



ROAD BUMP: SUDDEN CURRENCY MOVE HURTS WINTER RESULTS

MARGIN IMPROVEMENT PLAN ON TRACK

TRANSAT'S INVESTORS PRESENTATION
MARCH 2014



FORWARD-LOOKING STATEMENTS

THIS PRESENTATION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITH RESPECT TO THE CORPORATION. THESE FORWARD-LOOKING STATEMENTS, BY THEIR NATURE, NECESSARILY INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY THESE FORWARD-LOOKING STATEMENTS. WE CONSIDER THE ASSUMPTIONS ON WHICH THESE FORWARD-LOOKING STATEMENTS ARE BASED TO BE REASONABLE, BUT CAUTION THE READER THAT THESE ASSUMPTIONS REGARDING FUTURE EVENTS, MANY OF WHICH ARE BEYOND OUR CONTROL, MAY ULTIMATELY PROVE TO BE INCORRECT SINCE THEY ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT AFFECT US. THE CORPORATION DISCLAIMS ANY INTENTION OR OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, OTHER THAN AS REQUIRED BY LAW.



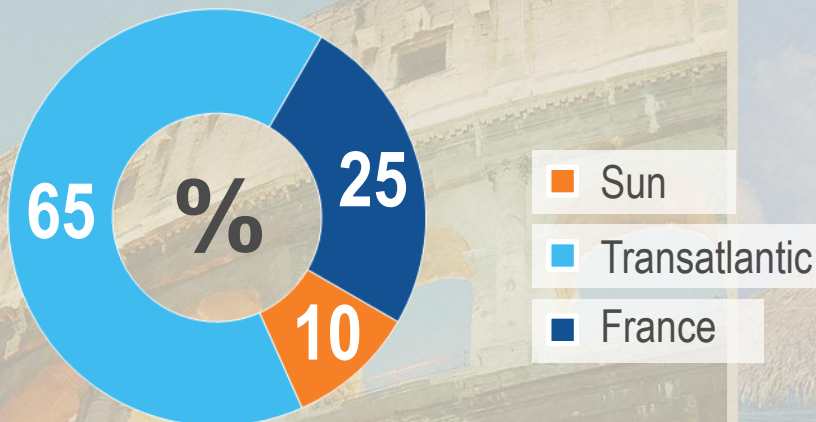
AGENDA

1. TRANSAT MARKET
2. CAD DEPRECIATION
3. KEY FINANCIAL RESULTS
 - WINTER 2014
 - SUMMER 2014
4. FINANCIAL POSITION
5. COST REDUCTION AND MARGIN IMPROVEMENT INITIATIVES
6. FLEET STRATEGY
7. STRUCTURE AND ORGANIZATION
8. UP-SELLING STRATEGY
9. ROAD MAP FOR 2014 AND 2015

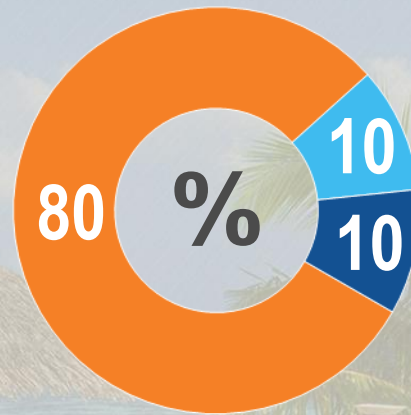


TWO SEASONS, THREE MARKETS

May–October



November–April



CAD DEPRECIATION

USD/CAD HISTORICAL LINE CHART



KEY FINANCIAL RESULTS



FIRST QUARTER 2014

HIGHLIGHTS (vs. 2013)

- **Prevented from improving our results by drop in value of CAD (-\$14M YOY)**

- **Sun destinations**
 - Capacity increased by 3%
 - Price up by 3.5% (vs. 5%⁽¹⁾)
 - Load factor down by 1% (vs. 2%⁽¹⁾)
 - FX impact of 2.7% (vs. 1.8%⁽¹⁾)

- **Transatlantic and France markets**
 - Similar results to previous year

1) As of December 12, 2013

<i>(in thousands of C\$)</i>	1 st quarter ended January 31			
	2014	2013	2014 vs. 2013	
	Actual	Actual	\$	%
REVENUES	847,222	805,714	41,508	5.2%
EBITDAR ⁽¹⁾	(4,642)	(598)	(4,044)	-676.3
EBITDA ⁽¹⁾	(23,812)	(21,017)	(2,795)	-13.3
As % of revenues	-2.8%	-2.6%		
Ajusted net income (loss) ⁽²⁾	(23,288)	(21,564)	(1,724)	-8.0%
As % of revenues	-2.7%	-2.7%		
Per share	(0.60)	(0.56)		
Net income (loss) as per F/S	(25,649)	(15,737)	(10,512)	-69.4%

1) Before restructuring charge

2) Net income (loss) excluding change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain on investments in ABCP, goodwill impairment and restructuring charge

KEY FINANCIAL RESULTS



ANTICIPATED IMPACT OF CURRENCY ON COSTS YEAR-OVER-YEAR

	Sun destinations		
	Q1	Q2	Winter
Average selling price :	\$1,300	\$1,300	\$1,300
% in foreign currency (USD)	65%	65%	65%
As of December 12, 2013			
2014 average rate	1.0250	1.0300	1.0275
2013 average rate	1.0000	1.0000	1.0000
FX Impact	\$21	\$25	\$25
	1.6%	1.8%	1.8%
As of March 13, 2014			
2014 average rate	1.0400	1.0500	1.0450
2013 average rate	1.0000	1.0000	1.0000
FX Impact	\$34	\$42	\$38
	2.7%	3.4%	2.9%

KEY FINANCIAL RESULTS



CHANGE IN OUTLOOK FOR SECOND QUARTER 2014

	As of December 12, 2013	As of March 13, 2014	Between
Price	5.0%	4.0%	(1.0%)
% Load Factor	(2.0%)	(2.0%)	0.0%
Impact before FX	+3.0%	+2.0%	(1.0%)
FX Impact	(1.8%)	(3.4%)	(1.6%)
Net Impact	+1.2%	(1.4%)	(2.6%)

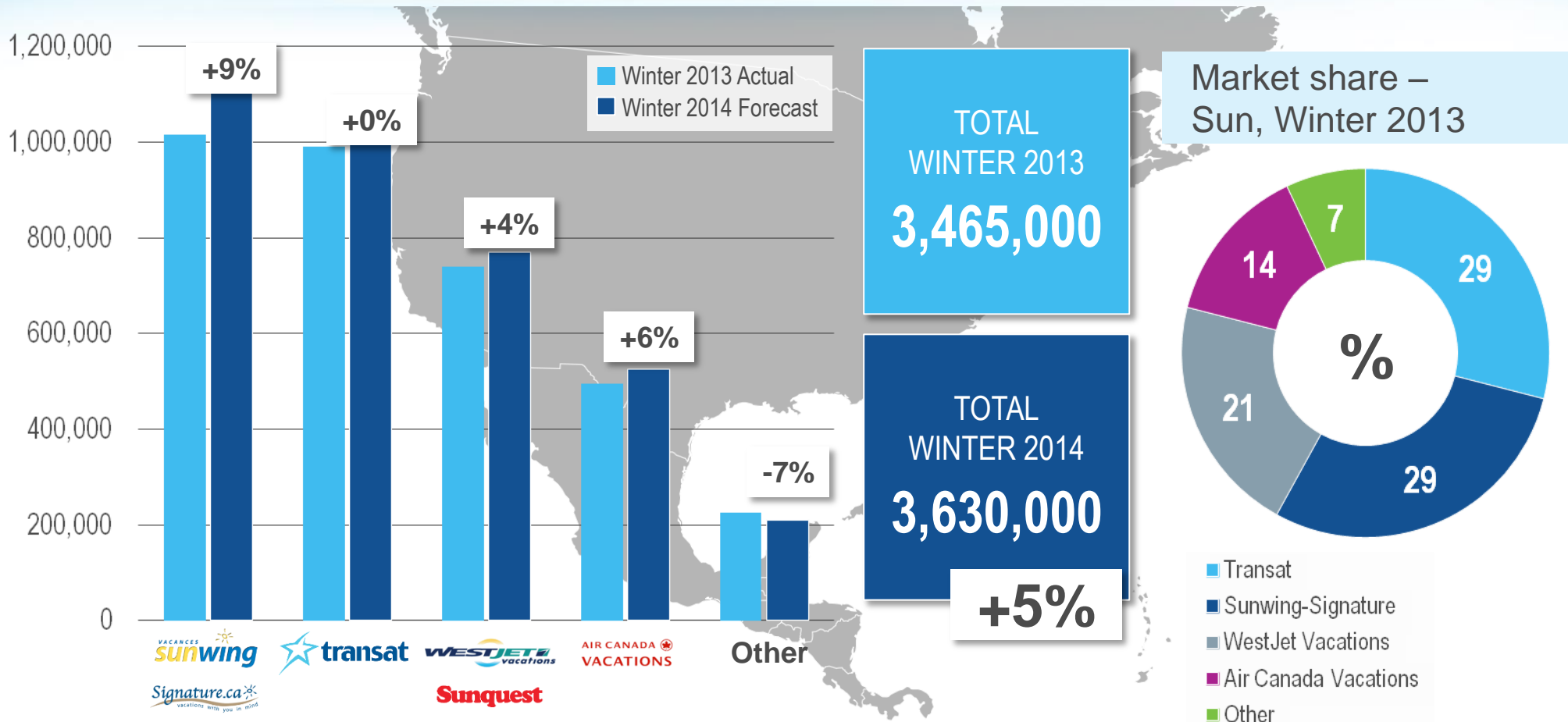
KEY FINANCIAL RESULTS

IMPACT ON ADJUSTED EBITDA



	Q1	Q2	Winter
Adjusted EBITDA 2013	(21M)	3M	(18M)
Δ FOREIGN CURRENCY (USD)	(14M)	(28M)	(42M)
Adjusted EBITDA incl. currency impact	(35M)	(25M)	(60M)
Yield management (price and load factor)	+11M		
Adjusted EBITDA 2014	(24M)		

SUN DESTINATIONS MARKET: CAPACITY AND MARKET SHARE



KEY FINANCIAL RESULTS

SECOND QUARTER 2014 (AS OF MARCH 13, 2014)



□ Sun destinations

- Capacity down by 2%
- 70% of inventory sold
- Load factor down by 2%
- Prices up by 4%
- Persistent last-minute booking trend

□ Transatlantic and France

- Similar to previous year

□ Currency Exposure

- Depreciation of CAD against USD have an impact on our costs (3.4% as of March 13)
- 65% of our costs on a sun destination package are in USD (35% of our consolidated winter operating expenses)

<i>(in thousands of C\$)</i>	2 nd quarter ended April 30			
	2014	2013	2012	Avg. 2004-2008
	Outlook	Actual	Actual	Actual
REVENUES		1,106,824	1,212,426	840,659
EBITDAR ⁽¹⁾		23,286	(4,637)	82,308
EBITDA ⁽¹⁾		2,730	(26,226)	69,320
As % of revenues		0.2%	-2.2%	4.7%
EBIT ⁽¹⁾		(6,210)	(36,320)	59,368
Adjusted net income ⁽²⁾		(1,432)	(24,536)	41,969
As % of revenues		-0.1%	-2.0%	2.8%
Per share		(0.04)	(0.64)	1.14
Net income (loss) as per F/S		(22,760)	(13,199)	44,264

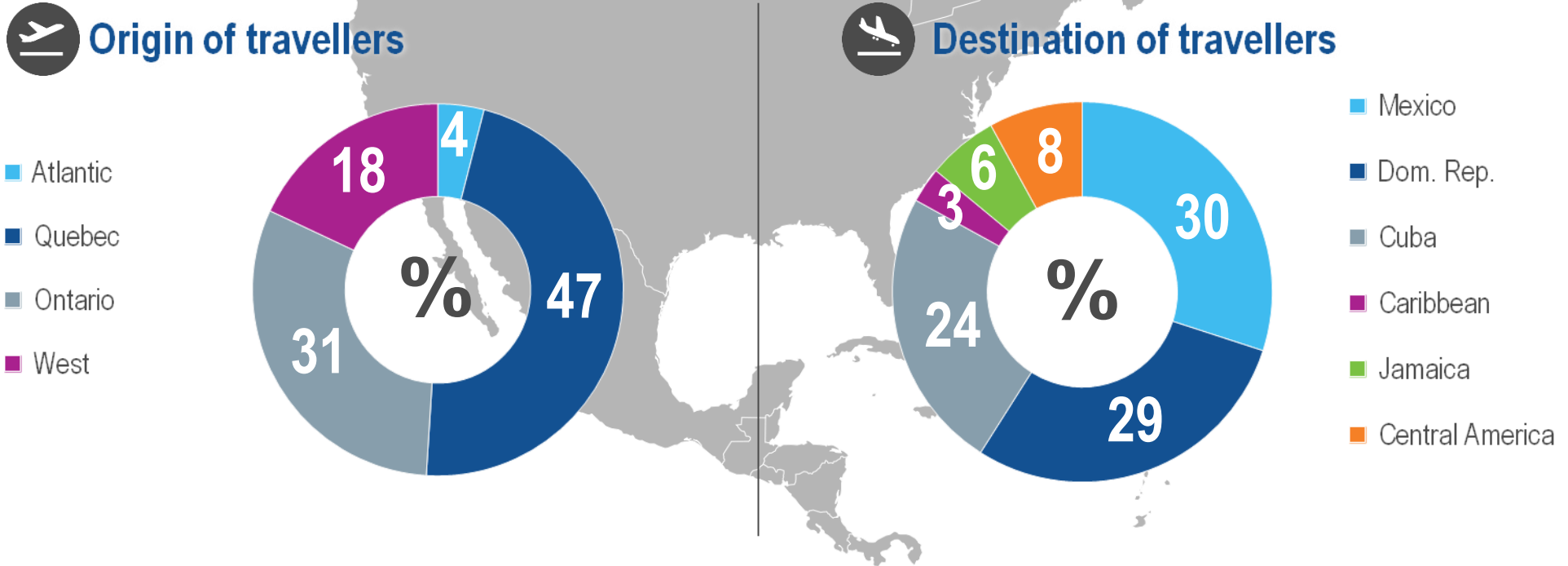
1) Before restructuring charge

2) Net income (loss) excluding change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain on investments in ABCP, goodwill impairment and restructuring charge

SUN DESTINATIONS OUTBOUND FROM CANADA

Winter 2013: 990,000 travellers

(excluding Florida)



A DISTINCTIVE EXPERIENCE



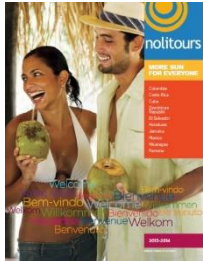
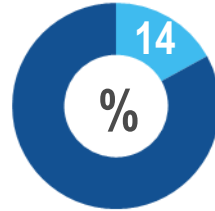
Exclusive hotels



TRANSAT HOLIDAYS

- Meals and discovery with all the comforts
- 30 exclusive hotels

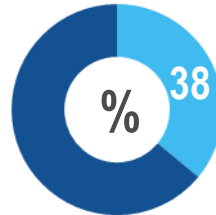
EXCLUSIVE HOTELS



NOLITOURS

- Exciting packages at unbeatable prices
- 37 exclusive hotels

ROOM NIGHTS

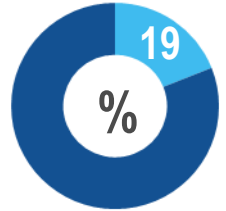


Transat Collections



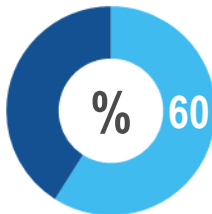
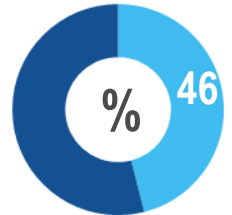
DISTINCTION
24 clubs in 2013,
26 in 2014

VOLUME



LUXURY
12 clubs in 2013,
15 in 2014

MARGIN



60% OF ROOM NIGHTS WITH TRANSAT HOLIDAYS AND NOLITOURS ARE SOLD IN EXCLUSIVE HOTELS OR THROUGH OUR COLLECTIONS

KEY FINANCIAL RESULTS



ANTICIPATED IMPACT OF CURRENCY ON COSTS YEAR-OVER-YEAR

	Transatlantic		
	Q3	Q4	Summer
Average selling price :	\$1,000	\$1,000	\$1,000
% in foreign currency (USD, EUR, GBP)	55%	55%	55%
As of December 12, 2013			
2014 average rate	1.0600 / 1.4400 / 1.7100	1.0650 / 1.4500 / 1.7150	1.0625 / 1.4450 / 1.7125
2013 average rate	1.0150 / 1.3300 / 1.5700	1.0200 / 1.3500 / 1.5800	1.0175 / 1.3400 / 1.5750
FX Impact	\$36	\$35	\$36
	3.6%	3.5%	3.6%
As of March 13, 2014			
2014 average rate	1.1000 / 1.4700 / 1.7600	1.1050 / 1.5200 / 1.7750	1.1025 / 1.4950 / 1.7675
2013 average rate	1.0150 / 1.3300 / 1.5700	1.0200 / 1.3500 / 1.5800	1.0175 / 1.3400 / 1.5750
FX Impact	\$57	\$62	\$59
	5.7%	6.1%	6.0%

KEY FINANCIAL RESULTS

IMPACT ON ADJUSTED EBITDA

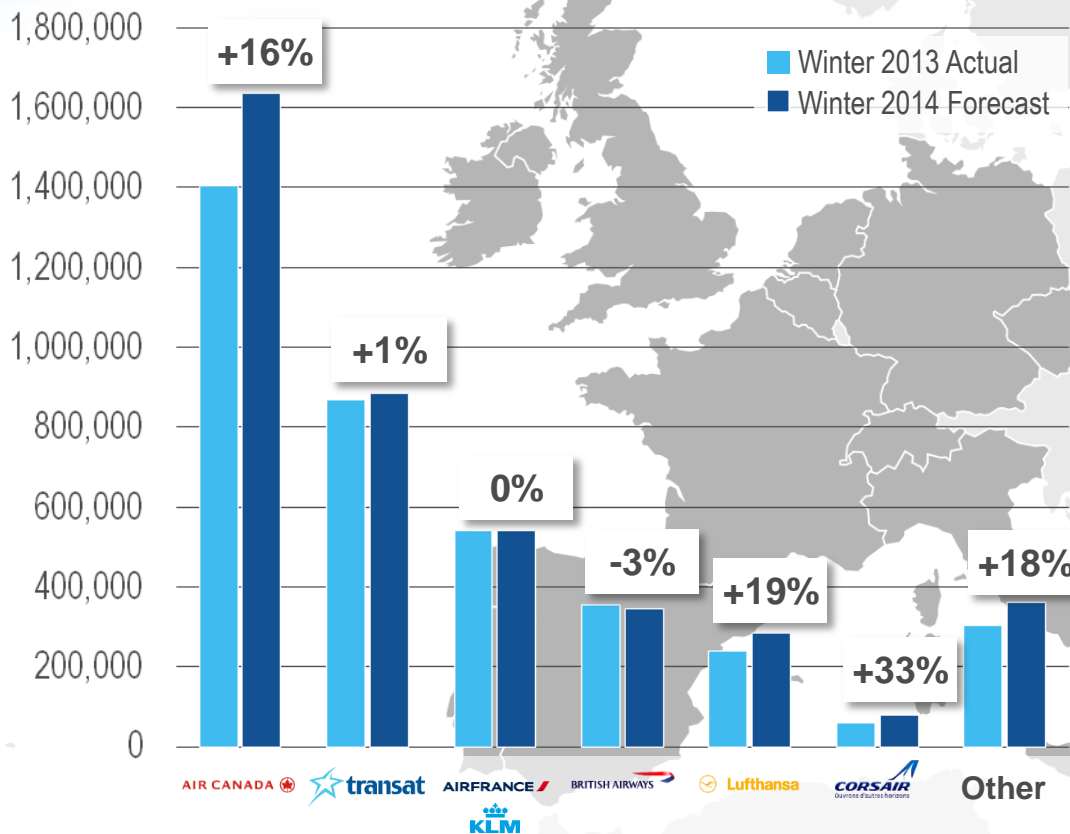


	Q3	Q4	Summer
Adjusted EBITDA 2013	54M	81M	135M
Δ FOREIGN CURRENCY (USD, EUR AND GBP)	(28M)	(29M)	(57M)
Adjusted EBITDA incl. currency impact	26M	52M	78M
Yield management (price and load factor)			
Adjusted EBITDA 2014			

TRANSATLANTIC MARKET: CAPACITY AND MARKET SHARE



(Transat Markets)

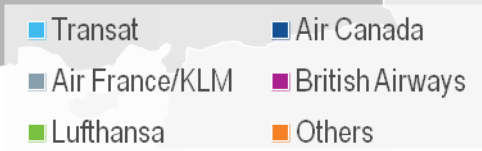
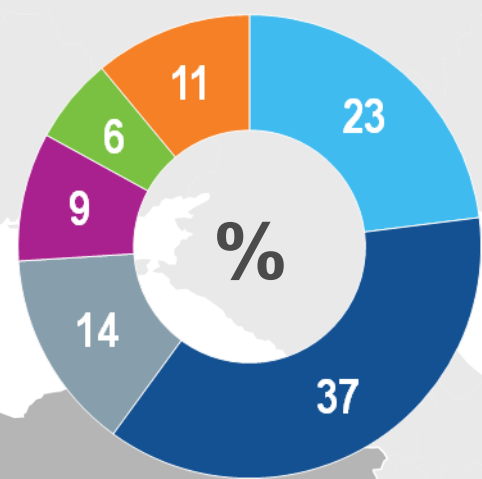


TOTAL
SUMMER 2013
3,465,000

TOTAL
SUMMER 2014
4,130,000

+9%

Market share –
Transatlantic,
Summer 2013



KEY FINANCIAL RESULTS

SUMMER 2014 (AS OF MARCH 13, 2014)



▣ Too early to make forecast

▣ Transatlantic

- Capacity up by 1%
- 27% of inventory sold
- Load factor similar
- Prices up by 5%

▣ Currency Exposure

- Depreciation of CAD against other currencies will have an impact on our costs
- 55% of our costs on a flight to Europe are in foreign currency (USD, EUR, GBP) (30% of our consolidated summer operating expenses)

	Summer season ended October 31			
	2014	2013	2012	Avg. 2009-2013
	Outlook	Actual	Actual	Actual
(in thousands of C\$)				
REVENUES		1,735,620	1,672,497	1,667,991
EBITDAR ⁽¹⁾		175,228	121,910	124,664
EBITDA ⁽¹⁾		134,933	75,020	87,992
As % of revenues		7.8%	4.5%	3.3%
Adjusted net income ⁽²⁾		85,563	39,205	47,410
As % of revenues		4.9%	2.3%	1.8%
Per share		2.22	1.03	1.25
Net income (loss) as per F/S		95,852	26,019	47,378

1) Before restructuring charge

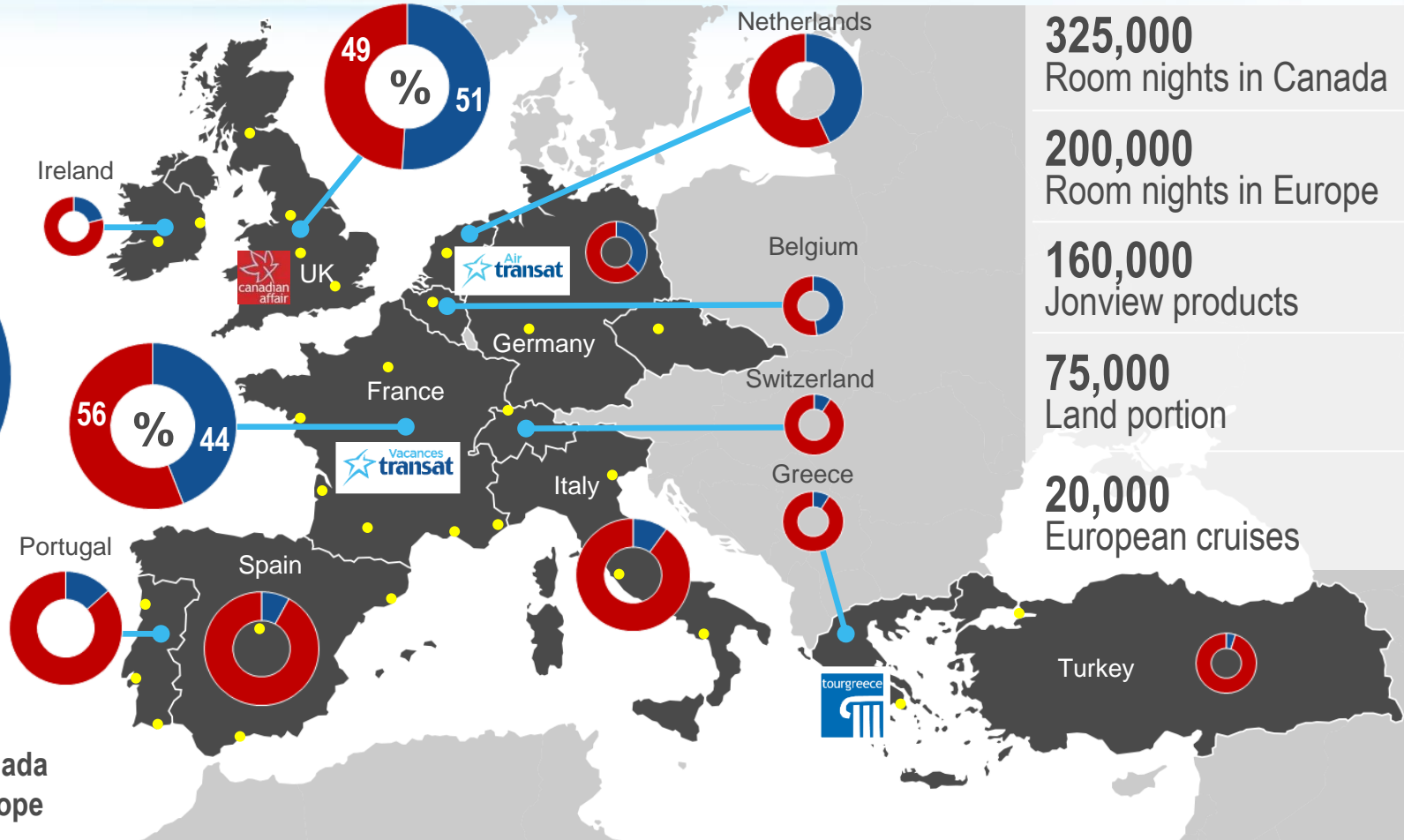
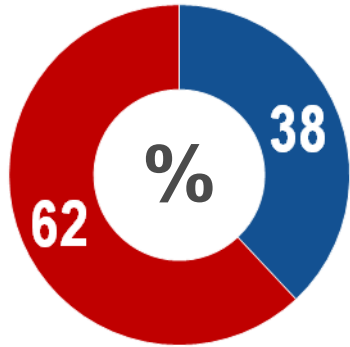
2) Net income (loss) excluding change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain on investments in ABCP, goodwill impairment and restructuring charge

TRANSATLANTIC MARKET, SUMMER 2013



(Transat Markets)

Total sales:
870,000 seats



325,000
Room nights in Canada

200,000
Room nights in Europe

160,000
Jonview products

75,000
Land portion

20,000
European cruises

■ Sales made in Canada
■ Sales made in Europe

FINANCIAL POSITION

AS OF JANUARY 31, 2014



HIGHLIGHTS

Free Cash – Variation of \$112M YoY:

- Higher payables (+\$70M), including variable compensations paid in February 2014 and higher payables related to aircraft/engine maintenance

Unused credit facilities of \$65M

Commitment on aircraft leases

- No change during the quarter (Payments made compensated by USD appreciation)

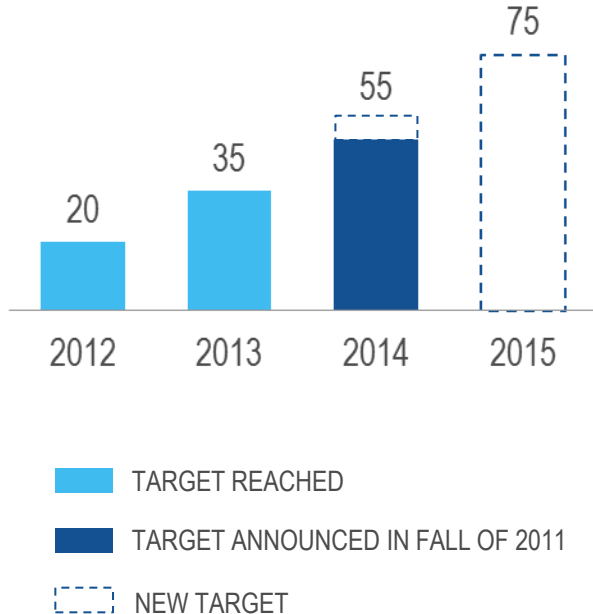
2014 CAPEX: \$60M

<i>(in thousands of C\$, except ratios)</i>	As at			
	Jan. 31, 2014	Jan. 31, 2013	2014 vs. 2013	
	Actual	Actual	\$	%
Free cash	359,596	247,877	111,719	45.1%
Cash in trust or otherwise reserved	418,504	407,153	11,351	2.8%
Trade and other payables	421,172	351,866	69,306	19.7%
Customer deposits	621,618	591,969	29,649	5.0%
Working capital ratio	1.07	1.02	0.05	5.1%
Balance sheet debt	0	0	0	0.0%
Commitments on aircraft leases	657,020	531,629	125,391	23.6%
Net investment (H10 hotels)	74,579	64,011	10,568	16.5%
Capital expenditures (TTM)	54,463	62,204	(7,741)	-12.4%
Free cash Flow (TTM)	104,940	(42,696)	147,636	345.8%

COST REDUCTION AND MARGIN IMPROVEMENT INITIATIVES



TARGETS



2012: Achieved targeted cost reductions of \$20M, mainly through reductions in headcount and general expenses.

2013: Achieved targeted cost reductions of \$15M, stemming in part from new operational processes at Air Transat, including the removal of one FA on A330s.

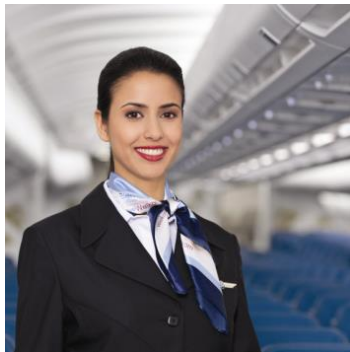
2014: Plan in place to deliver additional improvement of \$20M to come from several initiatives, including the internalization of narrow-body aircraft (from summer 2014) and the first phase of a more flexible wide-body fleet more easily adaptable to demand.

2015: The full impact of the internalization of the narrow-body fleet, as well as that of the changes made to the wide-body fleet, will be fully felt on the 12-month period and will generate another \$20M.

2012-2015: Cumulative impact of \$75M

2015-2017: Additional cost reductions

AIR TRANSAT FLEET STRATEGY



WIDE-BODY	W13	S13	W14	S14	W15	S15
Air Transat Base Fleet	21	21	21	21	21	21
Less: Temporarily withdrawn ⁽¹⁾	-	-	(4)	-	(6)	-
Less: Sub-Lease	(1)	-	(1)	-	(1)	-
Total	20	21	16	21	14	21

1) As announced in July, we signed an agreement for the renewal of six A330 with improved terms that will enable us to achieve our objective of reducing costs in a more advantageous way than the seasonal subcontracting arrangement originally envisioned

NARROW-BODY	W13	S13	W14	S14	W15	S15
Air Transat Base Fleet ⁽²⁾	-	-	-	5	5	5
Plus: CanJet	11	5	11	-	-	-
Plus: Seasonal Lease ⁽³⁾	-	-	1	-	10	-
Total	11	5	12	5	15	5

2) Already secured 4 narrow-body starting in Summer 2014 with ILFC and 1 with Canjet (Air Transat operated by Canjet)

3) Already secured 6 of 10 seasonal narrow-body aircraft starting in winter 2015 (with one additional aircraft for the subsequent year until 2019)

STRUCTURE AND ORGANIZATION

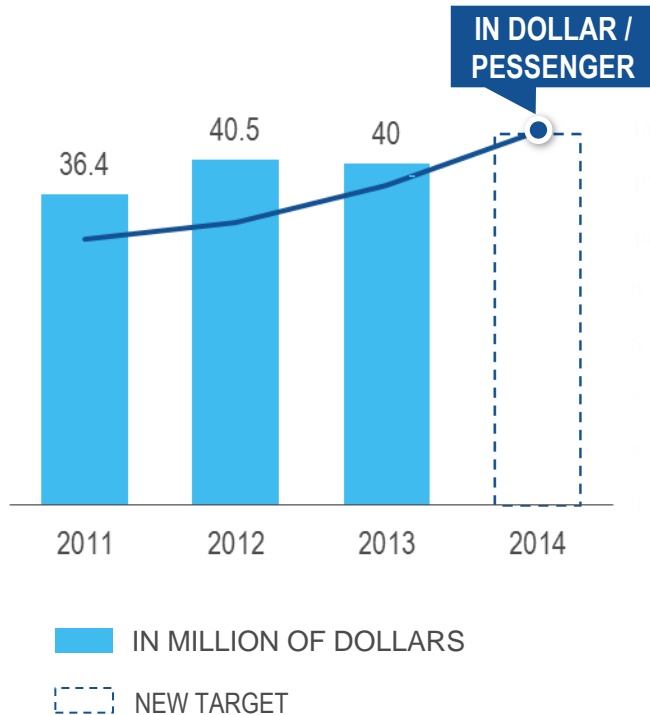


- ▣ Simplified structure in Canada
- ▣ Transat Discoveries and Vacances Tours Mont-Royal now under Transat Tours Canada
- ▣ Formal legal merger completed in France

AIR TRANSAT UP-SELLING STRATEGY



ANCILLARY REVENUES



- ▣ Revised terms and conditions: more flexibility for a fee (2012)
- ▣ New cabin configuration contributed to an increase in the selling price of Club seats
- ▣ New search engine for selling tours on airtransat.ca
- ▣ Core business ancillary revenues: more than \$40M/year
 - Seat selection
 - Option Flex introduced in winter 2013
 - Option Plus (premium eco)
 - Excess baggage, onboard sales, etc.
- ▣ Selling accommodation: Air Transat site connected to bed banks Expedia and HotelBeds
- ▣ Coming in Q2 2014: variable airfares on Air Transat

▣ Creating Shareholder Value

- Sharp fall of Canadian currency hurt profitability as abrupt price increases could not be implemented in a highly competitive, sizable market, especially given its timing. But, as history has shown, the market will quickly integrate and absorb higher prices and offset the variation on costs
- On target with our 2011-2015 turnaround plan
- Significant cost savings from internalization of narrow-body and renewed wide-body leases to kick in 2014, with full effect in 2015
- In the process of developing 2015-2017 strategic plan, including objectives for further cost reduction and margin improvement.
- Winter margin: we expect continued improvement, driven by lower operational cost, enhanced yield management, impact of new IT systems, and strength of brand.
- Summer margin: in light of increased market capacity, we aim at protecting our margin, including through managed capacity and routes adjustments and the leveraging of newly gained flexibility on the wide-body side.

ANNEX: WINTER FINANCIAL RESULTS

(5-YEAR HISTORICAL)



<i>(in thousands of C\$)</i>	Winter				
	2013	2012	2011	2010	2009
REVENUES	1,912,538	2,041,722	1,911,263	1,852,948	2,006,331
EBITDAR⁽¹⁾	22,688	(16,594)	26,440	23,386	57,554
EBITDA⁽¹⁾	(18,287)	(58,065)	(5,470)	(4,211)	30,632
As % of revenues	-1.0%	-2.8%	-0.3%	-0.2%	1.5%
Adjusted net income (loss)⁽²⁾	(22,996)	(54,477)	(20,084)	(20,892)	8,875
As % of revenues	-1.2%	-2.7%	-1.1%	-1.1%	0.4%
Net income (loss) as per F/S	(37,897)	(42,688)	(4,853)	(7,674)	12,750
Adjustments net of tax :	(14,901)	11,789	15,231	13,218	3,875
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(16,440)	6,025	11,993	10,318	8,916
Non-monetary gain on investments in ABCP	-	8,032	6,637	5,394	(1,407)
Gain on disposal of a subsidiary	-	-	-	-	-
Goodwill impairment	-	-	-	-	-
Restructuring (Charge) / Gain	(3,915)	-	-	960	-
Tax Impact	5,454	(2,268)	(3,399)	(3,454)	(3,634)

1) Before restructuring charge

2) Net income (loss) excluding change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain on investments in ABCP, goodwill impairment and restructuring charge

ANNEX: SUMMER FINANCIAL RESULTS

(5-YEAR HISTORICAL)



<i>(in thousands of C\$)</i>	Summer				
	2013	2012	2011	2010	2009
REVENUES	1,735,620	1,672,497	1,746,901	1,645,929	1,539,010
EBITDAR⁽¹⁾	175,228	121,910	78,907	157,145	90,128
EBITDA⁽¹⁾	134,933	75,020	41,967	131,793	62,763
As % of revenues	7.8%	4.5%	2.4%	8.0%	4.1%
Adjusted net income ⁽²⁾	85,563	39,205	12,880	74,554	24,848
As % of revenues	4.9%	2.3%	0.7%	4.5%	1.6%
Net income (loss) as per F/S	95,852	26,019	(7,360)	73,281	49,097
Adjustments net of tax :	10,289	(13,186)	(20,240)	(1,273)	24,249
Change in fair value of derivative financial instruments used for aircraft fuel purchases	15,947	(5,324)	(13,271)	(977)	59,351
Non-monetary gain on investments in ABCP	-	(96)	1,476	(746)	(5,545)
Gain on disposal of a subsidiary	-	5,655	-	-	-
Goodwill impairment	-	(15,000)	(10,030)	-	(11,967)
Restructuring (Charge) / Gain	(1,825)	-	(6,513)	197	-
Tax Impact	(3,833)	1,579	8,098	252	(17,590)

1) Before restructuring charge

2) Net income (loss) excluding change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain on investments in ABCP, goodwill impairment and restructuring charge

ANNEX: ANNUAL FINANCIAL RESULTS

(5-YEAR HISTORICAL)



<i>(in thousands of C\$)</i>	Annual				
	2013	2012	2011	2010	2009
REVENUES	3,648,158	3,714,219	3,568,164	3,498,877	3,545,341
EBITDAR⁽¹⁾	197,916	105,316	105,347	180,531	147,682
EBITDA⁽¹⁾	116,646	16,955	36,497	127,582	93,395
As % of revenues	3.2%	0.5%	1.0%	3.6%	2.6%
Adjusted net income (loss)⁽²⁾	62,567	(15,272)	(7,204)	56,662	33,723
As % of revenues	1.7%	-0.4%	-0.2%	1.5%	1.0%
Net income (loss) as per F/S	57,955	(16,669)	(12,213)	65,607	61,847
Adjustments net of tax :	(4,612)	(1,397)	(5,099)	11,945	28,124
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(493)	701	(1,278)	9,341	68,267
Non-monetary gain on investments in ABCP	-	7,936	8,113	4,648	(6,952)
Gain on disposal of a subsidiary	-	5,655	-	-	-
Goodwill impairment	-	(15,000)	(10,030)	-	(11,967)
Restructuring (Charge) / Gain	(5,740)	-	(6,513)	1,157	-
Tax Impact	1,621	(689)	4,699	(3,202)	(21,224)

1) Before restructuring charge

2) Net income (loss) excluding change in fair value of derivative financial instruments used for aircraft fuel purchases, non-monetary gain on investments in ABCP, goodwill impairment and restructuring charge

ANNEX: FINANCIAL POSITION

(5-YEAR HISTORICAL)



<i>(in thousands of C\$)</i>	As at April 30					As at October 31				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Free cash + ABCP investment (<i>fair value</i>)	336,148	349,457	356,431	281,340	320,612	265,818	198,525	260,327	252,973	251,953
Cash in trust or otherwise reserved	296,747	289,806	337,487	315,966	250,642	361,743	331,172	323,314	320,428	244,250
Trade and other payables	372,094	366,742	333,477	306,241	288,900	326,687	308,069	355,246	300,355	266,445
Customer deposits	514,674	464,722	464,660	422,184	365,080	410,340	382,823	331,280	313,695	251,018
Working capital ratio	0.98	0.93	1.03	1.01	0.99	1.10	1.00	1.02	1.10	1.06
Balance sheet debt	0	0	6,867	55,332	145,491	0	0	0	29,059	110,840
Commitment on aircraft leases	508,961	595,755	618,752	397,462	390,678	768,297	557,133	653,663	643,750	396,433
Net investment (H10 hotels)	68,300	62,651	58,665	64,307	75,824	70,041	64,189	60,612	61,239	66,347
Capital expenditures (TTM)	61,562	57,265	44,424	23,336	51,718	55,457	67,491	54,194	26,122	28,900
Free cash flow (TTM)	(5,779)	389	116,016	8,949	(194)	67,582	(55,768)	32,282	93,009	16,334



ROAD BUMP: SUDDEN
CURRENCY MOVE HURTS
WINTER MARGIN IMPROVEMENT
PLAN ON TRACK

THANK YOU!

