

# HOW WE MEET OUR COMMITMENTS



March 18, 2008

20 years  
What a world!



## 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

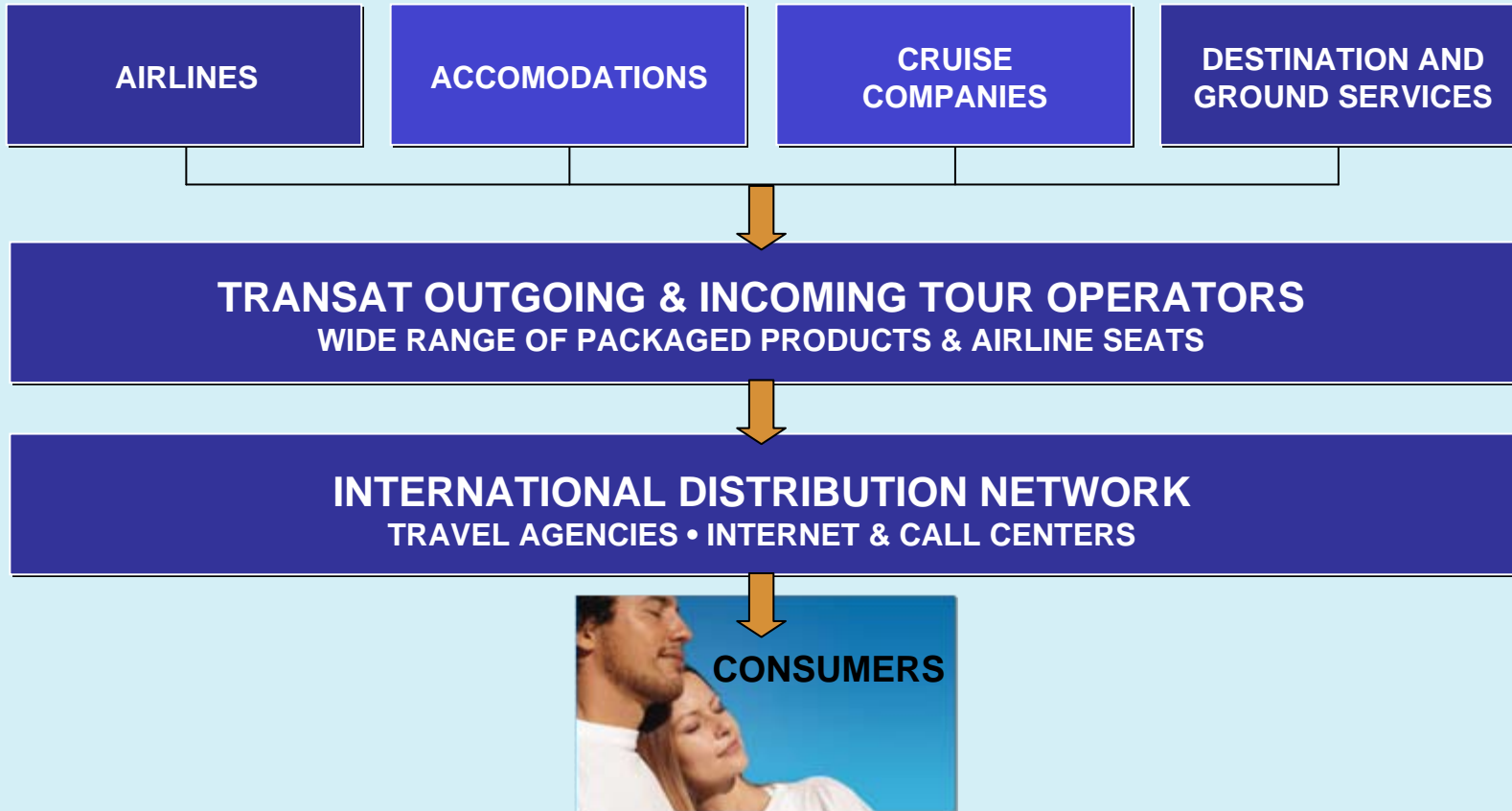
- Transat Overview
- Market and Industry Highlights
- Financial Review and Cash Situation
- Strategic Plan & Recent Developments





# Transat A.T. Inc.

A vertically-integrated, international holiday travel specialist





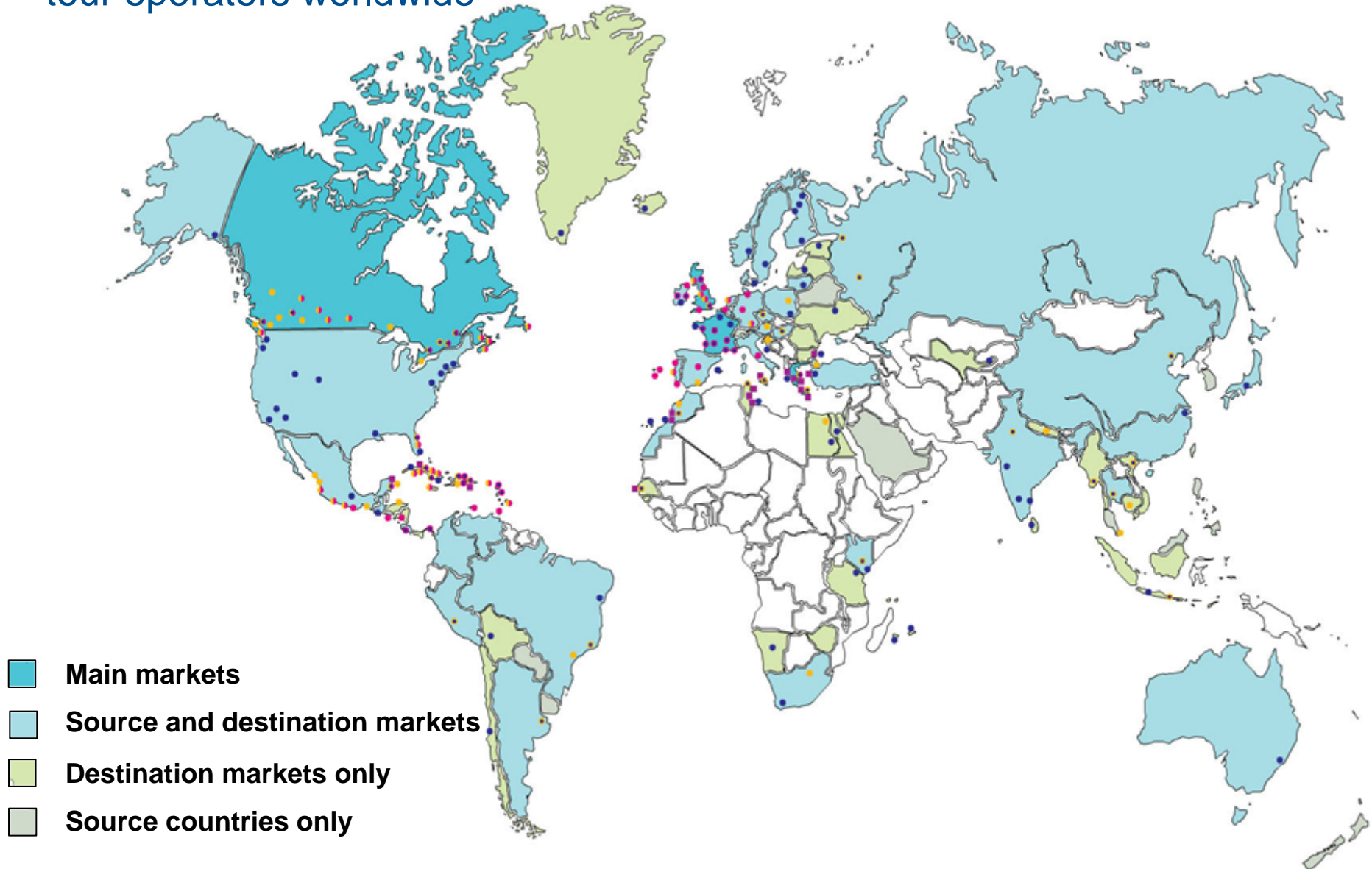
## Core business: Outgoing Tour Operator

- We offer packages, tours and cruises by assembling services bought from thousands of suppliers
- In more than 60 destination countries from Canada, France, United Kingdom (and other countries)
- To nearly 2 million clients/year
- Canada: largest player/portfolio to Sun & European destinations



# Transat A.T. Inc.

One of the largest integrated international tour operators worldwide





## Incoming TOs and Destination Services

- Largest incoming tour operator in Canada with 250,000 travellers from abroad (2007)
- Key player in Greece with 68,000 travellers
- Sells packages in more than 50 countries (to Canada and/or Greece)
- Presence in Dominican Republic, Mexico and Florida







## Air Travel

- Air Transat (wholly-owned)
  - Largest international charter carrier in Canada
  - Solid performance (on-time, reliability, customer service)
- Agreement with WestJet (from Canada)
  - Renewed to 2010 (min. 200,000 seats/year)
- Other agreements/other carriers
  - Agreement with Sunquest for 3 years in Canada
  - Agreements with Thomas Cook Airlines (UK) and others from France and Canada
  - Seats purchased from more than 50 carriers







## Accommodation and Cruises

- Agreements with more than 1,000 hotels worldwide
- 35% equity ownership in 5 hotels located in Mexico and the Dominican Republic
- 25 all-inclusive Clubs Lookéa in 16 countries 2007, Lookéa cruise on the Nile...
- Comprehensive portfolio of cruises all over the world





## Distribution

- Multi-channel distribution in Canada, France, UK
  - Travel agencies (corporate, franchised, independent)
  - Web sites and call centers (B2C, B2B)
  - Network of partners and GSAs in Europe
- 410+ travel agencies in Canada, 69 in France

exitnow.ca

club★voyages™

VOYAGES  
EN LIBERTÉ

travel★plus™

marlin★travel

tripcentral.ca



# Sales by Distribution Channel (Canada)

Fiscal 2008 year-to-date

Controlled sales 28.6%

Third party sales 71.4%

Travel agencies 21.3%

Internet  
B2C sales 7.3%





## Tourism Market: Challenges and Opportunities

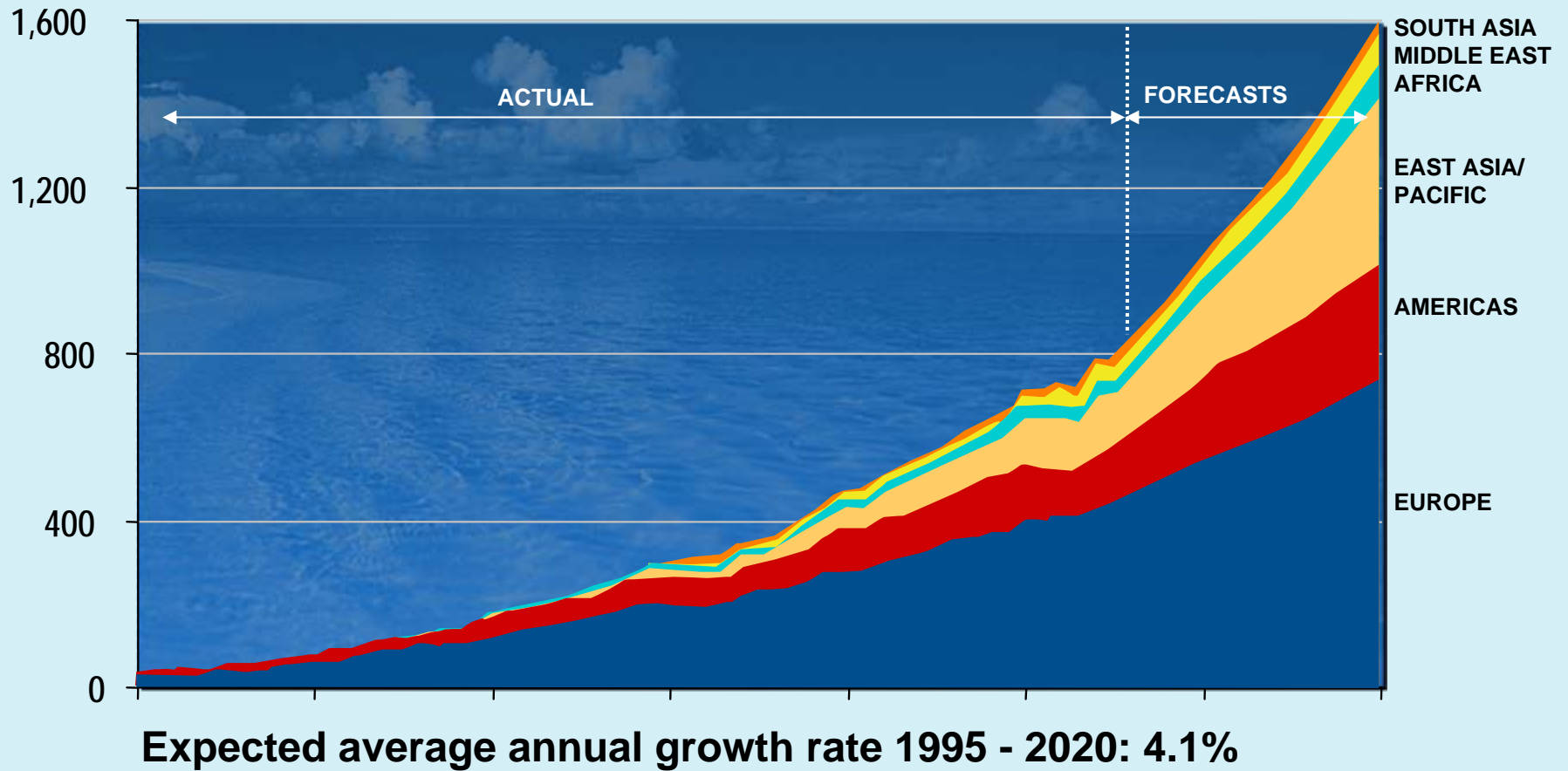
- Market resilient & growing (good demographics), but evolving and very competitive
- More diversified source- and destination-markets, new expectations, powerful consumer
- International tourism dominated by handful of large players (consolidation made Transat 5<sup>th</sup> in the world)
- Pressure on airline travel (environment, taxes and fees, security constraints, etc.)





# Market Growth: International Tourist Arrivals

(In millions of tourists)



Source: UNWTO



# Three-year Review (2005-2007)

For the year ended October 31st

(in millions of C\$ except per share amounts)

	2005		2006		2007	
REVENUES	2,364.5		2,603.7		3,045.9	
MARGIN (% of revenues)	120.6	5.1%	126.9	4.9%	133.1	4.4%
NET INCOME adjusted*	48.7	2.1%	65.8	2.5%	74.5	2.4%
EPS (diluted) – adjusted*	1.17		1.85		2.18	
CASH FLOW from operations	74.2		116.2		121.8	

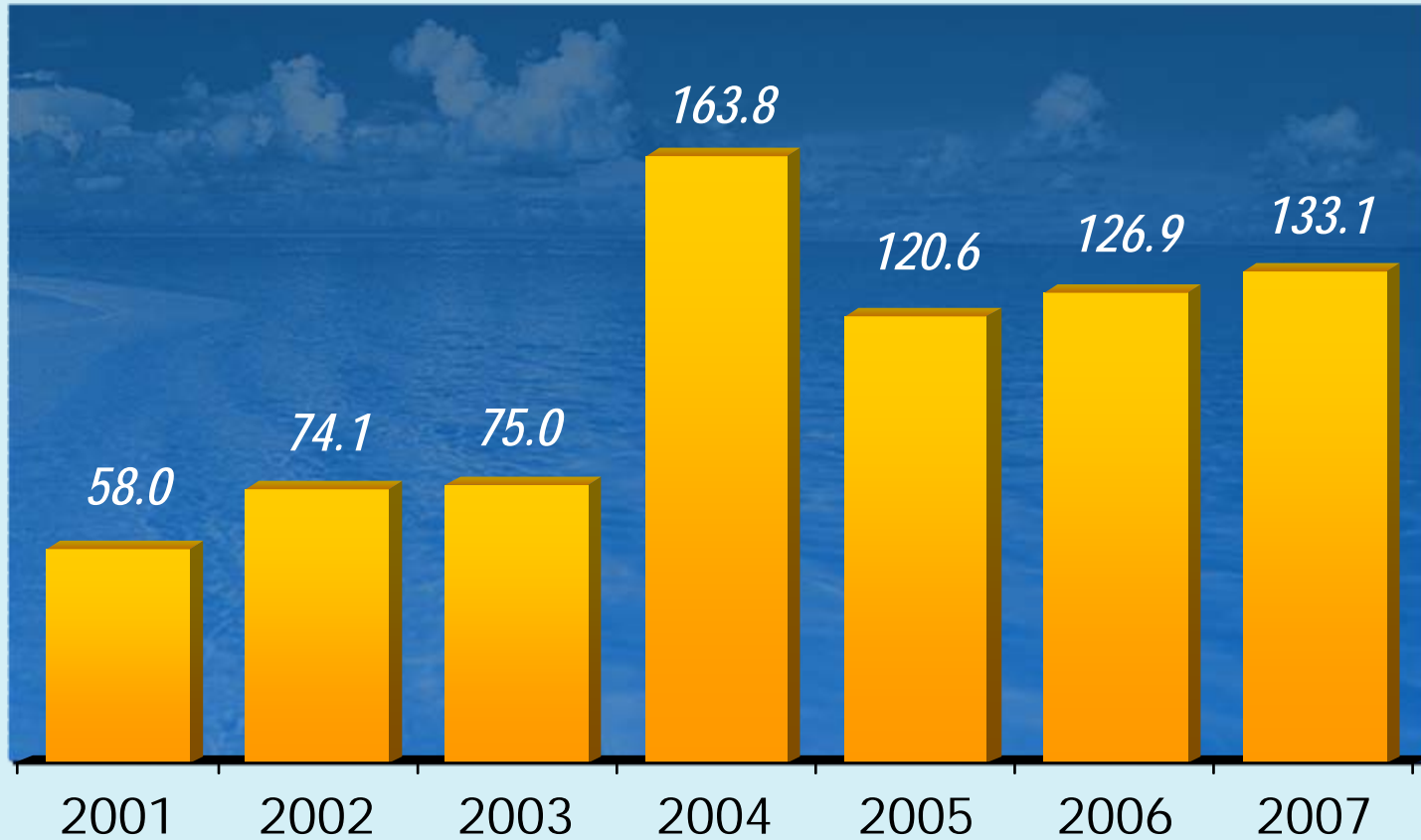
\* 2005 excludes restructuring charges and gain on disposal of Star Airlines and Anyway

\* 2007 excludes provision on asset backed commercial paper, write-down of goodwill and mark to market gain on fuel hedging contracts



# Margin

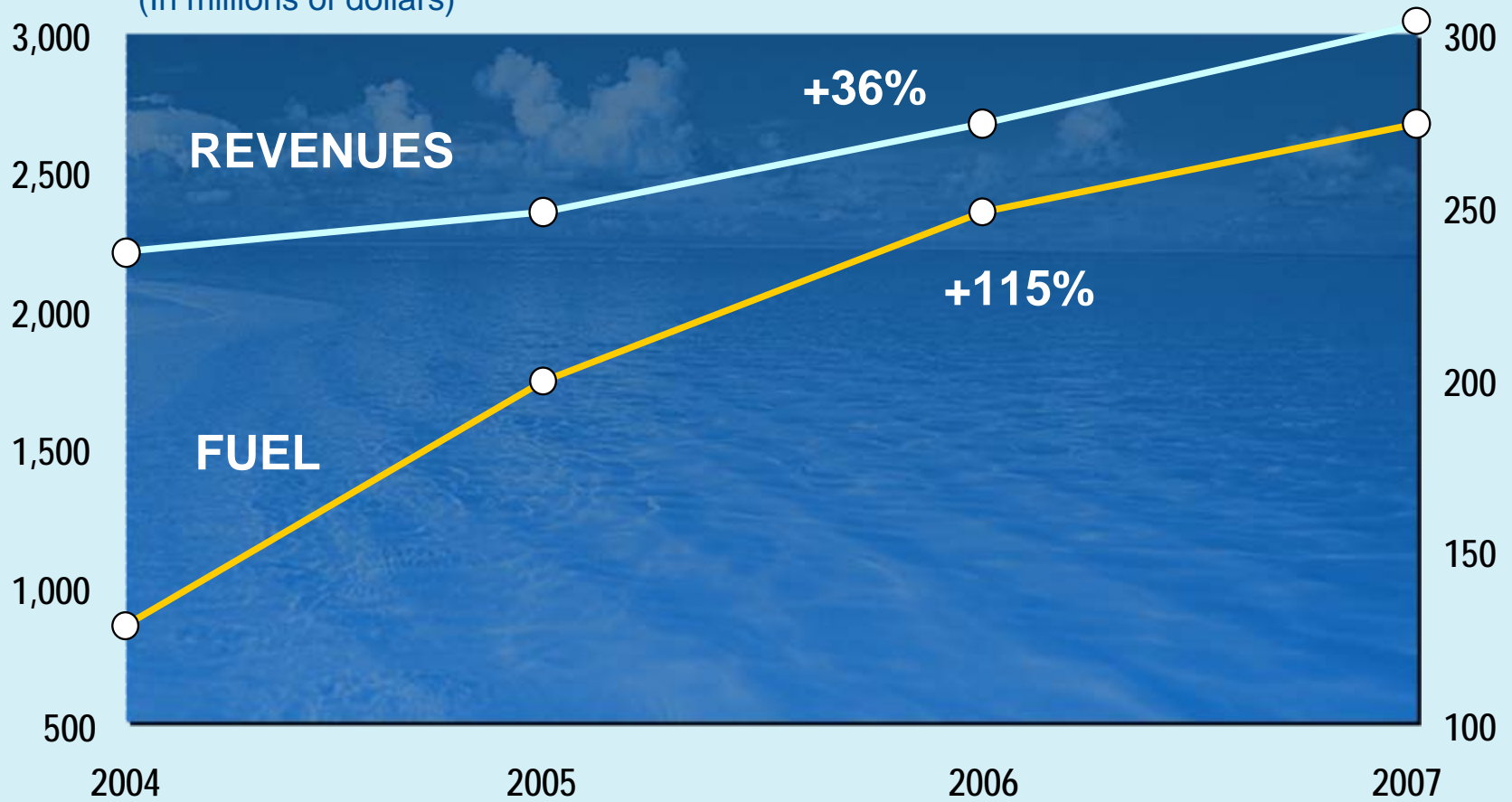
(In millions of dollars)





# High Fuel Prices

(In millions of dollars)







# First Quarter (Adjusted)

ended Jan 31

(In millions of dollars)

	2008	2007
REVENUES	787.4	712.3
MARGIN	15.9	38.2
NET INCOME (adjusted)*	1.2	8.5
EPS (diluted) (adjusted)*	0.04	0.25
CASH FLOW (from operations)	128.1	102.3

\* Results in 2007 adjusted to exclude the impact of new accounting rules on fuel hedges, provision on asset backed commercial paper and write-down on goodwill.



## Cash and Asset-backed Commercial Paper (ABCP)

- Available cash \$172.0 million (Jan. 31, 2008) notwithstanding ABCP situation
- \$143.5 million in 9 ABCP trusts recommended by National Bank of Canada
- Rest of cash invested in highly rated, liquid instruments
- Provision of \$14.0 million recorded in first quarter 2008
- Total provision of \$25.2 million (17.6% of portfolio)
- Access to new \$150 million credit facility in Nov. 2007
- Sufficient cash and credit facilities available to meet all obligations



## 2006-2008 Strategic Plan and Update

- Market leader for all-inclusive winter packages in Ontario (now No. 1 in all regional markets)
- Acquired a 35% equity position in hotel partnership, including 5 hotels in Mexico and the Dominican Republic
- Pursuing acquisition targets for a tour operator in United States
- Actively looking at other acquisition opportunities to enhance footprint/vertical integration model
- Costs remain very much under control in all units



# Acquisition of Joint Venture in Hotels





## Other developments

- Turnaround completed at Look Voyages, stellar results in all of our French tour operators in 2007
- First full season with Canadian Affair: we sold 324,000 seats on the Canada-UK market in 2007 (252,000 in 2006)
- 3-year, 240,000-seat pooling agreement with Sunquest Vacations starting next winter: added flexibility and fleet optimization
- ACE now a wholly-owned subsidiary (acquired remaining 30%)

# Tour Operators: Valuation metrics

(In C\$ millions, except per share data)

TOUR OPERATORS	SHARE PRICE	EQUITY VALUE	ENTERPRISE VALUE	ADJ. EV / EBITDAR		
	19 Feb. 08	C\$ MILLION	C\$ MILLION	LTM	2008E	2009E
TUI Travel	€2.70	5,981	12,441	7.1x	6.3x	5.8x
Thomas Cook	£3.03	5,856	10,223	7.1x	6.5x	5.9x
Kuoni Travel Holding	CHF522	1,529	1,650	7.9x	6.9x	6.5x
<b>GROUP AVERAGE</b>				<b>7.3x</b>	<b>6.6x</b>	<b>6.0x</b>
Club Méditerranée	€33.25	964	853	6.8x	5.0x	4.1x
Transat A.T. Inc.	C\$28.54	966	1,176	6.5x	5.5x	4.9x



## Tour Operators: Valuation metrics

(In C\$ millions, except per share data)

TOUR OPERATORS	P / E			EBITDAR	EBITDA	RENT	NET INCOME
	LTM	2008E	2009E				
TUI Travel	20.9x	13.5x	10.2x	6.9%	3.9%	3.0%	1.1%
Thomas Cook	15.0x	12.1x	9.3x	8.2%	4.8%	3.4%	2.2%
Kuoni Travel Holding	11.9x	10.5x	9.8x	5.0%	4.2%	0.8%	2.8%
<b>GROUP AVERAGE</b>	<b>15.9x</b>	<b>12.0x</b>	<b>9.8x</b>	<b>6.7%</b>	<b>4.3%</b>	<b>2.4%</b>	<b>2.1%</b>
Club Méditerranée	N/A	29.0x	17.6x	4.9%	4.9%	0.0%	(0.5%)
Transat A.T. Inc.	13.5x	10.7x	9.6x	6.0%	4.4%	1.6%	2.4%



## Transat A.T. Inc.

- Volatile, but growing tourism market
- International, vertically integrated platform
- More efficient, agile and innovative
- Solid financial position and cash generation
- Emphasis on growth and profitability
- Strong focus on strategic plan



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