PRESS RELEASE
For immediate release

Transat A.T. Inc. – Results for fiscal 2011

Margins suffer from market conditions
Implementation of action plan aimed at return to profitability

Fourth quarter:

- Revenues of $809.9 million compared with $778.6 million en 2010.
- Margin[1] before restructuring charge of $27.4 million, compared with $77.9 million en 2010.
- Net loss of $4.5 millions, compared with net income of $52.4 million the previous year.
- Adjusted after-tax income of $10.1 million, compared with $47.7 million en 2010.

Fiscal year ended October 31, 2011:

- Revenues of 3.7 billion, compared with $3.5 billion in 2010.
- Margin[1] before restructuring charge of $36.5 million, compared with $127.6 millions in 2010.
- Net loss of $12.2 million, compared with net income of $65.6 million the previous year.
- Adjusted after-tax loss of $7.2 million, compared with adjusted after-tax income of $53.7 million in 2010.
- Reimbursement and elimination of balance sheet debt.

Montreal, December 15, 2011 — Transat A.T. Inc., one of the largest integrated tourism companies in the world and Canada's holiday travel leader, posted revenues of $809.9 million for the quarter ended October 31, 2011, compared with $778.6 million in 2010, an increase of $31.3 million, or 4.0%. The Corporation recorded a margin[1] before restructuring charge of $27.4 million, compared with $77.9 million in 2010 and a net loss of $4.5 million ($0.12 per share on a diluted basis), compared with net income of $52.4 million ($1.37 per share on a diluted basis) in 2010. Before non-operating items, Transat reported an adjusted after-tax income[3] of $10.1 million in 2011 ($0.27 per share on a diluted basis), compared with $47.7 million ($1.25 per share on a diluted basis) in 2010.

For the fiscal year ended October 31, 2011, Transat posted revenues of $3.7 billion, compared with $3.5 billion in 2010. The Corporation recorded a margin[1] before restructuring charge of $36.5 million, compared with $127.6 million in 2010, and a net loss of $12.2 million ($0.32 per share on a diluted basis), compared with net income of $65.6 million ($1.73 per share on a diluted basis) in 2010. Before non-operating items, Transat reported an adjusted after-tax loss[3] of $7.2 million in 2011 ($0.19 per share on a diluted basis), compared with a net income of $53.7 million ($1.41 per share on a diluted basis) in 2010.

"We have started implementing an action plan aimed at returning to profitability and resume growth," said President and Chief Executive Officer Jean-Marc Eustache. The main elements of the plan include:

- Reduction of overhead costs in Canada and France, stemming from organizational changes to speed up decision-making, and improve efficiency and accountability. 143 positions have been abolished in October 2011, for recurring cost-savings of approximately $11 million per year.
- Optimization of IT systems, boosting the Corporation's ability to dynamically manage prices and inventories, and reduce costs.

- Reduction of input costs, especially in Canada, to stem from changes in Air Transat fleet, higher aircraft utilization, outsourcing of wide-body aircraft to third parties in winter and implementation of an exclusive hotel program.
- Enhanced customer experience, with a renewed sun product and the refurbishment of the Corporation's A330 fleet cabins.
- Increase volume, including the expansion of the Corporation's travel agency network and targeted acquisitions in Canada and abroad, in line with the Corporation's 2012-2014 strategic plan.

The reduction of overhead costs should reach $17 million per year (including $11 million in salaries).

Optimization of IT systems should generate efficiency gains, and bring approximately $4 million in cost savings, for an aggregated favourable impact of $20 million per year, starting in 2013.

The Corporation expects that these measures (cost reductions, additional revenues, efficiency gains) should contribute $20 to $25 million to the margin in 2012, $35 to $40 million in 2013, and $50 million in 2014.

Fourth quarter highlights

The Corporation's fourth-quarter revenues increased by $31.3 million. The increase is attributable to a higher number of travellers on the transatlantic market, and to the decline of the Canadian dollar against the euro and pound sterling, which translated into an increase in the revenues of foreign business units when expressed in Canadian dollars. The Corporation recorded a margin[1] before restructuring charge of $27.4 million, compared with $77.9 million in 2010.

Revenues of North American business units, which are generated by sales in Canada and abroad, increased by $73.6 million (15.3%) compared with the same period in 2010. The increase is attributable to a higher number of travellers on the transatlantic market. Global supply during the quarter in that market segment remained superior to that of 2010, as several carriers transferred seats to the transatlantic market in the wake of the March tsunami in Japan. Excess supply and challenging economic conditions in Europe exacerbated competition. The result was lower load factors and the Corporation's inability to entirely offset the significant increase in fuel costs. As a result, North American business units recorded a margin of $2.2 million, compared with a margin of $51.4 million in 2010.

Revenues of European business units, which are generated by sales made in Europe and in Canada, decreased by $42.2 million (14.2%) over 2010. European operations generated a margin of $18.6 million for the quarter, compared with $26.4 million in 2010. The decreases are mainly attributable to the reduction in the number of travellers.

Fiscal year

For the fiscal year, the Corporation's revenues increased by $159.3 million over 2010, mainly due to a higher number of travellers on the sun and transatlantic markets. For the period, Transat recorded a decrease of approximately 0.5% in the number of travellers, as a result of the reduction in the number of travellers from France in the wake of unrest in North Africa.The Corporation recorded a margin[1] before restructuring charge of $36.5 million, compared with $127.6 million in 2010.

Revenues of North American business units increased by $194.4 million (7.6%) compared with the same period in 2010. The increase is attributable to a 7.1% increase in the number of travellers, and selling prices were slightly lower compared to the previous year. The Corporation was unable to increase its selling prices to offset the rise in fuel prices, and excess supply on the transatlantic market caused lower load factors and selling prices, resulting in lower margins. As a result, North American operations recorded an operating loss of $10.1 million, compared with a margin of $87.2 million in 2010.

Revenues of European business units decreased by $35.1 million (3.8%) over 2010. Average selling prices were higher than the previous year, while numbers of travellers were inferior. European operations generated a margin of $40.1 million for the period, compared with $40.4 million in 2010.

Financial position

The Corporation's cash totalled $181.6 million as at October 31, 2011, compared with $180.6 million as at October 31 2010. The working capital ratio was 1.03 as at July 31, 2011, compared to 1.10 a year earlier. Balance sheet debt, which stood at $29.1 million as of October 31, 2010, was entirely paid back during 2011. The net cash[4] position was $181.6 million, compared with $151.6 million as at October 31, 2010.

Off-balance-sheet agreements stood at $653.7 million as at October 31, 2011, compared with $643.8 million as at October 31, 2010, reflecting a new lease for one additional Airbus A330, offset by payments made during the year.

Outlook for winter (first half)

The Canadian sun destinations market accounts for a very significant portion of Transat's business in the winter. In that market, the fact that, at this time of year, a significant portion of seats remains to be sold, the trend towards last-minute bookings and the volatility of margins make it difficult to make forecasts.

For that market, Transat's capacity is approximately 2% lower than the capacity offered at the same date last year (8% lower in first quarter, and similar capacity in the second quarter, compared to same date last year). Load factors are similar; and selling prices are higher, as are costs, mainly due to the increase in fuel costs in the first quarter and the value of the US dollar versus the Canadian dollar in the second quarter.

In France, medium-haul bookings are down 13%, long-haul bookings are up 8% and prices are up in both cases.

On the transatlantic market, Transat's capacity is 20% higher than last year for the winter, load factors are slightly lower, and prices are slightly higher.

Additional information

The results were affected by non-operating items, as summarized in the following table:

Highlights and impact of non-operating items on results
(In millions of CAD)

	Fourth Quarter		Year	
	2011	2010	2011	2010
REVENUES	809,927	778,585	3 658,164	3,498,877
MARGIN[1] before restructuring charge	27,363	77,852	36,497	127,582
Gain (loss) before income taxes and non-controlling interest in subsidiaries results	(3,578)	68,813	(13,956)	93,137
Impact of fuel hedge accounting	4,929	(1,991)	1,278	(9,341)
Impact of ABCP revaluation	(1,155)	(3,155)	(8,113)	(4,648)
Loss (gain)on restructuring	16, 543	(121)	16,543	(1,157)
ADJUSTED INCOME (ADJUSTED LOSS)[2]	16,739	63,546	(4,248)	77,991
NET INCOME (NET LOSS)	(4,483)	52,356	(12,213)	65,607
Impact of fuel hedge accounting	3,474	(1,394)	778	(6,521)
Impact of ABCP revaluation	(563)	(3,155)	(7,467)	(4,648)
Loss (gain)on restructuring	11,698	(81)	11,698	(775)
ADJUSTED AFTER-TAX INCOME (LOSS)[3]	10 126	47 726	(7 204)	53 663
DILUTED NET INCOME (LOSS) PER SHARE	(0.12)	1.37	(0.32)	1.73
Impact of fuel hedge accounting	0.09	(0.04)	0.02	(0.17)
Impact of ABCP revaluation	(0.01)	(0.08)	(0.20)	(0.12)
Loss (gain) on restructuring	0.31	0.00	0.31	(0.02)
ADJUSTED AFTER-TAX INCOME (LOSS) PER SHARE DILUTED[3]	0.27	1.25	(0.19)	1.41

Hedging—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. For the fourth quarter of 2011, this translates into a $4.9 million non-cash loss ($3.5 million after income taxes) compared with a gain of $2.0 million ($1.4 million after income taxes) in 2010. For the year, this translates into a $1.3 million non-cash loss ($0.8 million after income taxes) compared with a $9.3 million gain ($6.5 million after income taxes) in 2010.

The Corporation also uses hedging instruments to mitigate exchange rate exposure stemming from its expenses and/or revenues in foreign currencies. 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. For the fourth quarter 2011, Transat recorded a $11.2 million gain ($7.9 million after income taxes) on these foreign-currency hedging instruments, compared with a $1.0 million gain ($0.7 million after income taxes) in 2010. For the year, Transat recorded a $5.2 million gain ($3.5 million after income taxes) on these foreign-currency hedging instruments, compared with a $22.1 million gain ($15.5 million after income taxes) in 2010.

Commercial paper—Results for the year include a $8.1 million gain ($7.5 million after income taxes) stemming from the revaluation of the Corporation's investments in asset-backed commercial paper (ABCP). In 2010, Transat had recorded a revaluation gain of $4.6 million ($4.6 million after income taxes). As of October 31, 2011, the total accumulated provision represented 32.4% of the notional amount of the Corporation's $116.4 million in ABCP investments.

Restructuring charge (gain)—During the fourth quarter, Transat recorded a restructuring charge of $16.5 million ($11.7 million after income taxes). The Corporation has, among others, started to simplify its organizational structure, and to improve its information technology strategy, in order to enhance its competitiveness. The restructuring charge stems from severances ($6.5 million) and the write-off of intangible assets ($10.0 million). In 2010, the Corporation reported a $1.0 million gain following the sale of travel agencies.

Summary of non-operational items—Before non-operating items, Transat posted an adjusted after-tax income of $10.1 million ($0.27 per share on a diluted basis) for the quarter, compared with $47.7 million ($1.25 per share on a diluted basis) in 2010, and an adjusted after-tax loss of $7.2 million ($0.19 per share on a diluted basis), compared with an adjusted after-tax income of $53.7 million ($1.41 per share on a diluted basis) in 2010 for the 12-month period.

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

The following are non-GAAP financial measures used by management as indicators to evaluate ongoing and recurring operational performance.
(1) MARGIN (OPERATING LOSS): Revenues less operating expenses.
(2) ADJUSTED INCOME (LOSS): Income (loss) before income taxes, non-controlling interest in business units' results, impact of fuel hedge accounting, ABCP revaluation, and restructuring charges (or gains).
(3) ADJUSTED AFTER-TAX INCOME (LOSS): Net income (loss) before impact of fuel hedge accounting, ABCP revaluation and restructuring charges (or gains), net of related taxes.
(4) NET CASH: Cash and cash equivalents not held in trust or otherwise reserved, less balance sheet debt.

For more information on non-GAAP financial measures, please refer to the "Non-GAAP financial measures" section of the Management's Discussion and Analysis report.

Conference call

Fiscal 2011 conference call: Thursday, Dcember 15, 2011, 10.00 a.m. Dial 1 800-931-1309. Name of conference: Transat. Webcast: www.transat.com. The archived call will be available at 1 800 633-8625 or 416 626-4144, access code 21553707, until January 14, 2012.

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 and selling prices will continue, and that fuel prices, other costs and the value of the Canadian dollar against foreign currencies will remain stable. 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, 2011, 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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