



3

quarterly report



period ended july 31, 2000

SUBSIDIARIES AND AFFILIATED COMPANIES

(Ownership)

TRAVEL AGENCIES

100%	CONSULTOUR — CLUB VOYAGES, VOYAGES EN LIBERTÉ, INTER VOYAGE
100%	VACANCES TOURBEC
100%	EXIT TRAVEL
100%	ANYWAY
100%	EURO CHARTER/CLUB VOYAGES

OUTGOING TOUR OPERATORS

100%	AIR TRANSAT HOLIDAYS
100%	VOYAGES NOLITOUR
100%	AMERICANADA
100%	REGENT HOLIDAYS
35%	WORLD OF VACATIONS
100%	BROK'AIR
100%	VACANCES AIR TRANSAT (FRANCE)
97.9%	LOOK VOYAGES

INCOMING TOUR OPERATORS

66.7%	DMC TRANSAT — KILOMÈTRE VOYAGES
100%	VACANCES AIR TRANSAT HOLIDAYS (FLORIDA)

HOTEL MANAGEMENT

100%	CAMELEON
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AIR CARRIERS

100%	AIR TRANSAT
100%	HANDLEX GROUNDHANDLING SERVICES
49.6%	STAR AIRLINES ¹

¹ Interest held by Look Voyages

IN CANADA

IN FRANCE

REPORT TO THE SHAREHOLDERS

For the quarter ended July 31, 2000, Transat A.T. Inc. (the "Corporation") posted net income of \$9,819,000, or \$0.31 per share, compared with \$8,839,000, or \$0.26 per share for the quarter ended July 31, 1999, an increase of 19.2%. For the same period, revenues rose 28.3% to \$530.8 million, compared with \$413.6 million for the same quarter last year. The growth is partly attributable to the consolidation of operations carried on by companies in which Transat increased its interest during the period (by 61% in Brok'Air and 50% in Consultour/Euro Charter). At the same time, the Corporation experienced noteworthy internal growth in both the Canadian and French markets during the quarter. However, on a consolidated basis, the growth of operations in the French market is partially hidden, due to the decline of the euro against the Canadian dollar.

The Corporation achieved attractive growth in all Canadian markets, with higher increases in Ontario and Western Canada. Revenue growth stemmed from price adjustments and more significantly from higher volume. With respect to the French market, in addition to the impact resulting from the consolidation of the financial statements of Euro Charter, a subsidiary of Consultour, and Brok'Air, in which the Corporation acquired the remaining 61% shares last January, Look Voyages registered a substantial growth in volume, while that of Vacances Air Transat (France) fell slightly. As well, sales grew on the basis of price adjustments.

For the nine months ended July 31, 2000, the Corporation posted net income in the amount of \$22,559,000, or \$0.70 per share, compared with \$13,513,000, or \$0.40 per share for the year-earlier period. The results per share are calculated based on the average number of shares outstanding of 32,255,129 for the first nine months of 2000 and 34,127,930 for 1999. For the first three quarters, revenues were 1.5 billion compared with 1.2 billion for the corresponding period last year.

The third quarter is the first portion of the summer season, which extends from May 1 to October 31. The Corporation's profitability in the third quarter was up compared with the corresponding period last year. Having not been the sharp hike in fuel costs compared with last year, the Corporation's quarterly results, both in the Canadian and French markets, would have been substantially improved, given that sale price adjustments were unable to fully offset the negative impact on income produced by higher costs.

In Canada, higher volume is undoubtedly the factor that generated the most positive impact on profitability in the quarter, which reflects the Corporation's solid positioning in all Canadian markets. The appreciation of the Canadian dollar against the US and higher interest income also helped enhance profitability. In France, higher volume is the primary factor that improved the results of Look Voyages.

Downward pressure on profitability resulted from a number of factors, including higher costs, mainly fuel costs. In Canada, the other major factors were the decline of the euro against the Canadian dollar, the drop in certain load factors and higher interest expenses. In France, the results were also weighed down by the decline of the euro against the Canadian dollar, load factors, downward pressure on prices for Vacances Air Transat (France) and the drop in the share of net income posted by STAR Airlines.

As at July 31, 2000, the Corporation's cash and cash equivalents amounted to \$171,768,000, compared with \$148,256,000 as at April 30, 2000. During the quarter, the Corporation generated \$21.1 million in operating cash flow, compared with \$15.1 million last year. The net change in non-cash working capital balances and deposits for engine and airframe overhauls resulted in \$4.5 million decrease in cash, compared with an increase of \$32.5 million in 1999. The Corporation used \$12.6 million for investing activities, primarily for capital assets and other assets. Financing activities generated a net amount of \$19.4 million, of which \$28.4 million was derived from the increase in long-term debt, less \$8.5 million used for the repayment of debts and bank loans.

The Corporation is entering the final quarter in its fiscal year ending October 31, 2000. This quarter marks the second portion of the summer season and is a very busy period for all subsidiaries. With respect to the Canadian and French markets, the Corporation expects that profitability in the quarter will be impacted as a result of higher fuel costs, as was the case in the quarter ended July 31, 2000. However, the surcharge introduced for departures after July 1 for all transatlantic flights, both for departures from Canada and France, for domestic flights in Canada, as well as on departures for sunshine destinations, is expected to reduce the impact of the increase. In the French market, the lower value of the euro against the U.S. and Canadian dollars will continue to have an impact on departures for North American destinations. Despite these factors, the Corporation is optimistic for its final-quarter results.



Jean-Marc Eustache

Chairman of the Board and
President and Chief Executive Officer
Montreal, September 12, 2000

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	As at July 31, 2000 (Unaudited)	As at October 31, 1999 (Audited)
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	171,768	173,868
Accounts receivable	91,139	63,259
Inventories	7,887	10,404
Deposits with suppliers	37,389	25,287
Prepaid expenses	64,550	29,525
Total current assets	372,733	302,343
Deposits	53,403	27,167
Tax benefits	23,228	19,788
Inventory of rotatable aircraft spare parts	13,367	12,877
Investments in companies subject to significant influence	3,832	17,151
Capital assets	152,515	118,200
Goodwill	47,837	33,484
Other assets	32,985	14,336
	699,900	545,346
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	3,207	5,154
Accounts payable and accrued liabilities	220,695	130,729
Customer deposits and deferred income	118,942	84,388
Income taxes payable	4,129	6,583
Current portion of long-term debt and obligations under capital leases	19,119	18,453
Total current liabilities	366,092	245,307
Long-term debt	42,393	43,464
Obligations under capital leases	61,536	42,426
Debenture	10,000	10,000
	480,021	341,197
Shareholders' equity		
Share capital ¹	108,209	111,126
Retained earnings	110,871	93,720
Deferred translation adjustments	799	(697)
	219,879	204,149
	699,900	545,346

¹ Share capital

a) Authorized, issued and outstanding as at July 31, 2000

Authorized

An unlimited number of common 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

A total of 31,853,870 common shares and 123,800 preferred shares, series 3 are issued and outstanding for a total amounting to \$108,209,000.

b) Options issued and outstanding as at July 31, 2000

Grant date	Exercise price (\$)	Number
1996	1.83	47,000
1997	12.32	716,750
1998	12.32 to 12.83	45,000
1999	6.45 to 7.05	748,191
2000	7.86 to 8.78	515,576
		2,072,517

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands of dollars, except per share amounts)
(Unaudited)

	Three (3) months ended July 31		Nine (9) month ended July 31	
	2000	1999	2000	1999
	\$	\$	\$	\$
Revenues	530,807	413,589	1,522,750	1,228,503
Operating expenses	503,385	389,874	1,450,742	1,174,085
Income before the following accounts	27,422	23,715	72,008	54,418
Amortization	9,020	8,507	25,803	25,450
Interest on long-term debt, obligations under capital leases and debenture	2,401	2,499	7,197	7,632
Other interest and financial expenses	695	321	1,538	1,839
Interest income	(2,428)	(1,903)	(7,628)	(6,463)
	9,688	9,424	26,910	28,458
Income before share of net income of companies subject to significant influence, income taxes and goodwill charges	17,734	14,291	45,098	25,960
Share of net income of companies subject to significant influence	566	1,618	312	1,609
Income taxes (recovered)				
Current	5,621	7,649	24,214	17,549
Deferred	2,057	(1,193)	(3,440)	(5,404)
	7,678	6,456	20,774	12,145
Net income before goodwill charges	10,622	9,453	24,636	15,424
Goodwill charges	803	614	2,077	1,911
Net income for the period	9,819	8,839	22,559	13,513
Retained earnings, beginning of period			93,720	69,156
Premium paid on redemption of common shares			(5,408)	(3,611)
Retained earnings, end of period			110,871	79,058
Net earnings per share before goodwill charges				
Earnings per share	0.33	0.28	0.76	0.45
Diluted earnings per share	0.31	0.27	0.73	0.44
Net earnings per share				
Earnings per share	0.31	0.26	0.70	0.40
Diluted earnings per share	0.29	0.25	0.67	0.39

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

(Unaudited)

	Three (3) months ended July 31		Nine (9) month ended July 31	
	2000	1999	2000	1999
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income for the period	9,819	8,839	22,559	13,513
Add items not involving an outlay (receipt) of cash				
Amortization and goodwill charges	9,823	9,121	27,880	27,361
Share of net income of companies subject to significant influence	(566)	(1,618)	(312)	(1,609)
Deferred income taxes	2,057	(1,193)	(3,440)	(5,404)
Operating cash flow	21,133	15,149	46,687	33,861
Net change in non-cash working capital balances related to operations	(10,744)	35,386	54,379	61,007
Deposits for engine and airframe overhauls	6,286	(2,905)	(29,527)	(5,219)
Cash flows from operating activities	16,675	47,630	71,539	89,649
INVESTING ACTIVITIES				
Deposits	551	(1,636)	(3,131)	(4,521)
Additions to capital assets	(8,866)	(3,886)	(42,995)	(13,543)
Other assets	(4,135)	(862)	(9,094)	(2,400)
Purchase of rotatable aircraft spare parts	(147)	—	(2,796)	(4,351)
Cash from acquired companies	—	—	6,510	—
Dividends from companies subject to significant influence	—	7	2,913	520
Loan to a joint venture	—	—	(11,700)	—
Consideration paid for companies acquired	—	—	(11,642)	—
Cash flows from investing activities	(12,597)	(6,377)	(65,673)	(24,295)
FINANCING ACTIVITIES				
Long-term debt—revolving term loan	13,443	(2,683)	1,726	(18,759)
Increase in other long-term debt	15,002	2,268	15,002	4,323
Issue of common shares	14	77	1,962	633
Repayment of other long-term debt and obligations under capital leases	(4,570)	(4,866)	(14,301)	(14,801)
Bank loans and others	(3,888)	(3,573)	(2,067)	(6,653)
Repurchase of common shares	(567)	(4,277)	(10,288)	(7,447)
Cash flows from financing activities	19,434	(13,054)	(7,966)	(42,704)
Increase (decrease) in cash and cash equivalents for the period	23,512	28,199	(2,100)	22,650
Cash and cash equivalents, beginning of period	148,256	150,171	173,868	155,720
Cash and cash equivalents, end of period	171,768	178,370	171,768	178,370

Transat A.T. Inc. is an integrated company in the tourism industry. Through its subsidiaries and affiliated companies, it is active in every aspect of the organization and distribution of holiday travel: retail sales through travel agencies, organizing and distributing vacation packages through tour operators, air transportation, and hotel management.

Each member company of Transat specializes in its respective field. Together, they form a large holiday maker. They are all driven by the same corporate vision: offering quality vacation packages at affordable prices to an extensive clientele. Transat's objective is to maintain its position of leadership in Canada and to become a dominant player in the holiday travel industry in North America and Europe.

www.transat.com

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TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

STOCK EXCHANGE

The common shares of the Corporation are listed on The Toronto Stock Exchange under the ticker symbol TRZ.

