PRESS RELEASE
For immediate release

Transat A.T. Inc. – Results for fiscal year 2010

Significant margin increase in fourth quarter following excellent performance on the transatlantic market

- Revenues of $778.6 million for the fourth quarter, compared with $719.7 million in 2009, reflecting an increase in the number of travellers on the transatlantic market.
- Margin[1] of $77.9 million for the fourth quarter, compared with $35.6 million in 2009, a 119% increase.
- Adjusted after-tax income[3] of $47.7 million for the fourth quarter, compared with $17.8 million in 2009.
- Revenues of $3.5 billion in 2010, similar to 2009.
- Adjusted after-tax income[3] of $53.7 million in 2010, compared with $33.7 million in 2009, the favourable variance being attributable to the summer.
- Net income of $52.4 million for the quarter and $65.6 million for the year, compared with $18.1 million and $61.8 million respectively in 2009.

Montreal, December 16, 2010 — Transat A.T. Inc., one of the largest integrated tourism companies in the world and Canada's holiday travel leader, posted revenues of $778.6 million for the quarter ended October 31, 2010, compared with $719.7 million for the same period of 2009, an increase of $58.9 million, or 8.2%. The Corporation recorded a margin[1] of $77.9 million, up 119% from $35.6 million in 2009, and net income of $52.4 million ($1.37 per share on a diluted basis), compared with $18.1 million ($0.52 per share on a diluted basis) in 2009. Before non-cash and non-operating items, Transat reported adjusted after-tax income[3] of $47.7 million ($1.25 per share on a diluted basis) for the fourth quarter of 2010, compared with $17.8 million ($0.51 per share on a diluted basis) in 2009.

For the fiscal year ended October 31, 2010, Transat posted revenues of $3.5 billion, compared with $3.5 billion in 2009. The Corporation's margin was $127.6 million, up 37% from the $93.4 million posted in 2009, and its net income was $65.6 million ($1.73 per share on a diluted basis), compared with $61.8 million ($1.85 per share on a diluted basis) in 2009. Before non-cash and non-operating items, Transat's adjusted after-tax income[3] for fiscal 2010 was $53.7 million ($1.41 per share on a diluted basis), versus $33.7 million ($1.01 per share on a diluted basis) in 2009.

"The summer of 2010 was our best ever, as our teams were able to generate excellent load factors on the transatlantic market, allowing us to offset the results recorded last winter, which had been difficult. Consequently, we end the year on a very positive note, with a much increased margin compared with 2009," said Jean-Marc Eustache, President and Chief Executive Officer.

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Fourth quarter highlights

The Corporation's fourth-quarter revenues increased by 8.2%, or $58.9 million, from $719.7 million in 2009 to $778.6 million in 2010. As a percentage of revenues, the Corporation's margin[1] increased from 4.9% in 2009 ($35.6 million) to 10.0% in 2010 ($77.9 million). These increases are attributable to more travellers, higher load factors, and higher average selling prices on the transatlantic market. On the sun market from Canada, margins were lower, as cost reductions only partly offset a decrease in selling prices. Market conditions remained challenging, and competition intense, on the French medium-haul market, with a negative impact on Look Voyages' margins.

Revenues of North American business units, which are generated by sales in Canada and abroad, increased by $59.8 million (14.2 %) compared with the same period in 2009. The increase is attributable to a 21% increase in the number of travellers, and to an increase in average selling prices on the transatlantic market. North American business units recorded a margin of 10.7%, compared with 2.3% in 2009. The increase in margin is also attributable to higher load factors.

Revenues of European business units, which are generated by sales made in Europe and in Canada, increased in local currencies but decreased by $0.8 million. Of note, a 4.2% increase in the number of travellers and higher selling prices at Canadian Affair were offset by the impact of a lower euro and pound sterling. European operations generated a margin of $26.4 million (8.9%), compared with $26.1 million (8.7%) in 2009. The increase in margin at Canadian Affair was offset by lower margins at Look Voyages.

Fiscal year highlights

Revenues for the year declined by $46.5 million to stand at $3.5 billion. Transat recorded a margin of $127.6 million, compared with $93.4 million in 2009. An increase in the number of travellers, higher load factors and higher average selling prices on the transatlantic market fuelled the increase in margin. On the sun market from Canada, margins were lower due to intense competition and to the fact that Transat was unable to fully capitalize on the strength of the dollar against the US currency, due to the Corporation's hedging transactions. Market conditions remained challenging, and competition intense, on the French medium-haul market, with a negative impact on Look Voyages' margins. "In a nutshell, our performance on the transatlantic market more than offset the impact of intense competition on the sun market from Canada and on the medium-haul market in France," said Denis Pétrin, Chief Financial Officer.

In 2010, revenues increased 0.6% in North America and decreased 6.3% in Europe, for a total decrease of 1.3%. The number of travellers increased 6.7% (6.1% in North America and 8.6% in Europe).

Revenues of North American business units, which are generated by sales in Canada and abroad, decreased by $110.1 million (6.7%) for the winter season, compared with the same period in 2009. The decrease is attributable to a decline in average selling prices, and to a 1.1% decrease in the number of travellers. For the winter, Transat posted a margin of 0.6%, compared with 2.4% in 2009. Margins were lower due to excess supply in the marketplace and lower selling prices, and the fact that Transat was unable to fully capitalize on the strength of the dollar against the US currency, due to the Corporation's hedging transactions.

During the summer, revenues increased by 14.0%. The increase is attributable to the number of travellers (up 17%), higher average selling prices, and higher load factors. The margin stood at 7.6%, compared with 3.3% in 2009.

Revenues of European business units, which are generated by sales made in Europe and in Canada, decreased by $43.3 million (12.3%) for the winter season when compared with the same period in 2009, despite a 18.7% increase in the number of travellers. The decrease resulted from the weakness of the euro and the pound sterling against the Canadian dollar, as well as lower selling prices, offset in part by higher volumes. The larger number of travellers is attributable to higher volumes at Canadian Affair, offset in part by lower volumes in France. European operations generated an operating loss of $13.4 million (4.3%), compared with $9.5 million (2.7%) in 2009. The decrease in margin stemmed mainly from a weaker euro, inferior selling prices and costs related to volcanic activity in Iceland.

During the summer, revenues decreased by $18.8 million (2.9%), despite a 4.6% increase in the number of travellers. The decrease is mainly attributable to the translation of European business units' revenues into Canadian currency. The margin stood at $53.8 million (8.7%) for the summer, compared with $33.3 million (5.2%) in 2009. The increase in margin is mainly attributable to Canadian Affair, which recorded higher selling prices and more travellers, despite Look Voyages recording weaker margins.

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Financial position

The Corporation's free cash totalled $180.6 million as at October 31, 2010, the same amount as the prior year. Total balance sheet debt decreased by $81.8 million during the 12-month period, to $29.1 million. The net cash[4] position improved by $81.9 million, from a net cash position of $69.7 million as at October 31, 2009 to $151.6 million at year-end 2010. Most of the improvement over the past year is due to the operating profit.

Off-balance-sheet agreements stood at $396,4 million as at October 31, 2009 and increased to $643.8 million as at October 31, 2010, reflecting new leases for additional Airbus A330s to be introduced in Air Transat's fleet.

Outlook for winter 2011

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 available remain to be sold, the trend toward last-minute bookings and the volatility of margins make it difficult to make forecasts. For winter 2011, Transat's capacity is approximately 13% higher than actual capacity offered last year. Bookings and load factors are currently higher than last year at the same date, and prices are similar.

In France, capacity and sales on medium- and long-haul destinations are higher than in 2009.

On the transatlantic market, capacity and bookings are higher than last year.

In 2011, the Corporation should benefit from lower input costs, as in 2010 it was unable to fully capitalize on the strength of the dollar against the US currency, due to its hedging transactions.

Additional Information

The results of the third quarter of 2009 and 2010 were affected 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		Fiscal Year	
	2010	2009	2010	2009
Revenues	778,585	719,656	3,498,877	3,545,341
Margin[1]	77,852	35,576	127,582	93,395
Income before income taxes and non-controlling interest in business units' results	68,813	22,681	93,137	95,810
Impact of hedge accounting	(1,991)	(14,942)	(9,341)	(68,267)
Impact of ABCP revaluation	(3,155)	(1,358)	(4,648)	6,952
Expense on restructuring	(121)	11 967	(1,157)	11, 967
Adjusted income[2]	63,546	18,348	77,991	46,462
Net income	52,356	18,106	65,607	61,847
Impact of hedge accounting	(1,394)	(10,295)	(6,521)	(45,878)
Impact of ABCP revaluation	(3,155)	(767)	(4,648)	6,952
Expense on restructuring	(81)	10, 802	(775)	10,802
After-tax adjusted income[3]	47,726	17,846	53,663	33,723
Income per share, diluted	1.37	0.52	1.73	1.85
Impact of hedge accounting	(0.04)	(0.30)	(0.17)	(1.37)
Impact of ABCP revaluation	(0.08)	(0.02)	(0.12)	0.21
Expense on restructuring	0.00	0.31	(0.02)	0.32
After-tax adjusted income per share[3]	1.25	0.51	1.41	1.01

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. In 2010, this translates into a $9.3 million non-cash gain ($6.5 million after income taxes) compared with a $68.3 million gain ($45.9 million after income taxes) in 2009.

The Corporation also uses hedging instruments to mitigate exchange rate exposure stemming from its expenses made in foreign currencies, mainly the US dollar. 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 2010, Transat recorded a $22.1 million gain ($15.5 million after income taxes) on these foreign-currency hedging instruments, compared with a $131.9 million loss ($89.5 million after income taxes) in 2009.

Commercial paper—Results for the fiscal year include a $4.6 million gain ($4.6 million after income taxes) stemming from the revaluation of the Corporation's investments in asset-backed commercial paper (ABCP).

In 2009, Transat had recorded a writedown of $7.0 million ($7.0 million after income taxes) on its ABCP investments. As of October 31, 2010, the total accumulated provision represented 38.8% of the notional amount of the Corporation's $118.1 million in ABCP investments.

Restructuring charges and writeoff of goodwill—On September 24, 2009, Transat announced a plan to make structural changes to its distribution network in France. These changes led to the closing of a business office as well as the sale or closing of a number of travel agencies, and to the Corporation recording restructuring charges of $3.5 million. In addition, Transat wrote off $8.5 million in goodwill related to its investment in its distribution business unit. In 2010, Transat recorded a gain of $1.2 million ($0.8 million after tax) on the sale of certain agencies.

Summary of non-cash items—Before the aforementioned non-cash and non-operating items, Transat posted adjusted after-tax income of $53.7 million ($1.41 per share on a diluted basis) in 2010, compared with an after-tax income of $33.7 million ($1.01 per share on a diluted basis) in 2009.

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 (gain on restructuring).

(3) ADJUSTED AFTER-TAX INCOME (LOSS): Net income (loss) before impact of fuel hedge accounting, ABCP revaluation and restructuring charges (gain on restructuring), 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

Fourth quarter 2010 conference call: Thursday, December 16, 2010, 10 a.m. Dial 1 866 542-4146 or 514 392-9193. 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 2861123 pound sign, until January 16, 2011.

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, 2009, 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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