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NOTES FOR A SPEECH BY
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As we conclude fiscal 2008, we turn the page on Transat's 2006–2008 strategic plan. These past three years have been a period marked by growth, several strategic advances, and a strengthening of our positioning in all of our markets.

During this same time, two major European mergers helped make us one of the world's largest integrated international tour operators, when TUI acquired control of FirstChoice and Thomas Cook joined forces with MyTravel.

In three years, our revenues have grown by more than $1 billion, or more than 48%. They rose from slightly less than $2.4 billion in 2005 to more than $3.5 billion in 2008. While part of that growth is certainly attributable to acquisitions, it has stemmed largely from very dynamic internal growth, bearing witness to the efforts we have made to move closer to consumers, adjust our product offerings, stimulate demand and gain market shares.

As for the strategic advances, they are principally as follows.

If we look back to 2005, we enjoyed a powerful market position and strong presence throughout Canada. In the sun destinations market, however, we were not necessarily number one in all regions – and when we were, our lead was sometimes slim, except in Quebec.

By taking advantage of every opportunity available to us, we set out to achieve the very important objective of becoming the leader everywhere. Today, we have succeeded.

This objective was very important because our industry is characterized by low entry barriers, which results in near-permanent overcapacity. This in turn leads to very intense competition and, especially, the emergence of short-lived companies whose only impact is to drag prices and margins downward before they inevitably go under. This was once again evident in 2008, when Zoom Airlines filed for bankruptcy.

In this context, having critical mass in a given market allows us to benefit from economies of scale, enhances our competitiveness and helps us set the bar.

Today, we rank first in Ontario and in all regions of the country. We sold more than 1.1 million sun packages in 2008, a solid increase of 40% since 2005. Over a three-year period, in a market as dense as ours, I believe this is a remarkable result.

This did not happen by accident – far from it. It happened because of the dedicated work of the teams at Transat Tours Canada, Air Transat and Transat Distribution Canada, whose intensive collaborative efforts go unabated.

TTC was active on all fronts.

We have penetrated new regional markets, thanks in part to smaller aircraft, and introduced new destinations as well as exclusive hotels.

We have spared no effort to remain extremely competitive price-wise, working constantly on our costs. I am thinking, for example of our negotiations with our hotels and the efforts made by Air Transat – which I will be getting to in a few minutes.

We have continued to improve customer service, across the board.

We have also invested in marketing and in our brands. We have implemented a customer relationship management system. These efforts have helped increase our volumes. And we trust that they are also helping to build customer loyalty – something that remains a huge challenge in our field.

Lastly, of course – and this is a very important aspect – we can count on the very best team in Canada when it comes to managing revenues and juggling load factors… which is the name of the game.

Clearly, the 2006 acquisition of close to 200 travel agencies, combined with accelerated development of our Web platforms, transformed Transat into Canada's largest travel distribution network, with 437 agencies, including 337 franchisees, at year-end 2008. This increased presence in the field, along with our multi-channel strategy, played a paramount role in growing our sales and market shares. We posted growth in our controlled sales, which account for close to 30% of sales.

Obviously, our Canadian distribution network played a huge role in the achievement of our growth objectives.

Now to Europe.

In France, I believe this three-year period can be summed up by pointing to two things. First, growth. We have gone from sales of barely 300 million euros in 2005 to more than 500 million euros in 2008.

Second, the spectacular turnaround of Look Voyages, together with the acquisition of Amplitude Internationale, which specializes in travel to Tunisia. This has made us a player very much to be reckoned with in the French market. Certainly, we still have work to do in France. One of our priority tasks will be to bring our three business units closer together, show innovation, and find new ways for them work closely together. With this in mind, we created a new structure, Transat France, this past January.

In 2008, we had close to 600,000 customers in France, including some 80,000 outbound to Canada. For departures from France, we work with more than 50 air carriers, we market some 50 destination countries all over the world, and, all brands combined, we rank among the top five international tour operators.

Another key accomplishment of our three-year plan has been our progress in the United Kingdom, where we acquired Canadian Affair in 2006. We had been active in this market for more than 18 years, but by means of a commercial agreement. We are now firmly established on this territory. Canadian Affair posted very good results in 2008, after a challenging year in 2007 marked by fierce competition. Our UK operations recorded growth as well as profitability.

Our initiatives toward integration at destination were highlighted by the creation of our hotel firm in Mexico and the Dominican Republic. Our venture with H10 Hotels, based in Barcelona, is proceeding as expected. Also, during 2008 we acquired land on which we plan to build a resort complex.

Eventually, of course, we intend to develop new outgoing markets. As we have often said, the high-growth markets for the tourism industry are Latin America, Eastern Europe, etc. In other words, emerging markets. Strategically, we must therefore continue to fully exploit traditional markets, including the United States, which remains on the agenda, but also turn our eye toward new outgoing markets. Starting with those we are most familiar with, and that we already fly to, for example. This is what we are calling our “bilateral” approach.

Given the economic climate, we should not, of course, expect any major developments on this front in 2009. Once again, however, it is important to keep our focus on the long term, and be ready to seize any opportunities.

In 2008, the economic downturn had already begun, and competition remained exceptionally fierce. Our financial results were more than satisfactory given the circumstances.

Our revenues were up by 15%, to $3.5 billion. Our margin was $127 million, compared with $138 million in 2007. This decrease is attributable mainly to fuel, which cost us $92 million more on a year-over-year basis.

Among the significant events in 2008 that I have yet to mention, I wish to highlight the performance of Jonview Canada. I don't need to remind you that international tourism to Canada, overall, is in fairly poor shape. It has been in decline since 2004. It is therefore all the more remarkable that Jonview Canada continues to grow at a brisk pace. Indeed, 2008 was a record year, with 263,000 foreign travellers – an increase of nearly 6% over 2007 – and sales of approximately $128 million.

Jonview Canada, TTC, Vacances Transat, Canadian Affair and ACE are working together more closely than ever before. That has led, and will continue to lead, to higher sales – and, in the long run at least, healthier margins for all concerned.

Air Transat continued to post excellent results in terms of on-time performance and fleet reliability. Our performance is therefore very good – at least when the weather is not a factor. It has often been a factor, however, in recent months.

We increased legroom in our aircraft to improve passenger comfort. We continued to grow our incidental revenues and to very actively manage our cost per available seat mile, or CASM.

Handlex, our airport ground services company, did very good work in 2008. It now has more than 25 carrier clients, works closely with Air Transat, and last year posted a perfectly satisfactory financial performance.

Transat operates in an industry in which development of human potential is a fundamental success factor. For this reason, in recent years we have focused on training initiatives, including the rollout of new tools and programs designed to assist succession planning and ensure the organization's future. Significant milestones were reached in this regard in 2008, with 500 managers and executives receiving training in coaching and another 150 employees targeted for an accelerated talent development project.

Of course, we are pursuing our efforts in this area, and also plan to proceed with organizational changes to facilitate information flow and decision-making from an overall perspective to improve efficiency, optimize use of our workforce, and reduce costs.

Information systems play a key role in our industry. At year-end 2005, Transat lagged behind to a certain extent when it came to technology renewal, and we moved to close the gap rapidly. The growing importance of the Web for the travel industry, the shift in operational models to multi-channel distribution and changing consumer behaviours demand that Transat make technology choices, which in turn require major investments. Our current priorities include, among other things, migrating to a new system for management of airline seat inventory, distribution and customer relations management (CRM).

Our future depends on that of our industry, which generates colossal economic activity. For this reason, we intend to play an increasingly active role in the management of tourism-related issues. This explains our intention to internalize the concept of sustainable tourism. We are convinced that the future of tourism is closely linked to a number of sustainability issues, including marked concern for the environment, heritage and destination communities. We have intensified our efforts in this regard, implementing multiple initiatives and projects with the aim of becoming a North American leader in sustainable tourism.

These efforts are in keeping with the wider context of corporate social responsibility, a concept that has always been very important for Transat and that encompasses multiple dimensions. As a matter of fact, for the first time we published a report on our achievements in the area of social responsibility.

It is no secret that the current economic situation worldwide is worrisome.

For the current winter season, Transat expects demand and volumes to be higher than in 2008 on all markets. However, in Canada, heightened competition and excess capacity continue to exert pressure on selling prices and margins. For the summer, Canadian bookings to Europe are similar to those of the previous year and European bookings to Canada and other destinations are slightly behind 2008.

Economic crisis or not, over the long term, international tourism will eventually continue to grow. In our industry, and at Transat, we’ve been through this before. But the coming 12 to 24 months will, as the saying goes, bring both challenges and opportunities.

There will be challenges because it would be unreasonable to think that demand will not be affected. The recession, on our shores, is only just beginning. We believe that in 2009, Canada’s economy will contract, and I’m not particularly receptive to the siren song that is promising us a rapid recovery before the end of the year. I think we have yet to hit bottom, and that 2009 will be a tough year. I believe the recovery will be slow, and will not begin until 2010, at the soonest.

Thanks to the hard work achieved between 2006 and 2008, however, Transat finds itself in an enviable business position in two growing continental markets. And it can draw on the strengths of an organization that has made considerable efficiency gains.

Speaking of efficiency, a few weeks ago we announced a new air agreement with Canjet for the supply of narrow-body aircraft. This partnership replaces, for all practical purposes, the one we had with WestJet since 2003, and it offers several advantages over that former agreement, including in the area of cost. It means we will be introducing next-generation Boeing 737-800 aircraft, which are extremely fuel-efficient, on some of our sun routes. The agreement is for five years, with renewal options, and we are convinced that this partnership has benefits for us.

In conclusion: at this stage, we must be clear-minded with respect to the short term – but we must also follow a clear heading, and look to the medium term.

Our major strategies for the 2009–2011 period are as follows:

- Capitalize on talent development to maintain and enhance our competitiveness. We have already made progress in this regard, and we are going to pick up the pace.

- Boost our competitiveness in our core markets. Reduce operating costs. And devote maximum effort to brand differentiation.

- Adjust our product offering to move into high-growth market segments.

- Continue vertical integration, including at destination.

- Finally, continue with our bilateral approach to market development.

We operate in a changing environment, which demands sustained attention. I would therefore like to emphasize the enthusiastic commitment and dedication of our entire team, in particular the management team, who work tirelessly to ensure that Transat stays on a course of profitable growth and remains a company that inspires passion – among its personnel, its customers and its shareholders.

I also salute the contribution of all members of the Board of Directors. Individually and collectively, they have represented our shareholders with diligence and skill, and this is to be commended.

Thank you.

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