

For the third quarter:

- Revenues of \$927.0 million, compared with \$909.1 million in 2012.
- \$32.3-million improvement in margin (margin before amortization and depreciation

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and before restructuring charges of \$54.4 million, compared with \$22.1 million in 2012).

- Net income of \$41.1 million, compared with \$9.4 million in 2012.
- Adjusted after-tax income of \$30.8 million, compared with \$10.5 million in 2012.

For the nine-month period:

- Revenues of \$2.8 billion, compared with \$3.0 billion in 2012.
- \$72.1-million improvement in margin (margin before amortization and depreciation

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and before restructuring charges of \$36.1 million, compared with an operating loss of \$36.0 million in 2012).

- Net income of \$3.2 million, compared with a net loss of \$33.3 million in 2012.
- Adjusted after-tax income of \$7.8 million, compared with an adjusted after-tax loss

of

\$44.0 million in 2012.

MONTREAL, Sept. 12, 2013 /CNW Telbec/ - Transat A.T. Inc., one of the largest integrated tourism companies in the world and Canada's holiday travel leader, posted revenues of \$927.0 million for the quarter ended July 31, 2013, compared with \$909.1 million for the same period of 2012, an increase of \$17.9 million or 2.0%. The Corporation recorded a margin before amortization and depreciation of \$53.1 million, compared with \$22.1 million in 2012 and net income of \$41.1 million (\$1.07 per share on a diluted basis), compared with \$9.4 million (\$0.25 per share on a diluted basis) in 2012. Before non-operating items, amortization and depreciation, and restructuring charges, Transat reported a margin of \$54.4 million, compared with \$22.1 million in 2012; and adjusted after-tax income of \$30.8 million (\$0.80 per share on a diluted basis), compared with \$10.5 million (\$0.28 per share on a diluted basis) in 2012.

"We are very satisfied with the results, as this is our best third quarter ever," said Jean-Marc

Eustache

President and Chief Executive Officer of Transat. "We performed very well on the transatlantic market, and the implementation of our cost-reduction and margin-improvement program is unfolding as planned. And as the numbers indicate, we are on our way to a profitable year."

Third-quarter highlights

The Corporation posted revenues of \$927.0 million, compared with \$909.1 million for the corresponding quarter of 2012, and a margin before amortization and depreciation

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of \$53.1 million (\$54.4 million before amortization and depreciation, and restructuring charges), compared with \$22.1 million in 2012 (\$22.1 million before restructuring charges). The increase in revenues stems mainly from higher average selling prices, which have more than offset the impact of the Corporation's decision to reduce capacity on all its markets (Sun, transatlantic and France), hence a 7.3% reduction in the number of travellers. Across all markets, selling prices and margins were higher than in 2012.

Revenues of North American business units, which are generated by sales in Canada and abroad, increased by

\$79.3 million

(13.0%) compared with the same period in 2012. The increase is partly attributable to the Corporation's decision to account for all sales of flights between

Canada

and

United Kingdom

in

North America

, whereas a significant portion of said sales were until now accounted for in

Europe

. For the quarter, capacity on the transatlantic market was down 10.9% compared with 2012. Capacity on Sun destinations was similar. North American business units recorded a margin before amortization and depreciation of

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\$28.1 million
, compared with
\$2.5 million
in 2012. Before restructuring charges, Transat posted a margin before amortization and depreciation of
\$29.4 million
, compared with
\$2.5 million
in 2012. The improvement in margin is mainly attributable to higher selling prices during the quarter, as well as cost-reduction initiatives.

Revenues of European business units, which are generated by sales in Europe and in Canada
, decreased by
\$61.3 million
(20.4%) over 2012, mainly due to the aforementioned change in the accounting of
Canada

-
United Kingdom
sales. European operations generated a margin before amortization and depreciation of
\$13.7 million
, compared with
\$10.0 million
the previous year, with the variance mainly attributable to higher selling prices during the quarter, as well as cost-reduction initiatives.

Nine-month-period highlights

For the first nine months of 2013, the Corporation posted revenues of \$2.8 billion, compared with \$3.0 billion for the same period of 2012, and a margin before amortization and depreciation of \$30.9 million (\$36.1 million before amortization and depreciation, and restructuring charges), compared with an operating loss before amortization and depreciation of \$36.0 million in 2012 (

\$36.0 million

before restructuring charges). The decrease in revenues is mainly attributable to the Corporation's decision to reduce capacity on its markets (Sun, transatlantic and France

). The improvement in margin is mainly due to higher selling prices during the quarter, as well as cost-reduction initiatives.

Financial situation

As at July 31, 2013, cash stood at \$389.3 million, compared with \$292.7 million at the same date the previous year; working capital ratio was 1.02 against 0.99 and deposits from customers for future travel were

\$456.2 million

compared with

\$495.9 million

. Off-balance-sheet agreements stood at

\$684.7 million

as at

July 31, 2013

, compared with

\$395.9 million

at the same date in 2012, the increase being attributable to the leasing of four Boeing B737-800 aircraft and the renewal of the leases on six Airbus A330s, offset in part by payments made during the 12-month period.

Outlook for the summer

The transatlantic market, outbound from Canada and Europe, accounts for a very significant portion of Transat's business in the summer. From August to October 2013

, Transat's capacity on that market is 9% lower than that for the previous year. To date, 81% of that capacity has been sold, load factors are 1.1% lower and selling prices are approximately 6% higher compared to 2012.

On the Sun destinations market outbound from Canada, Transat's capacity is higher by 1.0% than that for the previous year. To date, 70% of that capacity has been sold, and load factors

and selling prices are similar.

In France, compared with 2012, medium-haul bookings are slightly ahead, and long-haul bookings are somewhat behind. Selling prices are similar.

To the extent the aforementioned trends hold, Transat expects to record better results than last year for the fourth quarter, but to a lesser extent than in the third quarter, in part because of last year's favourable impact of the strong momentum at the end of the fourth quarter.

Cost-reduction and margin-improvement Initiatives

The implementation of the Corporation's plan to return to profitability is proceeding as expected, including measures to reduce operating costs and changes to its systems and processes. In April 2013, the Corporation also announced its decision to internalize narrow-body medium-haul aircraft (Boeing 737-800s) for its Sun destination routes outbound from Canada, starting in May 2014. The various measures (cost-reduction initiatives, additional revenues and efficiency gains) had a favourable impact of \$20 million on the margin in 2012. The Corporation similarly expects a favourable contribution of \$15 million in 2013, of \$20 million in 2014 and of an additional \$20 million in 2015, when internalization of the narrow-body fleet will produce its full benefits.

Additional information

The results were affected by non-operating items, as summarized in the following table:

Effects and impact of non-operating items on results (In millions of CAD)

Third Quarter

Nine-month period

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	2013	2012	
Revenues	927,004	909,056	
Margin (operating loss) before depreciation and amortization	53,053		22,074
Result before taxes	58,623	12,011	
Impact of fuel-hedging accounting	(15,431)		7,455
Impact of restructuring charge	1,318		—
Impact of ABCP revaluation	—		1,621
Gain on disposal of a subsidiary	—		(5,655)
ADJUSTED INCOME (LOSS)	44,530		15,432
NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	9,405		
Impact of fuel-hedging accounting	(11,339)		5,260
Impact of restructuring charge	969		—
Impact of ABCP revaluation	—		1,511
Gain on disposal of a subsidiary	—		(5,655)
ADJUSTED AFTER-TAX INCOME (LOSS)	30,759		10,521
DILUTED EARNINGS (LOSS) PER SHARE	0.25		
Impact of fuel-hedging accounting	(0.30)		0.14
Impact of restructuring charge	0.03		—
Impact of ABCP revaluation	—		0.04
Gain on disposal of a subsidiary	—		(0.15)
ADJUSTED AFTER-TAX INCOME (LOSS) PER SHARE	0.80		0.28

Hedging—The Corporation records any gains or losses resulting from mark-to-market adjustments of the derivative financial instruments used to manage aircraft fuel-price risk in the statement of income. For the third quarter of 2013, this translates into a \$15.4 million non-cash gain (\$11.3 million after income taxes) compared with a loss of \$7.5 million (\$5.3 million after income taxes) in 2012. For the nine-month period, the Corporation records a non-cash loss of \$1.0 million (\$0.7 million after income taxes), compared with a non-cash loss of \$1.4 million (\$1.0 million after income taxes) in 2012.

The Corporation also uses hedging instruments to mitigate exchange-rate exposure stemming

from its expenses and/or revenues in foreign currencies. Accordingly, under applicable accounting standards, any fluctuations resulting from mark-to-market adjustments of these instruments are recorded in the balance sheet and statement of comprehensive income rather than in the statement of income. For the third quarter of 2013, Transat recorded a \$1.6 million gain (\$1.2 million after income taxes) on these foreign-currency hedging instruments, compared with a \$5.4 million gain (\$3.8 million after income taxes) in 2012. For the nine-month period, the Corporation records a non-cash gain of \$2.2 million (\$1.7 million after income taxes), compared with a non-cash loss of \$1.0 million (\$0.7 million after income taxes) in 2012.

Commercial paper—On November 8, 2012, the Corporation sold the remainder of its investment in asset-backed commercial paper (ABCP) for a total compensation of \$27.4 million . This resulted in no gain or loss. In 2012, the results of the third quarter included a loss on revaluation of \$1.6 million (\$1.5 million after taxes).

Summary of non-operational items—Before non-operating items, Transat posted an adjusted after-tax gain of \$30.8 million (\$0.80 per share on a diluted basis) for the quarter, compared with \$10.5 million (\$0.28 per share on a diluted basis) in 2012. For the nine-month period, the Corporation has recorded an adjusted after-tax gain of \$7.8 million (\$0.20

per share on a diluted basis), compared with a an adjusted after-tax loss of \$44.0 million

(
\$1.15

per share on a diluted basis) in the first six months of 2012.

Transat A.T. Inc. is an integrated international tour operator with more than 60 destination countries and that distributes products in over 50 countries. A holiday travel specialist, Transat operates mainly in Canada and Europe, as well as in the Caribbean, Mexico and the Mediterranean Basin.

Montreal

-based Transat is also active in air transportation, accommodation, destination services and distribution. Transat's firm commitment to sustainable development of the tourism industry is reflected in its multiple corporate responsibility initiatives. (TSX: TRZ.B, TRZ.A)

NOTES

The following are non-IFRS financial measures used by management as indicators to evaluate ongoing and recurring operational performance.

(1) MARGIN (OPERATING LOSS) BEFORE DEPRECIATION AND AMORTIZATION: Gross margin (operating loss) before depreciation and amortization expense.(2) ADJUSTED INCOME (LOSS): Income (loss) before income taxes, impact of fuel hedge accounting, ABCP revaluation, and restructuring charges (or gains).(3) ADJUSTED AFTER-TAX INCOME (LOSS): Net income (loss) attributable to shareholders before impact of fuel hedge accounting, ABCP revaluation and restructuring charges (or gains), net of related taxes.(4) NET CASH: Cash and cash equivalents not held in trust or otherwise reserved, less balance sheet debt.

Conference call

Third quarter 2013 conference call: Thursday, September 12, 2013, 10.00 a.m. Dial 1 800-736-4594. Name of conference: Transat. Webcast:

www.transat.com

. The archived call will be available at 1 800 997-6910, access code 21671023, until

October 12, 2013

Non-IFRS measures

Transat prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). We will occasionally refer to non-IFRS financial measures in the news release. These non-IFRS financial measures do not have any meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. They are furnished to provide additional information and should not be considered as a substitute for measures of performance prepared in accordance with IFRS. All amounts are in Canadian dollars unless otherwise indicated.

Caution regarding forward-looking statements *This press release contains certain forward-looking statements regarding the Corporation's expectation that travel reservations will follow the trends. In making these statements, the Corporation has assumed that the trends in reservations and selling prices will continue, and that fuel prices, other costs and the value of the Canadian dollar against foreign currencies will remain stable. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this press release. Factors that could lead actual results to differ include, among others, extreme weather conditions, war, terrorism, market and general economic conditions, disease outbreaks, demand fluctuations related to seasonality in the travel industry, ability to reduce operating costs and workforce, labour relations, collective agreements and labour conflicts, issues related to pensions, exchange rate, interest rates, future funding, evolution of legal environment, introduction of unfavourable regulations, lawsuits and legal challenges, and other risks detailed from time to time in the Corporation's continuous disclosure documents.*

These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Corporation. For additional information with respect to these and other factors, see the Annual Information Form and Annual Report for the year ended October 31, 2012, filed with Canadian securities commissions. The Corporation disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events

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