# ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

MARCH 13, 2014

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

Check against delivery

Thank you, Jean-Marc.

I will now conduct a brief review of the results for 2013 and also talk about the first-quarter 2014 results, which we announced this morning.

For the first two quarters of fiscal 2013, which correspond to the winter season, we posted overall revenues of $1.9 billion, a decrease of 6 percent versus the previous year.

That translated into an operating loss before amortization and depreciation and before restructuring charges of $18 million, compared with a loss of $58 million in 2012.

We had a very good summer on the transatlantic market and in France. Our revenues amounted to $1.7 billion, which was $63 million more than the previous year, even when taking into account our decision to reduce capacity. The margin before amortization and depreciation and before restructuring charges was $135 million, compared with $75 million in 2012.

Looking at the consolidated results for the fiscal year, Transat's revenues stood at $3.6 billion, with a margin before amortization and depreciation and before restructuring charges of $117 million. Revenues were thus similar to those posted in 2012, with a margin that improved by $100 million before amortization and depreciation and restructuring charges.

We posted a net profit for the year of $58 million, compared with a net loss of $17 million the year before. These figures include non-operating items, so it's important to also consider our adjusted after-tax income, which was $63 million in 2013, whereas we had posted an adjusted after-tax loss of $15 million in 2012.

The per-share income, on a diluted basis, was $1.51, compared with a loss of $0.44 in 2012. When non-cash items are excluded, we are talking about $1.63 per share in 2013 versus a loss of $0.40 in 2012.

Now let's take a look at the results for the first quarter of 2014, ended January 31.

We had revenues of $847 million, which was up by 5 percent compared with the first quarter of 2013.

We posted an operating loss before amortization and depreciation of $24 million, versus a loss of $21 million last year.

The net loss posted in the financial statements is $26 million, compared with $15 million in 2013.

A substantial portion of this loss is attributable to the sudden drop of the Canadian dollar. Our hedging program mitigated the impact of that variation, in part. However, we set our costs in foreign currency as bookings are done, and bookings are often made near the departure date. Consequently, the recent and quick drop in the dollar versus its U.S. counterpart had an impact on our margins. For sun destinations, for the quarter, this translated in a 2.7% increase in costs. All markets in, for the quarter, the weaker Canadian dollar increased our costs by $14 million, whereas we are posting a negative variance of $3 million quarter over quarter.

We have adjusted selling prices upward to reflect the increase in the cost price, but because of the competitive environment, it hasn't been possible to completely offset the currency-exchange impact.

When non-operating items are excluded, the adjusted after-tax loss is $23 million, compared with $22 million in 2013.

Average selling prices were up across all of our markets compared with 2013.

As at January 31, our free cash totalled $360 million and our bank lines of credit were unused. Total assets stood at approximately $1.6 billion.

I will conclude with some remarks on the outlook for the second quarter, which ends on April 30.

We announced today that, because of the quick and sudden decrease in value of the Canadian dollar, we anticipate that our results for the second quarter will be inferior than last year. It will be impossible, despite the measures in place, to fully offset the significant increase in operational costs that stems from the weakening Canadian dollar. In other words, we will post results inferior than last year for the winter.

Once the season has started, in our industry, it's impossible to increase selling prices by 10% without recording a fall in load factors.

The exchange rate also means increased operational costs for next summer as well, by 6% if the dollar remains at its current level. As of now, load factors are similar and selling princes are 5% higher than last year.

Thank you for your attention.

I will now give the floor back to Jean-Marc for the next part of the meeting.