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quarterly report

period ended january 31, 2000



SUBSIDIARIES AND AFFILIATED COMPANIES

(Ownership)

TRAVEL AGENCIES

100% **VACANCES TOURBEC**

100% **EXIT TRAVEL**

50% **CONSULTOUR**

— CLUB VOYAGES, VOYAGES EN LIBERTÉ, INTER VOYAGE

100% **EURO CHARTER/CLUB VOYAGES ¹**

OUTGOING TOUR OPERATORS

100% **AIR TRANSAT HOLIDAYS**

100% **VOYAGES NOLITOUR**

100% **REGENT HOLIDAYS**

35% **WORLD OF VACATIONS**

100% **VACANCES AIR TRANSAT (FRANCE)**

97.9% **LOOK VOYAGES**

39% **BROK'AIR — ANYWAY**

INCOMING TOUR OPERATORS

66.7% **DMC TRANSAT — KILOMÈTRE VOYAGES**

100% **VACANCES AIR TRANSAT HOLIDAYS (FLORIDA)**

HOTEL MANAGEMENT

100% **CAMELEON**

AIR CARRIERS

100% **AIR TRANSAT**

50% **SERVICES HAYCOT**

100% **STAR AIRLINES ²**

¹ 100% interest held by Consultour/Club Voyages

² 49.6% interest held by Look Voyages

IN CANADA

IN FRANCE

REPORT TO THE SHAREHOLDERS

For the quarter ended January 31, 2000, Transat A.T. Inc. (the "Corporation") reported revenues in the amount of \$397.4 million, compared with \$363.5 million for the same period in 1999, an increase of 9.3%. For the period, the Corporation posted a net profit before goodwill charges of \$76,000, or \$0.00 per share, compared with a net loss before goodwill charges of \$2,231,000, or \$0.06 per share, for the quarter ended January 31, 1999. The net loss for the same period amounted to \$552,000, or \$0.02 per share, compared with a net loss of \$2,879,000, or \$0.08 per share last year. Results per share are calculated based on the weighted average number of shares outstanding of 32,730,182 for the first quarter of 2000 and 34,426,291 for 1999.

In the Canadian market, revenues rose 18% compared with the same period last year. The revenue growth recorded in the past several consecutive quarters in the Ontario and Western Canada markets carried on in the quarter ended January 31, 2000. The growth is primarily attributable to both a higher volume and price increases as a result of rising operating expenses, including fuel. Excluding the sharp drop in the euro against the Canadian dollar, revenues posted in France would have been up approximately 12%. Currency fluctuations aside, revenue growth was based on higher volumes and price increases.

This quarter was marked by a major event: the changeover to the Year 2000. From an operational standpoint, the Corporation did not experience a breakdown in its information systems. However, the changeover did have an impact on the number of people travelling during the year-end period. Indeed, many people apparently decided to postpone their Holiday Season travelling for a number of reasons. Transat's supply of vacation products and packages for this period therefore had to be adjusted and this generated downward pressure on profitability. This situation impacted the operation of all companies in the group, both in Canada and in France, as well as all tourism industry players in North America and Europe.

Despite the many events tied to the new millennium celebrations and their negative impact on its results, the Corporation's net loss in the first quarter has almost been eliminated as a result of the interaction of a number of factors. In Canada, the main factors that helped improve profitability were: the strengthening of the Canadian dollar against its U.S. counterpart, higher volumes and prices, as well as a drop in interest expense. In France, Look Voyages experienced higher selling prices and an increase in volume.

The main factors that had a negative impact on results during the quarter were the following: higher fuel costs, an increase in operating expenses, the weakness of the euro against the Canadian dollar, and a decrease in load factors for certain subsidiaries.

As at January 31, 2000, the Corporation's cash and cash equivalents stood at \$197,791,000, compared with \$173,868,000 as at October 31, 1999. During the quarter, operating activities continued to generate a significant amount of cash, totalling \$52.8 million compared with \$35.1 million in the first quarter of 1999. The Corporation spent \$24.5 million in investing activities, mainly for a loan to a joint venture, deposits, as well as capital assets and spare parts. As well, \$4.4 million was used for financing activities, including \$5 million for the repayment of long-term debt, \$4.3 million for the redemption of shares as part of the normal course issuer bid, while the Corporation increased its bank loans and revolving term facility by \$4.9 million.

Based on the trends noted in the second half of the winter season, which will end on April 30, 2000, the Corporation is optimistic about the results for the first six months of the year. With respect to the summer season, the Corporation expects sustained competition, particularly for European destinations departing from Canada, although current indications point to an encouraging number of bookings, particularly for departures from Canada. Moreover, the high cost of fuel represents a major challenge for companies that operate in the travel industry, and the Corporation is closely monitoring this aspect of its operations that has a significant impact on its profitability. As well, in order to offset the larger-than-expected increase in the cost of fuel, the Corporation imposed a surcharge—as did its competitors—on departures from France for Canadian destinations, on domestic flights and on flights to sunshine destinations.

In Europe, the euro's decline against the dollar is having an impact on bookings for Canadian destinations departing from the euro countries (Germany, France, the Netherlands), although bookings are similar to last year's level for departures from the United Kingdom. This situation may be of particular significance for Vacances Air Transat (France), which specializes in Canadian and U.S. destinations. As for Look Voyages, the number of bookings for destinations in the Mediterranean region is very good and augurs well for the upcoming summer season, which is a crucial period for improving the financial results.

EVENTS SUBSEQUENT TO JANUARY 31, 2000

In February, the Corporation completed its acquisition of all the shares of Services Haycot and Brok'Air, in which it previously held a 50% and 39% stake respectively. And in March, the Corporation announced its intention to acquire all the shares of Consultour/Club Voyages, in which it already held a 50% interest. In this way, the Corporation will be better positioned to control the development of its interests and respond to future growth opportunities in a timely manner.

INTERNET-RELATED DEVELOPMENTS

Since the introduction of Internet technology in the travel industry, Transat has promoted the development of related activities among its subsidiaries, in particular the implementation of e-commerce operations. In France, Brok'Air set up a transactional site (anyway.com) that is already playing a leading role in the on-line distribution of airline tickets in the French market. Moreover, in Canada, the Corporation has introduced an on-line travel agency (exit.ca) which will soon be actively marketing the vacation packages and air transportation available from tour operators both inside and outside the group. These Internet activities are complementary to each other and are a natural extension of the principle of vertical integration applied by the Corporation.

Jean-Marc Eustache (signed)

Chairman of the Board and
President and Chief Executive Officer
Montreal, March 28, 2000

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	As at January 31 2000 (Unaudited)	As at October 31 1999 (Audited)
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	197,791	173,868
Accounts receivable	47,584	63,259
Income taxes receivable	5,126	—
Inventories	10,065	10,404
Deposits with suppliers	23,943	25,287
Prepaid expenses	59,601	29,525
Total current assets	344,110	302,343
Deposits	53,240	27,167
Tax benefit	21,771	19,788
Inventory of rotatable aircraft spare parts	14,409	12,877
Investments in companies subject to significant influence	16,194	17,151
Capital assets	128,039	118,200
Goodwill	32,856	33,484
Other assets	25,568	14,336
	636,187	545,346
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	8,287	5,154
Accounts payable and accrued liabilities	150,252	130,729
Customer deposits and deferred income	153,235	84,388
Income taxes payable	—	6,583
Current portion of long-term debt and obligations under capital leases	18,081	18,453
Total current liabilities	329,855	245,307
Long-term debt	44,845	43,464
Obligations under capital leases	51,538	42,426
Debenture	10,000	10,000
	436,238	341,197
Shareholders' equity		
Share capital	109,110	111,126
Retained earnings	90,903	93,720
Deferred translation adjustments	(64)	(697)
	199,949	204,149
	636,187	545,346

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

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

Three (3) months ended January 31

2000

1999

	\$	\$
Revenues	397,361	363,469
Operating expenses	386,916	356,651
Income before the following accounts	10,445	6,818
Amortization	8,230	7,916
Interest on long-term debt, obligations under capital leases and debenture	2,235	2,688
Other interest and financial expenses	416	960
Interest income	(2,477)	(2,575)
	8,404	8,989
Income (loss) before share of net loss of companies subject to significant influence, income taxes and goodwill charges	2,041	(2,171)
Share of net loss of companies subject to significant influence	(624)	(696)
Income taxes (recovered)		
Current	3,325	2,597
Deferred	(1,984)	(3,233)
	1,341	(636)
Net income (net loss) before goodwill charges	76	(2,231)
Goodwill charges	628	648
Net loss for the period	(552)	(2,879)
Retained earnings, beginning of period	93,720	69,156
Premium paid on redemption of common shares	(2,265)	—
Retained earnings, end of period	90,903	66,277
Net income (net loss) per share before goodwill charges	0.00	(0.06)
Loss per share	(0.02)	(0.08)

CONSOLIDATED OF CASH FLOW STATEMENTS

(in thousands of dollars)

(Unaudited)

Three (3) months ended January 31

2000

1999

	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(552)	(2,879)
Add items not involving an outlay (receipt) of cash		
Amortization and goodwill charges	8,858	8,564
Share of net loss of companies subject to significant influence	624	696
Deferred income taxes	(1,984)	(3,233)
Operating cash flow	6,946	3,148
Net change in non-cash working capital balances related to operations	66,601	31,884
Deposits for engine and airframe overhauls	(20,761)	60
Cash flows from operating activities	52,786	35,092
INVESTING ACTIVITIES		
Loan to a joint venture	(11,700)	—
Deposits	(5,844)	(897)
Additions to capital assets	(2,834)	(2,155)
Purchase of rotatable aircraft spare parts	(2,174)	(318)
Other assets	(1,915)	(481)
Cash flows from investing activities	(24,467)	(3,851)
FINANCING ACTIVITIES		
Long-term debt—revolving term loan	1,766	461
Bank loans	3,133	(772)
Issue of common shares	56	—
Repayment of other long-term debt and obligations under capital leases	(5,013)	(4,830)
Repurchase of common shares	(4,338)	—
Increase in other long-term debt	—	1,455
Cash flows from financing activities	(4,396)	(3,686)
Increase in cash and cash equivalents for the period	23,923	27,555
Cash and cash equivalents, beginning of period	173,868	155,720
Cash and cash equivalents, end of period	197,791	183,275

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

HEAD OFFICE

Transat A.T. Inc.
300 Léo-Pariseau Street
Suite 600
Montreal, Quebec
H2W 2P6
Telephone: (514) **987-1660**
Fax: (514) **987-9546**

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.

