PRESS RELEASE
For immediate release

Transat A.T. Inc. – Results for fiscal 2009

Margin up substantially in fourth quarter, reflecting lower costs and excellent load factors

- $719.7 million in fourth-quarter revenues, compared with $790.4 million in 2008, reflecting lower input costs and selling prices.
- Margin[1] of $35.6 million, versus $23.2 million in the fourth quarter of 2008, an increase of 53%.
- Adjusted after-tax income[3] of $17.8 million for the fourth quarter of 2009, compared with $10.1 million in 2008.
- $3.5 billion in revenues for fiscal 2009, up 1%.
- Adjusted after-tax income[3] of $33.7 million for fiscal 2009, versus $55.4 million in 2008, due in part to lower sale prices for Sun destinations in winter.
- Net income of $18.1 million for the quarter and $61.8 million for the year, compared with losses of $82.4 million and $49.4 million respectively.

Montreal, December 17, 2009 — Transat A.T. Inc., one of the largest integrated tourism companies in the world and Canada's holiday travel leader, posted $719.7 million in revenues for the quarter ended October 31, 2009, compared with $790.4 million for the same period of 2008, a decline of $70.7 million, or 8.9%. The Corporation recorded a margin[1] of $35.6 million for the quarter, an increase of 53% over the $23.2 million reported in 2008, and net income of $18.1 million ($0.52 per share on a diluted basis), compared with a net loss of $82.4 million ($2.54 per share on a diluted basis) for the year-ago period. Before non-cash and non-operating items, Transat's adjusted after-tax income[3] stood at $17.8 million in 2009 ($0.51 per share on a diluted basis), versus $10.1 million ($0.31 per share on a diluted basis) for the fourth quarter of 2008.

For the fiscal year ended October 31, 2009, Transat posted revenues of $3.545 billion, an increase of 1% over the $3.513 billion recorded in 2008. The Corporation's margin was $93.4 million, down 27% from the $127.8 million posted in 2008, and its net income was $61.8 million ($1.85 per share on a diluted basis), compared with a net loss of $49.4 million ($1.49 per share on a diluted basis) in 2008. Before non-cash and non-operating items, Transat's adjusted after-tax income[3] for fiscal 2009 was $33.7 million ($1.01 per share on a diluted basis), versus $55.4 million ($1.67 per share on a diluted basis) in 2008.

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“Our fourth-quarter volumes were similar to last year’s. But prices and especially costs were lower and we also achieved excellent load factors, which explains the higher margin,” said Jean-Marc Eustache, President and Chief Executive Officer. “As for the results for the entire fiscal year, we feel they are satisfactory in light of the prevailing conditions, as 2009 has been a difficult year for international tourism, because of the recession and the A(H1N1) influenza virus. All in all, we maintained our volumes and market shares, reduced our costs, and managed our air capacity well, and this helped us meet the challenge posed by the drop in sale prices.”

Fourth-quarter highlights

The Corporation’s fourth-quarter revenues declined by 8.9%, or $70.7 million, from $790.4 million in 2008 to $719.7 million for the 2009 period. The decrease was mainly due to the decline in average sale prices and a drop of 3.3% in the number of travellers, which was the result of the economic situation and, to a degree, the A(H1N1) flu virus. The margin stood at $35.6 million, or 4.9%, for the quarter, compared with $23.2 million (2.9%) in 2008. The improvement in the margin was attributable to lower operating costs in the Americas and to higher load factors.

Revenues for the North American business units, which are generated by sales in Canada and abroad, decreased by $46.6 million (10.0%) during the fourth quarter from the same period in 2008. The decrease was attributable to the drop in average sale prices and an 8.7% decline in volume, resulting in large measure from a reduction in European sales of travel to Canadian destinations. However, North American business units recorded a margin[1] of 2.3% for the quarter, compared with an operating loss of 1.0% in 2008.

Revenues for the European business units, which are generated by sales in Europe and in Canada, decreased by $24.2 million (7.5%) in the fourth quarter compared with the same period in 2008, despite a 6.7% increase in the number of travellers. This increase resulted from higher sales by Canadian Affair, recorded in the United Kingdom and in Canada, offset in part by a decrease in volumes in France, mostly in the long-haul segment. The European business units recorded a margin of $26.1 million (8.7%) during the quarter, versus a margin of $27.9 million (8.6%) for the corresponding 2008 period.

2009 highlights

Revenues in North America and Europe were up 0.6% and 1.7% respectively in fiscal 2009, for an aggregate increase of 0.9%. During the fiscal year, the number of travellers increased by 1.6% (0.2% in North America and 5.9% in Europe).

For the winter season, revenues and the number of travellers for the North American business units increased by 6.0% over 2008, which included a 13% increase in the number of Sun destination packages sold in Canada. During the summer, these units’ revenues decreased by 8.0% in the wake of lower prices resulting from the economic context, the drop in fuel prices, the A(H1N1) flu and a 7,5% decline in traveller volume, while Transat achieved very good load factors for aircraft on transatlantic routes.

During the winter, revenues for the European business units rose by 16.6%, due mainly to a 6.6% increase in the number of travellers booked by Look Voyages, Vacances Transat (France) and Canadian Affair. In summer, the number of travellers grew by 5.6%, while revenues declined by 5.0%. The decrease in revenues stems mostly from decreased demand and lower prices on long-haul routes, especially in France, as a result of economic conditions and the A(H1N1) flu. Hence a drop in traveller volume at Vacances Transat (France) was largely offset by a higher number of travellers at Look Voyages, which has a product offering focusing on short- and medium-haul travel. In the United Kingdom, where air supply decreased, the Corporation posted higher volumes, revenues and margins.

The Corporation reduced its costs beginning in the second half of 2009; air costs were lowered through an agreement with Canadian carrier CanJet Airlines, but infrastructure and distribution costs were also reduced. These actions helped improve the summer margin, even though average sale prices declined.

Financial position

At September 30, 2009, the Corporation, as part of a public offering, issued 4.9 million Class A and Class B voting shares, at a price of $13 per share, for gross proceeds of $63.5 million. The net proceeds of the offering, after deducting underwriting commissions and share-issue expenses, amounted to $60.5 million.

The balance sheet debt amounted to $110.8 million at October 31, 2009, or $42.4 million lower than at October 31, 2008. After deduction of cash as well as cash equivalents not held in trust from the balance sheet debt, the Corporation's net balance sheet debt of $7.5 million as at October 31, 2008, improved to a net cash position of $69.7 million as at October 31, 2009; this $77.2 million improvement was mainly attributable to the September 2009 share issue.

Outlook

Reservations from Canada to sun destinations for the winter 2010 are currently lower than the record volumes recorded last year by Transat. The Corporation has adjusted capacity in the first quarter in order to protect its load factors. For the second quarter, capacity is currently aligned with last year's actual volumes, taking into account the continued trend towards last-minute bookings, which limits visibility going forward. In France, for the winter, reservations are lower than last year.

Selling prices are generally inferior to last year. However, the Corporation will benefit from lower input costs. Fuel prices, hotel costs and other land portion expenses are tracking lower, and the Corporation's air seats costs are also lower.

Additional Information

The net result in 2009 was impacted by non-cash and non-operating items, as summarized in the following table:

Highlights and impact of non-cash items on results
(in thousands of CAD)

	Fourth quarter		Year	
	2009	2008	2009	2008
REVENUES	719,656	790,424	3,545,341	3,512,851
MARGIN[1]	35,576	23,192	93,395	127,768
ADJUSTED INCOME[2]	18,348	7,156	46,462	75,775
Impact of fuel hedge accounting	14,942	(120,749)	68,267	(106,435)
Impact of ABCP revaluation	1,358	(13,790)	(6,952)	(45,927)
Repurchase of preferred shares	–	–	–	1,605
Restructuring costs	(11,967)	–	(11,967)	–
INCOME (LOSS) before income taxes and non-controlling interest in business units' results	22,681	(127,383)	95,810	(74,982)
ADJUSTED AFTER-TAX INCOME[3]	17,846	10,094	33,723	55,409
Impact of fuel hedge accounting	10,295	(81,438)	45,878	(71,476)
Impact of ABCP revaluation	767	(11,025)	(6,952)	(34,932)
Repurchase of preferred shares	–	–	–	1,605
Restructuring costs	(10,802)	–	(10,802)	–
NET INCOME (LOSS)	18,106	(82,369)	61,847	(49,394)
ADJUSTED EARNINGS PER SHARE[3]	0.51	0.31	1.01	1.67
Impact of fuel hedge accounting	0.30	(2.51)	1.37	(2.16)
Impact of ABCP revaluation	0.02	(0.34)	(0.21)	(1.06)
Repurchase of preferred shares	–	–	–	0.05
Restructuring costs	(0.31)	–	(0.32)	–
DILUTED EARNINGS (LOSS) PER SHARE	0.52	(2.54)	1.86	(1.49)

Hedge accounting standards—The Corporation records any gains or losses resulting from mark-to-market adjustments of the derivative financial instruments used to manage aircraft fuel price risk in the statement of income. In 2009, this translated into a $68.3 million non-cash gain ($45.9 million after income taxes) compared with a $106.4 million loss ($71.5 million after income taxes) in 2008.

The Corporation also uses hedging instruments to mitigate foreign exchange exposure stemming from its U.S. dollar expenses. Accordingly, under applicable accounting standards, any fluctuations resulting from mark-to-market adjustments of these instruments are recorded in the balance sheet and statement of comprehensive income rather than in the statement of income. In 2009, Transat recorded a $131.9 million loss ($89.5 million after income taxes) on these foreign currency hedging instruments, compared with a $196.1 million gain ($132.3 million after income taxes) in 2008.

Commercial paper—Results for the year include a $7.0 million writedown ($7.0 million after income taxes) of the Corporation's investments in asset-backed commercial paper (ABCP). In 2008 the writedown was $45.9 million ($34.9 million after income taxes). At October 31, 2009, the total accumulated provision represented 44.6% of the notional amount of the Corporation's $128.8 million in ABCP investments.

Repurchase of preferred shares—In the second quarter of 2008, the Corporation redeemed the outstanding preferred shares held by a minority shareholder of one of its business units at a lower value than the book value, resulting in a $1.6 million gain.

Restructuring costs and writeoff of goodwill—On September 24, 2009, the Corporation announced a plan to restructure its European distribution network. These changes will lead to the closing of an administrative office and the closing or sale of some agencies. The restructuring costs related to the changes amount to $3.5 million. The Corporation also recorded an $8.5 million goodwill writeoff charge related to its investment in that business unit.

Before these non-cash and non-operating items, Transat posted $33.7 million in adjusted after-tax income for fiscal 2009 ($1.01 per share on a diluted basis).

Transat A.T. Inc. is an integrated international tour operator with more than 60 destination countries and that distributes products in over 50 countries. A holiday travel specialist, Transat operates mainly in Canada and Europe, as well as in the Caribbean, Mexico and the Mediterranean Basin. Montreal-based Transat is also active in air transportation, accommodation, destination services and distribution. (TSX: TRZ.B, TRZ.A)

NOTES

(1) MARGIN: Revenues less operating expenses (non-GAAP financial measure used by management as an indicator to evaluate ongoing and recurring operational performance).

(2) ADJUSTED INCOME: Income before income taxes, non-controlling interest in business units' results, impact of fuel hedge accounting, ABCP revaluation, repurchase of preferred shares and restructuring costs.

(3) ADJUSTED AFTER-TAX INCOME: Net income before impact of fuel hedge accounting, ABCP revaluation, repurchase of preferred shares and restructuring costs.

Conference call

Fourth quarter 2009 conference call: Thursday, December 17, 2009 10 a.m. Dial 1 877 461-2815 or 514 392-1478. Name of conference: Transat. Webcast: www.transat.com. The archived call will be available at 1 800 408-3053 or 514 861-2272, access code 4068410 pound sign, until January 15, 2010.

Non-GAAP measures

Transat prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). We will occasionally refer to non-GAAP financial measures in the news release. These non-GAAP financial measures do not have any meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. They are furnished to provide additional information and should not be *considered as a substitute for measures of performance prepared in accordance with GAAP. All amounts are in Canadian dollars unless otherwise indicated.*

Caution regarding forward-looking statements

This news release contains certain forward-looking statements regarding the Corporation's expectation that the assumptions used in the valuation of the ABCP securities will materialize, and that travel reservations will follow the trends. In making these statements, the Corporation has assumed that the trends in reservations, fuel prices and other costs will continue and that the margins (EBITDA) in dollars will be affected by competition and an economic slowdown. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this press release. Factors that could lead actual results to differ include, among others, extreme weather conditions, war, terrorism, market and general economic conditions, disease outbreaks, demand fluctuations related to seasonality in the travel industry, ability to reduce operating costs and workforce, labour relations, collective agreements and labour conflicts, issues related to pensions, exchange rate, interest rates, future funding, evolution of legal environment, introduction of unfavourable regulations, lawsuits and legal challenges, and other risks detailed from time to time in the Corporation's continuous disclosure documents.

These 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. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Corporation. For additional information with respect to these and other factors, see the Annual Information Form and Annual Report for the year ended October 31, 2008, filed with Canadian securities commissions. The Corporation disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by securities laws.

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