

PARIS	transat HOLIDAYS	ON TIME
FRANKFURT	transat HOLIDAYS	BOARDING
TUNIS	LOOK VOYAGES	ON TIME
LA PAZ	VACANCES transat	ON TIME
ATHENS	TOURGREECE	LAST CALL
CANCUN	NOLITOURS	BOARDING
TORONTO	CLUB VILLAGE	ON TIME
ORLANDO	NOLITOURS	ON TIME
ISTANBUL	révatoours	ON TIME
VANCOUVER	JONVIEW CANADA	LAST CALL



**transat**



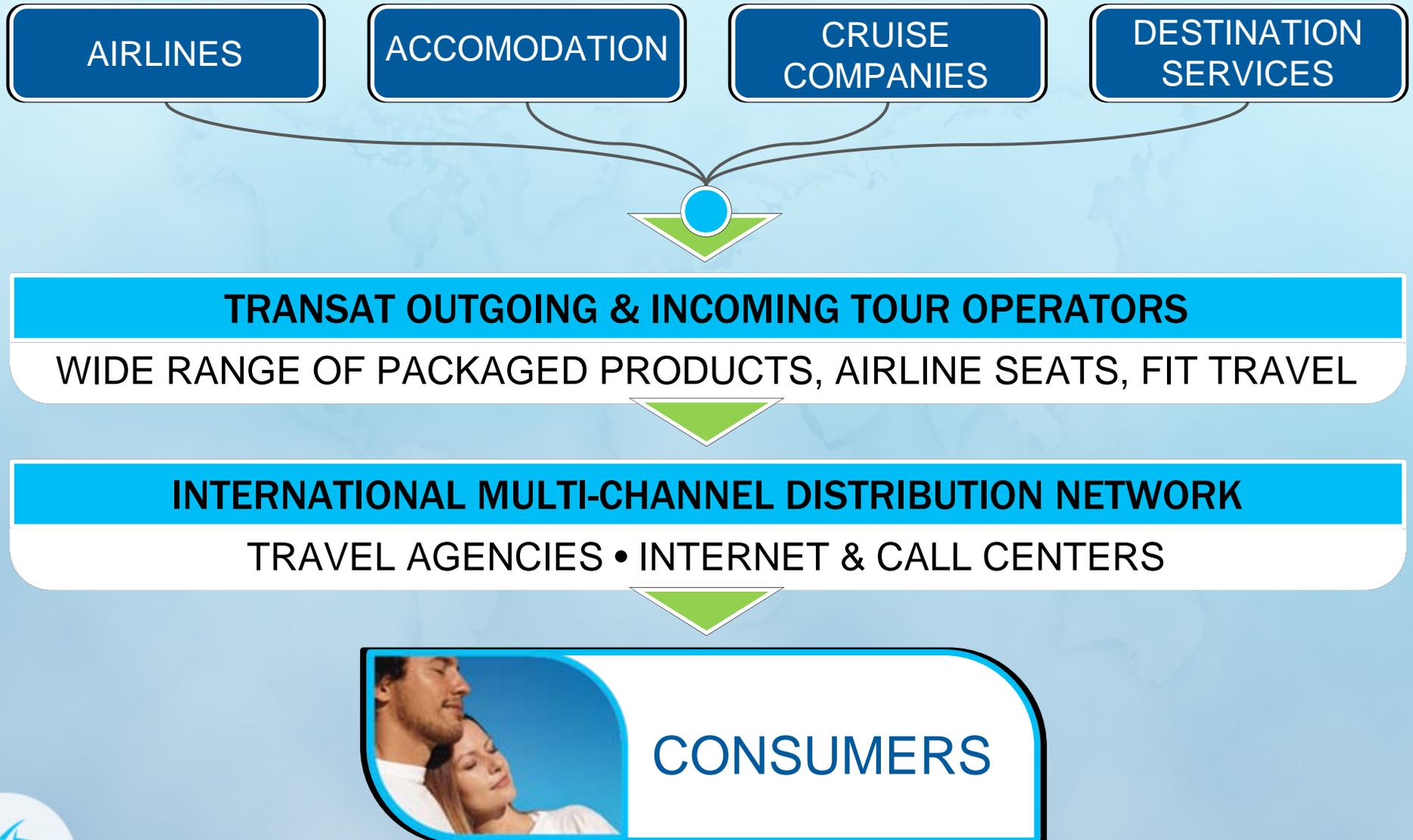
January 25-26, 2011

## Forward-looking Statements

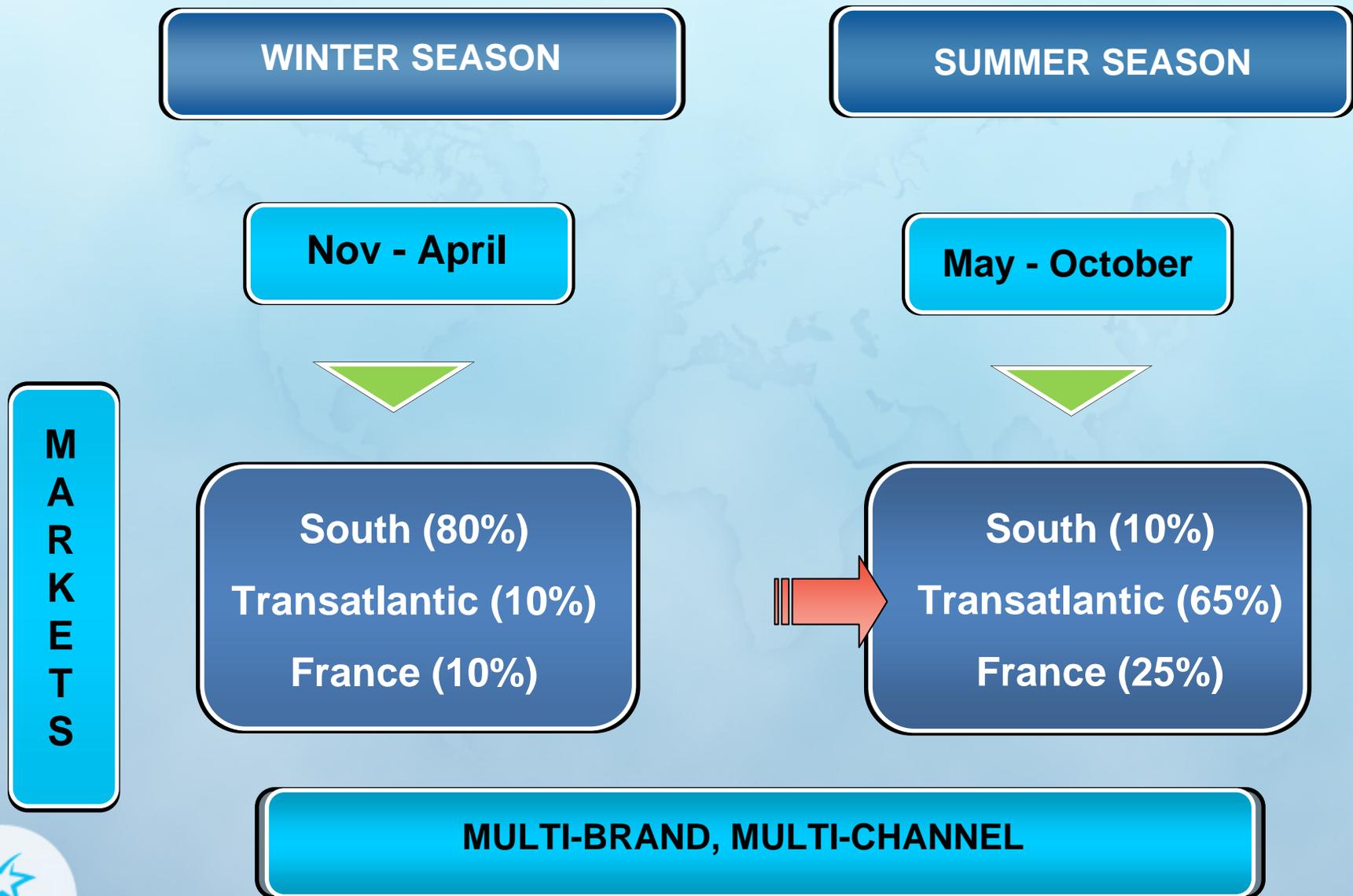
This presentation contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. 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 law.



# A vertically-integrated holiday travel tour operator



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## > **Market conditions depend on**

- Global capacity deployed (supply)
- Global demand from consumers
- Price reductions to stimulate demand

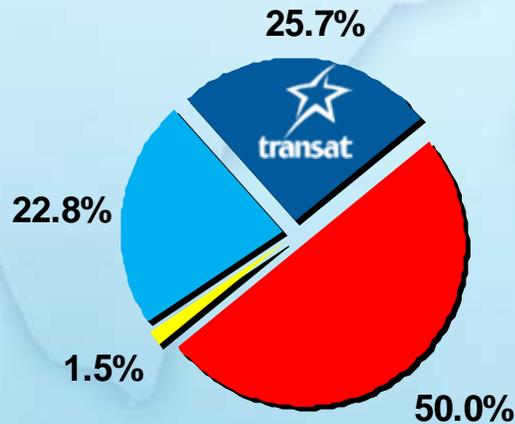
## > **Forecasting**

- One should use the corresponding quarter
- Assess market conditions. Keep in mind that:
  - Significant portion of bookings within 30 days of departure
  - Hotel rates reductions sometimes confirmed late

# Transatlantic market

## UK

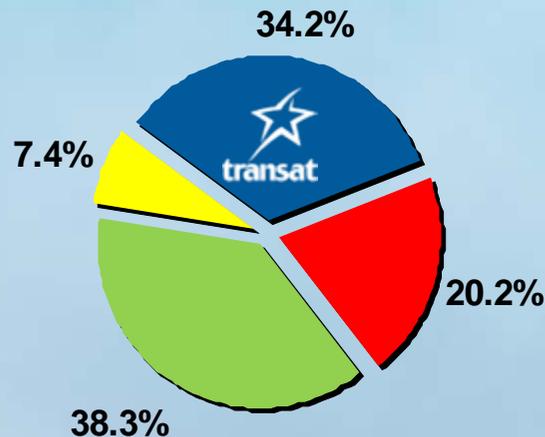
- Transat
- Air Canada
- British Airways
- Other



## 2010

## FRANCE

- Transat
- Air Canada
- Air France
- Other



Leadership position on the two largest transatlantic holiday markets, and selling seats and products in 12 European countries



## Unique value proposition for leisure travelers

- **34 European & 8 Canadian destinations**  
(nearly 70 city-pairs)
- **Affordable car rentals, hotels, coach tours, etc.**
- **Sell from Canada and Europe**
- **Multi-channel distribution\***



## ➤ **Transatlantic (65% of our activities)**

- Increased capacity
- More passengers from Canada and Europe
- Better load factor and prices

## ➤ **France (25%)**

- Soft demand in need of stimulation
- Competitive for all tour operators
- 2011 - New agreement with Transavia

# Financial Results

	Q3		Q4	
	2010	2009	2010	2009
In millions of dollars, except per-share amounts				
Revenues	867	819	779	720
Margin (EBITDA)	53.9	27.2	77.9	35.6
Net income (financial statements)	20.9	31.0	52.4	18.1
Net income (adjusted)	26.8	7.0	47.7	17.8
EPS (adjusted)	0.70	0.21	1.25	0.51

# Financial Results

	Summer		Annual	
	2010	2009	2010	2009
In millions of dollars, except per-share amounts				
Revenues	1,646	1,539	3,499	3,545
Margin (EBITDA)	131.8	62.8	127.6	93.4
Net income (financial statements)	73.3	49.1	65.6	61.8
Net income (adjusted)	74.6	24.8	53.7	33.7
EPS (adjusted)	1.96	0.74	1.41	1.01

### ➤ Surveys from the Conference Board of Canada

- Consumers' confidence level up
- Travel intentions up (+6.8%)
- Travel intentions to U.S. up (+6.3%)

### ➤ Capacity (Current vs Actual 2010)

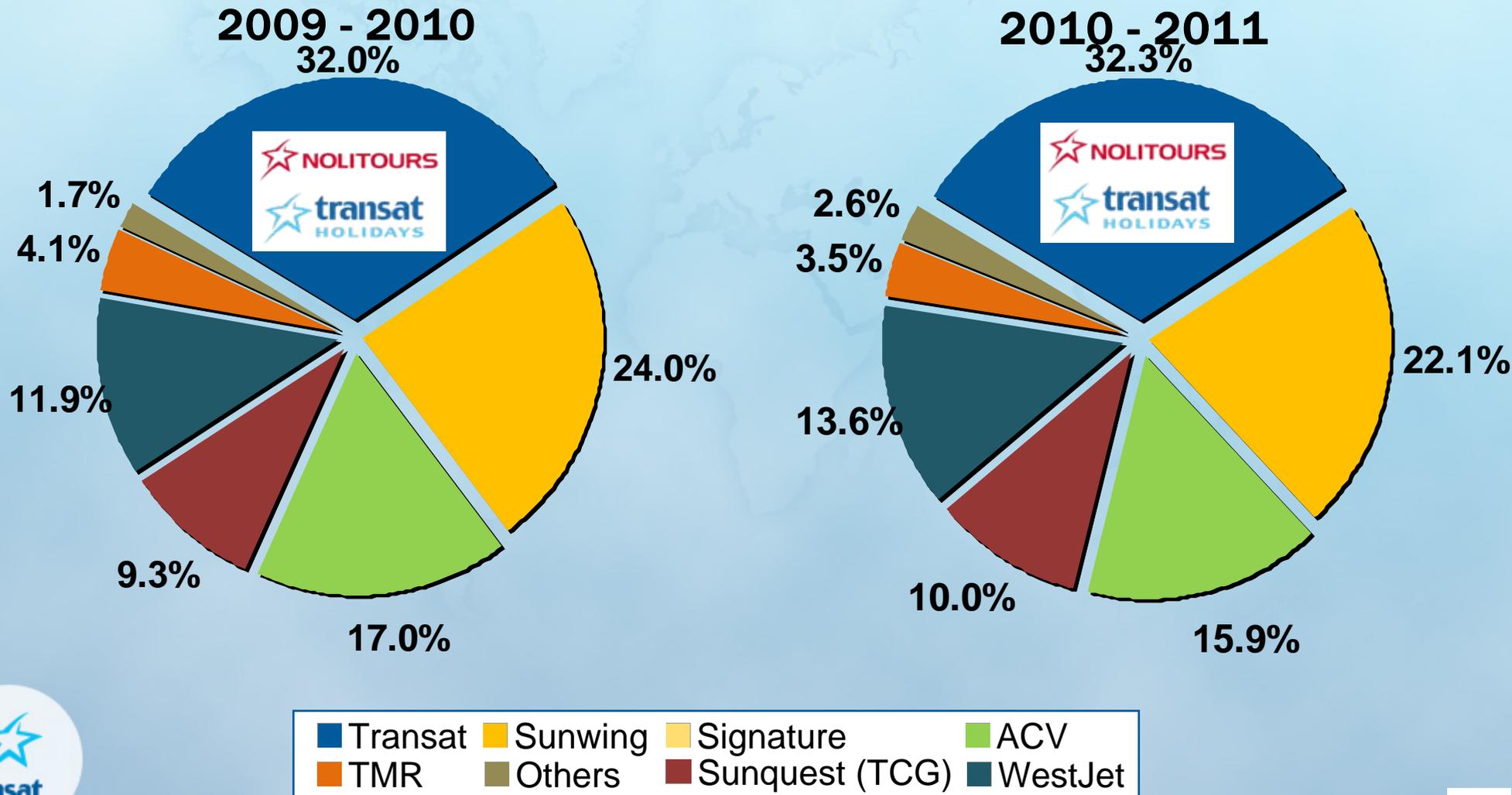
- Fall: **Global +28%**; Transat +0%
  - Sunwing (+71%) and Westjet (+49%)
- Winter: Global +14%; **Transat +19%**
  - Westjet (+33%); Sunquest (+23%) and Sunwing (+6%)
- Fall / Winter: Global +16%; **Transat +17%**



# Sun market Winter 2011

## Market share

Market share based on deployed capacity vs end of season last year  
(all inclusive packages, Mexico/Caribbean, winter)



### ➤ Actions taken

- ✓ No hedging
- ✓ Products made available June 1
- ✓ Added seat-only capacity
- ✓ More extensive line up of products\*
- ✓ Yield approach (per destination, more aggressive group prices and price guarantees)
- ✓ Improved aircraft utilization
- ✓ Incentive program for travel agents (Bonbon)



# Sun market Winter 2011

## Indications vs last year

### ➤ As of now

- ✓ Capacity up (no reduction planned)
- ✓ Booking up
- ✓ Load factor slightly ahead
- ✓ Fare similar except Cuba
- ✓ USD & Fuel (overall is lower)
- ✓ Hotel cost to follow



# Cash and Balance Sheet (at October 31)

	October 2010		October 2009	
	Cash	ABCP	Cash	ABCP
\$ and investments	<b>181</b>	<b>72</b>	<b>181</b>	<b>71</b>
Drawn credit line	0	(15)	0	(78)
Other debt	(14)		(33)	
<b>Sous-total</b>	<b>167</b>	<b>57</b>	<b>148</b>	<b>(7)</b>
<b>Net \$</b>	<b>224</b>		<b>141</b>	

Cash flow from operations	<b>119</b>
Shares issue	<b>1</b>
Capital expenditures	(26)
Investments	(2)
Others	(9)
	<b>+ 83</b>

## Highlights

- > Cash flow from operations improvement in 2010 compared to 2009
- > Debt repayment of 82M\$
- > Put exercise (ABCP) in Q4 2010

Total credit line	<b>257</b>	<b>273</b>
Credit line available	<b>242</b>	<b>195</b>
Balance sheet debt	(29)	(111)
Off balance sheet debt	(644)	(396)
Total debt	(673)	(507)

### ➤ **This winter – Sun destinations (90%)**

- Several players, with many aiming at increased market share
- Bookings ahead (significant inventory still to be sold)
- Too early to comment on margins

### ➤ **Next summer – Transatlantic (65%)**

- Transat capacity up 10%
- Very very early in the game

# Appendix

## A vertically-integrated holiday travel tour operator

Among the largest tour operators worldwide (by revenue and number of travellers)

- Main source markets: Canada, France, United Kingdom, and other European countries
- 3 million travellers annually, to more than 60 destination countries
- In Canada, we are the largest...
  - Tour Operator for Sun & European destinations, Cruises and Disney products
  - Holiday airline: Air Transat
  - Incoming tour operator: Jonview Canada
  - Retail network: Club Voyages, Marlin Travel, Trip Central



**A leader in the Americas  
with a solid competitive position  
in several European countries**



# Objectives for 2011

1 Continue developing IT systems

2 Southern market

- Development plan for Ontario and Western Canada
- Line up of products (expand and adapt to market trends)

3 Transatlantic market

- Maintain competitive position
- Increase our presence in Europe (Spain and Germany)

4 France market

- Strategic Plan for Look (become 3<sup>rd</sup> largest TO by 2013)

5 Distribution

- Increase of controlled sales in Canada (34% to 38%)

6 Renewal of our fleet (Air Transat)

# Airlift capacity:

## More holistic approach with embedded flexibility

### Objectives

- Ability to expand and contract (use of third party suppliers):
  - Depending on demand fluctuations or external events
  - Per market
- Air Transat fleet strategy:
  - Replace A310s by A330s by 2013

### Sourcing of aircraft

- Air Transat: 50% of our overall needs (more than 50 airlines overall)
- Canjet: for the South from Canada
- Transavia: for medium-haul from France
- European carriers to complement our long-haul transatlantic program

- Pursue vertical integration in high-margin destination services and/or in high-potential markets
  - Already present: Florida, Dominican Republic, Mexico, and Greece
  - Potential in Spain, Italy, Tunisia ...
- Develop/Add outgoing tour operator towards destinations we already serve or towards Canada
  - Mexico since summer 2010 (Eleva Travel)
- Transat partners with H10 hotels in Mexico, Dominican Republic (5 hotels)

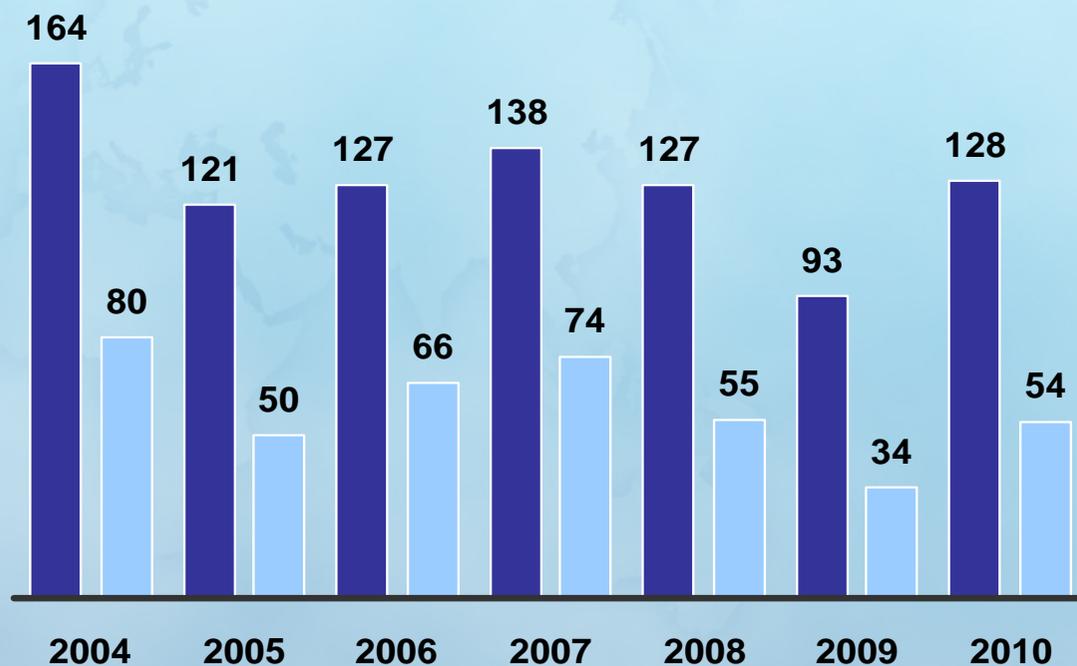
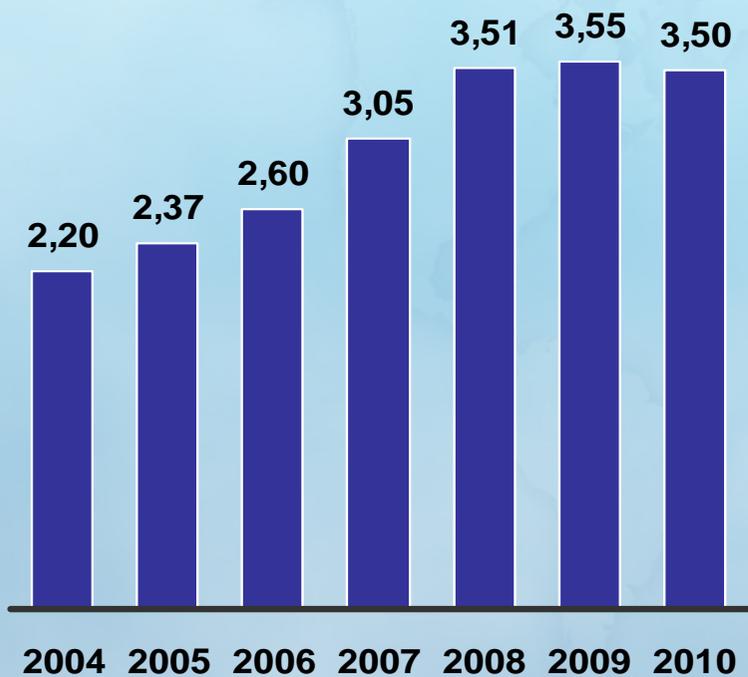
# Historical Performance

## Revenues

(in billions of \$)

## Profitability

(in millions of \$)



■ Adjusted margin  
■ Adjusted income after taxes

(1) Before impact of fuel hedge accounting, ABCP revaluation, repurchase of preferred shares and restructuring costs  
 (2) Restated for new accounting policies



# Statement of income & cash flow

	Winter			Summer		
	2010	2009	Variance	2010	2009	Variance
Revenues	<b>1 853</b>	<b>2 006</b>	<b>-8%</b>	<b>1 646</b>	<b>1 539</b>	<b>7%</b>
Margin	<b>(4.2)</b>	<b>30.6</b>	<b>-114%</b>	<b>131.8</b>	<b>62.8</b>	<b>110%</b>
Net income <sup>(1)</sup>	<b>(20.9)</b>	<b>8.9</b>	<b>-335%</b>	<b>74.6</b>	<b>24.8</b>	<b>201%</b>
EPS diluted <sup>(1)</sup>	<b>(0.55)</b>	<b>0.27</b>	<b>-304%</b>	<b>1.96</b>	<b>0.74</b>	<b>165%</b>
\$ flow - Operations	<b>106.7</b>	<b>119.7</b>	<b>-11%</b>	<b>12.4</b>	<b>(74.5)</b>	<b>117%</b>
CFPS diluted	<b>2.82</b>	<b>3.62</b>	<b>-22%</b>	<b>0.32</b>	<b>(2.27)</b>	<b>115%</b>

## Market conditions 2010

- > Fears of H1N1 up to Christmas
- > Westjet & Air Canada added capacity
- > Sunwing & Signature (TUI)
- > Very competitive, no growth

## Highlights for Transat

- > Reduce capacity in Q1
- > Cost reductions partially offset price drop (Canjet, hotels, ...)
- > Negatively affected by our hedged positions

## Market conditions 2011

- > Global capacity to increase by +- 10%

## Transat responses

- > Product available earlier
- > Doubling seat only sales
- > Many marketing initiatives

- > General improvement in economic conditions
- > Lower capacity by competitors on transatlantic (Globespan)
- > Currencies fluctuations (Euro, pound)

- > Increased capacity
- > Increased sales from/to Europe
- > Increased load factors and prices

- > Too early to determine

- > Increased seat capacity on transatlantic routes



<sup>(1)</sup> Before impact of fuel hedge accounting, ABCP revaluation and restructuring costs

# Statement of income & cash flow

	Q4			Year		
	2010	2009	Variance	2010	2009	Variance
Revenues	779	720	8%	3 499	3 545	-1%
Margin	77.9	35.6	119%	127.6	93.4	37%
Net income <sup>(1)</sup>	47.7	17.8	167%	53.7	33.7	59%
EPS diluted <sup>(1)</sup>	1.25	0.51	145%	1.41	1.01	40%
\$ flow - Operations	(35.8)	(99.4)	64%	119.1	45.2	163%
CFPS diluted	(0.94)	(2.85)	67%	3.14	1.35	120%

## Highlights:

- > Improving economic conditions
- > Increased demand and lower competition on transatlantic market
- > Strength of CDN\$ vs. EURO and GBP
- > Strong competition in France on short-haul destinations
- > Strong competition on Southern routes

- > Winter – Very competitive, with significant capacity increases on southern routes that impacted prices
- > Winter - Adverse impact of hedging positions affected winter margins
- > Winter -Impact of volcanic eruption affected margins in France
- > Summer - Strong performance on transatlantic routes
- > Summer – Higher load factors and prices on transatlantic routes
- > Summer - Lower demand and competition reduced margins for Look Voyages (medium-haul)



<sup>(1)</sup> Before impact of fuel hedge accounting, ABCP revaluation, repurchase of preferred shares and restructuring costs

