TRANSAT A.T. INC.
SECOND QUARTER REPORT
Period ended April 30, 2009

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Trading symbols
TSX: TRZ.B, TRZ.A

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of Transat A.T. Inc's operations, performance and financial position for the quarter and six-month period ended April 30, 2009 compared with the quarter and six-month period ended April 30, 2008 and should be read in conjunction with the unaudited consolidated interim financial statements for the second quarter of fiscal 2009 and 2008, the notes thereto and the 2008 Annual Report including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a second-quarter update to the information contained in the MD&A section of our 2008 Annual Report. The risks and uncertainties set out in the MD&A of the 2008 Annual Report are herein incorporated by reference and remain substantially unchanged. The information contained herein is dated as of June 10, 2009. You will find more information about us on Transat's website at www.transat.com and on SEDAR at www.sedar.com, including the Attest Reports for the quarter ended April 30, 2009 and Annual Information Form for the year ended October 31, 2008.

Our financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). We will occasionally refer to non-GAAP financial measures in the MD&A. These non-GAAP financial measures have no meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures reported 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 dollar figures are in Canadian dollars unless otherwise indicated. The terms "Transat," "we," "us," "our" and the "Corporation" mean Transat A.T. Inc. and its subsidiaries, unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

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. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, extreme weather conditions, energy prices, armed conflicts, terrorist attacks, general industry, market and economic conditions, disease outbreaks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, labour relations, collective bargaining and labour disputes, pension issues, exchange and interest rates, changes in laws, adverse regulatory developments or procedures, pending litigation and actions by third parties, and other risks detailed from time to time in the Corporation's continuous disclosure documents.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put undue reliance on forward-looking statements.

The Corporation made a number of assumptions in making forward-looking statements in this MD&A such as certain economic, market, operational and financial assumptions and assumptions about transactions and forward-looking statements.

Examples of such forward-looking statements include, but are not limited to, statements concerning:

- *The Corporation's outlook whereby the pricing pressure could adversely affect our margins for the reminder of the sales on Canada-Europe travel.*
- *The Corporation's outlook whereby cash flows from operations, cash on hand and drawdowns from its credit facilities will be sufficient to support ongoing working capital requirements.*

In making these statements, the Corporation has assumed that the trends in price pressure will continue throughout the remainder of the season, that credit facilities will continue to be made available as in the past, and that management will continue to manage cash flow variations to fund working capital requirements for the full fiscal year. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this MD&A.

The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance and speak only as of the date of release of this MD&A, and represent the Corporation's expectations as of that date. 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.

FINANCIAL HIGHLIGHTS

	Quarters ended April 30				Six-month periods ended April 30			
(In thousands of dollars)	2009 $	2008 Restated $	Variance $	Variance %	2009 $	2008 Restated $	Variance $	Variance %
Consolidated Statements of Income								
Revenues	1,129,077	1,075,158	53,919	5.0	2,006,331	1,862,547	143,784	7.7
Margin[1]	39,130	70,715	(31,585)	(44.7)	30,632	89,989	(59,357)	(66.0)
Net income	42,186	41,721	465	1.1	12,750	33,870	(21,120)	(62.4)
Basic earnings per share	1.29	1.25	0.04	3.2	0.39	1.01	(0.62)	(61.4)
Diluted earnings per share	1.27	1.25	0.02	1.6	0.39	1.01	(0.62)	(61.4)
Dividend – Class A and B shares	—	0.09	(0.09)	(100.0)	0.09	0.18	(0.09)	(50.0)
Consolidated Statements of Cash Flows								
Operating activities	33,586	50,968	(17,382)	(34.1)	113,633	169,210	(55,577)	(32.8)

	As at April 30, 2009 $	As at Oct. 31, 2008 Restated $		
Consolidated Balance Sheets				
Cash and cash equivalents	239,833	145,767	94,066	64.5
Cash and cash equivalents in trust or otherwise reserved	250,642	256,697	(6,055)	(2.4)
Investments in ABCP	80,779	86,595	(5,816)	(6.7)
	571,254	489,059	82,195	16.8
Total assets	1,280,969	1,265,260	15,709	1.2
Debt (short-term and long-term)	145,491	153,241	(7,750)	(5.1)
Total debt[1]	536,169	450,335	85,834	19.1
Net debt[1]	215,557	217,973	(2,416)	(1.1)

[1]NON-GAAP FINANCIAL MEASURES

The terms "margin," "total debt" and "net debt" have no standard definition prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures reported by other issuers. However, these terms are presented on a consistent basis from year to year, as management uses them to measure the Corporation's financial performance.

Margin is used by management to assess Transat's ongoing and recurring operational performance. This term is represented by revenues less operating expenses, according to the unaudited Consolidated Statements of Income.

Total debt is used by management to assess the Corporation's future cash requirements. It represents the combination of balance sheet debt (long-term debt and debenture) and off-balance sheet arrangements, excluding arrangements with suppliers presented on p. 13.

Net debt is used by management to assess the Corporation's cash position. It represents the total debt (as discussed above) less cash and cash equivalents not held in trust or otherwise reserved, and investments in asset backed commercial paper ["ABCP"].

OVERVIEW

Transat is one of the largest fully integrated world-class tour operators in North America. We conduct our activities in a single industry (holiday travel) and we mainly market our products in two geographic areas (America and Europe). Transat's core business involves developing and marketing vacation travel services in package and air-only format, including airline seats. We operate as both an outgoing and incoming tour operator by bundling services bought in Canada and abroad and reselling them in Canada, France, the U.K. and elsewhere, mainly through travel agencies, some of which we own. Transat is also a major retail distributor with a total of approximately 500 travel agencies and a multi-channel distribution system that incorporates Web-based sales. Transat relies on over 60 air carriers, but primarily on its subsidiary Air Transat, Canada's largest international charter air carrier, to meet a substantial portion of its airline seat needs. Transat also has a stake in a hotel business and offers destination, and airport services.

The international tourism market is growing, and international tourists have increasingly varied origin markets and travel destinations. Transat's vision is to optimize shareholder value by entering new markets, increasing its market share and maximizing the benefits of vertical integration. We maintain a leadership position in the Canadian market, where we operate as an outgoing and incoming tour operator and as the country's leading charter airline. We are a well-established outgoing tour operator in France and the U.K. and an incoming tour operator in Greece. We offer our customers a broad range of international destinations spanning some 60 countries. Over time, we intend to expand our business to other countries where we believe there is high growth potential for an integrated tour operator specializing in holiday travel.

From 2006 to 2008, Transat executed a three-year strategic growth plan. During that period, revenues grew approximately $1 billion, or 48%, driven by acquisitions and strong organic growth. The Corporation strengthened its leadership position in all regions of Canada, as well as in France, where it ranks among the country's largest tour operators, and in the U.K., where Transat acquired a tour operator, further boosting outbound sales to Canada. As anticipated, Transat successfully entered the hotel industry. During the three-year period, Transat also acquired travel agencies, bolstered its online presence and developed a high-performance multichannel distribution platform.

In 2009, Transat began its 2009-2011 three-year plan, focused primarily on making the Corporation more competitive in its key markets; adapting its offering to tap into high-growth market segments; pursuing vertical integration; renewing its bilateral market development approach; and developing expertise to maintain and strengthen its competitive positioning, while underpinning the Corporation's long-term viability. Implementation of this three-year plan factors in the worrisome economic conditions that loomed on the horizon at the end of the 2008 calendar year. For fiscal 2009, Transat has set the following targets:

- Increase efficiency, productivity, competitiveness and agility within the organization through stringent management of costs and targeted investments that will maximize resources; this should be achieved by strategically combining short-term results with a long-term vision, without compromising the quality of customer service;

- Strengthen our leadership position as an outgoing tour operator, maintaining or increasing our market share by differentiating our offering, maximizing exclusive products, launching new products and broadening our reach by building on the bilateral distribution approach we have developed;

- Continue developing and implementing our multi-channel distribution strategy and increase sales for each channel;

- Develop and implement a sustainable tourism plan that will position Transat in the front ranks of the industry, increase its influence over the future of our market and inspire buy-in by employees, suppliers and customers.

The key performance drivers are market share, revenue growth and margin. They are essential to successfully implement our strategy and achieve our objectives.

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives. Our financial resources consist primarily of cash, our investments and our credit facilities. Our non-financial resources include our brand, structure, employees and relationships with suppliers.

CONSOLIDATED OPERATIONS

REVENUES

(In thousands of dollars)	Quarters ended April 30 2009 $	2008 $	Variance $	Variance %	Six-month periods ended April 30 2009 $	2008 $	Variance $	Variance %
Revenues	1,129,077	1,075,158	53,919	5.0	2,006,331	1,862,547	143,784	7.7

We derive our revenues from outgoing tour operators, air transportation, travel agencies, distribution, incoming tour operators and services at travel destinations.

Compared with the corresponding periods of fiscal 2008, our revenues were up $53.9 million and $143.8 million for the quarter and six-month period, respectively. The overall increase in our revenues was driven by revenue growth over the quarter and the six-month period of 3.3% and 6.0%, respectively, in America and 12.9% and 16.6%, respectively, in Europe. These improvements resulted mainly from greater business activity (due to an expanded product offering) and in part from the strength of the euro relative to the Canadian dollar, offset by a decrease in selling prices mainly with respect to our Caribbean and Mexican destinations.

OPERATING EXPENSES

(In thousands of dollars)	Quarters ended April 30 2009 $	2008 Restated $	Variance $	Variance %	Six-month periods ended April 30 2009 $	2008 Restated $	Variance $	Variance %
Direct costs	710,381	620,466	89,915	14.5	1,252,302	1,061,907	190,395	17.9
Salaries and employee benefits	89,406	86,579	2,827	3.3	180,155	174,398	5,757	3.3
Aircraft fuel	83,728	88,900	(5,172)	(5.8)	161,602	156,506	5,096	3.3
Commissions	66,518	61,071	5,447	8.9	113,875	106,117	7,758	7.3
Aircraft maintenance	27,883	26,028	1,855	7.1	53,523	47,949	5,574	11.6
Airport and navigation fees	22,238	22,422	(184)	(0.8)	41,841	41,715	126	0.3
Aircraft rent	13,675	12,376	1,299	10.5	26,922	24,278	2,644	10.9
Other	76,118	86,601	(10,483)	(12.1)	145,479	159,688	(14,209)	(8.9)
Total	1,089,947	1,004,443	85,504	8.5	1,975,699	1,772,558	203,141	11.5

Our aggregate operating expenses for the second quarter and six-month period were up $85.5 million and $203.1 million, respectively, compared with the corresponding periods of 2008. These increases resulted from increased business activity resulting in higher operating expenses for the quarter and six-month period, up 6.7% and 9.8%, respectively, in America and 16.5% and 19.3%, respectively, in Europe.

DIRECT COSTS

Direct costs include hotel room costs and the costs of reserving blocks of seats or full flights with air carriers other than Air Transat. During the quarter ended April 30, 2009, these costs accounted for 62.9% of our revenues, up from 57.7% for the same period in 2008. For the six-month period, these costs represented 62.4% of our revenues, up from 57.0% for the corresponding period in 2008. Both for the quarter and six-month period, these percentage increases are the result of lower average selling prices for travel packages sold on sun destinations in 2009 compared to 2008. Compared with the corresponding periods of the previous year, direct costs for the second quarter and six-month period were up $89.9 million (14.5%) and $190.4 million (17.9%), respectively. The increases in dollar terms were driven primarily by greater business activity and also by the strength of the euro and the U.S. dollar against the Canadian dollar.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits for the quarter and six-month period were up $2.8 million (3.3%) and $5.8 million (3.3%), respectively, compared with the corresponding periods of 2008, owing primarily to annual pay raises, the addition of two aircraft to our fleet in fiscal 2008, and greater business activity.

AIRCRAFT FUEL

Aircraft fuel costs fell $5.2 million (5.8%) for the quarter and rose $5.1 million (3.3%) for the six-month period, compared with the corresponding periods of 2008. The quarterly decline resulted mainly from a drop in fuel costs compared the corresponding quarter of 2008. Fuel costs increased over the six-month period due in part to greater business activity and higher fuel costs for the Corporation than in the corresponding period of 2008. As a result of its fuel risk management policy, the Corporation was unable to fully capitalize on the decline in fuel prices.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense for the second quarter and six-month period was up $5.4 million and $7.8 million, respectively, compared with the corresponding periods of 2008. These increases stemmed primarily from greater business activity. During the three-month period ended April 30, 2009, commission expense represented 5.9% of our revenues compared with 5.7% for the same period in 2008. For the six-month period, commission expense represented 5.7% of our revenues compared with 5.7% for the same period in 2008.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs relate mainly to the engine and airframe maintenance expenses incurred by Air Transat. During the quarter and six-month period, these costs rose $1.9 million (7.1%) and $5.6 million (11.6%), respectively, compared with the corresponding periods of 2008, owing primarily to the two aircraft added to the fleet in fiscal 2008, the strength of the U.S. dollar relative to its Canadian counterpart and to a broken engine.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees relate mainly to fees charged by airports. Compared with the corresponding periods of 2008, these fees held relatively steady, easing $0.2 million for the quarter while edging up $0.1 million for the six-month period.

AIRCRAFT RENT

Aircraft rent for the second quarter and six-month period rose $1.3 million (10.5%) and $2.6 million (10.9%), respectively, compared with the corresponding periods of 2008, owing primarily to the two aircraft added to the fleet in fiscal 2008 and the strength of the U.S. dollar relative to the Canadian unit.

OTHER

Other expenses for the second quarter and six-month period were down $10.5 million (12.1%) and $14.2 million (8.9%), respectively, compared with the corresponding periods of 2008, resulting mainly from lower marketing costs and professional fees. As a percentage of revenues, other expenses dropped to 6.7% for the quarter from 8.1% for the same quarter of 2008 and to 7.3% for the six-month period from 8.6% for the corresponding period of 2008.

MARGIN

In light of the foregoing, the margin for the quarter and six-month period stood at $39.1 million and $30.6 million, respectively, compared with $70.7 million and $90.0 million, respectively, for the corresponding periods of 2008. Expressed as a percentage of revenues, the margin for the quarter and six-month period was 3.5% and 1.5%, respectively, compared with 6.6% and 4.8%, respectively, for the corresponding periods of 2008. These slimmer margins resulted primarily from downward price pressure due to excess supply in the Canadian marketplace and fierce competition, mainly with respect to our Caribbean and Mexican destinations.

GEOGRAPHIC AREAS

AMERICAS

	Quarters ended April 30				Six-month periods ended April 30			
(In thousands of dollars)	2009 $	2008 Restated $	Variance $	Variance %	2009 $	2008 Restated $	Variance $	Variance %
Revenues	914,210	884,844	29,366	3.3	1,653,636	1,560,186	93,450	6.0
Operating expenses	875,375	820,188	55,187	6.7	1,613,468	1,468,934	144,534	9.8
Margins	38,835	64,656	(25,821)	(39.9)	40,168	91,252	(51,084)	(56.0)

In the Americas, revenues for the second quarter and six-month period were up $29.4 million (3.3%) and $93.5 million (6.0%), respectively, compared with the same periods in 2008. This growth resulted from global increases in the volume of travellers for the quarter and six-month period of 2.2% and 6.0%, respectively, compared with the corresponding periods of 2008. During the 2009 winter season, we supplied more seats to our sun destinations and less to Florida. This change resulted in an increase in the volume of travellers to our sun destinations of 16.2% for the quarter and 17.7% for the six-month period compared to the corresponding period of 2008. The Corporation's margins for the quarter and six-month period were 4.2% and 2.4%, respectively, compared with 7.3% and 5.8% for the respective periods of 2008. These slimmer margins stemmed primarily from downward price pressure, mainly on our sun destinations, due to excess supply in the marketplace and an environment that remains highly competitive.

EUROPE

	Quarters ended April 30				Six-month periods ended April 30			
	2009	2008 Restated	Variance	Variance	2009	2008 Restated	Variance	Variance
(In thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	214,867	190,314	24,553	12.9	352,695	302,361	50,334	16.6
Operating expenses	214,572	184,255	30,317	16.5	362,231	303,624	58,607	19.3
Margins	295	6,059	(5,764)	(95.1)	(9,536)	(1,263)	(8,273)	655.0

In Europe, revenues for the second quarter and six-month period were up $24.6 million (12.9%) and $50.3 million (16.6%), respectively, compared with the same periods in 2008. These increases, as well as those related to the operating expenses, are, among other things, the result of the strength of the euro against the Canadian dollar. The Corporation's volume of travellers was up 6.9% for the quarter and up 6.6% for the six-month period compared with the same periods of 2008. Our European operations reported a positive margin of $0.3 million (0.1%) for the quarter and a negative margin of $9.5 million (2.7%) for the six-month period, compared with a positive margin of $6.1 million (3.2%) and a negative margin of $1.3 million (0.4%) for the respective periods of 2008. Narrower margins resulted, among other things, from higher flying costs due to our fuel hedging position, compared to fiscal 2008.

OTHER EXPENSES AND (REVENUES)

	Quarters ended April 30				Six-month periods ended April 30			
	2009	2008 Restated	Variance	Variance	2009	2008 Restated	Variance	Variance
(In thousands of dollars)	$	$	$	%	$	$	$	%
Amortization	12,907	14,100	(1,193)	(8.5)	25,801	27,269	(1,468)	(5.4)
Interest on long-term debt and debenture	1,174	1,604	(430)	(26.8)	2,603	3,955	(1,352)	(34.2)
Other interest and financial expenses	675	409	266	65.0	1,141	797	344	43.2
Interest income	(1,522)	(3,716)	2,194	59.0	(3,419)	(8,143)	4,724	58.0
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(37,428)	(20,942)	(16,486)	(78.7)	(8,916)	(18,975)	10,059	53.0
Foreign exchange gain on long-term monetary items	(232)	(63)	(169)	(268.3)	(111)	(220)	109	49.5
Changes in fair value of investments in ABCP	4,862	17,915	(13,053)	(72.9)	(4,993)	32,137	(37,130)	(115.5)
Gain on repurchase of preferred shares of a subsidiary	—	(1,605)	1,605	100.0	—	(1,605)	1,605	100.0
Share of net income of a company subject to significant influence	(3,832)	(810)	(3,022)	(373.1)	(3,433)	(1,517)	(1,916)	126.3

AMORTIZATION

Amortization includes amortization on property, plant and equipment, intangible assets subject to amortization, deferred lease inducements and a deferred gain on options. Amortization for the quarter and six-month period declined $1.2 million (8.5%) and $1.5 million (5.4%), respectively, compared with the same periods of 2008. These decreases resulted mainly from the amortization of the initial fair value of the mechanisms in the form of options, amounting to $1.1 million per quarter, enabling the Corporation to use its ABCP to repay a portion of the drawdowns under certain credit facilities as they fall due. This was offset by the increase in the amortization of property, plant and equipment triggered by capital additions made during fiscal 2008.

INTEREST ON LONG-TERM DEBT AND DEBENTURE

Interest on long-term debt and the debenture for the quarter and the six-month period was down $0.4 million and $1.4 million, respectively, compared with the corresponding periods of 2008. Despite higher average debt for the quarter and six-month period than in the same periods of 2008, interest expense was reduced by lower rates in 2009 than a year previous.

OTHER INTEREST AND FINANCIAL EXPENSES

Our other interest and financial expenses for the second quarter remained relatively unchanged, edging up $0.3 million from the corresponding quarter of 2008. Other interest and financial expenses for the six-month period rose $0.3 million compared with the same period in 2008.

INTEREST INCOME

Interest income for the quarter and the six-month period was down $2.2 million and $4.7 million, respectively, compared with the same periods of 2008. These declines resulted mainly from 2009's lower interest rates than in the corresponding periods 2008, despite higher average balances of cash and cash equivalents.

CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS USED FOR AIRCRAFT FUEL PURCHASES

The change in fair value of derivative financial instruments used for aircraft fuel purchases represents the change in fair value, for the period, of the derivative financial instruments outstanding as at April 30, 2009, used by the Corporation to manage risks related to fuel price volatility. This change in fair value represented a $16.5 million increase for the quarter and a $10.1 million decrease for the six-month period compared with the corresponding periods of 2008.

FOREIGN EXCHANGE GAIN ON LONG-TERM MONETARY ITEMS

Foreign exchange gains on long-term monetary items for the quarter and six-month period of $0.2 million and $0.1 million, respectively, resulted primarily from the favourable effect of foreign exchange rates on our long-term debt.

CHANGES IN FAIR VALUE OF INVESTMENTS IN ABCP

RESTRUCTURING

On January 21, 2009, the Pan-Canadian Committee of ABCP investors announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes whose maturities match those of the assets previously contained in the underlying conduits. As at January 21, 2009, the Corporation held a portfolio of ABCP issued by several trusts with an overall notional value of $143.5 million.

On the plan implementation date, the Corporation remeasured its investments in ABCP at fair value prior to the exchange. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions.

Since there is no active market for ABCP securities, the Corporation's management estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates based as much as possible on observable market data, such as the credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The Corporation also took into account its estimated share of the restructuring costs associated with the Montréal Accord, as well as amounts of cash accumulated in the conduits and payable on the plan implementation date.

As a result of this valuation, on January 21, 2009, the Corporation reversed $9.5 million of its provision for impairment on its investments in ABCP under change in fair value of investments in ABCP. This reversal takes into account the Corporation's share of the cash accumulated in the conduits, estimated at $6.0 million, of which $4.7 million was received prior to January 31, 2009. Subsequent to this reversal, the provision for impairment totalled $47.5 million, and the ABCP investment portfolio had a fair value of $96.1 million.

Also on January 21, 2009, the ABCP held by the Corporation at that date was exchanged for new securities. The new ABCP had, as of that date, a notional value of $141.7 million.

VALUATION

On April 23 and April 27, 2009, the Corporation received $5.7 million in principal repayments on ABCP supported solely by traditional securitized assets. The new ABCP now has a notional value of $136.1 million and is detailed as follows:

The Corporation holds $113.4 million in ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets, which have been restructured into floating rate notes with maturities through December 31, 2016. The Corporation received replacement notes with notional values as follows:

Class A-1: $34.5 million
Class A-2: $63.9 million
Class B: $11.6 million
Class C: $3.4 million

The Corporation holds $12.5 million in ABCP supported mainly by U.S. sub-prime assets that have been restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets and maturing through 2037.

The Corporation holds $10.2 million in ABCP supported solely by traditional securitized assets that have been restructured on a series-by-series basis, with each series or trust maintaining its own assets and maturing through 2016.

On April 30, 2009, the Corporation remeasured its new ABCP at fair value. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions.

For the purposes of estimating future cash flows, the Corporation estimated that the long-term financial instruments arising from the conversion of its ABCP would generate interest returns ranging from 0.0% to 4.17% (weighted average rate of 1.6%), depending on the type of series. These future cash flows were discounted, according to the type of series, over 5- to 28-year periods (weighted average period of 9.0 years) and using discount rates ranging from 5.2% to 124% (weighted average rate of 20.2%), which factor in liquidity.

As a result of this new valuation, on April 30, 2009, the Corporation recognized an additional $4.9 million writedown in respect of its investments in ABCP (reversal of its provision for impairment on investment in ABCP of $5.0 million for the six-month period). This additional writedown takes into account an additional amount of the Corporation's share of the cash accumulated in the conduits, estimated at $0.4 million ($6.4 million for the six-month period). Prior to April 31, 2009, the Corporation had received $4.7 million of its share of the estimated cash, and the $1.7 million balance was received on May 16, 2009. The Corporation also remeasured the options enabling it to use the restructured notes to repay certain drawdowns under rotating credit facilities as they fall due, subject to certain conditions. Subsequent to this new measurement, no adjustments were recognized. For the six-month period, however, the Corporation recognized a $0.4 million increase in fair value in respect of these options under change in fair value of investments in ABCP. As a result of this new valuation, $5.7 million in ABCP principal repayments and the receipt of $4.7 million during the six-month period, the ABCP investment portfolio had a fair value of $80.8 million and the provision for impairment totalled $55.3 million representing 40.6% of the notional value of $136.1 million.

The Corporation's estimate of the fair value of its ABCP investments is subject to significant uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in significant assumptions could substantially affect the value of ABCP securities over the coming fiscal year. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates and the extent of that difference could have a material effect on our financial results.

A 1% increase (decrease), representing 100 basis points, in the estimated discount rates would result in a decrease (increase) of approximately $5.1 million in the estimated fair value of ABCP held by the Corporation.

The liquidity disruption in the Canadian market for third-party sponsored ABCP has had no significant impact on the Corporation's operations. The Corporation holds or has access to sufficient available cash to meet all of its financial, operational and regulatory obligations. Cash in trust, representing deposits from customers, as well as available cash, are held either as cash or are invested in liquid instruments (mainly cash and term deposits) with a broad range of large financial institutions and have no exposure whatsoever to the current ABCP market disruption.

Changes in our investments in ABCP for the quarter and six-month periods ended April 30, 2009 are as follows:

	Notional value of investments in ABCP $	Provision for impairment of investments in ABCP $	Investments in ABCP $	Change in fair value of investments in ABCP $
Balance as at October 31, 2008	143,500	(56,905)	86,595	
Adjustement related to the implementation of the January 21, 2009 restructuring plan	(1,759)	—	(1,759)	(1,759)
Writedown reversal	—	5,172	5,172	5,172
Corporation's share of the estimated cash accumulated in the conduits receivable	—	1,297	1,297	1,297
Corporation's share of the cash accumulated in the conduits	—	—	—	4,745
Options revaluation	—	—	—	400
Balance as at January 31, 2009 / Impact on the results for the quarter	141,741	(50,436)	91,305	9,855
Principal repayments	(5,664)	—	(5,664)	—
Writedown of investments in ABCP	—	(5,220)	(5,220)	(5,220)
Corporation's share of the cash accumulated in the conduits receivable	—	358	358	358
Balance as at April 30,2009 / Impact on the results for the six-month period	136,077	(55,298)	80,779	4,993

SHARE OF NET INCOME OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

Our share of net income of a company subject to significant influence represents our share of the net income of our hotel business, Caribbean Investments B.V. ["CIBV"]. Our share of net income of a company subject to significant influence for the quarter and the six-month period amounted to $3.8 million and $3.4 million, respectively, compared with $0.8 million and $1.5 million for respective periods of 2008. These improvements were due to the fact that one of the hotels of our company subject to significant influence was in its start-up phase at the beginning of fiscal 2008.

INCOME TAXES

Income taxes for the quarter and six-month period totalled $19.1 million and $6.8 million, respectively, compared with $20.3 million and $19.9 million for the respective periods of the previous year. Excluding the share in net income of a company subject to significant influence, the effective tax rate for the quarter and six-month period was 32.5% and 36.7%, respectively, compared with 32.1% and 36.4% for the respective periods of 2008.

The tax rates for the quarter and six-month period were up 0.4% and 0.3% respectively, relatively stable when compared to those of the corresponding periods of 2008. Since October 31, 2008, the Corporation once again recognizes future income tax assets related to tax loss carryforwards, if any, for the period.

NET INCOME

In light of the items discussed in *Consolidated operations*, net income for the quarter ended April 30, 2009 totalled $42.2 million, or $1.29 per share, compared with $41.7 million, or $1.25 per share, for the corresponding quarter of the previous year. The weighted average number of shares outstanding used to establish the per share amounts for the second quarter of 2009 was 32,740,000 compared with 33,279,000 for corresponding period of 2008.

Net income for six-month period ended April 30, 2009 totalled $12.8 million or $0.39 per share compared with $33.9 million, or $1.01 per share, for the corresponding quarter of the previous year. The weighted average number of shares outstanding used to establish the per share amounts for the six-month period of 2009 was 32,718,000 compared with 33,461,000 for corresponding period of 2008.

On a diluted basis, earnings per share for the second quarter and six-month period amounted to $1.27 and $0.39, respectively, compared with $1.25 and $1.01 for the respective periods of 2008. The adjusted weighted average number of shares used in computing these amounts for the second quarter and six-month period was 33,119,000 and 33,081,000, respectively, compared with 35,507,000 and 33,711,000 for the respective periods of 2008. *See note 8 to the unaudited Consolidated Interim Financial Statements.*

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. Overall, revenues are up compared with the corresponding quarters of previous years, mainly as a result of growth in volume of travellers and acquisitions since fiscal 2007. From a margin perspective, there have been fluctuations during each quarter, mainly due to competitive pressure on prices and fuel price volatility. In light of the foregoing, the following quarterly financial information can vary significantly from quarter to quarter.

(In thousands of dollars, except per share amounts)	Q3-2007 Restated $	Q4-2007 Restated $	Q1-2008 Restated $	Q2-2008 Restated $	Q3-2008 Restated $	Q4-2008 Restated $	Q1-2009 $	Q2-2009 $
Revenues	741,762	680,418	787,389	1,075,158	859,880	790,424	877,254	1,129,077
Margin	27,691	11,380	19,274	70,715	14,587	23,192	(8,498)	39,130
Net income (loss)	17,453	14	(7,851)	41,721	(895)	(82,369)	(29,436)	42,186
Basic earnings (loss) per share	0.52	(0.00)	(0.23)	1.25	(0.03)	(2.54)	(0.90)	1.29
Diluted earnings (loss) per share	0.51	(0.00)	(0.23)	1.25	(0.03)	(2.54)	(0.90)	1.27

LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2009, cash and cash equivalents totalled $239.8 million compared with $145.8 million as at October 31, 2008. Cash and cash equivalents in trust or otherwise reserved amounted to $250.6 million as at the end of the first six-month period of 2009 compared with $256.7 million as at October 31, 2008. The Corporation's balance sheet reflects a working capital deficiency of $7.2 million and a current ratio of 0.99 compared with a working capital balance of $20.8 million and a ratio of 1.03 as at October 31, 2008.

Total assets rose $15.7 million (1.2%) to $1,281.0 million as at April 30, 2009 from $1,265.3 million as at October 31, 2008. This increase was driven mainly by greater business activity coupled with the seasonal nature of our operations, which in turn resulted in $94.1 million increases in cash and cash equivalents, which was offset in part by a $6.1 million decrease in cash and cash equivalents in trust or otherwise reserved, $75.0 million in derivative financial instruments and $14.8 million and property, plant and equipment. The Corporation reported $295.0 million in shareholders' equity as at April 30, 2009, down $52.1 million from $347.1 million as at October 31, 2008. This decline stemmed mainly from a $57.0 million change in fair value of derivatives designated as cash flow hedges, coupled with a $6.6 million foreign exchange loss on translation of the financial statements of our self-sustaining operations, both transactions being recorded in accumulated other comprehensive income, all of which was offset by $12.8 million in net income.

CASH FLOWS

	Quarters ended April 30			Six-month periods ended April 30		
(In thousands of dollars)	2009 $	2008 Restated $	Variance $	2009 $	2008 Restated $	Variance $
Cash flows related to operating activities	33,586	50,968	(17,382)	113,633	169,210	(55,577)
Cash flows related to investing activities	55,676	63,413	(7,737)	(5,837)	(97,736)	91,899
Cash flows related to financing activities	(34,514)	(2,256)	(32,258)	(12,125)	40,923	(53,048)
Effect of exchange rate changes on cash	1,017	5,584	(4,567)	(1,605)	10,494	(12,099)
Net change in cash	55,765	117,709	(61,944)	94,066	122,891	(28,825)

Operating activities

During the second quarter, operating activities generated $33.6 million in cash flows compared with $51.0 million for the corresponding quarter of 2008. This $17.4 million decrease for the quarter resulted primarily from the decrease in margins during the quarter compared to the corresponding period of 2008.

For the six-month period, cash flows provided by operating activities decreased $55.6 million to $113.6 million from $169.2 million for the corresponding period of 2008. This decline resulted primarily from the decrease in margins during the six-month period compared to the corresponding period of 2008.

Investing activities

Cash flows provided by investing activities for the quarter totalled $55.7 million, down $7.7 million from the corresponding period of 2008. This decrease resulted mainly from a $21.8 million decrease in the change in cash and cash equivalents in trust or otherwise reserved, offset by $5.7 million in proceeds on the sale of investments held in ABCP, and a $4.3 million reduction in additions to property, plant and equipment compared with the corresponding quarter of 2008.

For the six-month period, cash flows used by investing activities amounted to $5.8 million, a decrease of $91.9 million compared with cash flows used in investing activities of $97.7 million for the corresponding period of 2008. This decrease resulted mainly from the net change in cash and cash equivalents in trust or otherwise reserved, which represented a $34.3 million increase from the corresponding period of 2008 and from a $49.5 million decline in cash used for business acquisitions. During the six-month period, the Corporation made a $5.2 million [US$4.2 million] capital contribution to CIBV related to the acquisition of a land in the Dominican republic, whereas in the first quarter of 2008, the Corporation acquired a 35% ownership interest in this company for $50.6 million as well as making an additional $4.2 million contribution to CIBV related to the initial deposit on the land recently acquired in Dominican republic. Also, additions to property, plant and equipment were down $13.2 million from the corresponding period of 2008. During the first six months of 2008, the Corporation's acquisitions included business premises for Look Voyages.

Financing activities

During the quarter, cash flows used in financing activities totalled $34.5 million, up $32.3 million from the corresponding quarter of 2008. This increase resulted primarily from the net change in credit facilities and other debt, which represented a $43.2 million increase from the corresponding quarter of 2008, which was offset by the lack of share repurchases, whereas in 2008, $18.4 million in cash flows were used in share repurchases. Furthermore, no dividends were paid during the quarter, whereas in the corresponding quarter of 2008, $3.0 million in dividends were paid.

For the six-month period, cash flows totalling $12.1 million were used in financing activities, marking a variance of $53.0 million compared with cash flows provided by financing activities of $40.9 million for the corresponding period of 2008. This variance, resulting mainly from a $68.3 million increase in long-term debt for the six-month period compared with the corresponding period 2008, was offset by cash flow use of $22.6 million for share repurchases during the first six months of 2008. During the first six months of 2009, the Corporation made $7.9 million in debt repayments and no share repurchases, unlike in 2008. In addition, the dividend paid to the Corporation's shareholders was $3.0 million lower than in 2008, and $2.5 million was paid to a minority shareholder of one of the Corporation's subsidiaries during the first six months of 2009.

Financing

As at April 30, 2009, the Corporation had several types of financing, consisting primarily of three revolving term credit facilities, loans secured by aircraft and lines of credit.

The Corporation has a revolving credit facility, which was increased to $157.0 million from $86.4 million on February 9, 2009 (subsequent to the implementation of the ABCP restructuring plan and pursuant to the terms of the agreement) maturing in 2012, or immediately payable in the event of a change in control, and a $60.0 million revolving credit facility for issuing letters of credit for which the Corporation must pledge cash as collateral security against 105% of the letters of credit issued. Under the terms and conditions of this agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. Under this agreement, interest is charged at bankers' acceptance rates, at the financial institution's prime rate or at the London Interbank Offered Rate (LIBOR), plus a premium based on certain financial ratios calculated on a consolidated basis. Under the terms of the agreement, the Corporation is required to comply with certain financial criteria and ratios. All ratios and financial criteria were met at April 30, 2009.

The Corporation has two revolving credit facilities of $9.4 million and $91.3 million, the first maturing in 2010 and the second in 2011, or immediately payable in the event of a change in control. Under the terms and conditions of these agreements, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. Under these agreements, interest is charged at bankers' acceptance rates, at the financial institution's prime rate or at LIBOR, plus a premium specific to the type of financing vehicle. These credit facilities include options, which are now effective following implementation of the ABCP restructuring plan and allow the Corporation, at its option, to use the restructured notes to repay up to $61.9 million in drawdowns as they fall due, under certain conditions. These options have been initially reported at fair value, and the corresponding initial gain has been deferred and recognized in net income under amortization over the term of the credit agreements. The options are reported at fair value at each balance sheet date under derivative financial instruments, and any change in fair value of the options is recorded in net income under change in fair value of the investments in ABCP. Under the terms of the agreement, the Corporation is required to comply with certain financial criteria and ratios. All ratios and financial criteria were met at April 30, 2009.

As at April 30, 2009, $101.0 million had been drawn down under these credit facilities.

On December 17, 2008, the Corporation entered into a $60.0 million subordinated unsecured financing agreement with one of its shareholders. Drawdowns can be made through October 31, 2009. This agreement expires on December 31, 2012, or is immediately payable in the event of a change in control. Early repayments are permitted subject to certain conditions. The agreement bears interest separately for each drawdown at the rates of Government of Canada bonds, updated semi-annually, with maturities equal to the remaining term of the agreement, plus a premium determined in part based on certain factors specific to subordinated unsecured financing arrangements for comparable companies. As at April 30, 2009, this credit facility was not drawn.

The loans secured by aircraft of the Corporation amounted to $39.8 million [US$33.3 million] as at April 30, 2009. The loans bear interest at LIBOR plus 2.15% and 3.25% and are repayable in equal semi-annual instalments through 2011.

With regard to our French operations, we also have access to undrawn lines of credit totalling €11.3 million [$17.8 million].

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and liquidity, some of which are reflected as liabilities in the unaudited Consolidated Interim Financial Statements as at April 30, 2009. As at April 30, 2009 and October 31, 2008, these obligations amounted to $145.5 million and $153.2 million, respectively. Obligations that are not reported as liabilities are considered off-balance sheet arrangements. These contractual arrangements are entered into with non-consolidated entities and consist of the following:

- Guarantees
- Operating leases

Off-balance sheet debt, excluding agreements with service providers, that can be estimated amounted to approximately $390.7 million as at April 30, 2009 compared with $297.1 million as at October 31, 2008, and is detailed as follows:

	As at April 30, 2009 $	As at October 31, 2008 $
Guarantees		
Irrevocable letters of credit	15,413	7,074
Collateral security contracts	790	790
Operating leases		
Commitments under operating leases	374,475	289,230
	390,678	297,094

In the normal course of business, guarantees are required in the travel industry to provide indemnifications and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts. Historically, Transat has not made any significant payments under such guarantees. Operating leases are entered into to enable the Corporation to lease certain items rather than acquire them.

We believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

DEBT LEVELS

The Corporation's debt levels as at April 30, 2009 were lower than as at October 31, 2008.

Balance sheet debt decreased $7.7 million to $145.5 million as at April 30, 2009 from $153.2 million as at October 31, 2008, and our off-balance sheet debt increased $93.6 million to $390.7 million from $297.1 million, collectively representing a $85.8 million increase in total debt as at April 30, 2009 compared with October 31, 2008. The decrease in balance sheet debt resulted mainly from repayments in the six-month period. The $93.5 million increase in off-balance-sheet debt relates to the extension of four aircraft leases, which now mature between December 2013 and November 2015, as well as an additional lease for one aircraft which matures in June 2015 offset by repayments during the quarter

Net of cash and cash equivalents and our investments in ABCP, the Corporation reported $215.6 million in net debt as at April 30, 2009, down 1.1% from $218.0 million as at October 31, 2008.

OUTSTANDING SHARES

As at April 30, 2009, there were three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at April 30, 2009, there were 816,499 Class A Variable Voting Shares outstanding and 31,947,876 Class B Voting Shares outstanding.

STOCK OPTIONS

As at June 10, 2009, there were a total of 1,108,648 stock options outstanding, 403,973 of which were exercisable.

DIVIDENDS

During the quarter ended April 30, 2009, the Corporation declared and paid $2.9 million in dividends. On March 11, 2009, Transat's Board of Directors has suspended until further notice the quarterly dividend to holders of Class B Voting Shares and Class A Variable Voting Shares, so as to conserve cash during this period of uncertain and challenging economic circumstances.

COVENANTS WITH CREDIT CARD PROCESSOR

The corporation has various agreements for the processing of customer credit card transactions. Approximately 85% of Transat's Canadian sales are processed using credit cards, with the remaining sales processed through cash based transactions. All deposits received by customers in Canada, whether in cash or by credit card, are placed in trust until such time as it is provided, in compliance with the applicable regulations.

Under the terms of the agreements with Transat's primary credit card processor, Transat is required to comply with financial conditions including certain financial ratios. As of today, Transat is in compliance of such conditions. Transat has extended its agreements and is currently in the process of renegotiating them.

OTHER

INFLUENZA A (H1N1)

An outbreak of influenza A (H1N1) occurred in Mexico late in the quarter. Already by the end of the quarter, the Corporation decided to postpone all of its flights to Mexico from both France and Canada. We also took the necessary measures to repatriate our customers and employees. It is difficult to accurately estimate the financial impact of this crisis on our future financial results. However, we estimate that the crisis will dampen our 2009 summer season results by approximately $3.0 million. We expect our flights to Mexico to resume by the end of June 2009. At that time, operations should resume normally and we will adjust our offering based on demand.

APPOINTMENTS AND SENIOR MANAGEMENT CHANGES

On March 27, 2009, the Corporation announced the appointment of Mr. Patrice Caradec as President and General Manager of Transat France. Mr. Caradec will also head Vacances Transat (France) and Look Voyages.

On April 1, 2009, the Corporation also announced the appointment of Mr. Nelson Gentiletti as acting Chief Financial Officer. Mr. Gentiletti will continue to serve as Executive Vice-President, Tour Operators and President of Transat Tours Canada.

On November 1, 2009, Lina De Cesare, currently President, Tour Operators, and Philippe Sureau, currently President, Distribution, both co-founders of the Corporation, will leave their positions. Both will remain members of Transat's Board of Directors and will assume new roles as advisors to the President and Chief Executive Officer. Effective November 1, Mr. Gentiletti will hold the position of Chief Operating Officer. Mr Gentiletti will hold his current positions of President of Transat Tours Canada and acting Chief Financial Officer until October 31, 2009.

AGREEMENT WITH CANJET

On February 13, 2009, we announced a five-year partnership agreement with CanJet. With this agreement, which includes two one-year renewal options, the Corporation can now charter short-haul Boeing 737-800 aircraft for some 20 sun destinations from over 20 Canadian cities. This agreement should provide the necessary capacity and flexibility to continue offering superior service at affordable prices.

CHANGES TO ACCOUNTING POLICIES

STANDARDS IN EFFECT ON NOVEMBER 1, 2008

In February 2008, the Canadian Institute of Chartered Accountants ["CICA"] issued *Handbook* Section 3064, *Goodwill and Intangible Assets*, which supersedes Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, effective November 1, 2008 for the Corporation. This new section sets out standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. These new standards have been adopted retroactively with restatement of prior fiscal years. The adoption of these new standards translated into a $5.7 million decrease in retained earnings on November 1, 2007 and the following changes as at October 31, 2008: a $6.5 million decrease in prepaid expenses, a $0.8 million decrease in other assets, a $2.2 million decrease in future income tax liabilities and a $5.1 million decrease in retained earnings. For the quarter and six-month period ended April 30, 2008, the adoption of these new standards translated into the following changes: a $1.4 million decrease in other operating expenses ($4.7 million for the six-month period), a $0.1 million decrease in amortization ($0.2 million for the six-month period) and a $0.5 million decrease in future income tax recovery ($1.6 million for the six-month period), for a $1.0 million increase in net income ($3.3 million for the six-month period) and $0.04 increase in diluted earnings per share ($0.10 for the six-month period). These adjustments arise from certain marketing expenses related to upcoming seasons. These expenses were previously recorded in net income for the related seasons and aircraft commissioning costs were previously deferred and amortized over a period not exceeding five years.

In January 2009, the Emerging Issues Committee issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which provides further information on determining the fair value of financial assets and financial liabilities under Section 3855, *Financial Instruments – Recognition and Measurement*. This Abstract states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This recommendation applies retroactively without restatement of prior period financial statements to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, the date of issuance of the Abstract. The adoption of this new EIC as at November 1, 2008 resulted in a $1.4 million decrease in derivative financial instruments recorded in assets, a $3.2 million decrease in derivative financial instruments recorded in liabilities, a $0.6 million decrease in future income tax assets, a $2.0 million increase in retained earnings and a $0.8 million decrease in accumulated other comprehensive income. The adoption of this recommendation had the effect of decreasing the net income and diluted earnings per share by $2.0 million and $0.06 respectively, and increasing the other comprehensive income by $0.8 million, for the three-month period ended April 30, 2009. For the six-month period ended April 30, 2009, the adoption of this recommendation had the effect of increasing the net income and the other comprehensive income by $0.1 million and $1.1 million respectively.

Also, the carrying amount of the investment in CIBV as at October 31, 2008 was increased by $9.1 million to reflect the translation of this U.S. dollar investment using the effective rate at that date. The consideration for this adjustment was recorded in accumulated other comprehensive income (of which $0.3 million was recorded during the first quarter of 2008 and $2.5 million during the second quarter of 2008) and included in shareholders' equity without any impact on net loss for the fiscal year ended October 31, 2008.

FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements related to fiscal years beginning on or after January 1, 2011. The Corporation is currently assessing the requirements under these new standards.

Section 1582, *Business Combinations*, supersedes former Section 1581, *Business Combinations*, and sets out recognition standards for business combinations. The Section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Section constitutes the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601, which sets out standards for the preparation of consolidated financial statements, is effective for interim and annual consolidated financial statements related to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section, constituting the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

Also in February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending October 31, 2012. The Corporation is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Corporation's accounting policies, assessing their impact and, where necessary, analyzing the various policies that the Corporation could elect to adopt.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators Multilateral Instrument 52-109, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Interim Chief Financial Officer that, among other things, deem the design of disclosure controls and procedures and the design of internal control over financial reporting ("ICFR") to be adequate. The financial disclosure controls and procedures provide reasonable assurance that material financial information has been duly disclosed by the Corporation and its subsidiaries. Furthermore, ICFR is designed to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its compliance with Canadian GAAP in its financial statements.

The President and Chief Executive Officer and the Interim Chief Financial Officer of the Corporation have also evaluated whether there were changes to its ICFR during the three-month period ended April 30, 2009 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK – SUMMER 2009

With regard to Canada-Europe travel, reservations from Canada are similar to their 2008 levels, whereas reservations from Europe are trailing slightly. In total, our passenger load factor is similar to 2008 at the same date, with prices slightly lower. However, we are currently noting increased price pressure that could adversely affect margins for the remainder of our inventory to sell.

Reservations and the passenger load factor for sun destinations from Canada are similar to 2008. The outbreak of influenza A (H1N1) resulted in a shift of volume from Mexico to other countries, but does not seem to have significantly impacted overall demand. For now, margins remain under pressure due to the current business environment. Given that a significant portion of our inventories has yet to be sold, it is difficult to estimate where reservations will stand at season-end and assess the ultimate impact on margins.

In France, medium-haul travel is tracking higher than in 2008, whereas long-haul travel with ground services is trailing. For now, margins remain under pressure.

TRANSAT A.T. INC.
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) (unaudited)	As at April 30 2009 $	As at October 31 2008 [restated – notes 2 and 6] $
ASSETS		
Current assets		
Cash and cash equivalents	239,833	145,767
Cash and cash equivalents in trust or otherwise reserved *[note 3]*	250,642	256,697
Accounts receivable	124,633	119,852
Income taxes receivable	2,465	4,095
Future income tax assets *[note 2]*	19,614	10,807
Inventories	10,845	11,412
Prepaid expenses *[note 2]*	47,734	46,747
Derivative financial instruments *[note 2]*	34,292	111,007
Current portion of deposits	32,163	32,094
Total current assets	762,221	738,478
Investments in ABCP *[note 4]*	80,779	86,595
Deposits	17,643	18,526
Future income tax assets	24,527	16,097
Property, plant and equipment	156,469	171,294
Goodwill and other intangible assets *[note 5]*	147,503	151,803
Derivative financial instruments *[note 2]*	12,594	10,875
Investments and other assets *[notes 2 and 6]*	79,233	71,592
	1,280,969	1,265,260
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	288,900	282,440
Current portion of provision for overhaul of leased aircraft	20,131	23,231
Income taxes payable	5,771	6,942
Future income tax liabilities *[note 2]*	1,246	14,615
Customer deposits and deferred income	365,080	293,537
Derivative financial instruments *[note 2]*	68,914	77,056
Debenture	3,156	3,156
Payments on current portion of long-term debt	16,250	16,745
Total current liabilities	769,448	717,722
Long–term debt *[note 7]*	126,085	133,340
Provision for overhaul of leased aircraft	27,425	13,011
Other liabilities *[note 4]*	41,564	34,517
Derivative financial instruments *[note 2]*	11,550	9,850
Future income tax liabilities	9,909	9,692
	985,981	918,132
Shareholder's equity		
Share capital *[note 8]*	154,930	154,198
Retained earnings *[note 2]*	115,999	106,188
Contributed surplus	5,551	4,619
Accumulated other comprehensive income *[notes 2, 6 and 9]*	18,508	82,123
	294,988	347,128
	1,280,969	1,265,260

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars, except per share amounts) (unaudited)	Quarters ended April 30 2009 $	 2008 [restated – note 2] $	Six months ended April 30 2009 $	 2008 [restated – note 2] $
Revenues	1,129,077	1,075,158	2,006,331	1,862,547
Operating expenses				
Direct costs	710,381	620,466	1,252,302	1,061,907
Salaries and employee benefits	89,406	86,579	180,155	174,398
Aircraft fuel	83,728	88,900	161,602	156,506
Commissions	66,518	61,071	113,875	106,117
Aircraft maintenance	27,883	26,028	53,523	47,949
Airport and navigation fees	22,238	22,422	41,841	41,715
Aircraft rent	13,675	12,376	26,922	24,278
Other *[note 2]*	76,118	86,601	145,479	159,688
	1,089,947	1,004,443	1,975,699	1,772,558
	39,130	70,715	30,632	89,989
Amortization *[note 2]*	12,907	14,100	25,801	27,269
Interest on long-term debt and debenture	1,174	1,604	2,603	3,955
Other interest and financial expenses	675	409	1,141	797
Interest income	(1,522)	(3,716)	(3,419)	(8,143)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(37,428)	(20,942)	(8,916)	(18,975)
Foreign exchange gain on long-term monetary items	(232)	(63)	(111)	(220)
Change in fair value of investments in ABCP *[note 4]*	4,862	17,915	(4,993)	32,137
Gain on repurchase of redeemable preferred shares of a subsidiary *[note 5]*	—	(1,605)	—	(1,605)
Share of net income of a company subject to significant influence	(3,832)	(810)	(3,433)	(1,517)
	(23,396)	6,892	8,673	33,698
Income before the undernoted items	62,526	63,823	21,959	56,291
Income taxes (recovery)				
Current	8,973	14,801	8,411	19,330
Future *[note 2]*	10,117	5,454	(1,612)	608
	19,090	20,255	6,799	19,938
Income before non-controlling interest in subsidiaries' results	43,436	43,568	15,160	36,353
Non-controlling interest in subsidiaries' results	(1,250)	(1,847)	(2,410)	(2,483)
Net income for the period	42,186	41,721	12,750	33,870
Income per share *[notes 2 and 8]*				
Basic	1.29	1.25	0.39	1.01
Diluted	1.27	1.25	0.39	1.01

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars) (unaudited)	Quarters ended April 30 2009 $	Quarters ended April 30 2008 [restated – notes 2 and 6] $	Six months ended April 30 2009 $	Six months ended April 30 2008 [restated – notes 2 and 6] $
Net income for the period	42,186	41,721	12,750	33,870
Other comprehensive income				
Change in fair value of derivatives designated as cash flow hedges	(10,409)	(3,617)	(2,952)	25,265
Reclassification in income	(40,541)	16,135	(82,032)	50,982
Future income taxes	15,847	(4,216)	27,974	(25,698)
	(35,103)	8,302	(57,010)	50,549
Losses on derivatives designated as fuel hedges before November 1, 2006 included in net income for the period	—	197	—	461
Future income taxes	—	(65)	—	(152)
	—	132	—	309
Foreign exchange gains (losses) on the translation of financial statements of self-sustaining foreign subsidiaries due to the (appreciation) depreciation of the Canadian dollars vs. the euro, pound sterling and U.S. dollar at the balance sheet date	(2,704)	2,496	(6,605)	8,882
	(37,807)	10,930	(63,615)	59,740
Comprehensive income for the period	4,379	52,651	(50,865)	93,610

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars) (unaudited)	Quarters ended April 30 2009 $	Quarters ended April 30 2008 [restated – note 2] $	Six months ended April 30 2009 $	Six months ended April 30 2008 [restated – note 2] $
Retained earnings, beginning of period, as previously reported	73,813	174,537	109,302	191,118
Changes in accounting policies *[note 2]*	—	(3,465)	(3,114)	(5,708)
Retained earnings, beginning of period	73,813	171,072	106,188	185,410
Net income for the period	42,186	41,721	12,750	33,870
Premium paid on share repurchase	—	(14,601)	—	(18,060)
Dividends	—	(3,032)	(2,939)	(6,060)
Retained earnings at the end of the period	115,999	195,160	115,999	195,160

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands of dollars) (unaudited)	Quarters ended April 30 2009 $	Quarters ended April 30 2008 [restated – note 2] $	Six months ended April 30 2009 $	Six months ended April 30 2008 [restated – note 2] $
OPERATING ACTIVITIES				
Net income for the period	42,186	41,721	12,750	33,870
Operating items not involving an outlay (receipt) of cash :				
Amortization	12,907	14,100	25,801	27,269
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(37,428)	(20,942)	(8,916)	(18,975)
Foreign exchange gain on long-term monetary items	(232)	(63)	(111)	(220)
Change in fair value of investments in ABCP	4,862	17,915	(248)	31,915
Loss on disposal of investments in ABCP	—	—	—	222
Gain on repurchase of redeemable preferred shares of a subsidiary	—	(1,605)	—	(1,605)
Share of net income of a company subject to significant influence	(3,832)	(810)	(3,433)	(1,517)
Non-controlling interest in subsidiairies'results	1,250	1,847	2,410	2,483
Future income taxes	10,117	5,454	(1,612)	608
Pension expense	731	764	1,463	1,536
Compensation expense related to stock option plan	467	567	932	1,134
	31,028	58,948	29,036	76,720
Net change in non-cash working capital balances related to operations	(683)	(9,569)	73,478	97,953
Net change in other assets and liabilities related to operation	(174)	(830)	(195)	(6,749)
Net change in provision for overhaul of leased aircraft	3,415	2,419	11,314	1,286
Cash flows related to operating activities	33,586	50,968	113,633	169,210
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(6,647)	(10,953)	(12,345)	(25,528)
Consideration paid for acquired companies *[note 6]*	—	(4,137)	(5,211)	(54,758)
Net change in investments in ABCP	5,664	—	5,664	10,778
Net change in cash and cash equivalents in trust or otherwise reserved	56,659	78,503	6,055	(28,228)
Cash flow related to investing activities	55,676	63,413	(5,837)	(97,736)
FINANCING ACTIVITIES				
Loan repayments	(7,887)	—	(7,887)	—
Net change in credit facilities and other debts	(24,453)	18,722	506	68,272
Proceeds from issuance of shares	363	438	732	1,267
Share repurchase	—	(18,384)	—	(22,556)
Dividend paid to a non-controlling interest	(2,537)	—	(2,537)	—
Dividends	—	(3,032)	(2,939)	(6,060)
Cash flow related to financing activities	(34,514)	(2,256)	(12,125)	40,923
Effect of exchange rate changes on cash and cash equivalents	1,017	5,584	(1,605)	10,494
Net change in cash and cash equivalents	55,765	117,709	94,066	122,891
Cash and cash equivalents, beginning of the period	184,068	171,950	145,767	166,768
Cash and cash equivalents, end of the period	239,833	289,659	239,833	289,659
Supplementary information				
Income taxes paid	3,767	5,402	8,509	11,510
Interest paid	2,252	3,507	2,982	4,532

See accompanying notes to consolidated interim financial statement

[The amounts are expressed in thousands, except for share capital, stock options, and amounts per option or per share] [Unaudited]

Note 1 BASIS OF PRESENTATION

The unaudited consolidated interim financial statements were prepared by the Corporation in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods of their application as the most recent annual financial statements, except for the new accounting policies described in note 2. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the consolidated interim financial statements. Such adjustments are of a normal and recurring nature. The Corporation's operations are seasonal in nature; consequently, interim operating results do not necessarily proportionately reflect the operating results for a full year. The unaudited consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Corporation's 2008 Annual Report. Certain comparative figures were reclassified to conform to the presentation adopted in the current year.

Note 2 NEW ACCOUNTING POLICIES

STANDARDS IN EFFECT ON NOVEMBER 1, 2008

In February 2008, the Canadian Institute of Chartered Accountants ["CICA"] issued *Handbook* Section 3064, *Goodwill and Intangible Assets*, which supersedes Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, effective November 1, 2008 for the Corporation. This new section sets out standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. These new standards have been adopted retroactively with restatement of prior fiscal years. The adoption of these new standards translated into a $5,708 decrease in retained earnings on November 1, 2007 and the following changes as at October 31, 2008: a $6,512 decrease in prepaid expenses, a $760 decrease in other assets, a $2,155 decrease in future income tax liabilities, a $5,091 decrease in retained earnings, and a $26 decrease in accumulated other comprehensive income. For the three-month period ended April 30, 2008, the adoption of these new standards translated into the following changes: a $1,367 decrease in other operating expenses ($4,697 for the six-month period), a $130 decrease in amortization ($236 for the six-month period) and a $454 decrease in future income tax recovery ($1,647 for the six-month period), for a $1,043 increase in net income ($3,286 for the six-month period) and $0.04 on diluted earnings per share ($0.10 for the six-month period). These adjustments arise from certain marketing expenses related to upcoming seasons. These expenses were previously recorded in net income for the related seasons and aircraft commissioning costs were previously deferred and amortized over a period not exceeding five years.

Also in January 2009, the Emerging Issues Committee issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which provides further information on determining the fair value of financial assets and financial liabilities under Section 3855, *Financial Instruments – Recognition and Measurement*. This Abstract states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This recommendation applies retrospectively without restatement of prior period financial statements to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, the date of issuance of the Abstract. The adoption of this new EIC as at November 1, 2008 resulted in a $1,379 decrease in derivative financial instruments disclosed as assets, a $3,152 decrease in derivative financial instruments disclosed as liabilities, a $575 decrease in future income tax assets, a $1,977 increase in retained earnings and a $779 decrease in accumulated other comprehensive income. The adoption of this recommendation had the effect of decreasing the net income and diluted earnings per share by $2,028 and $0.06 respectively, and increasing the other comprehensive income by $810, for the three-month period ended April 30, 2009. For the six-month period ended April 30, 2009, the adoption of this recommendation had the effect of increasing the net income and the other comprehensive income by $118 and $1,093 respectively.

FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements related to fiscal years beginning on or after January 1, 2011. The Corporation is currently assessing the requirements under these new standards.

Section 1582, *Business Combinations*, supersedes former Section 1581, *Business Combinations*, and sets out recognition standards for business combinations. The Section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Sections constitutes the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601, which sets out standards for the preparation of consolidated financial statements, is effective for interim and annual consolidated financial statements related to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section, constituting the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

Also in February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending October 31, 2012. The Corporation is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Corporation's accounting policies, assessing their impact and, where necessary, analyzing the various policies that the Corporation could elect to adopt.

Note 3 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at April 30, 2009, cash and cash equivalents in trust or otherwise reserved included $174,663 [$210,481 as at October 31, 2008] in funds received from Canadian customers for services not yet rendered and in accordance with Canadian Regulatory and $75,979 [46,216 as at October 31, 2008] which was pledged as collateral security against letters of credit.

Note 4 INVESTMENTS IN ABCP

RESTRUCTURING

In mid-August 2007, the Canadian third-party asset backed commercial paper ["ABCP"] market was hit by a liquidity disruption. Since then, there have been no material transactions in an active market involving the Corporation's ABCP.

On August 16, 2007, subsequent to the liquidity disruption, a group of financial institutions and other parties agreed, pursuant to the Montréal Accord [the "Accord"], to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee was subsequently established to oversee the orderly restructuring of these instruments during this standstill period.

On January 21, 2009, the Pan-Canadian Committee of ABCP investors announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes whose maturities match those of the assets previously contained in the underlying conduits. As at January 21, 2009, the Corporation held a portfolio of ABCP issued by several trusts with an overall notional value of $143,500.

On the plan implementation date, the Corporation remeasured its investments in ABCP at fair value prior to the exchange. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions.

Since there is no active market for ABCP securities, the Corporation's management estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates based as much as possible on observable market data, such as the credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The Corporation also took into account its estimated share of the restructuring costs associated with the Montréal Accord, as well as amounts of cash accumulated in the conduits and payable on the plan implementation date.

As a result of this valuation, on January 21, 2009, the Corporation reversed a $9,455 of its provision for impairment on its investments in ABCP under change in fair value of investments in ABCP. This reversal takes into account the Corporation's share of the cash accumulated in the conduits, estimated at $6,042, of which $4,745 was received prior to January 31, 2009. Subsequent to this reversal, the provision for impairment totalled $47,450, and the ABCP investment portfolio had a fair value of $96,050.

Also on January 21, 2009, the ABCP held by the Corporation at that date was exchanged for new securities. The new ABCP now has a notional value of $141,741.

VALUATION

On April 23 and April 27, 2009, the Corporation received $5,664 in principal repayments on ABCP supported solely by traditional securitized assets. The new ABCP now has a notional value of $136,077 and is detailed as follows:

The Corporation holds $113,421 in ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets, which have been restructured into floating rate notes with maturities through December 31, 2016. The Corporation received replacement notes with notional values as follows:

Class A-1: $34,526
Class A-2: $63,894
Class B: $11,598
Class C: $3,403

The Corporation holds $12,474 in ABCP supported mainly by U.S. sub-prime assets to be restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets and maturing through 2037.

The Corporation holds $10,182 in ABCP supported solely by traditional securitized assets that were restructured on a series-by-series basis, with each series or trust maintaining its own assets and maturing through 2016.

On April 30, 2009, the Corporation remeasured its new ABCP at fair value. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions.

For the purposes of estimating future cash flows, the Corporation estimated that the long-term financial instruments arising from the conversion of its ABCP would generate interest returns ranging from 0.0% to 4.17% (weighted average rate of 1.6%), depending on the type of series. These future cash flows were discounted, according to the type of series, over 5- to 28-year periods (weighted average period of 9.0 years) and using discount rates ranging from 5.2% to 124% (weighted average rate of 20.2%), which factor in liquidity.

As a result of this new valuation, on April 30, 2009, the Corporation recognized an additional $4,862 writedown in respect of its investments in ABCP (reversal of its provision for impairment on investment in ABCP of $4,993 for the six-month period). This reversal takes into account an additional amount of the Corporation's share of the cash accumulated in the conduits, estimated at $358 ($6,400 for the six-month period). Prior to April 31, 2009, the Corporation had received $4,745 of its share of the estimated cash, and the $1,655 balance was received on May 16, 2009. The Corporation also remeasured the options enabling it to use the restructured notes to repay certain drawdowns under rotating credit facilities as they fall due, subject to certain conditions. Subsequent to this new measurement, no adjustments were recognized. For the six-month period, however, the Corporation recognized a $400 increase in fair value in respect of these options under change in fair value of investments in ABCP. These options (recorded under derivative financial instruments) and the corresponding deferred gain (recorded under other liabilities) were initially recognized at fair value, which amounted to $8,400. As a result of this new valuation, $5,664 in ABCP principal repayments and the receipt of $4,745 during the six-month period, the ABCP investment portfolio had a fair value of $80,779 and the provision for impairment totalled $55,298 representing40.6% of the notional value of $136,077.

The Corporation's estimate of the fair value of its ABCP investments is subject to significant uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in significant assumptions could substantially affect the value of ABCP securities over the coming fiscal year. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates and the extent of that difference could have a material effect on our financial results.

A 1% increase (decrease), representing 100 basis points, in the estimated discount rates would result in a decrease (increase) of approximately $5,100 in the estimated fair value of ABCP held by the Corporation.

The liquidity disruption in the Canadian market for third-party sponsored ABCP has had no significant impact on the Corporation's operations. The Corporation holds or has access to sufficient available cash to meet all of its financial, operational and regulatory obligations. Cash in trust, representing deposits from customers, as well as available cash, are held either as cash or are invested in liquid instruments (mainly cash and term deposits) with a broad range of large financial institutions and have no exposure whatsoever to the current ABCP market disruption.

Note 5 BUSINESS ACQUISITIONS

During the three-month period ended April 30, 2008, a $1,605 gain was recognized subsequent to the repurchase of shares classified as other liabilities by the Corporation's subsidiary Travel Superstore for a consideration of $330, whereas these shares had a carrying amount of $1,935. Subsequent to this transaction, the percentage of the Corporation's interest in this subsidiary increased to 64.6% from 50.1%.

During the three-month period ended July 31, 2008, the Corporation paid €2,502 [$3,994] in additional consideration in connection with the 2007 acquisition of L'Européenne de Tourisme (Amplitude Internationale), and $1,756 in additional goodwill was recognized.

Note 6 INVESTMENTS AND OTHER ASSETS

	As at April 30, 2009 $	As at October 31, 2008 [restated – note 2] $
Investment in Caribbean Investments B.V.	75,824	68,114
Deferred costs, unamortized balance	2,194	2,028
Other investments	616	603
Sundry	599	847
	79,233	71,592

The change in the investment in Caribbean Investments B.V. [« CIBV »] is detailed as follows:

	$
Balance as at October 31, 2008	68,114
Capital contribution	5,211
Share of net income	3,433
Translation adjustment	(934)
Balance as at April 30, 2009	75,824

On December 10, 2007, the Corporation acquired a 35% interest in CIBV, a company operating five hotels in Mexico and the Dominican Republic, for $51,605 [US$51,100] in cash and additional payments potentially totalling US$4,000 contingent on meeting certain specific terms and conditions by 2009. In addition, on April 9, 2008, the Corporation made a $4,150 [US$4,113] capital contribution. The acquisition costs for this transaction amounted to $2,099. This acquisition was recorded using the equity method, and the share of net income of the acquired company has been accounted for as of December 10, 2007. The difference between the Corporation's ownership interest in CIBV and its share of the net assets at the acquisition date amounted to $16,000 and was allocated to imputed goodwill.

The carrying amount of the investment in CIBV as at October 31, 2008 was increased by $9,055 to reflect the translation of this U.S. dollar investment using the effective rate at that date. The consideration for this adjustment was recorded in accumulated other comprehensive income (of which $283 was recorded during the first quarter of 2008 and $2,490 during the second quarter of 2008) and included in shareholders' equity without any impact on net loss for the fiscal year ended October 31, 2008.

Note 7 LONG-TERM DEBT

On December 18, 2008, the Corporation entered into an unsecured subordinated financing agreement with a shareholder of the Corporation for $60,000. The Corporation can draw on the facility until October 31, 2009. This agreement will expire on December 31, 2012, or immediately payable in the event of a change in control. The Corporation can make early repayments on the facility subject to conditions. The agreement bears interest separately for each disbursement at Government of Canada bonds rates that have maturities equal to the remaining term of the agreement, plus a premium determined in part based on certain factors specific to unsecured subordinated financing arrangements. As at April 30, 2009, this credit facility was not drawn.

Subsequent to the restructuring and the principal repayment received in respect of certain investments held in ABCP [note 4], the revolving credit facilities with initial amounts of $9,485 and $98,140 were reduced pursuant to the terms of the agreements. As at April 30, 2009, the new available credit facility balances stood at $9,355 and $91,286 and were fully used.

Note 8 SHARE CAPITAL

A) SHARE CAPITAL

AUTHORIZED

Class A variable voting shares

An unlimited number of Class A Variable Voting Shares ["Class A Shares"], participating, which may be owned or controlled by non-Canadians as defined by the *Canada Transportation Act* ["CTA"], carrying one vote per Class A Share unless (i) the number of issued and outstanding Class A Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any higher percentage that the Governor in Council may specify pursuant to the CTA); or (ii) the total number of votes cast by or on behalf of holders of Class A Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed, the vote attached to each Class A Share will decrease automatically, without further act or formality. Under the circumstance described in subparagraph (i) above, the Class A Shares as a class cannot carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation. Under the circumstance described in subparagraph (ii) above, the Class A Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that can be exercised at the said meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further act on the part of the Corporation or of the holder if: (i) the Class A Share is or becomes owned and controlled by a Canadian as defined by the CTA; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

Class B voting shares

An unlimited number of Class B Voting Shares ["Class B Shares"], participating, which may be owned and controlled by Canadians as defined by the CTA only and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation.

Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further act on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

Preferred shares

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

ISSUED AND OUTSTANDING

The changes affecting the Class A Shares and the Class B Shares were as follows:

	Six months ended April 30, 2009	
	Number of shares	Amount ($)
Balance at beginning of period	32,678,241	154,198
Issued from treasury	84,492	722
Exercise of options	1,642	10
Balance at end of period	32,764,375	154,930

As at April 30, 2009, the number of Class A Shares and Class B Shares amounted to 816,499 and 31,947,876 respectively.

B) OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2008	716,173	22.85
Exercised	(1,642)	6.45
Cancelled	(18,967)	25.79
Balance as at April 30, 2009	695,564	22.81
Options exercisable as at April 30, 2009	403,973	20.27

C) CONTRIBUTED SURPLUS

	Quarters ended April 30		Six months ended April 30	
	2009 $	2008 $	2009 $	2008 $
Balance at beginning of period	5,084	2,189	4,619	1,871
Compensation expense related to stock option plan	467	567	932	1,134
Options exercised	—	(15)	—	(264)
Balance as at April 30, 2009	5,551	2,741	5,551	2,741

D) EARNINGS PER SHARE

Earnings per share and the diluted earnings per share were computed as follows:

	Quarters ended April 30		Six months ended April 30	
(in thousands of dollars, except per share amounts)	2009 $	2008 [restated – note 2] $	2009 $	2008 [restated – note 2] $
Numerator				
Income attributable to voting shareholders	42,186	41,721	12,750	33,870
Interest on debentures that may be settled in voting shares	32	32	64	64
Income used to calculate diluted earnings per share	42,218	41,753	12,814	33,934
Denominator				
Weighted average number of outstanding shares	32,740	33,279	32,718	33,461
Debenture that may be settled in voting shares	356	129	338	105
Stock options	23	99	25	145
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	33,119	33,507	33,081	33,711
Earnings per share				
Basic	1.29	1.25	0.39	1.01
Diluted	1.27	1.25	0.39	1.01

In computing diluted earnings per share for the three-month and six-month period ended April 30 2009, 633,422 stock options were excluded from the computation because the exercise price on these options exceeded the average price of the Corporation's shares for the respective periods (149,798 and 137,222 stock options for the three-month and six-month periods ended on April 30, 2008 respectively).

Note 9 ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the accumulated other comprehensive income were as follows for the three- and six-month periods ended April 30, 2009:

	Cash flow hedges $	Cumulative translation adjustment $	Accumulated other comprhensive income $
Accumulated other comprehensive income			
Balance as at October 31, 2008, as previously reported	73,258	615	73,873
Changes in accounting policies *[note 2]*	(779)	(26)	(805)
Adjustment *[note 6]*	—	9,055	9,055
Balance as at October 31, 2008	72,479	9,644	82,123
Change during the period	(21,907)	(3,901)	(25,808)
Balance as at January 31, 2009	50,572	5,743	56,315
Change during the period	(35,103)	(2,704)	(37,807)
Balance as at April 30, 2009	15,469	3,039	18,508

Changes in the accumulated other comprehensive income were as follows for the three- and six-month periods ended April 30, 2008:

	Cash flow hedges $	Cumulative translation adjustment $	Accumulated other comprhensive income $
Accumulated other comprehensive income			
Balance as at October 31, 2007, as previously reported	(59,392)	(7,109)	(66,501)
Change in accounting policy *[note 2]*	—	40	40
Balance as at October 31, 2007	(59,392)	(7,069)	(66,461)
Change during the period	42,424	6,386	48,810
Balance as at January 31, 2008	(16,968)	(683)	(17,651)
Change during the period	8,434	2,496	10,930
Balance as at April 30, 2008	(8,534)	1,813	(6,721)

Note 10 SEGMENTED INFORMATION

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the consolidated statements of income include all the required information. With respect to geographic areas, the Corporation operates mainly in the Americas and in Europe.

	Quarters ended April 30, 2009			Six months ended April 30, 2009		
	Americas $	Europe $	Total $	Americas $	Europe $	Total $
Revenues	914 210	214 867	1 129 077	1 653 636	352 695	2 006 331
Operating expenses	875 375	214 572	1 089 947	1 613 468	362 231	1 975 699
	38 835	295	39 130	40 168	(9 536)	30 632
Property, plant and equipment, goodwill and other intangible assets [1]				177 334	126 638	303 972

	Quarters ended April 30, 2008			Six months ended April 30, 2008		
	Americas $	Europe $	Total [restated – note 2 $	Americas $	Europe $	Total [restated – note 2] $
Revenues	884,844	190,314	1,075,158	1,560,186	302,361	1,862,547
Operating expenses	820,188	184,255	1,004,443	1,468,934	303,624	1,772,558
	64,656	6,059	70,715	91,252	(1,263)	89,989
Property, plant and equipment, goodwill and other intangible assets [2]				192,231	130,866	323,097

[1] As at April 30, 2009
[2] As at October 31, 2008

Note 11 GUARANTEES

In the normal course of business, the Corporation has entered into agreements that contain features which meet the definition of a guarantee. These agreements provide for indemnification and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit, and security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 4, 11, 12, 13 and 21 to the 2008 audited consolidated financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases mature at various dates until 2034. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance protecting them for the obligations undertaken.

IRREVOCABLE LETTERS OF CREDIT

The Corporation has entered into irrevocable letters of credit guarantees with some of its suppliers. The Corporation guarantees the payment of certain rendered services that it has undertaken to pay for. These agreements typically cover a one year period and are renewed annually.

The corporation has also issued letters of credit to provincial regulatory agencies guaranteeing amounts to the Corporation's clients for the performance of its obligations. The amount guaranteed totals $434 as at April 30, 2009. Historically, the Corporation has not made any significant payments under such letters of credit.

SECURITY CONTRACTS

The Corporation has entered into security contracts whereby it has guaranteed a prescribed amount to its clients at the request of regulatory agencies for the performance of the obligations given in mandates by its clients during the term of the licenses granted to the Corporation for its travel agent and wholesaler activities in the province of Quebec. These agreements typically cover a one-year period and are renewed annually. The amount guaranteed totals $790 as at April 30, 2009. Historically, the Corporation has not made any significant payments under such agreements. As at April 30, 2009, no amounts have been accrued with respect to the above-mentioned agreements.

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