	4,085	(4,988)	(122.1)
Net change in cash and cash equivalents	47,905	44,958	2,947	6.6	132,649	138,736	(6,087)	(4.4)

	As at April 30, 2015 $	As at October 31, 2014 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	441,536	308,887	132,649	42.9
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	336,200	380,184	(43,984)	(11.6)
	777,736	689,071	88,665	12.9
Total assets	1,540,290	1,375,030	165,260	12.0
Long-term debt	—	—	—	—
Total debt[1]	480,285	436,145	44,140	10.1
Total net debt[1]	38,749	127,258	(88,509)	(69.6)

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 primarily 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 in Canada, Mexico, the Dominican Republic and Greece. Transat holds an interest in Caribbean Investments B.V. (operating under the Ocean Hotels banner), a hotel business which owns, operates or manages properties in Mexico, the Dominican Republic and Cuba.

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 and particularly from its position as both a major producer and distributor in Canada, 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 margins.

Transat acknowledges the growing strategic importance of sustainable development in the holiday and air travel industries. Given this trend, Transat has undertaken to adopt avant-garde policies on corporate responsibility and sustainable tourism.

For fiscal 2015, Transat has set the following objectives:

1. Transat remains committed under a cost reduction and unit margin improvement program, which it expects to generate $20 million in savings in fiscal 2015, compared with fiscal 2014. The Corporation aims to improve its winter results and maintain its summer profitability in fiscal 2015, in particular through improved efficiency.

2. Transat intends to develop new markets by launching new routes, entering new source markets, building out its existing source market offering and expanding its overall offering, including where applicable, by marketing third-party products.

3. Building on the successful launch of the Transat Travel banner as a Canadian distributor, Transat intends to improve its multi-channel distribution strategy, and particularly its online presence, to extend its consumer reach and enhance customer loyalty.

4. In fiscal 2015, Transat will begin structuring its sustainable development project to secure a certification for its tour operator and travel agency businesses.

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			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Americas	869,763	940,445	(70,682)	(7.5)	1,548,644	1,662,652	(114,008)	(6.9)
Europe	148,735	178,175	(29,440)	(16.5)	258,435	303,190	(44,755)	(14.8)
	1,018,498	1,118,620	(100,122)	(9.0)	1,807,079	1,965,842	(158,763)	(8.1)

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, 2015 were down $100.1 million from fiscal 2014, and $158.8 million for the first half of the year. For the second quarter, this decrease resulted primarily from a 6.9% decrease in total travellers, as the capacity we deployed for sun destinations decreased 6.2%. For the six-month period, total travellers were down 7.4%, while we trimmed our sun destination product offering by 6.3% over 2014. For both the second quarter and the first half of the year, average selling prices were up compared with the corresponding periods in 2014.

OPERATING EXPENSES

	Quarters ended April 30				Six-month periods ended April 30			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Costs of providing tourism services	585,327	722,785	(137,458)	(19.0)	1,043,700	1,260,284	(216,584)	(17.2)
Aircraft fuel	104,115	93,686	10,429	11.1	195,568	164,644	30,924	18.8
Salaries and employee benefits	93,629	88,601	5,028	5.7	181,523	171,928	9,595	5.6
Commissions	50,459	64,556	(14,097)	(21.8)	86,767	111,584	(24,817)	(22.2)
Aircraft maintenance	42,437	30,710	11,727	38.2	71,798	54,755	17,043	31.1
Airport and navigation fees	28,428	20,779	7,649	36.8	49,996	35,548	14,448	40.6
Aircraft rent	24,684	19,853	4,831	24.3	47,851	39,023	8,828	22.6
Other	89,722	81,664	8,058	9.9	166,535	155,902	10,633	6.8
Share of net income of an associate	(3,698)	(4,018)	320	(8.0)	(4,301)	(3,938)	(363)	9.2
Amortization	13,139	10,807	2,332	21.6	24,877	20,529	4,348	21.2
Restructuring charge	—	2,226	(2,226)	(100.0)	—	2,226	(2,226)	(100.0)
Total	1,028,242	1,131,649	(103,407)	(9.1)	1,864,314	2,012,485	(148,171)	(7.4)

Total operating expenses for the quarter and six-month period decreased $103.4 million (9.1%) and $148.2 million (7.4%), respectively, compared with fiscal 2014. This decrease resulted primarily from a 6.2% decrease in our sun destination market offering for the second quarter and 6.3% for the first half of the year. Furthermore, the full effect of insourcing narrow-body aircraft to sun destinations in addition to the shift toward a flexible fleet at Air Transat, maximizing the use of narrow-body aircraft with more aircraft in winter while minimizing costs of wide-body aircraft, was felt in the first half of fiscal 2015. Apart from the anticipated cost savings, this initiative prompted lower costs of providing tourism services (previously those flights were operated by an external air carrier) and higher other operating expenses, excluding commissions. These cost savings were partially offset by the dollar's depreciation against the U.S. dollar.

COSTS OF PROVIDING TOURISM SERVICES

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. The cost of providing tourism services fell $137.5 million (19.0%) for the quarter and $216.6 million (17.2%) for the six-month period, compared with the corresponding periods of the previous fiscal year. The decrease for the quarter was triggered primarily by the reduction in our flight purchases from air carriers other than Air Transat, owing to the addition of our narrow-body Boeing 737 operations and the reduction in our sun destination product offering, partially offset by a weaker Canadian currency relative to the U.S. dollar, and to a lesser degree, to higher hotel room costs.

AIRCRAFT FUEL

Aircraft fuel expense was up $10.4 million (11.1%) for the quarter and $30.9 million (18.8%) for the six-month period compared with fiscal 2014. These increases are due primarily to commissioning our narrow-body Boeing 737s. Despite a decline in fuel price indices in financial markets, the Corporation was unable to fully benefit from this trend due to the fuel price hedging program it has in place. A weaker dollar relative to the U.S. currency (fuel is primarily paid in U.S. dollars) also tempered the decline in aircraft fuel costs.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits were up $5.0 million (5.7%) for the quarter and $9.6 million (5.6%) for the six-month period, compared with fiscal 2014. These increases resulted mainly from the pilot and cabin crew hires following the insourcing of narrow-body aircraft, and annual salary reviews.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense was down $14.1 million (21.8%) in the second quarter and $24.8 million (22.2%) for the six-month period compared with fiscal 2014. As a percentage, commissions decreased and accounted for 5.0% of revenues for the quarter, compared with 5.8% in 2014, and 4.8% for the six-month period compared with 5.7%. These decreases stemmed from the lower revenue base used in calculating commissions.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat. Compared to 2014, these expenses increased $11.7 million (38.2%) in the second quarter and $17.0 million (31.1%) during the first half of the year. The increase was driven by the beginning of narrow-body operations and a weaker dollar relative to the U.S. currency.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. Fees increased $7.6 million (36.8%) for the quarter ended April 30, 2015 and $14.4 million (40.6%) for the first half of the year. Those increases were prompted by the addition to our feet of narrow-body aircraft and a weaker dollar relative to the U.S. currency.

AIRCRAFT RENT

Aircraft rent for the quarter and six-month periods was up $4.8 million (24.3%) and $8.8 million (22.6%), respectively, compared to the same periods of 2014. These increases were prompted by the addition to our permanent fleet of four Boeing 737s and of eight 737s for the fiscal 2015 winter season, and a weaker dollar relative to the U.S. currency.

OTHER

Year over year, other expenses for the second quarter were up $8.1 million (9.9%) and $10.6 million (6.8%) for the six-month period. The increase is mainly owing to other air costs following the commissioning of our Boeings 737s.

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 $3.7 million compared with $4.0 million for the same quarter of 2014. For the six-month period, the share of net income amounted to $4.3 million compared with $3.9 million in 2014.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense includes the depreciation of property, plant and equipment, and the amortization of intangible assets subject to amortization and deferred incentive benefits. Year over year, depreciation and amortization were up $2.3 million during the second quarter and $4.3 million for the six-month period. The increases resulted from additions and improvements made to our aircraft fleet, mainly involving the reconfiguration of our Airbus A330s.

OPERATING INCOME (LOSS)

In light of the foregoing, the Corporation recorded an operating loss for the second quarter of $9.7 million (1.0%) compared with an operating loss of $13.0 million (1.2%) in 2014, an improvement of $3.3 million. This improvement is the result of the $10.7 million increase in our Americas geographic area operating income, where the sun destinations market constitutes our core operations for this period, and a decline in operating income in Europe, where winter corresponds to low season.

The Corporation recorded an operating loss for the six-month period of $57.2 million (3.2%) compared with an operating loss of $46.6 million (2.4%) in 2014, an increase in operating loss of $10.6 million. This decline in operating income is the result of the $15.3 million increase in operating loss in Europe, where winter corresponds to low season, offset by a $4.7 million increase in operating income in our Americas geographic area, where the sun destinations market constitutes our core operations for this period. Moreover, the decline in operating income for the first half of the year was attributable to the dollar's weakening against the U.S. dollar and higher operating expenses, the impact of which was not fully offset by our efforts in cost reduction and selling price increases.

The weakening in the Canadian dollar raised our operating expenses for the quarter and the six-month period by $31.0 million and $55.0 million, respectively, compared with the same periods of 2014.

Adjusted operating income for the second quarter amounted to $3.4 million (0.3%) compared with $0.0 million (0.0%) for the same period of 2014. For the first half of the year, the Corporation recorded an adjusted operating loss of $32.4 million (1.8%) compared with $23.9 million (1.2%) in 2014.

GEOGRAPHIC AREAS

AMERICAS

Americas	Quarters ended April 30				Six-month periods ended April 30			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	869,763	940,445	(70,682)	(7.5)	1,548,644	1,662,652	(114,008)	(6.9)
Operating expenses	870,710	952,106	(81,396)	(8.5)	1,580,625	1,699,367	(118,742)	(7.0)
Operating loss	(947)	(11,661)	10,714	91.9	(31,981)	(36,715)	4,734	12.9
Operating loss (%)	(0.1)	(1.2)	1.1	91.2	(2.1)	(2.2)	0.1	6.5

Second-quarter revenues at our North American subsidiaries from sales in Canada and abroad were down $70.7 million (7.5%) compared with fiscal 2014, owing to our decision to reduce our sun destination product offering by 6.2% and transatlantic routes by 5.9%, which lowered traveller volumes by 6.3% across our markets while average selling prices were slightly higher. The Corporation reported a second-quarter operating loss of $0.9 million (0.1%) in 2015 compared with an operating loss of $11.7 million (1.2%) in 2014. The decrease in our operating loss is mainly due to our cost reduction initiatives which resulted in a decrease in operating expenses, and to a lesser extent, an increase in selling prices. Furthermore, the decrease in operating loss was partially offset by the weakening of the dollar against the U.S. dollar, which, even combined with the decrease in fuel prices, led to a rise in operating expenses of $6.0 million across our markets.

Revenues at our North American subsidiaries for the six-month period ended April 30, 2015 were down $114.0 million (6.9%) compared with fiscal 2014, owing to our decision to reduce our sun destination product offering by 6.3% and transatlantic routes by 3.2%, which lowered traveller volumes by 7.4% across our markets while average selling prices were slightly higher. The Corporation reported an operating loss of $32.0 million (2.1%) for the first half of 2015 compared with $36.7 million (2.2%) in 2014. The decrease in our operating loss is mainly due to our cost reduction initiatives which resulted in a decrease in operating expenses, and to a lesser extent, an increase in selling prices. Furthermore, the decrease in operating loss was partially offset by the weakening of the dollar against the U.S. dollar, which, even combined with the decrease in fuel prices, led to a rise in operating expenses of $21.0 million across our markets.

EUROPE

Europe	Quarters ended April 30				Six-month periods ended April 30			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	148,735	178,175	(29,440)	(16.5)	258,435	303,190	(44,755)	(14.8)
Operating expenses	157,532	179,543	(22,011)	(12.3)	283,689	313,118	(29,429)	(9.4)
Operating loss	(8,797)	(1,368)	(7,429)	543.1	(25,254)	(9,928)	(15,326)	154.4
Operating loss (%)	(5.9)	(0.8)	(5.1)	670.3	(9.8)	(3.3)	(6.5)	198.4

Revenues for the second quarter at our European subsidiaries from sales in Europe and Canada were down $29.4 million (16.5%) from the same period of fiscal 2014, owing to a decrease in total travellers. In local currency terms, revenues of our European entities declined. This was due to a decrease in sales to destinations in North Africa and Senegal, which contributed to an 11.4% decrease in total travellers for the quarter, compared with 2014, while our average selling prices were similar to the same period of 2014. Our European operations reported a second-quarter operating loss of $8.8 million (5.9%) in 2015 compared with $1.4 million (0.8%) in 2014. The higher operating loss was mainly attributable to the decrease in total travellers and, to a lesser extent, slimmer margins in tour revenues.

Revenues for the first half of the year at our European subsidiaries were down $44.8 million (14.8%), also driven by a decrease in total travellers. In local currency terms, revenues of our European entities declined. This was due to a decrease in sales to destinations in North Africa and Senegal, which contributed to an 11.8% decrease in total travellers for the six-month period, compared with 2014, while our average selling prices were similar to the same period of 2014. Our European operations reported an operating loss of $25.3 million (9.8%) for the first half of 2015 compared with $9.9 million (3.3%) in 2014. The higher operating loss was mainly attributable to the decrease in total travellers and, to a lesser extent, slimmer margins in tour revenues.

OTHER EXPENSES (REVENUES)

	Quarters ended April 30				Six-month periods ended April 30			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Financing costs	488	457	31	6.8	1,015	941	74	7.9
Financing income	(2,000)	(2,016)	16	(0.8)	(4,018)	(4,060)	42	(1.0)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(43,106)	(1,738)	(41,368)	2,380.2	665	1,480	(815)	(55.1)
Foreign exchange gain on non-current monetary items	784	226	558	246.9	(1,113)	(679)	(434)	63.9

FINANCING COSTS

Financing costs comprise interest on long-term debt and other interest, standby fees, and financial expenses. Compared to 2014, financing costs remained stable in the second quarter and rose $0.1 million during the first half of the year.

FINANCING INCOME

Compared to 2014, financing income remained stable in the second quarter and the first half of the year.

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 fluctuations in fuel prices. For the second quarter, the fair value of derivative financial instruments used for aircraft fuel purchases rose $43.1 million compared with a $1.7 million increase in 2014. The change in fair value of derivative financial instruments used for aircraft fuel purchases during the six-month period reflected a $0.7 million decrease compared with a $1.5 million decline in the same period of 2014. For the quarter, the change is due to the maturity of these derivative financial instruments used for aircraft fuel purchases that had a negative fair value.

FOREIGN EXCHANGE (GAIN) LOSS ON NON-CURRENT MONETARY ITEMS

Foreign exchange gains and losses on non-current monetary items result mainly from the exchange effect on foreign currency deposits. For the second quarter, the Corporation posted a $0.8 million foreign exchange loss on non-current monetary items compared with a $0.2 million foreign exchange loss in 2014. For the first half of the year, the Corporation posted a foreign exchange gain on long-term monetary items of $1.1 million in 2015 compared with a foreign exchange gain of $0.7 million in 2014.

INCOME TAXES

Income tax expense for the second quarter totalled $7.8 million compared with an income tax recovery of $3.4 million for the corresponding period of the previous fiscal year. Income tax recovery for the six-month period amounted to $17.0 million compared with $12.9 million for the first half of fiscal 2014. Excluding the share in net income of an associate, the effective tax rate for the second quarter and six-month period stood at 25.7% and 29.2%, respectively, compared with 24.0% and 26.6% for the same periods of fiscal 2014. The change in tax rates for the quarter resulted from differences between countries and in the statutory tax rates applied to taxable income or losses.

NET INCOME (LOSS) AND NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

In light of the items discussed in the *Consolidated operations* section, the Corporation reported net income of $26.3 million for the quarter ended April 30, 2015, compared with a net loss of $6.6 million for the corresponding period of 2014. Net earnings attributable to shareholders for the quarter stood at $24.7 million or $0.64 per share (basic and diluted) in 2015 compared to a net loss of $7.9 million or $0.20 per share (basic and diluted) in 2014. For the second quarter of 2015, the weighted average number of outstanding shares used to compute basic earnings per share was 38,756,000 (38,815,000 for diluted earnings per share), compared with 38,867,000 (basic and diluted), respectively, for the corresponding quarter of 2014.

For the six-month period ended April 30, 2015, the Corporation reported a net loss amounting to $36.8 million compared with $31.5 million for the first half of fiscal 2014. Net loss attributable to shareholders for the six-month period stood at $39.6 million or $1.02 per share (basic and diluted) compared with a net loss of $33.6 million or $0.87 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 2015 was 38,755,000 compared with 38,588,000 for the corresponding period of fiscal 2014.

For the second quarter, the Corporation posted an adjusted net loss of $6.6 million ($0.17 per share) in 2015 compared with an adjusted net loss of $7.6 million ($0.19 per share) in 2014. The Corporation reported an adjusted net loss for the six-month period amounting to $39.1 million ($1.01 per share) compared with $30.8 million ($0.80 per share) for the first half of fiscal 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

Given the seasonal nature of the Corporation's operations, interim operating results do not proportionately reflect the operating results for a full year. Winter quarter revenues (quarters 1 and 2) declined compared with quarters from the previous year, while summer quarters (quarters 3 and 4) rose. Average selling prices were up while total travellers declined for both the winter and summer seasons. In terms of operating results, increases in average selling prices coupled with cost reduction and margin improvement initiatives were insufficient to offset the foreign exchange effect arising from the strength of the U.S. dollar. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

Selected unaudited quarterly financial information

(in thousands of dollars, except per share data)	Q3-2013 $	Q4-2013 $	Q1-2014 $	Q2-2014 $	Q3-2014 $	Q4-2014 $	Q1-2015 $	Q2-2015 $
Revenues	927,004	808,616	847,222	1,118,620	941,702	844,654	788,581	1,018,498
Aircraft rent	20,530	19,765	19,170	19,853	23,350	24,856	23,167	24,684
Operating income (loss)	41,713	70,238	(33,614)	(13,029)	36,091	57,392	(47,491)	(9,744)
Adjusted operating income (loss)	54,281	80,704	(23,892)	4	47,789	76,028	(35,753)	3,395
Net income (loss)	41,469	55,229	(24,860)	(6,606)	26,296	31,236	(63,088)	26,267
Net income (loss) attributable to shareholders	41,129	54,723	(25,649)	(7,903)	25,820	30,607	(64,314)	24,704
Basic earnings (loss) per share	1.07	1.42	(0.67)	(0.20)	0.67	0.79	(1.66)	0.64
Diluted earnings (loss) per share	1.07	1.40	(0.67)	(0.20)	0.66	0.79	(1.66)	0.64
Adjusted net income (loss)	30,759	54,804	(23,288)	(7,553)	26,730	49,353	(32,447)	(6,623)
Adjusted net income (loss) per share	0.80	1.40	(0.60)	(0.19)	0.69	1.27	(0.84)	(0.17)

LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2015, cash and cash equivalents totalled $441.5 million compared with $308.9 million as at October 31, 2014. As at the end of the second quarter of fiscal 2015, cash and cash equivalents held in trust or otherwise reserved amounted to $336.2 million compared with $380.2 million as at October 31, 2014. The Corporation's statement of financial position reflects working capital of $6.9 million and a ratio of 1.01, compared with working capital of $96.0 million and a ratio of 1.12 as at October 31, 2014.

Total assets increased by $165.3 million, from $1,375.0 million as at October 31, 2014 to $1,540.3 million as at April 30, 2015. This increase is driven primarily by a $132.6 million increase in cash and cash equivalents. This change and changes in other main assets reflect the seasonal nature of our operations. Equity decreased $44.8 million, from $482.9 million as at October 31, 2014 to $438.1 million as at April 30, 2015. This decrease is primarily due to the $39.6 million net loss attributable to shareholders.

CASH FLOWS

	Quarters ended April 30			Six-month periods ended April 30		
	2015	2014	Difference	2015	2014	Difference
(in thousands of dollars)	$	$	$	$	$	$
Cash flows related to operating activities	76,802	66,215	10,587	174,294	163,953	10,341
Cash flows related to investing activities	(22,930)	(21,214)	(1,716)	(38,004)	(29,858)	(8,146)
Cash flows related to financing activities	(2,720)	(933)	(1,787)	(2,738)	556	(3,294)
Effect of exchange rate changes on cash	(3,247)	890	(4,137)	(903)	4,085	(4,988)
Net change in cash	47,905	44,958	2,947	132,649	138,736	(6,087)

OPERATING ACTIVITIES

Cash flows generated by operating activities in the second quarter amounted to $76.8 million compared with $66.2 million for the corresponding period of fiscal 2014. This $10.6 million increase resulted from a $14.3 million increase in the net change in non-cash working capital balances related to operations and a $4.1 million increase in profitability, partially offset by a $8.2 million decrease in net change in other assets and liabilities related to operations.

Cash flows from operating activities increased by $10.3 million to $174.3 million for the six-month period of fiscal 2015 from $164.0 million in 2014. This increase resulted from a $38.1 million increase in the net change in non-cash working capital balances related to operations, partly offset by a $23.7 million decrease in net change in other assets and liabilities related to operations and a $4.7 million decrease in our profitability.

INVESTING ACTIVITIES

Cash flows used in investing activities in the second quarter amounted to $22.9 million in 2015 compared with $21.2 million in 2014. Additions to property, plant and equipment and other intangible assets totalled $15.6 million compared with $21.2 million in 2014. Moreover, our non-current cash and cash equivalents reserved balance increased by $7.3 million.

Cash flows used in investing activities totalled $38.0 million for the six-month period, up $8.1 million from $29.9 million in 2014. Additions to property, plant and equipment and other intangible assets decreased $2.2 million to $30.7 million. Moreover, our non-current cash and cash equivalents reserved balance increased by $7.3 million. In the first quarter of 2014, we received a $3.0 million balance of sale receivable related to the disposal of a subsidiary in 2012.

FINANCING ACTIVITIES

Cash flows used in financing activities totalled $2.7 million for the second quarter of fiscal 2015, up $1.8 million from $0.9 million for the same quarter of fiscal 2014. This increase is due primarily to the $1.2 million repurchase of shares during the quarter in addition to a higher dividend payout to a non-controlling interest than in the 2014 period.

Cash flows used in financing activities in the six-month period amounted to $2.7 million compared with $0.6 million in cash flows generated by financing activities the year-over-year period. The increased use of cash flows compared with 2014 is due primarily to the $1.2 million repurchase of shares during the quarter, in addition to lower proceeds from share issuance and a higher dividend payout to a non-controlling interest than in the same six-month period of 2014.

CONSOLIDATED FINANCIAL POSITION

	April 30, 2015 $	October 31, 2014 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	441,536	308,887	132,649	See the Cash Flows section
Cash and cash equivalents in trust or otherwise reserved	336,200	380,184	(43,984)	Seasonal nature of operations
Trade and other receivables	131,935	123,489	8,446	Increase in security deposits receivable from lessors following aircraft maintenance
Income taxes receivable	37,843	3,329	34,514	Increase in income taxes recoverable given deductible losses
Inventories	9,183	10,434	(1,251)	No significant difference
Prepaid expenses	68,839	74,932	(6,093)	Decrease in prepayments to certain service providers
Derivative financial instruments	27,667	16,596	11,071	Favourable change in the dollar compared with the U.S. currency with respect to forward contracts entered into
Deposits	55,181	43,932	11,249	Increase in deposits paid to certain service providers and seasonal nature of operations
Deferred tax assets	33,682	30,051	3,631	Increase in deferred tax arising from derivative financial instruments
Property, plant and equipment	133,293	128,560	4,733	Additions during the period, partially offset by depreciation
Goodwill	95,795	95,601	194	Foreign exchange difference
Intangible assets	73,348	72,769	579	Additions during the period, partially offset by depreciation
Investment in an associate	94,532	83,949	10,583	Share of net income of an associate and foreign exchange difference
Other assets	1,256	2,317	(1,061)	No significant difference
Liabilities				
Trade and other payables	380,712	338,633	42,079	Seasonal nature of operations and foreign exchange difference
Provision for overhaul of leased aircraft	41,760	36,312	5,448	Additions to aircraft fleet and impact of the repair schedule
Income taxes payable	479	1,721	(1,242)	Settlement of balances due
Customer deposits and deferred revenues	578,449	424,468	153,981	Seasonal nature of operations
Derivative financial instruments	42,205	24,679	17,526	Unfavourable change in fuel prices with respect to forward contracts entered into
Other liabilities	52,349	53,926	(1,577)	No significant difference
Deferred tax liabilities	6,195	12,345	(6,150)	Decrease in deferred tax arising from derivative financial instruments related to foreign currencies
Equity				
Share capital	223,977	224,679	(702)	Repurchase of shares, net of shares issued from treasury
Share-based payment reserve	16,314	15,444	870	Share-based payment expense
Retained earnings	188,193	227,872	(39,679)	Net income (loss)
Unrealized gain (loss) on cash flow hedges	472	11,712	(11,240)	Net loss on financial instruments designated as cash flow hedges
Cumulative exchange differences	9,185	3,239	5,946	Foreign exchange gain on translation of financial statements of foreign subsidiaries

FINANCING

As at April 30, 2015, 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.

On November 14, 2014, the Corporation renewed its $50 million revolving credit facility agreement for operating purposes. Under the new agreement, which expires in 2019, the Corporation may increase the credit limit to $100 million, subject to lender approval. The agreement may be extended for a year at each anniversary date subject to lender approval and the balance becomes 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 the universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is 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, 2015, 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 €10.0 million [$13.5 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. The Corporation did not report any obligations in the statements of financial position as at April 30, 2015 and October 31, 2014.

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 arrangements that can be estimated, excluding agreements with service providers, amounted to approximately $656.2 million as at April 30, 2015 ($690.3 million as at October 31, 2014) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	As at April 30, 2015 $	As at October 31, 2014 $
Guarantees		
Irrevocable letters of credit	30,571	31,267
Collateral security contracts	1,459	1,361
Operating leases		
Obligations under operating leases	624,156	657,639
	656,186	690,267

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 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 100% of the amount of the issued letters of credit as collateral security. As at April 30, 2015, $66.6 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, 2015, $20.2 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 €17.6 million [$23.8 million], of which €7.3 million [$9.9 million] had been drawn down.

For its French operations, the Corporation also has access to bank lines of credit for issuing letters of credit secured by deposits. As at April 30, 2015, €5.3 million had been drawn down [$7.2 million].

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits of £17.0 million [$31.6 million], which has been fully drawn down.

As at April 30, 2015, off-balance sheet arrangements were down $34.1 million from $690.3 million as at October 31, 2014 to $656.2 million as at April 30, 2015. This decrease resulted from repayments made during the six-month period, partly offset by the weakening of Canada's currency against the U.S. dollar.

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, amounted to $656.2 million as at April 30, 2015.

The Corporation's total debt rose $44.1 million from its October 31, 2014 level to $480.3 million, while its total net debt decreased by $88.5 million, resulting in a total net debt of $38.8 million as at April 30, 2015 compared with $127.3 million as at October 31, 2014. The decrease in total net debt results primarily from higher cash and cash equivalent balances than at October 31, 2014, partially offset by an increase in total debt due to higher aircraft rent following the additions to our aircraft fleet.

OUTSTANDING SHARES

As at April 30, 2015, 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 June 5, 2015, there were 1,721,785 Class A Variable Voting Shares outstanding and 36,737,017 Class B Voting Shares outstanding.

STOCK OPTIONS

As at June 5, 2015, there were a total of 2,792,633 stock options outstanding, 1,812,885 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of twelve Airbus A330s (345 seats), nine Airbus A310s (250 seats) and four Boeing 737-800s (189 seats).

The Corporation also had seasonal winter lease agreements for six Boeing 737-800s (189 seats) and two Boeing 737-700s (149 seats in 2015).

2015-2017 STRATEGIC PLAN

At its annual and special meeting of shareholders on March 12, 2015, the Corporation presented its three-year 2015-2017 Strategic Plan, aimed at continuing the Corporation's efforts to improve efficiency and margins as well as develop markets and foster growth. The plan comprises four key components.

A program to reduce costs and improve margins totalling $100 million over three years, specifically $45 million in 2015 (including the impact of narrow-body aircraft), $30 million in 2016 and $25 million in 2017*.* The main initiatives and projects are:

- Reduce air costs by decreasing the number of wide-body aircraft operated in winter, following the successful implementation of a flexible narrow-body aircraft fleet.
- Implement a connecting flights strategy, starting next summer in Canada, using Air Transat's narrow-body aircraft to expand the destination offering in certain source markets. Implement a similar strategy in 2016 in Europe, with a partner, paving the way for new destinations and source markets.
- Increase density of three wide-body Airbus A330 to be dedicated to the London and Paris routes.
- Increase ancillary revenues from the sale of optional services to travellers and from other sources such as freight.
- Continue technological upgrade projects of reservation systems, primarily to improve efficiency and reduce time-to-market of new products.

A program to improve the offering, focused on growth in existing source markets. The main efforts in this respect will be to:

- Introduce new destinations in Europe, starting with Budapest in summer 2015.
- Fine-tune the sun destinations offering through exclusive partnerships with hotels and the continued improvement of collections, based on customer expectations.
- Continue to develop Lookea clubs in France, as well as the tour market.

A program to significantly transform the Corporation's distribution ecosystem in a fully integrated fashion. Concretely:

- Continue developing the Transat Travel brand, and in particular complete its implementation in the Corporation's own agencies.
- Develop a new distribution website as part of a strategy for transparently integrating the customer relations centres and travel agencies.

A program to develop markets and continue the integration strategy, with the aim of ensuring growth, namely to:

- Penetrate new source markets that can generate synergies with current operations, through acquisitions.
- Enhance presence in destinations as an incoming tour operator, particularly by leveraging Jonview Canada, Tourgreece and Trafic Tours.
- Develop and grow Ocean Hotels, increasing the number of rooms from the current 2,200 to potentially 5,000 over the duration of the plan.

NORMAL COURSE ISSUER BID

On April 10, 2015, the Corporation announced that it had received the required regulatory approvals to go forward with a normal course issuer bid for a 12 month period.

Pursuant to its normal course issuer bid, the Corporation intends to purchase for cancellation up to a maximum of 2,274,921 Class A Variable Voting Shares and Class B Voting Shares, representing approximately 10% of the public float of Class A Variable Voting Shares and Class B Voting Shares.

The normal course issuer bid is designed to allow the Corporation proper utilization, depending on the circumstances and in a wise manner, of a portion of the Corporation's excess of cash.

Purchases under the Corporation's normal course issuer bid will be made on the open market through the TSX in accordance with its policy on normal course issuer bids. The price paid by the Corporation for repurchased shares will be the market price at the time of acquisition plus brokerage fees, where applicable. Purchases began as of April 15, 2015 and will terminate no later than April 14, 2016.

Over the three-month and six-month periods ended April 30, 2015, the Corporation repurchased a total of 200,528 Class B Voting Shares, for a total cash consideration of $1.2 million.

CHANGES IN ACCOUNTING POLICIES

PRESENTATION OF THE SHARE OF NET INCOME (LOSS) OF AN ASSOCIATE

In the first quarter of 2015, the Corporation modified the presentation of the share of net income (loss) of an associate to include it under operating results in the consolidated statements of income (loss). In the past, operating results did not consider the share of net income (loss) of an associate, i.e. CIBV, which owns and operates hotels in Mexico, the Dominican Republic and Cuba. However, hotel operations are part of the Corporation's activities. By including the share of net income (loss) of an associate, operating results more accurately reflect the Corporation's ongoing activities. The retrospective application of this policy change had no impact on the Corporation's net income (loss).

FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective are discussed below. The Corporation has not early adopted these new standards.

IFRS 9, FINANCIAL INSTRUMENTS

In July 2014, the IASB completed its three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement* by issuing IFRS 9*, Financial Instruments.* IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, and introduces a forward-looking expected-loss impairment model as well as a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in other comprehensive income (loss) rather than in the statement of income (loss).

IFRS 9 also introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected credit losses on a more timely basis.

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

Application of IFRS 9 will be effective from the Corporation's fiscal year beginning on November 1, 2018, with earlier adoption permitted. The Corporation is currently assessing 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. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. The application of IFRS 15 is mandatory and will be effective for the Corporation's fiscal year beginning on November 1, 2017, with earlier adoption permitted. On April 28, 2015, the IASB proposed a one-year deferral of the effective date of IFRS 15, making it applicable for the Corporation's fiscal year beginning on or after November 1, 2018. A final decision to this effect will be rendered in summer 2015. The Corporation is currently 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, 2015 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, in accordance with COSO 2013 controls, 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, 2015 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

Summer 2015 – The transatlantic market outbound from Canada and Europe accounts for a substantial portion of Transat's business during the summer season. From May to October 2015, Transat's capacity and load factors on that market are similar to those of the summer 2014. To date, 65% of the capacity has been sold and selling prices of bookings taken are approximately 2.6% lower, compared with the same date in 2014. If the Canadian dollar remains at its current value against the U.S. dollar, the euro and the pound, and if fuel prices remain stable, operating expenses will be down 4.4%.

On the Sun destinations market outbound from Canada, for which summer is low season, Transat's capacity is higher by 13% than that for the previous year. To date, 44% of that capacity has been sold, load factors are 1.6% lower, and selling prices are 0.6% higher. If the Canadian dollar remains at its current value against the U.S. dollar, and if fuel prices remain stable, operating expenses will be up 2.0%.

In France, compared with last year at the same date, medium-haul bookings are ahead by 10%, while long-haul bookings are ahead by 13%. Average selling prices are down 3.6%.

If the current trends hold, the Corporation expects its global summer results to be similar to those of last year, which were the second-best of the company's history.

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

(in thousands of Canadian dollars)	As at April 30, 2015 $	As at October 31, 2014 $
ASSETS		
Cash and cash equivalents	441,536	308,887
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	291,300	340,704
Trade and other receivables	131,935	123,489
Income taxes receivable	22,152	3,329
Inventories	9,183	10,434
Prepaid expenses	68,839	74,932
Derivative financial instruments	26,992	16,596
Current portion of deposits	30,872	17,833
Current assets	1,022,809	896,204
Cash and cash equivalents reserved *[note 5]*	44,900	39,480
Deposits	24,309	26,099
Income taxes receivable	15,691	—
Deferred tax assets	33,682	30,051
Property, plant and equipment	133,293	128,560
Goodwill	95,795	95,601
Intangible assets	73,348	72,769
Derivative financial instruments	675	—
Investment in an associate *[note 6]*	94,532	83,949
Other assets	1,256	2,317
Non-current assets	517,481	478,826
	1,540,290	1,375,030
LIABILITIES		
Trade and other payables	380,712	338,633
Current portion of provision for overhaul of leased aircraft	16,213	10,674
Income taxes payable	479	1,721
Customer deposits and deferred revenues	578,449	424,468
Derivative financial instruments	40,088	24,679
Current liabilities	1,015,941	800,175
Provision for overhaul of leased aircraft *[note 8]*	25,547	25,638
Other liabilities *[note 10]*	52,349	53,926
Derivative financial instruments	2,117	—
Deferred tax liabilities	6,195	12,345
Non-current liabilities	86,208	91,909
EQUITY		
Share capital *[note 11]*	223,977	224,679
Share-based payment reserve	16,314	15,444
Retained earnings	188,193	227,872
Unrealized gain on cash flow hedges	472	11,712
Cumulative exchange differences	9,185	3,239
	438,141	482,946
	1,540,290	1,375,030

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 INCOME (LOSS)

(in thousands of Canadian dollars, except per share amounts)	Quarters ended April 30 2015 $	2014 $	Six-month periods ended April 30 2015 $	2014 $
Revenues	1,018,498	1,118,620	1,807,079	1,965,842
Operating expenses				
Costs of providing tourism services	585,327	722,785	1,043,700	1,260,284
Aircraft fuel	104,115	93,686	195,568	164,644
Salaries and employee benefits	93,629	88,601	181,523	171,928
Commissions	50,459	64,556	86,767	111,584
Aircraft maintenance	42,437	30,710	71,798	54,755
Aircraft rent	24,684	19,853	47,851	39,023
Airport and navigation fees	28,428	20,779	49,996	35,548
Other	89,722	81,664	166,535	155,902
Share of net income of an associate	(3,698)	(4,018)	(4,301)	(3,938)
Depreciation and amortization	13,139	10,807	24,877	20,529
Restructuring	—	2,226	—	2,226
	1,028,242	1,131,649	1,864,314	2,012,485
Operating results	(9,744)	(13,029)	(57,235)	(46,643)
Financing costs	488	457	1,015	941
Financing income	(2,000)	(2,016)	(4,018)	(4,060)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(43,106)	(1,738)	665	1,480
Foreign exchange gain on non-current monetary items	784	226	(1,113)	(679)
Income (loss) before income tax expense	34,090	(9,958)	(53,784)	(44,325)
Income taxes (recovery)				
Current	(757)	(2,592)	(10,586)	(8,566)
Deferred	8,580	(760)	(6,377)	(4,293)
	7,823	(3,352)	(16,963)	(12,859)
Net income (loss) for the period	26,267	(6,606)	(36,821)	(31,466)
Net income (loss) attributable to:				
Shareholders	24,704	(7,903)	(39,610)	(33,552)
Non-controlling interests	1,563	1,297	2,789	2,086
	26,267	(6,606)	(36,821)	(31,466)
Earnings (loss) per share *[note 11]*				
Basic	0.64	(0.20)	(1.02)	(0.87)
Diluted	0.64	(0.20)	(1.02)	(0.87)

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Quarters ended April 30		Six-month periods ended April 30	
	2015	2014	2015	2014
(in thousands of Canadian dollars)	$	$	$	$
Net income (loss) for the period	26,267	(6,606)	(36,821)	(31,466)
Other comprehensive income (loss)				
Items that will be reclassified to net income (loss)				
Change in fair value of derivatives designated as cash flow hedges	(109,960)	(31,925)	(64,121)	(23,203)
Reclassification to net income (loss)	36,935	12,516	48,703	15,868
Deferred taxes	19,563	5,142	4,178	1,944
	(53,462)	(14,267)	(11,240)	(5,391)
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	2,936	(892)	5,946	10,207
Total other comprehensive income (loss)	(50,526)	(15,159)	(5,294)	4,816
Comprehensive loss for the period	(24,259)	(21,765)	(42,115)	(26,650)
Attributable to:				
Shareholders	(25,650)	(23,004)	(44,094)	(28,442)
Non-controlling interests	1,391	1,239	1,979	1,792
	(24,259)	(21,765)	(42,115)	(26,650)

See accompanying notes to unaudited interim condensed consolidated financial statements

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

				Accumulated other comprehensive income (loss)				
	Share capital	Share-based payment reserve	Retained earnings	Unrealized gain (loss) on cash flow hedges	Cumulative exchange differences	Total	Non-controlling interests	Total equity
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$
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) for the period	—	—	(33,552)	(5,391)	10,501	(28,442)	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
Dividends	—	—	—	—	—	—	(1,158)	(1,158)
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(928)	(928)
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
Net income for the period	—	—	56,427	—	—	56,427	1,105	57,532
Other comprehensive income (loss)	—	—	(2,519)	14,723	(3,715)	8,489	1,666	10,155
Comprehensive income (loss) for the period	—	—	53,908	14,723	(3,715)	64,916	2,771	67,687
Issued from treasury	389	—	—	—	—	389	—	389
Exercise of options	282	(90)	—	—	—	192	—	192
Share-based payment expense	—	(207)	—	—	—	(207)	—	(207)
Dividends	—	—	—	—	—	—	(1,624)	(1,624)
Other changes in non-controlling interest liabilities	—	—	681	—	—	681	(681)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	1,200	1,200
Reclassification of non-controlling interest exchange difference	—	—	—	—	1,666	1,666	(1,666)	—
	671	(297)	681	—	1,666	2,721	(2,771)	(50)
Balance as at October 31, 2014	224,679	15,444	227,872	11,712	3,239	482,946	—	482,946
Net income (loss) for the period	—	—	(39,610)	—	—	(39,610)	2,789	(36,821)
Other comprehensive income (loss)	—	—	—	(11,240)	6,756	(4,484)	(810)	(5,294)
Comprehensive income (loss) for the period	—	—	(39,610)	(11,240)	6,756	(44,094)	1,979	(42,115)
Issued from treasury	462	—	—	—	—	462	—	462
Share-based payment expense	—	870	—	—	—	870	—	870
Repurchase of shares	(1,164)	—	(69)	—	—	(1,233)	—	(1,233)
Dividends	—	—	—	—	—	—	(1,967)	(1,967)
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	2,777	2,777
Reclassification of non-controlling interest exchange difference	—	—	—	—	(810)	(810)	810	—
	(702)	870	(69)	—	(810)	(711)	1,620	909
Balance as at April 30, 2015	223,977	16,314	188,193	472	9,185	438,141	3,599	441,740

See accompanying notes to unaudited interim condensed consolidated financial statements

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

(in thousands of Canadian dollars)	Quarters ended April 30 2015 $	2014 $	Six-month periods ended April 30 2015 $	2014 $
OPERATING ACTIVITIES				
Net income (loss) for the period	26,267	(6,606)	(36,821)	(31,466)
Operating items not involving an outlay (receipt) of cash:				
Depreciation and amortization	13,139	10,807	24,877	20,529
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(43,106)	(1,738)	665	1,480
Foreign exchange gain on non-current monetary items	784	226	(1,113)	(679)
Share of net income of an associate	(3,698)	(4,018)	(4,301)	(3,938)
Deferred taxes	8,580	(760)	(6,377)	(4,293)
Employee benefits	600	564	1,200	1,127
Share-based payment expense	464	456	870	939
	3,030	(1,069)	(21,000)	(16,301)
Net change in non-cash working capital balances related to operations	73,233	58,944	202,703	164,635
Net change in other assets and liabilities related to operations	(4,266)	3,977	(12,857)	10,851
Net change in provision for overhaul of leased aircraft	4,805	4,363	5,448	4,768
Cash flows related to operating activities	76,802	66,215	174,294	163,953
INVESTING ACTIVITIES				
Additions to property, plant and equipment and other intangible assets	(15,630)	(21,214)	(30,704)	(32,858)
Increase in cash and cash equivalent reserved	(7,300)	—	(7,300)	—
Proceeds from disposal of subsidiary	—	—	—	3,000
Cash flows related to investing activities	(22,930)	(21,214)	(38,004)	(29,858)
FINANCING ACTIVITIES				
Proceeds from issuance of shares	237	225	462	1,714
Repurchase of shares	(1,233)	—	(1,233)	—
Dividends paid by a subsidiary to a non-controlling shareholder	(1,724)	(1,158)	(1,967)	(1,158)
Cash flows related to financing activities	(2,720)	(933)	(2,738)	556
Effect of exchange rate changes on cash and cash equivalents	(3,247)	890	(903)	4,085
Net change in cash and cash equivalents	47,905	44,958	132,649	138,736
Cash and cash equivalents, beginning of period	393,631	359,596	308,887	265,818
Cash and cash equivalents, end of period	441,536	404,554	441,536	404,554
Supplementary information (as reported in operating activities)				
Income taxes paid	5,936	5,882	24,567	27,143
Interest paid	49	233	122	259

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, 2015 were approved by the Corporation's Board of Directors on June 10, 2015.

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, 2014.

These interim condensed consolidated financial statements have been prepared on a going concern basis, at historical cost, except for certain financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and measured at fair value.

Note 3 CHANGES IN ACCOUNTING POLICIES

PRESENTATION OF THE SHARE OF NET INCOME (LOSS) OF AN ASSOCIATE

In the first quarter of 2015, the Corporation modified the presentation of the share of net income (loss) of an associate to include it under operating results in the consolidated statements of income (loss). In the past, operating results did not consider the share of net income (loss) of an associate, i.e. CIBV, which owns and operates hotels in Mexico, the Dominican Republic and Cuba. However, hotel operations are part of the Corporation's activities. By including the share of net income (loss) of an associate, operating results more accurately reflect the Corporation's ongoing activities. The retrospective application of this policy change had no impact on the Corporation's net income (loss).

Note 4 FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, FINANCIAL INSTRUMENTS

In July 2014, the IASB completed its three-part project to replace IAS 39, Financial Instruments: *Recognition and Measurement* by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, and introduces a forward-looking expected-loss impairment model as well as a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in other comprehensive income (loss) rather than in the statement of income (loss).

IFRS 9 also introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected credit losses on a more timely basis.

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

Application of IFRS 9 will be effective from the Corporation's fiscal year beginning on November 1, 2018, with earlier adoption permitted. The Corporation is currently assessing 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. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. The application of IFRS 15 is mandatory and will be effective for the Corporation's fiscal year beginning on November 1, 2017, with earlier adoption permitted. On April 28, 2015, the IASB proposed a one-year deferral of the effective date of IFRS 15, making it applicable for the Corporation's fiscal year beginning on or after November 1, 2018. A final decision to this effect will be rendered in summer 2015. The Corporation is currently 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, 2015, cash and cash equivalents in trust or otherwise reserved included $230,303 [$276,964 as at October 31, 2014] 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 an amount of $105,897, of which $44,900 was recorded as non-current assets [$103,220 as at October 31, 2014, of which $39,480 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 6 INVESTMENT IN AN ASSOCIATE

The change in the investment in an associate, Caribbean Investments B.V. ["CIBV"], is detailed as follows:

	$
Balance as at October 31, 2014	83,949
Share of net income	4,301
Translation adjustment	6,282
Balance as at April 30, 2015	94,532

Note 7 GOODWILL AND TRADEMARKS' IMPAIRMENT TEST

For the six-month period ended April 30, 2015, operating results were lower than the forecasted results used for the purpose of the annual impairment test performed on October 31, 2014 due to several factors, including a sudden and rapid depreciation of our currency against the U.S. dollar and the unstable geopolitical environment in certain countries. In addition, the Corporation's market capitalization has been below the carrying amount of its net assets for several consecutive quarters. These factors could suggest that the amounts of goodwill and trademarks may have become impaired since October 31, 2014. Accordingly, interim impairment testing was performed on April 30, 2015 to determine if the carrying amounts of the cash generating units (CGUs) were higher than their recoverable amounts.

Following the impairment test, no impairment of goodwill or trademarks was identified by the Corporation as at April 30, 2015. For practical reasons, the Corporation has determined that the annual impairment test will be performed on April 30 every year.

The aggregate carrying amounts of goodwill and trademarks allocated to each CGU are as follows:

	As at April 30, 2015		As at October 31, 2014	
	Goodwill	Trademarks	Goodwill	Trademarks
	$	$	$	$
Canada - United Kingdom - Netherlands	65,642	20,836	65,235	20,429
France	19,882	—	19,855	—
Other*	10,271	—	10,511	—
Net book value	95,795	20,836	95,601	20,429

* Multiple individual CGUs

The recoverable amount is determined based on value in use, using a discounted cash flow model. The Corporation prepares cash flow forecasts based on the most recently approved annual budgets and three-year plans of the relevant business. The cash flow forecasts reflect the risk associated with each asset or CGU, as well as the most recent economic indicators. Cash flow forecasts beyond three years are extrapolated based on estimated growth rates that do not exceed the average long-term growth rates for the relevant markets.

As at April 30, 2015, an after-tax discount rate of 10.3% was used for testing the various CGUs for impairment [10.3% as at October 31, 2014]. The perpetual growth rate used for impairment testing was 1% as at April 30, 2015 [1% as at October 31, 2014].

On April 30, 2015, a 1% increase in the after-tax discount rate used for the impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

On April 30, 2015, a 1% decrease in the long-term growth rate used for the impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

On April 30, 2015, a 10% decrease in the cash flows used for the impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

Note 8 PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

The provision for overhaul of leased aircraft relates to the maintenance obligation for leased aircraft and spare parts used by the Corporation's airline under 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, 2014	36,312
Additional provisions	2,647
Utilization of provisions	(3,813)
Exchange difference	1,809
Balance as at January 31, 2015	36,955
Additional provisions	4,304
Utilization of provisions	(53)
Exchange difference	554
Balance as at April 30, 2015	41,760
Current provisions	16,213
Non-current provisions	25,547
Balance as at April 30, 2015	41,760

	$
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

Note 9 LONG-TERM DEBT

On November 14, 2014, the Corporation renewed its $50,000 revolving credit facility agreement for operating purposes. Under the new agreement, which expires in 2019, the Corporation may increase the credit limit to $100,000, with the approval of lenders. The agreement may be extended for a year at each anniversary date subject to lender approval and the balance becomes 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 the universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is 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, 2015, 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 100% of the amount of the letters of credit as collateral security. As at April 30, 2015, $66,573 had been drawn down [$59,545 as at October 31, 2014].

Operating lines of credit totalling €10,000 ($13,527) [€11,500 ($16,246) in 2014] have been authorized for certain French subsidiaries. These operating lines of credit are renewable annually and were undrawn as at April 30, 2015 and October 31, 2014.

Note 10 OTHER LIABILITIES

	As at April 30, 2015 $	As at October 31, 2014 $
Employee benefits	36,680	35,872
Deferred lease inducements	14,549	16,934
Non-controlling interests	27,617	24,900
	78,846	77,706
Less non-controlling interests included in Trade and other payables	(26,497)	(23,780)
	52,349	53,926

Note 11 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 or 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 participating Class B Voting Shares ["Class B Shares"], which may be owned and controlled only by Canadians as defined by the CTA 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	$
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
Issued from treasury	47,836	389
Exercise of options	29,302	282
Balance as at October 31, 2014	38,741,527	224,679
Issued from treasury	66,125	462
Repurchase and cancellation of shares	(200,528)	(1,164)
Balance as at April 30, 2015	38,607,124	223,977

In accordance with its normal course issuer bid approved on April 10, 2015, the Corporation repurchased, over the three-month and six-month periods ended April 30, 2015, a total of 200,528 Class B Voting Shares, for a total cash consideration of $1.2 million.

As at April 30, 2015, the number of Class A Shares and Class B Shares stood at 1,611,815 and 36,995,309, respectively [1,663,027 and 37,078,500 as at October 31, 2014].

OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2014	2,654,817	12.39
Granted	236,447	8.73
Cancelled	(23,407)	17.16
Balance as at April 30, 2015	2,867,857	12.05
Options exercisable as at April 30, 2015	1,888,109	13.27

EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were computed as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2015	2014	2015	2014
(in thousands of dollars, except per share data)		$		$
NUMERATOR				
Net income (loss) attributable to shareholders of the Corporation used in computing basic and diluted earnings per share	24,704	(7,903)	(39,610)	(33,552)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	38,756	38,867	38,755	38,588
Effect of dilutive securities				
Stock options	59	—	—	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	38,815	38,867	38,755	38,588
Earnings (loss) per share				
Basic	0.64	(0.20)	(1.02)	(0.87)
Diluted	0.64	(0.20)	(1.02)	(0.87)

For the purposes of calculating diluted earnings (loss) per share for the quarter ended April 30, 2015, 2,284,985 outstanding stock options were excluded from the calculation, as their exercise price exceeded the Corporation's average market share price. In light of the net loss recognized for the quarter ended April 30, 2014, 2,784,187 outstanding stock options were excluded from the calculation of diluted loss per share.

In light of the net loss recognized for the six-month period ended April 30, 2015, 2,867,857 outstanding stock options [2,784,187 stock options for the six-month period ended April 30, 2014] were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Note 12 SEGMENTED DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the statements of income (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.

	Quarters ended April 30			Six-month periods ended April 30		
	Americas	Europe	Total	Americas	Europe	Total
	$	$	$	$	$	$
2015						
Revenues from third parties	869,763	148,735	1,018,498	1,548,644	258,435	1,807,079
Operating expenses	870,710	157,532	1,028,242	1,580,625	283,689	1,864,314
Operating results	(947)	(8,797)	(9,744)	(31,981)	(25,254)	(57,235)
2014						
Revenues from third parties	940,445	178,175	1,118,620	1,662,652	303,190	1,965,842
Operating expenses	952,106	179,543	1,131,649	1,699,367	313,118	2,012,485
Operating results	(11,661)	(1,368)	(13,029)	(36,715)	(9,928)	(46,643)

	Revenues (1)		Revenues (1)		Property, plant and equipment, goodwill and other intangible assets	
	Quarters ended April 30		Six-month periods ended April 30		As at April 30,	As at October 31,
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Canada	848,232	921,724	1,510,386	1,629,929	206,899	200,863
France	140,334	169,095	244,547	288,060	45,521	46,965
United Kingdom	5,388	7,333	10,383	12,890	35,328	34,273
Other	24,544	20,468	41,763	34,963	14,688	14,829
	1,018,498	1,118,620	1,807,079	1,965,842	302,436	296,930

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

Note 13 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 6, 15, 16, 22 and 23 to the financial statements for the fiscal year ended October 31, 2014 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 contracts typically cover a one-year period and are renewable annually. As at April 30, 2015, these guarantees totalled $1,459. Historically, the Corporation has not made any significant payments under such agreements. As at April 30, 2015, 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, 2015, $20,158 had been drawn down under the facility.

For its European operations, the Corporation has guarantee facilities renewable annually amounting to €17,620 [$23,835]. As at April 30, 2015, letters of guarantee had been issued totalling €7,297 [$9,870].

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