2000 annual report

Transat A.T. Inc.

Transat A.T. Inc. is an integrated company specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of ten tour operators in Canada and France. Transat is also involved in air transportation, hotel management and value-added services offered at travel destinations. Finally, Transat has developed a dynamic presence in distribution through both travel agency networks and e-commerce initiatives.

Transat and its subsidiaries have one ambition: to offer quality holiday travel at affordable prices to an extensive clientele. This ambition comprises two objectives: namely, to maintain Transat's position as the leader in Canada and to become a major player in the holiday travel industry in North America and Europe.

Highlights

- Sustained growth in Canada and in France mainly through internal growth, resulting in an 18.4% increase in revenues, which reached $1.9 billion in 2000.
- Net income of $36.6 million, an increase of 22% over the previous fiscal year despite a steep increase in the cost of fuel and the weakness of the euro.
- Increase of nearly 25% in the number of passengers carried by Air Transat.
- Significant market penetration by Transat in e-commerce: in France, confirmed success of the transactional Web site www.anyway.com; and in Canada, the successful launch of www.exit.ca, offering vacation packages from Canada.
- Consolidation of Consultour, Brok'Air and Handlex, of which Transat acquired all the shares it did not already hold, and acquisition of the tour operator Americanada.

Results

Years ended October 31 [in thousands of dollars]	2000	1999
Revenues	**1,922,550**	1,623,315
Operating income (before goodwill charges)	**68,646**	56,224
Net income	**36,640**	30,022
Operating cash flow	**75,226**	63,391

Balance sheets

As at October 31 [in thousands of dollars]	2000	1999
Cash and cash equivalents	**147,401**	173,868
Total assets	**684,119**	545,346
Long-term debt, debenture and obligations under capital leases (including current portion)	**154,135**	114,343
Shareholders' equity	**232,464**	204,149

Per common share

Years ended October 31 [in dollars]	2000	1999
Net earnings before goodwill charges	**1.23**	0.96
Net earnings after goodwill charges	**1.14**	0.89
Diluted net earnings before goodwill charges	**1.16**	0.93
Diluted net earnings after goodwill charges	**1.08**	0.86
Operating cash flow	**2.34**	1.87

TRANSAT A.T.

outgoing tour operators:

Outgoing tour operators—creating, organizing, and marketing vacation travel.

Air Transat Holidays — Voyages Nolitour — Regent Holidays — World of Vacations — Americanada Kilomètre Voyages — Vacances Air Transat (France) — Look Voyages — Brok'Air

distribution and travel agencies:

Travel agencies—advising travellers and guiding them in their product choices.

Consultour Club Voyages — Vacances Tourbec — Exit Travel
Club Voyages (France) — Anyway

air carriers:

Air transportation—offering tour operators the most dependable and effective charter network possible.

Air Transat — Handlex — Star Airlines

incoming tour operators:

Incoming tour operators—offering travellers a broad range of value-added services.

DMC Transat — Vacances Air Transat Holidays (Florida) — Jonview Canada

hotel management:

Hoteliers—a warm welcome and first-class service.

Cameleon — Lookéa Clubs

Air Transat Holidays
As the leading Canadian tour operator, Air Transat Holidays develops and markets holiday products as well as flights, especially to the South and to Europe.

Voyages Nolitour
Voyages Nolitour is known in Quebec for the excellent value of its wintertime packages to sunshine destinations and its summertime offerings to Europe, especially to Italy and Greece.

Regent Holidays
In Ontario, Regent Holidays has achieved a leadership position in several niches, especially Caribbean and Mediterranean cruises and packages for several sunshine destinations.

World of Vacations
This tour operator has a presence in Ontario as well as in the Atlantic Provinces, the Prairies, and Western Canada, offering quality products at competitive prices for travel to the United States, the Bahamas, the West Indies, Mexico, South America, and Europe.
35% interest

Americanada
A specialist in à-la-carte tourism with its FITs (Foreign Independent Tours), Americanada is a tour operator that excellently complements the wide range of products offered by Transat.

Kilomètre Voyages
This tour operator offers packages in Quebec and elsewhere in North America to Quebeckers and to tourists visiting the province.
A division of DMC Transat

Vacances Air Transat (France)
The leader in France for packages to Canada, this tour operator also offers vacation travel to the United States, the Caribbean, Mexico, and other destinations in Latin America.

Look Voyages
In France, Look Voyages is a leader in marketing air-only flights. Its market share of vacation packages, especially to the Mediterranean Basin, is rapidly growing. As well, its Lookéa Clubs are becoming increasingly successful.
99.2% interest

Brok'Air
The leading airline ticket consolidator for scheduled airlines in France, Brok'Air also develops Internet solutions for travel agencies.

Consultour
In Canada, Consultour orchestrates a distribution network of approximately 160 sales outlets under the banners of Club Voyages, Voyages en Liberté, and Inter Voyage.

Vacances Tourbec
A Quebec travel agency network, Vacances Tourbec has 30 sales outlets, four of which are wholly owned subsidiaries located in superstores.

■ In Canada
■ In France

Exit Travel
With two call centres and a transactional Web site, Exit Travel is a model 21st century travel agency. It offers the most comprehensive collection of vacation packages on the Internet for departures from Canada

Club Voyages (France)
A French network of some 50 travel agencies, of which 30 are located in the metropolitan Paris area.

Anyway
The www.anyway.com Web site, which offers airline tickets at both negotiated and published fares and a broad range of products, is showing sustained growth, making Anyway—with its Web site and call centre—one of the leading online travel agencies in the French market.

Air Transat
Air Transat offers departures from Canada to some 90 destinations in 27 countries. With a fleet of 22 aircraft and 2,400 employees, it is Canada's leading charter carrier.

Handlex
This company provides airport representation, baggage handling, and aircraft-cleaning services at the international airports in Montreal (Mirabel and Dorval) and Toronto.

Star Airlines
With a fleet of Airbus A320s, Star Airlines operates charter flights from France mainly to the Mediterranean Basin and Africa.
Look Voyages holds a 49.6% interest in this air carrier.

DMC Transat
One of the leading incoming tour operators in Canada, DMC Transat primarily offers leisure travel for individuals and groups.
66.7% interest

Vacances Air Transat Holidays (Florida)
Established in Florida, this tour operator offers excursions to customers of Air Transat Holidays; as well, it markets Air Transat flights to Canada as well as packages to its local clientele.

Jonview Canada
The leading incoming tour operator in the country, Jonview Canada is well established in the European market and brings some 200,000 tourists to Canada each year.
50% interest

Cameleon
Cameleon operates two hotels in Mexico and Jamaica, and will soon open a third in Morocco—following the tradition of quality service that sustains Transat's growth.

Lookéa Clubs
The family-oriented Lookéa Clubs, with their beautiful natural locations, are becoming increasingly successful with French tourists looking for sunshine destinations.

Message to shareholders

Jean-Marc Eustache

Chairman of the Board and President and Chief Executive Officer, Transat A.T. Inc.

Globally, the fiscal year ended October 31, 2000 was more than satisfying. The marked increase in business activity and its effect on revenues, as well as several promising strategic developments in Canada and in France, all contribute to our sense of satisfaction. Despite the impact of unfavourable elements over which we have little control, your company has passed through fundamental stages in the group's strategic deployment, and thus is able to present financial results to its shareholders that confirm the upward trend of the previous fiscal periods. Today, more than ever, and despite the fierce competition that characterizes our industry, Transat A.T. holds an enviable position in Canada and in France—a position that will be an excellent springboard for conquering new markets in these two countries and elsewhere in the world.

"Growth on all Fronts"

In this new millennium, the international tourism market continues to grow. In many countries, tourism ranks among the leading export industries and plays a central role in the economy. During the year 2000, some 700 million people in the world visited another country, mostly for pleasure.

Consequently, Transat ended fiscal 2000 with revenues of $1.9 billion, a substantial increase of 18.4% over the previous year. The source of this increase is threefold: the significant increase in sales volumes; the consolidation of Consultour, Americanada and Brok'Air, which are now wholly owned subsidiaries; and the increase in selling prices, which was necessary due particularly to spiralling fuel costs. In response to sustained demand, our Canadian and French subsidiaries increased their sales volumes and benefited from higher selling prices. Canada accounted for about 62% of sales and Europe for 38%

While concern over the Y2K problem affected customer traffic at the beginning of the year, sales volumes subsequently recovered. The Corporation recorded net income of $36.6 million, compared with $30 million in 1999. Among unfavourable factors were the increase in fuel costs, the weakness of the euro in terms of the U.S. and Canadian dollars, and the increase in certain maintenance and operating costs; all of these exerted downward pressure on margins and caused us to redouble our efforts in order to increase efficiency and sustain profitability.

We are maintaining the direction of our growth strategy, which has five main focuses: the central role of holiday travel, vertical integration, product-line development, e-commerce, and the penetration of new markets.

Transat, a Holiday Maker

Our strategy is based, above all, on a clear mission centred on holiday travel, whether that travel takes the form of complete packages or airline seats with or without hotel or car-rental reservations. With regard to air transportation, charter flights are our main product. We do not intend to compete directly with carriers specializing in scheduled flights, a resolution that has a direct impact on our operating strategies, especially at Air Transat and Star Airlines.

Consequently, the role of outgoing tour operators is vital; indeed, tour operators are the ones who "assemble" products using resources provided by other members of the group or outside suppliers. In Canada, our subsidiary Air Transat Holidays is the leading Canadian-owned tour operator and the only one with a truly national presence, a presence that expanded further during the year. Recognized for its dynamic product management and for its vision regarding product development, Air Transat Holidays plays a leading role in the implementation of many of our expansion strategies.

With tour operators Voyages Nolitour (in Quebec) and Regent Holidays (in Ontario)—whose pooling of interests continued last year—and World of Vacations, we are in a position of strength to take on the competition, especially the European groups who are consolidating the market. In the year 2000, our Canadian outgoing tour operators performed well, posting increases in sales volumes in all of their markets. In France, in addition to support from Vacances Air Transat (France) and Brok'Air, our strategy is built around Look Voyages. We rank third in the holiday travel industry, and our brand names compete successfully with the big names in the industry in France. Look Voyages currently enjoys a high profile, which translated into a substantial increase in sales in 2000. In 1999, this tour operator once again became profitable and is now set on an unswerving course for growth, thanks in particular to its Lookéa Clubs and its success in marketing air-only flights.

Vertical Integration and Value Creation

Vertical integration continues to be our strength; in fact, it is the backbone of our growth strategy. The outgoing tour operator forges a value chain in which the distribution network, air carrier, incoming tour operator, and hotel management company all play essential roles. Our integrated approach, which governs our operations both in Canada and France, offers numerous benefits: these include the control, quality and distribution of products as well as the optimization of the load factors of our air carriers.

One of our priorities with regard to integration is to extend the distribution network in our two principal geographical markets. In 2000, we acquired the remaining 50% interest in Consultour, bringing our interest in this company to 100%. Consequently, we now rely on some 240 well-established travel agencies in Canada and in France. At the same time, we acquired the tour operator Americanada, an à-la-carte specialist and a dynamic player that considerably strengthens our presence in certain niches and markets.

We also acquired the remaining interest in Brok'Air—the leading airline ticket consolidator in France and parent company of Anyway, which is now one of the leading online travel agencies in France.

With regard to air transportation, Air Transat in Canada and Star Airlines in France both had a good year in terms of customer traffic and load factors. However, the increase in fuel costs and the drop in value of the euro affected their results. Air Transat's fleet is well adapted to the requirements of our target market. The age mix of the aircraft that make up our fleet results in varying cost structures, and this factor contributes to our efficiency and profitability, given the seasonal nature of our operations. Moreover, the fleet renewal that began in 1999—namely, the replacement of the Lockheed L-1011-150s with primarily Airbus A310-300s—was planned so as to allow us to continue to depend on a mixed fleet.

Finally, as announced last year, we have entered the field of hotel management with our subsidiary Cameleon, which will pursue the development of a network of establishments, the first two of which have been open since the beginning of the 2000-2001 winter season. As Cameleon grows, we will improve both access to quality hotel rooms, especially during the peak season, and control of the management and marketing of products. Given the competition for quality lodging services, these are strategic issues; their importance will grow, especially with regard to the most popular destinations.

Market-Driven Products

We are constantly watching our product mix to ensure that it evolves in line with the expectations of our customers—and that it allows us to reach new clients. Innovation takes the form of new destinations, new travel formulas or the acquisition of specialized companies that provide access to new niches. Given our considerable experience in product development, we pay close attention to trends and business opportunities.

We have therefore developed more packages to Europe, especially for the short trips increasingly in demand. For southern destinations in winter, our tour operators have also developed new products, energetically meeting the related organizational challenges. Special Collection is a further initiative to increase sales in upscale markets. Finally, during winter 2000-2001, our tour operators began offering new destinations from Canada and from France, with others to follow during the next fiscal year.

"It is all about knowing your customer"

E-commerce

It is clear that information technologies play a major role in our industry, and it has also become increasingly clear that marketing our products on the Internet holds great promise. In France, we penetrated the market in spring 1999 with the www.anyway.com site, a true online travel agency whose sales doubled in 2000, making it a proven business success. Our objectives for Anyway are ambitious: the strategic plan is to make it a key tool in the penetration of new geographical markets, especially in Southern Europe.

In Canada, we developed and launched the www.exit.ca site. The result of a multidisciplinary collaboration, this transactional and readily accessible site offers the Transat group's vacation packages and flights as well as those of several competitors. It is the only portal of its kind in Canada, and, in our view, one of the best sites in its category in the world. Immediately embraced by the general public, the site generated several hundred transactions during the initial weeks of its existence.

International Expansion

In addition to efforts to consolidate our leadership position in Canada, we are working to further develop the French market, where we enjoy a very strong position. Our growth strategy also anticipates the development of new geographical markets. In this regard, we are mainly targeting those countries in which the holiday travel industry is fragmented and where Transat A.T., given its strengths, will be in a position to seize business opportunities through acquisitions. Our financial position and our competencies provide us with the means to realize our ambitions. What is more, our current resources offer enormous potential for synergies, a potential we intend to exploit.

In France, where we have a significant market share but where the consolidation movement is intensifying, we especially plan to strengthen our distribution network, to enhance our offerings with complementary products and, of course, to pursue our Internet growth strategy. We took steps in this direction in 2000 with the addition of new destinations and with the acquisition of Brok'Air and Consultour.

But we are not limiting ourselves to France and Canada. The holiday travel industry in Italy, Spain, Belgium, Switzerland and the United States still offers vast growth potential for a company such as ours.

A Favourable Outlook

We have thus risen to several challenges in 2000, often with great success. Some unfavourable elements, however, such as the fluctuation of the euro and fuel prices, are beyond our control and will continue to affect us in 2001. Nevertheless, our leadership position in Canada, our solid base in France, our very healthy balance sheet, our dynamism in all of our activities, and the quality of our teams lead us to believe that we have all the attributes we need to meet the challenges of the current economic situation and thus to ensure our success.

Moreover, soon after the end of the fiscal year, we took a further strategic step with the acquisition of Jonview Canada, the leading incoming tour operator in the country. Jonview Canada brings 200,000 tourists a year to Canada, representing annual revenues of $100 million. This acquisition, to be completed in two stages, will enable us to consolidate our presence in Europe and in other markets. It will also create synergy, in particular with DMC Transat and Air Transat.

A Dynamic Organization

Acquisitions, the creation of new subsidiaries, and structural changes of all kinds necessarily give rise to new organizational needs, especially in managing personnel and information systems. In this respect, like any responsible company evolving in a demanding environment, our efforts are tireless.

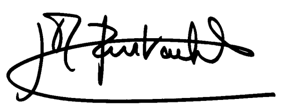
In the area of human resources, we continue to develop and to apply programs aimed at harmonizing the policies of the group's members, keeping our personnel and developing their sense of belonging, and furthering professional development and continuing education.

As for information systems, several sectorial projects were carried out as planned, especially at Air Transat, where they had a favourable impact on operating processes. With regard to strategy, the people in charge of information systems are currently focusing on sustaining growth, on managing vertical integration, and on transforming business processes.

As can be expected in rapidly growing companies, there were organizational changes in senior management in 2000. At Air Transat, Denis Jacob was named President and Chief Executive Officer, succeeding Philippe Sureau, who took on the management of our Internet development, combining his position as Executive Vice-President of Transat A.T. with that of President of Exit.ca. Odette Thomas was named Executive Vice-President, Retail Networks, while André De Montigny was named Vice-President, Corporate Development. In addition, Daniel Godbout, formerly Executive Vice-President of Air Transat Holidays, was named President and Chief Executive Officer of Air Transat Holidays, succeeding Lina De Cesare, who acts as Executive Vice-President, Tour Operators, of Transat A.T. and President of Cameleon Hotel Management Corporation.

I would like to sincerely thank each of our 5,500 employees, whose sustained efforts, again this year, are fully appreciated. In our industry, where client satisfaction is vital, our team's competence and dedication remain the key to our success. With them, we remain committed to the well-being and development of the community, especially in social affairs, culture and post-secondary education. I also wish to thank the members of the Board of Directors who throughout the year carried out their responsibilities with the depth and rigour that we have come to expect. In this respect, I would like to convey my special thanks to Sylvie Jacques, whose mandate has ended, and Yves Graton, who will not seek re-election.

Jean-Marc Eustache (signed)



Chairman of the Board and
President and Chief Executive Officer
Montreal, February 6, 2001

Review of Operations

Following the principle of vertical integration, Transat joins all the links of the value chain. Assembled by specialists, the final product is a service, usually a package that includes one or several of the following elements: air transportation, transfers from airport to hotel, lodging, recreational activity, meals, cruises, coach tours, excursions, etc. By closely controlling all of the links in the chain, Transat creates a quality product that more than meets the expectations of travellers.

Tour operators create, organize and market the group's main product: the holiday package. They are thus at the heart of the holiday-making process, obtaining the services they need from other group members and from third parties. With their knowledge of the market, they play a strategic role in the development of service offerings.

Canada

Outgoing Tour Operators
Air Transat Holidays
Voyages Nolitour
Regent Holidays
World of Vacations
Americanada
Kilomètre Voyages
Incoming Tour Operators
DMC Transat
Jonview Canada
Vacances Air Transat Holidays (Florida)
Air Carriers
Air Transat
Handlex
Travel Agencies
Consultour
Vacances Tourbec
Voyages Exit
Hotel Management
Cameleon

Outgoing Tour Operators

In Canada, the Transat A.T. group has six outgoing tour operators, making it the leader in Quebec and Ontario and increasing its presence in the rest of the country. Market conditions are stringent, with supply generally outstripping demand. Demand is on the rise, however, as Canadians increasingly travel abroad. More than 18 million passengers crossed Canadian borders in 1999, more than 4 million of them on their way to destinations other than the United States. Influenced by the climate, travellers prefer sunshine destinations in winter and European destinations in summer.

With its leadership position, its skill in the strategic management of its products, and its market experience, the Transat group considerably strengthened its presence in the Canadian market in 2000. The result is that the number of travellers opting for its products increased.

More precisely, the group strengthened its presence in Ontario while at the same time it introduced packages from Saskatoon, Winnipeg and St. John's, bringing the number of Canadian cities served to 10. Geographical diversification involves both departure points and destinations, the purpose being to offer the products that best meet customers' expectations in each new market—preferably exclusively.

In addition, Transat continues to invest in the expansion of its range of products, in keeping with market trends. Among its initiatives are short package trips to Paris, and the upscale "Special Collection" products.

Air Transat Holidays, the leading Canadian-controlled tour operator, is present from one end of the country to the other and continues to hold privileged status in Quebec, both for sunshine destinations during the winter and European destinations during the summer. It is the only major Canadian tour operator to have balanced its winter and summer sales volumes. In addition to its strong presence in holiday packages, Air Transat Holidays continues to play a leading role in the market for air-only flights to Florida, for domestic flights, and for packages to Las Vegas. The company had a growth of 25% in 2000 and played a major role in the development of products for the group's newly added Canadian departures. In addition, Air Transat Holidays continues to pursue its e-commerce initiative with solutions that complement the role of travel agencies.

Voyages Nolitour in Quebec and Regent Holidays in Ontario had an excellent year with regard to sales; furthermore, they successfully continued their pooling of interests begun in fall 1999. The second phase of the project—the integration of operations, marketing, and administrative services—was successfully completed, contributing to improved results. Both tour operators also offer specialized products to exclusive destinations. For Regent Holidays, fiscal 2000 marked a major development in the product line, which was realigned according to market needs.

World of Vacations, serving Ontario, Western Canada, and the Atlantic Provinces, also had a good year. It saw its clientele increase sharply and its results improve due to progress on four fronts: the focusing of its product offering on products most in demand, a reduction in operating costs, increased load factors, and a special effort targeting the most effective distributors. In all, World of Vacations focused on products with an excellent value and on an aggressive marketing strategy while continuing to place importance on the quality of customer service.

During the past fiscal year, the Transat group acquired the tour operator Americanada in order to round out the range of services offered to agencies with the FIT formula (Foreign Independent Tour); namely, the sale of seats along with lodging and car rentals. Americanada plans to open offices in Toronto and in Vancouver in 2001.

Incoming Tour Operators

An essential complement to the outgoing tour operator, the incoming tour operator develops and provides services at the destination, services that run the gamut from airport transfers to taking charge of the entire stay. In Canada, DMC Transat is one of the leading incoming tour operators. Its most sought-after products are affordable coach tours of varying duration; these are highly successful in France, where they are marketed by Vacances Air Transat (France), its largest client. With 44,000 passengers, DMC Transat had a good year in 2000.

In November 2000, Transat announced that it was acquiring a 50% interest in the capital of Jonview Canada, the leading incoming tour operator in Canada. The remaining 50% will be acquired in November 2004. Firmly established in Europe, Latin America, and Asia, Jonview Canada is targeting Canada—a prized tourism destination for travellers from every corner of the globe. Standing out among the competition due to its diversified product offering and its leading-edge information systems, Jonview Canada has revenues of $100 million.

On the Wings of Air Transat

Having carried close to 33 million passengers in the last fiscal year, almost 25% more than in 1999, Air Transat is the leading charter carrier in Canada. The leader for holiday flights to France, Belgium, the Netherlands, the United Kingdom, Greece, Germany, Portugal, Switzerland, Cuba, the Dominican Republic, Mexico, Venezuela, Colombia and Costa Rica, Air Transat flies to some 90 destinations in 27 countries. Air Transat mainly serves southern destinations during the winter season and European destinations during the summer. In Canada, Air Transat now flies from 10 major cities, with the recent addition of Winnipeg, Saskatoon and St. John's.

Marketing the flights is primarily in the hands of tour operators, but Air Transat also markets some of its own seats as a scheduled carrier between Canada and France, Canada and Cuba, as well as for certain domestic and transborder flights. About 25% of Air Transat's sales are made outside the Transat group.

During the past few months, major steps have been taken in the fleet renewal program launched in 1998. The corporation commissioned an Airbus A330-300, which joined the fleet at the end of the past fiscal year; it also put in service an Airbus A310-300, which was delivered in January 2001. The latter is the first of a series of six aircraft to be put into service over a period extending to 2002; these aircraft will make it possible to gradually retire the Lockheed L-1011-150s. The Airbus A310-300, called upon to fill an increasingly important role at Air Transat, is perfectly suited to the group's expansion strategy. With 259 seats and a range of 9,600 km, it meets the requirements of tour operators and allows Air Transat to benefit from the flexibility of a mixed fleet. Combining reliability and comfort, these aircraft enable Air Transat to provide non-stop flights to all its destinations.

While an increase in the price of vacation packages and air-only flights (especially in winter) and the tight management of aircraft did in part compensate for the upsurge in fuel costs, Air Transat's margins were nevertheless affected during fiscal 2000.

With regard to continuous improvement, Air Transat has changed its approach to aircraft maintenance and operations control so as to improve the integration of functions involving passenger service, crew and flight scheduling, and maintenance control. Our information systems also underwent major changes. This in-depth integration resulted in improvements to the quality of service, cost control, and productivity.

An Air Transat partner on the ground, Handlex (formerly Services Haycot), which provides airport representation and handling services, also had a good year. Among other activities, it renewed its contract with Air France and began working with EgyptAir while continuing to serve other airlines.

A fleet for all seasons

At the end of the fiscal year, Air Transat had a mixed fleet of 22 aircraft. Astute management of the aircraft, which vary in size, range, and cost structures, enables the carrier to adapt to the seasonal variations that characterize the charter-flight industry, all the while preserving its margins. Moreover, this was even more the case in 2000, when air carriers the world over faced a dramatic increase in the cost of fuel.

Distribution and Travel Agencies

In the Canadian market, Transat distributes its products in part through its own retail network, corporate or franchised, which represents close to 190 sales outlets under four banners, managed by Consultour and Vacances Tourbec. Consultour is the leading franchisor in Quebec, with some 160 mostly franchised sales outlets under the names Club Voyages, Voyages en Liberté, and Inter Voyages in Quebec and in Eastern Canada. Consultour also markets airline tickets for scheduled flights at preferential fares. Another 30 sales outlets, most of them franchises, are operated under Transat's Vacances Tourbec banner.

Demographic change, globalization, the advent of new technologies, competition, and shrinking commissions on airline ticket sales are just some of the factors that pose specific challenges in retail travel. A network such as Transat must give particular priority to joint efforts to increase the efficiency of agencies, preserve profitability and expand its range of products to include options such as cruises, excursions, and upscale packages. To accomplish this, Transat first and foremost builds on employee training and the deployment of new technologies that promote the development of a dynamic network focused on a principal objective: to offer quality service and to become the preferred source of travel products for consumers.

Cameleon—for an "all Transat" trip

Cameleon, a hotel management subsidiary founded in 1999, began operations with two superior-class resorts: one in Puerto Aventuras, close to Cancun (Mexico), and the other in Rose Hall, Montego Bay (Jamaica). A third hotel, in the palm grove of Marrakech (Morocco), will be added in spring 2001, targeting mainly the customers of Look Voyages. These successful grand openings reflect Transat group's growth strategy based on vertical integration. Where lodging is concerned, the Corporation thus has greater control over product quality and the supply of quality hotel rooms available at the most attractive and most popular destinations.

E-commerce

In 2000, Transat took a giant step in e-commerce in Canada. Its subsidiary Exit Travel developed and launched a unique, highly efficient, transactional Web site—www.exit.ca—which provides access to the most comprehensive collection of vacation packages and charter flights departing from Canada. Designed with the needs of the general public in mind, www.exit.ca relies on an extensive database and on an advanced technological platform, thus making it a value-added tool for agencies. A true online travel agency, Exit Travel also employs travel agents in call centres located in Montreal and Toronto.

Several studies have shown the public's growing fascination with the Internet, a fascination that includes holiday planning. As the number of electronic transactions grows endlessly, it was important for Transat, the industry leader in Canada, to position itself in this market quickly. After almost two years of work, the Transat group now has tools and expertise that are world class in this field. Exit Travel will actively review the mechanisms required to quickly increase the number of tour operators whose products can become part of the site, and to expand the range of products offered.

www.exit.ca: a new distribution channel

The first Web site specializing in holiday packages and charter flights, www.exit.ca offers travellers user-friendly access to nearly 13,000 products, based on the city of departure, the destination chosen and desired dates of travel. Net surfers can analyze the options, indicate their choices with a few clicks, and then reserve online in complete security. They have access to aircraft seats, packages, promotions and various last-minute discounts. Soon they will also be able to reserve car rentals and hotel rooms.

The site is secure, offering a rapid response and a broad range of products, including packages of competitors, and for these reasons it is already popular among Canadian vacationers. They readily carry out their transactions directly or through a call centre after choosing the product they want on the Internet. Behind the scenes is a unique technological platform and a highly sophisticated product management system; these allow for advanced automation with content updates every 12 hours. Therefore, consumers have round-the-clock access to their travel agency.

France

Outgoig Tour Operators
Vacances Air Transat (France)
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Star Airlines
Travel Agencies
Anyway
Club Voyages (France)
Hotel Management
Lookéa Clubs

Outgoing Tour Operators

In France, there was accelerated consolidation of the tourism industry in 2000; this was the combined result of the arrival of foreign companies and of the pooling of interests among French players. More and more market participants are looking at various forms of partnership with other organizations in order to spur their own development. This trend can in part be explained by the market's strong potential for growth: the French, who have historically travelled abroad much less than other Europeans, seem now to be increasingly drawn to travel outside their borders. Some 25 million trips outside the country were recorded in 1999; growth in this area is very close to 10% a year.

Transat is firmly established in France, where its tour-operator activities rely on Vacances Air Transat (France), Look Voyages, and the consolidator Brok'Air. These subsidiaries substantially increased their sales volumes in 2000.

Vacances Air Transat (France), which now ranks among the 10 leading tour operators in France, is the leader for packages to Canada, a product purchased by more than 77,000 travellers each year. In fact, Canada is one of the country's most popular transatlantic destinations, having attracted 400,000 French tourists in 1999. Over the years, Vacances Air Transat (France) has been able to build on this solid base by enriching its product offerings. Taking advantage of synergies with Air Transat Holidays in Canada, the tour operator is the leader in France for the Dominican Republic and ranks second for Cuba. It has also developed a large market for travel to the United States and Mexico, consolidating its leadership in France for North American destinations. Vacances Air Transat (France) also offers stays and guided tours in many countries in Latin America, including Argentina, Bolivia, Brazil, Chile, Ecuador, Peru and Costa Rica. With about 150 employees and some 125,000 customers, Vacances Air Transat (France) generates revenues of $150 million.

Despite unfavourable exchange rates, an increase in payroll resulting from new work-reduction legislation in France, and investment in its organizational structure, the net income of Look Voyages was higher than the previous fiscal year. This can be attributed primarily to a marked increase in sales, especially among products with higher margins. Indeed, in accordance with its strategic objectives, while consolidating its leadership position in the sale of air-only flights, Look Voyages increased sales of its packages by more than a third, generating 42% of sales. Overall, the number of travellers who purchased a Look Voyages product reached 1.5 million, an increase of more than 15% over the 1.3 million recorded in 1999.

These successes, spurred by an increasingly attractive market, owe a great deal to the deployment of Look Voyages' strategy, which is threefold: an extensive line of quality products offered at competitive prices, about 90 partner companies, and of course the Lookéa Clubs. In addition, Look Voyages products are distributed by most of the French travel agencies, mainly through a computerized system developed for this purpose.

The leader for air-only flights, Look Voyages offers its customers some 800 destinations on five continents, with departures from Paris and seven other cities. As in Canada, the characteristics of the holiday travel market vary depending on the season: during the winter, the French prefer domestic and long-haul flights, while in summer they readily opt for the Mediterranean Basin and North Africa. Look Voyages has succeeded in building a solid brand image and ranks first in top of mind surveys with the under-30 age group.

Brok'Air, now a wholly owned subsidiary of the Transat group, is the leader in France among consolidators of airline tickets at negotiated fares, and ranks second (all products combined) for travel to the United States—the leading long-haul market for departures from France. The tickets are distributed through travel agencies and through Anyway, a Brok'Air subsidiary that operates a transactional Web site and call centre for this purpose.

Aboard Star Airlines

Star Airlines, a French charter carrier, mainly serves Continental Europe, the Mediterranean Basin and North Africa. The fiscal year 2000 was excellent with regard to the number of charter flying hours. However, high fuel costs and the weakness of the euro against the U.S. dollar exerted downward pressure on its margins. A significant part of the Corporation's operating expenses is paid in U.S. dollars. The increase in customer traffic is largely attributable to the success and growth of business at Look Voyages, which had an excellent year.

Star Airlines operates a common fleet of five Airbus A320s. These are high-performance aircraft, perfectly suited to the specific constraints of the market in which they are used. It is especially well suited to Star Airlines because the airline flies shorter average distances than North American carriers such as Air Transat, its sales volume fluctuates, with a heavy concentration during four days of the week, and finally, European regulations are particularly stringent, especially regarding noise and environmental performance.

Distribution and Travel Agencies

French consumers have a number of ways in which they can purchase either a vacation package or airline tickets: traditional or online travel agencies, company committees, community organizations, group specialists or Minitel. With regard to the agencies, the market is all the more fragmented in that large travel agency networks work alongside numerous small, independent, generalized or specialized travel agencies. In France, Transat has close to 50 wholly owned sales outlets under the Club Voyages banner; 30 of them are in the metropolitan Paris area. The Transat group, following its growth strategy, intends to expand its distribution network in France.

Thanks to Anyway, which operates a call centre and the www.anyway.com Web site, Transat is ahead of the game in the distribution of products on the Internet. Since its launch in April 1999, www.anyway.com has recorded sustained growth in the number of visitors, and its look-to-book ratio is among the best in Europe for sites of this kind. In addition to airline tickets, hotel rooms, car rentals and vacations can be booked with Brok'Air, and charter flights with Look Voyages. The site's success, also producing many telephone transactions, has made Anyway the third leading online travel agency in France, with sales of approximately 23 million euros in 2000, double the sales of the previous year.

Lookéa Clubs

The 12 Lookéa Clubs sustained their popularity with the French public in 2000. By the end of fiscal 2001, there will be 16 of them. Transat manages the Lookéa Clubs through partners, while Look Voyages handles animation and supervision of the Lookéa sites. During the past fiscal year, the Corporation worked to ensure that facilities continue to comply with the standards of quality sought by customers.

The Lookéa Club—a winning holiday formula

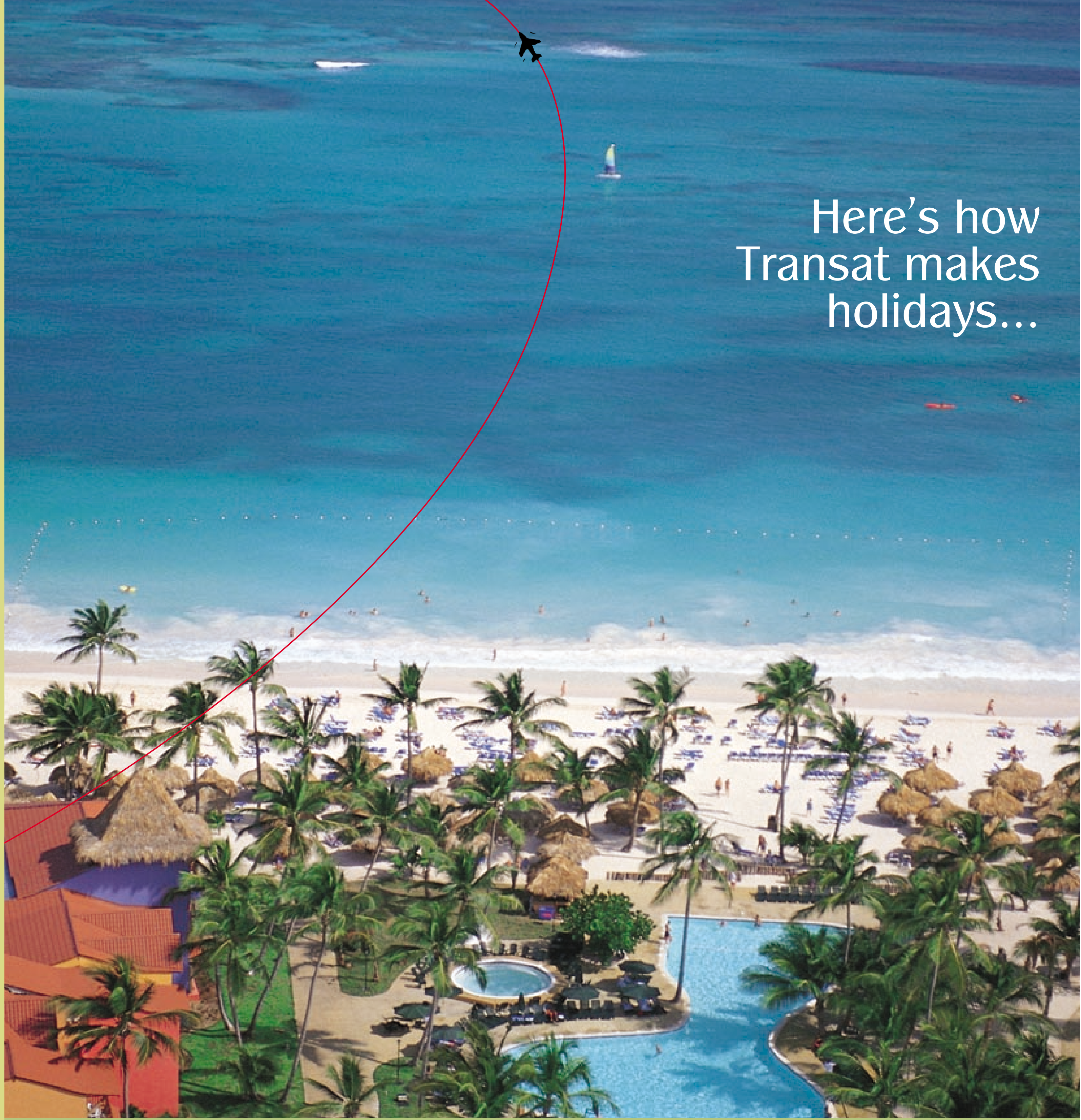
Whether in the Mediterranean Basin, Africa or the Caribbean, the Lookéa Clubs are all in choice locations that bring travellers into unspoiled natural settings. Customers benefit from a diversified product adapted to all expectations. Entertainment, sporting activities and mini-clubs for children have contributed to the growing success of Lookéa Clubs in the French market.

Transatin Canada

	2000	1999
Travel agencies		
Consultour/Club Voyages		
Network Revenues ($)	473,000,000	451,000,000
Commission Revenues ($)	6,000,000	5,000,000
Outlets	158	160
Vacances Tourbec		
Network Revenues ($)	41,000,000	38,000,000
Commission Revenues ($)	471,000	430,000
Outlets	30	26
Exit Travel		
Commission Revenues ($)	1,000,000	–
Employees	66	–
Outgoing tour operators		
Air Transat Holidays		
Revenues ($)	661,000,000	531,000,000
Employees	477	449
Travellers	797,000	684,000
Voyages Nolitour		
Revenues ($)	101,000,000	91,000,000
Employees	74	69
Travellers	82,000	80,000
Regent Holidays		
Revenues ($)	131,000,000	106,000,000
Employees	68	73
Travellers	141,000	133,000
World of Vacations		
Revenues ($)	208,000,000	212,000,000
Employees	189	209
Travellers	271,000	290,000
Americanada		
Revenues ($)	55,000,000	64,000,000
Employees	111	108
Travellers	65,000	75,000
Incoming tour operators		
DMC Transat		
Revenues ($)	27,000,000	24,000,000
Employees	37	40
Travellers	44,000	39,000
Vacances Air Transat Holidays (Florida)		
Revenues ($)	6,900,000	4,700,000
Employees	22	14
Air carriers		
Air Transat		
Revenues ($)	725,000,000	571,000,000
Employees	2,336	2,133
Passengers	3,300,000	2,650,000
Handlex		
Revenues ($)	17,000,000	14,000,000
Employees	651	610

Transat in France

	2000	1999
Travel agencies		
Club Voyages (France)		
Commission Revenues (€)	8,500,000	8,200,000
Commission Revenues ($)	11,000,000	13,000,000
Employees	171	174
Outlets	50	50
Anyway		
Commission Revenues (€)	2,600,000	1,500,000
Commission Revenues ($)	3,600,000	2,200,000
Employees	64	28
Outgoing tour operators		
Vacances Air Transat (France)		
Revenues (€)	108,000,000	95,000,000
Revenues ($)	149,000,000	153,000,000
Employees	150	130
Travellers	125,000	118,000
Look Voyages		
Revenues (€)	302,000,000	249,000,000
Revenues ($)	424,000,000	401,000,000
Employees	381	416
Passengers	1,500,000	1,300,000
Brok'Air		
Revenues (€)	16,000,000	16,500,000
Revenues ($)	23,000,000	26,000,000
Employees	81	54
Air carriers		
Star Airlines		
Revenues (€)	105,000,000	107,000,000
Revenues ($)	147,000,000	172,000,000
Employees	301	273
Passengers	811,000	804,000



Here's how Transat makes holidays…

Dominican Republic

Using the Dominican Republic as a model, the following pages highlight each of our activities and the connections that bring them together while drawing a portrait of the group that clearly defines its vertical integration strategy.

Here's how Transat makes holidays...

- air carriers
- outgoing tour operators
- distribution/travel agencies
- hotel management
- incoming tour operators

A variety of plans for varied clientele

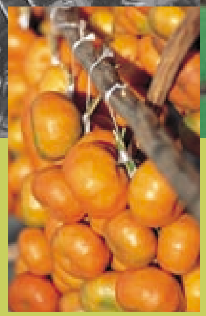
CLUB OR ALL-INCLUSIVE FORMULA

GUIDED TOURS FOR ADVENTUROUS VACATIONERS

AIR-HOTEL PACKAGES

CRUISES

À-LA-CARTE TOURISM



The most popular vacation destination in the Caribbean, the Dominican Republic attracts some three million tourists every year, many of whom come from North America and Europe. Covering two thirds of the island of Hispaniola, the country's 1,576 km coastline is bordered in the north by the Atlantic and in the south by the Caribbean. Here, vacationers discover sought-after beaches and sun, as well as a rich architectural and historical heritage that dates back to the days of Christopher Columbus. In addition, during their stay, vacationers can meet hospitable, warm people whose joie de vivre is apparent in their favourite dance, the merengue.

Dominican Republic

Transat has built a dynamic presence in the Dominican Republic for both its Canadian and French clientele. As is the case for most of its destinations, in-depth integration of the group's activities has promoted its growth and enriched its product offerings. Transat provides direct flights to the Dominican Republic and the group's tour operators have developed a wide range of products and destinations to meet every budget.

A few select destinations in the Dominican Republic

PLAYA DORADA	1
PUERTO PLATA	2
SOSUA	3
CABARETE	4
PLAYA GRANDE	5
SAMANA	6
SANTO DOMINGO	7
BOCA CHICA	8
JUAN DOLIO	9
LA ROMANA	10
BAYAHIBE	11
PUNTA CANA	12

Here's how Transat makes holidays...

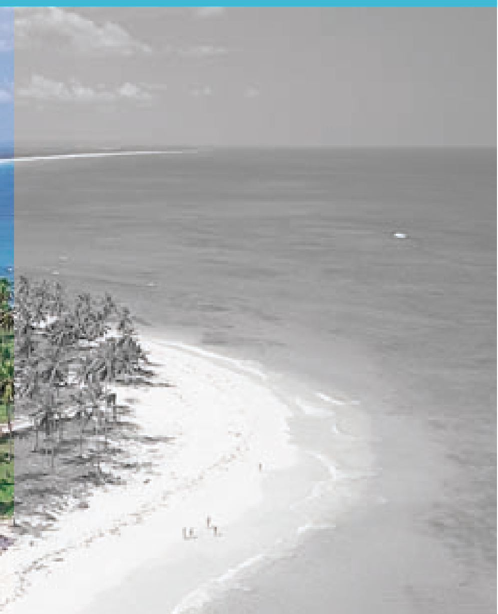
- **air carriers**
- outgoing tour operators
- distribution/travel agencies
- hotel management
- incoming tour operators

Air Transat's fleet at October 31, 2000

LOCKHEED L-1011-150s	8
LOCKHEED L-1011-500s	6
BOEING 757s	5
AIRBUS A330s	3

Star Airlines fleet at October 31, 2000

AIRBUS A320s	5



In 2000, Air Transat served 3.3 million passengers and made 6,300 flights to 27 countries, including 129,000 passengers and nearly 600 flights to the Dominican Republic, 22% more than the previous year.

More than one million Canadians travel to the South each year; about 20% of them choose the Dominican Republic—one of the 10 most popular overseas sunshine destinations.

flights

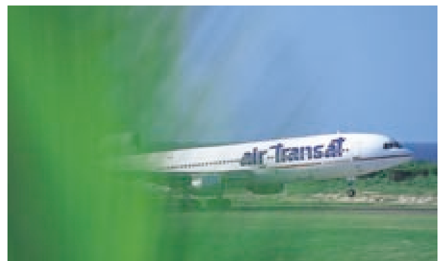
Virtually all of the Air Transat and Star Airlines seats—an essential component of the holiday package—are purchased in advance in blocks by the group's outgoing tour operators. The remaining seats are sold to other tour operators. For Air Transat, the Dominican Republic is the second-leading destination after Mexico. For these countries, and for nine other destinations—Nicaragua, Panama, Colombia, Martinique, Guadeloupe, Venezuela, Cuba, the Turk Islands and Costa Rica—Air Transat is a leading charter carrier. With its fleet of five Airbus A320s, Star Airlines served 811,000 passengers during fiscal 2000; it specializes in short- and medium-haul flights.

Direct Air Transat flights from

HALIFAX
QUEBEC CITY
MONTREAL
TORONTO
BUFFALO
CALGARY
EDMONTON
VANCOUVER

Airports served in the Dominican Republic by Air Transat

LA ROMANA
PUERTO PLATA
PUNTA CANA
SANTO DOMINGO



Here's how Transat makes holidays...

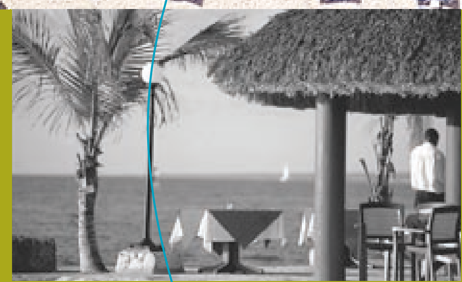
- air carriers
- ➔ outgoing tour operators
- distribution/travel agencies
- hotel management
- incoming tour operators

Transat in the Dominican Republic

Tour operators	Number of hotels offered
AIR TRANSAT HOLIDAYS	34
REGENT HOLIDAYS/ VOYAGES NOLITOUR	32
WORLD OF VACATIONS	26
VACANCES AIR TRANSAT (FRANCE)	16
LOOK VOYAGES	5

According to our tour operators in France, travel to the Dominican Republic has increased by nearly 50% during the past fiscal year.

Vacances Air Transat (France) is the leading tour operator in France for travel to the Dominican Republic, sending 17,200 visitors there in 2000, an increase of nearly 30% in sales volume over the previous year. The Dominican Republic ranks second in importance for the French tour operator. In Canada, sales to the Dominican Republic represented more than 400,000 bed nights in approximately 60 hotel complexes.



packages

The Transat group's outgoing tour operators have a daunting task. It is their responsibility to make the many decisions that ultimately define the product and its features. For Transat, establishing privileged relations with air carriers and hoteliers has been facilitated by the group's critical mass. Such is certainly the case in the Dominican Republic, a country where tour operators the world over compete for some 72,000 tourist beds. In-depth knowledge of the destinations is part of the challenge: should we focus on Puerto Plata, Cabarete and Sosua in the north, a windsurfer's paradise, Punta Cana in the east, a nature lover's retreat, or the south, where the highly popular Bayahibe and Juan Dolio are located?

The outgoing tour operator—putting the puzzle together!

- CHOOSING DESTINATIONS AND TRAVEL PLANS
- NEGOTIATING AND FORGING PARTNERSHIPS WITH HOTELIERS
- RESERVING BLOCKS OF HOTEL ROOMS
- PURCHASING CABIN SPACE ON CRUISE SHIPS
- PURCHASING AIRCRAFT SEATS
- CREATING A BROAD RANGE OF PACKAGES FOR EVERY BUDGET
- SUPERVISING SERVICES AT THE DESTINATION
- EXPANDING THE PRODUCT OFFERING THROUGH EXCURSIONS AND ORGANIZED ACTIVITIES
- PUBLISHING BROCHURES AND MARKETING

Here's how Transat makes holidays...

- air carriers
- outgoing tour operators
- distribution/travel agencies
- ➔ hotel management
- incoming tour operators

Cameleon, a new Transat banner

	Number of rooms
CAMELEON MARIVAL PUERTO AVENTURAS (CANCUN) MEXICO	324
CAMELEON SEACASTLES BEACH RESORT ROSE HALL (MONTEGO BAY) JAMAICA	198
LOOKÉA CLUB ISSIL (MARRAKECH) MOROCCO	204

Lookéa Fiesta Club, with its 252 rooms, is located on the eastern tip of the Dominican Republic, near Punta Cana. Here, everything is possible and almost everything is included. On the itinerary: dream spots, an endless selection of sports and leisure activities, varied buffets and organized activities!

clubs

The hotel industry provides an important component for all holiday packages and in this area, Transat actively focuses on integration, which is the keystone of its strategy. Several approaches are possible and may be combined: creating banners and distributing franchises, renting and operating resorts. At present, Transat has penetrated hotel management through two banners—Cameleon and the Lookéa Clubs. Look Voyages markets and operates the Lookéa Clubs, which are true holiday villages offered primarily in all-inclusive packages. Through a unique formula that combines the high-speed train and airplane, consumers from some 50 cities in France can take advantage of a practical, economical product.

Lookéa Clubs

GREECE	KALOGRIA
GREECE	KINETTA
GREECE (CRETE)	PARADISE
SPAIN (IBIZA)	VISTA BAHIA
TURKEY	MUSKEBI
MOROCCO *	ISSIL
TUNISIA (DJERBA)	YASMINE
TUNISIA (DJERBA)	CEDRIANA
SENEGAL	CAP SKIRRING
SENEGAL	SALY
CUBA	ATLANTICO
CUBA	CARISOL
GUADELOUPE	FORT ROYAL
DOMINICAN REPUBLIC	FIESTA

* (under Cameleon management)

Club-formula activities

CATAMARAN
TENNIS
WINDSURFING
WATER-SKIING
DIVING
OLYMPICS
SWIMMING
DANCE AND AEROBICS
GOLF

Here's how Transat makes holidays...

- air carriers
- outgoing tour operators
- ➔ distribution/travel agencies
- hotel management
- incoming tour operators

Transat's online travel agencies

IN CANADA	www.exit.ca
IN FRANCE	www.anyway.com

Transat has a network of some 250 travel agencies; its products are also distributed by approximately 8,000 travel agencies in France and in Canada. Packages for travel to the Dominican Republic or to other destinations can be purchased through the Transat group's two online travel agencies, exit.ca, and anyway.com.

travel agencies

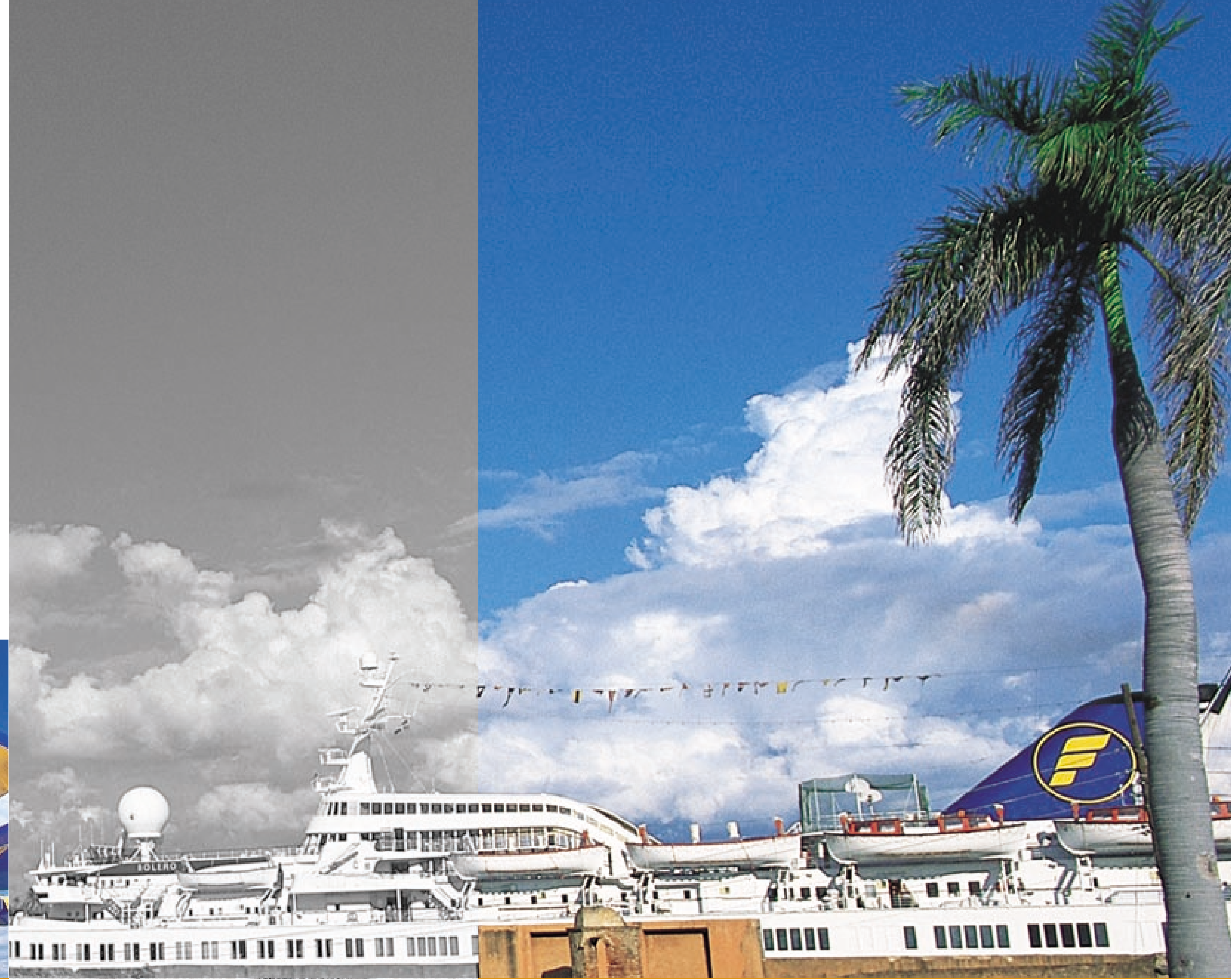
Once the products have been developed, they must be marketed to as many customers as possible. It is also essential to provide customers with the professional advice they need to make an informed choice. After all, holidays are precious moments. This is the essential function of the distribution network, which includes a vast number of travel agencies that belong to the Transat group or operate under its banners. In France, as in Canada, Transat's products are also distributed by other travel agency networks. In addition, Transat owns two virtual travel agencies, both based on call centres and transactional Web sites.

Would you like to visit the Dominican Republic or depart from there on a cruise? All of the following travel agencies can help you choose a Transat product that's right for you.

Banner		Number of agencies
CLUB VOYAGES	CANADA	82
CLUB VOYAGES	FRANCE	50
VOYAGES EN LIBERTÉ	CANADA	62
INTER VOYAGE	CANADA	14
VACANCES TOURBEC	CANADA	30
TOTAL		238

Here's how Transat makes holidays...

- air carriers
- ➔ outgoing tour operators, *cruises*
- distribution/travel agencies
- hotel management
- incoming tour operators



The itinerary for the Club Bolero cruise ship's "Turquoise" excursion

SANTO DOMINGO	SATURDAY
VIRGIN GORDA	SUNDAY
ANTIGUA	MONDAY
GUADELOUPE	TUESDAY
SAINT BARTHÉLEMY	WEDNESDAY
SAINT THOMAS	THURSDAY
SAINT CROIX	FRIDAY
SANTO DOMINGO	SATURDAY

More than 35,000 tourists chose a cruise last year from the dozens offered by Americanada, Regent Holidays, Look Voyages and the Transat group's other tour operators, especially in the Caribbean but also in the Mediterranean, Alaska, Scandinavia and the West Indies.

cruises

A Caribbean cruise is considered a dream vacation, and so it is a product in great demand on both sides of the Atlantic. The Transat group's tour operators have quickly associated themselves with the industry leaders—Norwegian Cruise Lines, Mediterranean Shipping Cruises, Carnival Cruise Lines, First European Cruise Lines (Festival Cruise Lines)—in order to broaden their product line. So it comes as no surprise to see countless ships setting sail from Santo Domingo, the capital of the Dominican Republic. Among them is the Club Bolero, a cruise ship carrying French and Canadian tourists attracted by a Transat product offering. Antigua, Guadeloupe, Saint Lucia and Trinidad are then only a few relaxing strokes away—practised in the cruise ship's swimming pool.

Overview of onboard services on a cruise ship

- LIBRARY
- BOUTIQUES
- CASINO
- CINEMA
- DISCO
- ORGANIZED ACTIVITIES
- SHOWS
- SPORTS
- POOLS
- SAUNA
- MASSAGE

Here's how Transat makes holidays...

- air carriers
- outgoing tour operators
- distribution/travel agencies
- hotel management
- ➔ incoming tour operators

Transat pursues its integration through an ever-growing number of partnerships with incoming tour operators and through targeted acquisitions in an industry segment that distinguishes itself through the quality of its margins.

In Canada, Transat ranks first among incoming tour operators thanks to DMC Transat and Jonview Canada, who orchestrate the arrival in Canada of nearly 250,000 tourists each year.

incoming

The Dominican Republic has much more than just 400 kilometres of beaches to offer. You can also scout the streets of old Santo Domingo and visit the Santa Maria la Menor Cathedral—the oldest church in the New World, where the remains of Christopher Columbus were discovered in 1877. Or you can climb the 3,175 metres up Pico Duarte, the highest peak in the Caribbean. Horticulture enthusiasts will no doubt want to visit the beautiful botanical gardens found in this part of the world, while adventurers may want to explore the back country by Jeep. In short, visitors need an incoming tour operator to suggest the products that will create their dream vacation. Its association with companies such as the incoming tour operator Turissimo allows the Transat group to round out its offerings by making a broad range of complementary services available to its customers.

Some excursions in the Dominican Republic

GUIDED TOUR OF SANTO DOMINGO

VISIT TO SAONA ISLAND, OFFSHORE FROM BAYAHIBE

JEEP SAFARI IN THE BACK COUNTRY

CATAMARAN EXCURSION

DEEP SEA FISHING

HORSEBACK RIDE TO THE SIERRA DE AGUA FALLS

VISIT TO THE FUN FUN GROTTOS WITH A SPELEOLOGIST

EVENING SHOW AND BAVARO CASINO OUTING

VISIT TO THE LOS HAITÍSES NATIONAL PARK

SNORKELLING AT CATALINA ISLAND

Dominican Republic

Transat's integrated approach has been fully developed in the Dominican Republic, but the model applies equally well to Transat holiday destinations in France, Canada, Greece, Morocco, Venezuela, Mexico and dozens of other destinations.

Management Discussion and Analysis

For the year ended October 31, 2000, Transat A.T. reported total revenues of over $1.9 billion, up from $1.6 billion in 1999, for an increase of $300 million, or 18.4%. This increase can be attributed primarily to internal growth resulting from higher volumes and prices in Canada and in France. However, the weakness of the euro cut approximately $89 million from the Corporation's revenues.

Income before amortization, interest, share of net income of companies subject to significant influence, income taxes and goodwill charges amounted to $102.5 million, an increase of $11.7 million or 12.9% over 1999. Net income rose $6.6 million to $36.6 million in 2000, or $1.14 per share ($1.08 per share on a fully diluted basis), compared with $30 million, or $0.89 per share ($0.86 per share on a fully diluted basis) last year.

The Corporation enhanced its profitability as a result of higher volumes and prices and in spite of skyrocketing fuel prices, the decline of the euro and rising operating expenses, in particular maintenance costs for Air Transat's fleet. These three negative factors were partly offset by the positive impact of the strength of the Canadian dollar against its U.S. counterpart on Canadian operations.

Revenues

During the winter season, which lasts from November to April and is reflected in the results of the first two quarters, the Corporation primarily markets packages and flights originating in Canada and France to sunshine destinations. In summer, however, it offers packages and flights primarily between Canada and Europe, as well as departing from France for destinations in the Mediterranean region, North America and the Caribbean.

Winter 1999-2000

The Corporation's revenues for the 1999-2000 winter season totalled $992 million compared with $815 million in the same period last year, an increase of approximately $177 million or 22%. This performance is essentially attributable to two factors: the increase in the volume of activity, and rising sales prices resulting from hikes in certain operating expenses both in Canada and in France. This increase would have been higher were it not for the decline of the euro against the Canadian dollar, which accounted for a shortfall of $43 million.

Combined revenues of Canadian tour operators and of Air Transat climbed more than 27% primarily as a result of further substantial business growth in Ontario and Western Canada. During the winter season, Air Transat operated 22 aircraft, namely eight Lockheed L-1011-150s, four Lockheed L-1011-500s, five Boeing 757-200 ERs, three Airbus A330s and two leased Boeing 737-400s. In France, revenues in local currency rose some 22% thanks to Vacances Air Transat (France), which is continuing to develop its sunshine destination market, mainly in the Caribbean, and Look Voyages, which launched new product offerings. Approximately half of the revenues generated by Look Voyages stem from packages that include, for example, the Lookéa Clubs. Look Voyages also reached its objective of increasing the proportion of its revenues generated from the sale of packages compared to air-only flights.

Revenues for the years ended October 31 [in thousands of dollars]

2000	**1,922,550**
1999	1,623,315
1998	1,421,454
1997	1,316,470
1996	779,157

Net income for the years ended October 31 [in thousands of dollars]

2000	**36,640**
1999	30,022
1998	19,731
1997	25,364
1996	22,202

Earnings per share for the years ended October 31 [in dollars]

2000	**1.14**
1999	0.89
1998	0.58
1997	0.78
1996	0.98

Operating cash flow for the years ended October 31 [in thousands of dollars]

2000	**75,226**
1999	63,391
1998	51,127
1997	46,117
1996	37,742

Operating cash flow per share for the years ended October 31 [in dollars]

2000	**2.34**
1999	1.87
1998	1.49
1997	1.41
1996	1.69

Summer 2000

Revenues for the 2000 summer season rose $122 million (15%) to $930 million, compared with $808 million last year.

For the last six months of 2000, combined revenues of Air Transat and Canadian outgoing tour operators, including Air Transat Holidays, surged 18% compared with 1999, due to higher volumes and prices and in spite of sharp competition for European destinations. The acquisition of tour operator Americanada and the inclusion of Consultour after acquiring the balance of its shares accounted for approximately $30 million of the increase in revenues. As at October 31, 2000, Air Transat had a fleet of 22 aircraft, namely eight Lockheed L-1011-150s, six Lockheed L-1011-500s, five Boeing 757s and three Airbus A330s, which corresponds to the fleet it operated during the summer season.

In France, Look Voyages' revenues rose by approximately 22% as a result of an increase in its offering of packages and air-only flights, while the revenues of Vacances Air Transat (France) climbed approximately 7%, in local currency. French demand for Canadian destinations was lower than expected. The decline of the euro led to a $46-million shortfall in revenues for the summer season alone.

Operating Expenses and Profitability

Several factors—skyrocketing fuel prices, the decline in the value of the euro, the increase in operating expenses resulting from the rise in volume and higher maintenance costs for Air Transat aircraft—had a major impact on results for the year. The Corporation spent significant amounts for engine overhaul and other maintenance expenses for Air Transat's fleet, which are amortized based on flight cycles.

Although the Corporation applies a hedging program to reduce fuel-related risks, these costs climbed approximately $43 million during the year, excluding the impact of higher business volumes for Air Transat. Net of surcharges and although somewhat offset by the rise in sales prices, soaring fuel prices had a negative impact—nearly $18 million—during the summer season.

The average value of the Canadian dollar rose compared with last year, thereby improving profitability by more than $10 million over the year. As for the euro, its weakness resulted in a decrease in income before taxes of approximately $2 million.

Lastly, profitability was affected by a drop in the load factors resulting from strong competition and a sharp increase in offerings.

Revenues per season [in thousands of dollars]

	2000	1999	change in $	change in %
Winter season	**991,943**	814,914	**177,029**	**+ 21.7%**
Summer season	**930,607**	808,401	**122,206**	**+ 15.1%**
Total	**1,922,550**	1,623,315	**299,235**	**+ 18.4%**

Source of revenues for fiscal 2000

France	**33%**
Ontario	**26%**
Quebec	**25%**
Western Canada	**9%**
United Kingdom	**3%**
Other	**4%**

Financial Position

The Corporation's cash position as at October 31, 2000 was $147.4 million (including $37.2 million in trust) compared with $173.9 million (including $33.0 million in trust) at the same date last year. During the year, operating activities generated cash flows amounting to $52.5 million, while investing activities required $88 million and financing activities generated approximately $9 million. These activities resulted in a net decrease in cash and cash equivalents of $26.5 million for the year.

Cash flows from operating activities include operating cash generated by the Corporation that amounted to $75.2 million ($2.34 per share or $2.19 on a fully diluted basis) this year, compared with $63.4 million ($1.87 per share or $1.79 on a fully diluted basis) in 1999. Significant cash flows of approximately $39.4 million were generated by working capital, a sharp increase over last year's $24.5 million. The Corporation used some $62 million, primarily on engine and airframe overhaul expenses for its fleet.

Moreover, the Corporation used $88.0 million for investing activities during the year ended October 31, 2000. These activities included additions to capital assets and rotable aircraft spare parts, primarily for the renewal of Air Transat's fleet (including the acquisition of an engine), the acquisition of businesses, the development of e-commerce operations and a loan to a joint venture. The acquisition of businesses is described in detail in note 15 to the consolidated financial statements.

The Corporation continued with its Air Transat fleet renewal program with the addition of two Lockheed L-1011-500s during the year. Air Transat also announced it would take delivery of six Airbus A310-300s at various dates until spring 2002, the first of which was delivered in January 2001. These aircraft will replace some of the current fleet.

Finally, during the year, financing activities generated approximately $9 million, of which new debt instruments accounted for $40.8 million, while the repayment of existing debts totalled $22.3 million. The Corporation used approximately $10.3 million to redeem common shares in its normal course issuer bid program.

Risks and Uncertainties

As part of its operations, Transat spends significant amounts on fuel for its aircraft. It enters into forward contracts to manage the risk of fuel-price fluctuations. Management considers the environment risky, given the amount of money the Corporation spends on fuel, volatile fuel prices and their possible impact on the sales prices of its products.

Moreover, given the nature of its operations, the Corporation is sensitive to exchange-rate fluctuations that apply in particular to the Canadian and U.S. currencies, the euro and the Canadian dollar as well as the euro and the U.S. dollar. The Corporation uses foreign exchange forward contracts to hedge against such fluctuations.

Information relating to fuel purchasing contracts and foreign exchange forward contracts is presented in note 20 to the consolidated financial statements.

Lorraine Maheu (signed)
Vice-President, Finance and Administration
and Chief Financial Officer

Management Report and Auditors' Report

The consolidated financial statements are the responsibility of Management and have been approved by the Board of Directors. Management's responsibility in this respect includes the selection of appropriate accounting principles as well as the exercise of sound judgment in establishing reasonable and fair estimates in accordance with generally accepted accounting principles which are adequate in the circumstances. The financial information presented throughout this annual report is consistent with that appearing in the financial statements.

The Corporation and its affiliated companies have set up accounting and internal control systems designed to provide reasonable assurance that the Corporation's assets are safeguarded against loss or unauthorized use, and that its books of account may be relied upon for the preparation of financial statements.

The Board of Directors is responsible for the consolidated financial statements through its Audit Committee. The Audit Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee is also responsible for analyzing, on an ongoing basis, the results of the audits by the external auditors of the accounting methods and policies used as well as of the internal control systems set up by the Corporation. These financial statements have been audited by Ernst & Young LLP, the external auditors. Their report on the consolidated financial statements appears below.

Chairman of the Board,
President and Chief Executive Officer

Jean-Marc Eustache (signed)

Vice-President, Finance and Administration
and Chief Financial Officer

Lorraine Maheu (signed)

To the Shareholders of Transat A.T. Inc.

We have audited the consolidated balance sheets of Transat A.T. Inc. as at October 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Montreal, Canada
January 11, 2001

Ernst & Young LLP (signed)
Chartered Accountants

Consolidated Balance Sheets

As at October 31 [In thousands of dollars]

	2000 $	1999 $
ASSETS *[notes 9, 10 and 11]*		
Current assets		
Cash and cash equivalents *[note 3]*	**147,401**	173,868
Accounts receivable *[note 17]*	**67,564**	63,259
Income taxes recoverable	**2,737**	–
Inventories	**9,603**	10,404
Deposits with suppliers	**52,204**	25,287
Prepaid expenses	**24,611**	29,525
Total current assets	**304,120**	302,343
Deposits and other expenses *[note 4]*	**85,991**	27,167
Tax benefits	**17,442**	19,788
Inventory of rotable aircraft spare parts	**13,628**	12,877
Investments *[note 5]*	**19,173**	19,318
Capital assets *[note 6]*	**166,931**	118,200
Goodwill	**49,075**	33,484
Other assets *[note 7]*	**27,759**	12,169
	684,119	545,346
Liabilities and shareholders' equity		
Current liabilities		
Bank loans *[note 8]*	**991**	5,154
Accounts payable and accrued liabilities *[note 17]*	**200,039**	130,729
Customer deposits and deferred income	**96,490**	84,388
Income taxes payable	**–**	6,583
Current portion of long-term debt and obligations under capital leases *[notes 9 and 10]*	**19,999**	18,453
Total current liabilities	**317,519**	245,307
Long-term debt *[note 9]*	**66,652**	43,464
Obligations under capital leases *[note 10]*	**57,484**	42,426
Debenture *[note 11]*	**10,000**	10,000
	451,655	341,197
Shareholders' equity		
Share capital *[note 12]*	**108,154**	111,126
Retained earnings	**124,952**	93,720
Deferred translation adjustments	**(642)**	(697)
	232,464	204,149
	684,119	545,346

On behalf of the Board:
Jean-Marc Eustache, Director (signed)
André Bisson, O.C., Director (signed)

Commitments and contingencies *[note 19]*

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

Years ended October 31 [In thousands of dollars, except per share amounts]

	2000 $	1999 $
Revenues	**1,922,550**	1,623,315
Operating expenses	**1,820,026**	1,532,538
Income before the following accounts	**102,524**	90,777
Amortization *[note 14]*	**33,878**	34,553
Interest on long-term debt, obligations under capital leases and debenture	**10,524**	9,720
Other interest and financial expenses	**2,417**	2,608
Interest income	**(10,296)**	(8,584)
	36,523	38,297
Income before share of net income of companies subject to significant influence, income taxes and goodwill charges	**66,001**	52,480
Share of net income of companies subject to significant influence	**1,023**	2,918
Income taxes (recovered) *[note 16]*		
Current	**24,653**	23,642
Deferred	**2,869**	(808)
	27,522	22,834
Net income before goodwill charges	**39,502**	32,564
Goodwill charges	**2,862**	2,542
Net income for the year	**36,640**	30,022
Net earnings per share before goodwill charges		
Earnings per share	**1.23**	0.96
Diluted earnings per share	**1.16**	0.93
Net earnings per share		
Earnings per share	**1.14**	0.89
Diluted earnings per share	**1.08**	0.86

Consolidated Statements of Retained Earnings

Years ended October 31 [In thousands of dollars]

	2000 $	1999 $
Retained earnings at beginning of year	**93,720**	69,156
Net income for the year	**36,640**	30,022
Premium paid on redemption of common shares *[note 12]*	**(5,408)**	(5,458)
Retained earnings at end of year	**124,952**	93,720

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years ended October 31 [In thousands of dollars]

	2000 $	1999 $
Operating activities		
Net income for the year	**36,640**	30,022
Add items not involving an outlay (receipt) of cash		
Amortization and goodwill charges	**36,740**	37,095
Share of net income of companies subject to significant influence	**(1,023)**	(2,918)
Deferred income taxes	**2,869**	(808)
Operating cash flow	**75,226**	63,391
Net change in non-cash working capital balances related to operations	**39,392**	24,534
Deposits and engine and airframe overhaul expenses	**(62,033)**	983
Cash flows from operating activities	**52,585**	88,908
Investing activities		
Deposits	**1,865**	(8,975)
Purchase of rotable aircraft spare parts	**(3,126)**	(6,906)
Investment acquisitions	**(1,854)**	–
Dividends from companies subject to significant influence	**3,566**	–
Loans to a joint venture	**(11,700)**	–
Additions to capital assets *[note 6]*	**(57,020)**	(6,711)
Consideration paid for companies acquired	**(11,329)**	–
Cash from acquired companies	**6,510**	–
Other assets	**(14,960)**	(5,838)
Cash flows from investing activities	**(88,048)**	(28,430)
Financing activities		
Bank loans	**(3,433)**	(11,483)
Increase in other long-term debt	**32,055**	4,832
Long-term debt—revolving term loan	**8,725**	(4,893)
Repayment of other long-term debt and obligations under capital leases	**(18,881)**	(20,659)
Issue of common shares	**818**	633
Repurchase of common shares	**(10,288)**	(10,760)
Cash flows from financing activities	**8,996**	(42,330)
Net change in cash and cash equivalents	**(26,467)**	18,148
Cash and cash equivalents at beginning of year	**173,868**	155,720
Cash and cash equivalents at end of year	**147,401**	173,868
Supplementary information		
Income taxes paid	**37,417**	15,363
Interest paid	**13,187**	10,682

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

October 31, 2000 and 1999 [Tabular figures in thousands of dollars]

1 Incorporation and Nature of Business

Transat A.T. Inc., incorporated under the Canada Business Corporations Act, is an integrated company in the tourism industry. Tour operators offer holiday travel with transportation provided in part by commercial charter flights operated by member companies of the group. Travel agencies provide advice to consumers and distribute the products available from tour operators and other tourism-related services. The Corporation also acts as a franchisor for the travel industry.

2 Significant Accounting Policies

The consolidated financial statements of the Corporation have been prepared by Management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in accordance with generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in Management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and joint ventures as well as the investments in companies subject to significant influence, of which the major ones are:

Corporate entities	Interest held on October 31, 2000 *[see note 15]*	Accounting method
Air Transat A.T. Inc.	100%	Consolidated
Air Transat Holidays A.T. Inc.	100%	Consolidated
Brok'Air S.A. and its subsidiairies	100%	Consolidated
Cameleon Hotel Management Corporation and its company subject to significant influence	100%	Consolidated
Consultour/Club Voyages Inc. and its subsidiairies	100%	Consolidated
Exit Travel Inc.	100%	Consolidated
Handlex, Groundhandling Services Inc. [1]	100%	Consolidated
Les Voyages Nolitour Inc.	100%	Consolidated
Regent Holidays Limited	100%	Consolidated
Tourbec (1979) Inc.	100%	Consolidated
Tours Americanada International Inc.	100%	Consolidated
Transat A.T. Barbados Limited	100%	Consolidated
Vacances Air Transat Holidays (Florida)	100%	Consolidated
Vacances Air Transat (France) S.A.S.	100%	Consolidated
Vacances A.T. Europe S.A.	100%	Consolidated
Look Voyages S.A.	99.2%	Consolidated
DMC Transat Inc.	66.7%	Proportionate consolidation
Star Airlines S.A.	49.2%	Equity method
World of Vacations Ltd.	35%	Proportionate consolidation

[1] Formerly Services Haycot Inc.

Cash equivalents

Cash equivalents consist primarily of commercial papers, term deposits and bankers' acceptances that are readily convertible into known amounts of cash. These investments are recorded at cost plus accrued interest and their carrying values approximate their fair market values.

Inventories

Inventories are valued at the lower of cost determined according to the first-in, first-out method and market value. Market value, in the case of duty-free merchandise, is equal to net realizable value, and for other inventories, it is equal to replacement value.

Rotable aircraft spare parts

Inventories of rotable aircraft spare parts are valued at the lower of cost, determined according to the average cost method, and replacement value. Depending on the category, spare parts are amortized based on their use or the duration of the aircraft lease.

Capital leases

Capital leases which transfer substantially all the benefits and inherent risks related to the ownership of the property leased to the Corporation are capitalized by recording as assets and liabilities the present value of the payments under the leases. The property leased and recorded in this way is amortized over its estimated useful life. Rental payments are recorded partly against the amount of the obligation and partly as interest.

2 Significant Accounting Policies (Cont'd)

Capital assets

Capital assets are recorded at cost and are amortized, taking into account their residual value, on a straight-line basis over their estimated useful lives [except for aircraft engines which are amortized based on the number of cycles used and the Lockheed L-1011-150 aircraft, whether owned or rented under capital leases, which are amortized based on the estimated number of years of utilization of these aircraft as a whole] as follows:

Property under capital leases	
Aircraft	10 to 12 years
Other property	Lease term
Owned assets	
Hangar and administrative building	35 years
Improvements to aircraft under operating leases	Lease term
Aircraft equipment	10% and 20%
Computer equipment, software and other	20% to 33 1/3%
Office furniture and equipment	10% to 25%
Leasehold improvements	Lease term
Automotive equipment	20% and 30%

Other assets

Other assets consist in particular of development costs made up of revenues earned and expenses incurred during the pre-operating period. Costs capitalized during the pre-operating period relate to the Corporation's new online distribution activities and will be amortized over periods not exceeding five years.

Engine and airframe overhaul

The Corporation provides for engine and airframe overhaul expenses based on their estimated cost. As well, in the normal course of operations, the Corporation may incur expenses for engine and airframe overhauls which are deferred. These overall expenses are charged to income according to the number of flying hours recorded during the year.

Foreign currency translation

Look Voyages S.A., Vacances Air Transat (France) S.A.S., Brok'Air S.A. and Euro Charter S.A., a wholly owned subsidiary of Consultour/Club Voyages Inc., are considered to be self-sustaining foreign operations.

Since the beginning of its operations, Vacances Air Transat (France) S.A.S was considered an integrated foreign operation. For 2000, this company is considered to be a self-sustaining foreign operation since it is financially and operationally independent given the diversification of its activities in the past years.

[a] **Self-sustaining foreign operations**
All assets and liabilities of self-sustaining foreign operations are translated at the exchange rates in effect at year-end. Revenues and expenses are translated at average rates of exchange during the period. Net gains or losses resulting from the translation of assets and liabilities are shown under the heading of "Deferred translation adjustments" in shareholders' equity.

[b] **Accounts and transactions in foreign currencies**
The accounts and transactions of the Corporation denominated in foreign currencies are translated using the temporal method. Under this method, monetary items on the balance sheet are translated at the exchange rates in effect at year-end, while non-monetary items are translated at the historical rates of exchange. Revenues and expenses are translated at the rates of exchange on the transaction date or at the average exchange rates for the period. Gains or losses resulting from the translation are included in the statement of income except for those related to a monetary item whose lifetime is predetermined and extends beyond the end of the following fiscal year, and these are amortized over the remaining life of the related asset or liability.

2 Significant Accounting Policies (Cont'd)

Stock-based compensation plans

The Corporation offers stock-based compensation plans which are described in note 12. No compensation expense is recognized for these plans when shares and stock options are issued to directors, management and employees. Any consideration paid by directors, management and employees upon purchasing shares or exercising stock options is credited to share capital.

Revenue recognition

Revenues earned from passenger transportation are recorded upon each return flight. Revenues of tour operators and the related costs are recorded at the time of the departure of the passengers. Commission revenues of travel agencies are recorded when they are earned. Amounts received for services not yet rendered are included in current liabilities as customer deposits and deferred income.

Goodwill

Goodwill is recorded at cost and is amortized on a straight-line basis over periods from 10 to 20 years. The Corporation evaluates the carrying value of goodwill each year to determine if there has been a decline in value based on estimates of current and expected undiscounted cash flows from operations of each underlying business compared with the unamortized goodwill balance, and taking into consideration operating trends and other relevant factors.

Derivative instruments

The Corporation uses foreign exchange forward contracts to hedge against currency exchange rate variations related to long-term debt and lease payments denominated in other currencies, aircraft operating lease payments, receipt of revenue from some tour operators and disbursements pertaining to some operating expenses. The gains or losses on these contracts resulting from exchange rate variations are recorded in income when the related hedging transactions are realized.

To protect itself against variations in fuel costs, the Corporation has entered into fuel hedging contracts. The resulting gains or losses are recorded in fuel costs as purchases of fuel are made.

Income taxes

The Corporation provides for income taxes using the tax deferral method. Under this method, temporary differences between income for accounting and for tax purposes result in deferred income taxes.

3 Cash and Cash Equivalents

As at October 31, 2000, cash balances amounting to $37,211,000 [$32,966,000 in 1999] were held in trust and represent funds received from customers for services not yet rendered.

Further to the issuance of a letter of guarantee by its bankers, Air Transat A.T. Inc. is required to reserve a cash amount at least equal to the deposits received from tour operators for flights not made. As at October 31, 2000, an amount of $5,083,000 had been reserved for this purpose [$5,567,000 in 1999].

As at October 31, 2000, bank accounts and term deposits amounting to $6,593,000 [$4,390,000 in 1999] were pledged as collateral security against letters of guarantee issued by financial institutions.

4 Deposits and other Expenses

	2000 **$**	1999 $
Deposits and engine and airframe overhaul expenses	**64,816**	2,783
Deposits on leased aircraft	**15,637**	16,955
Other deposits	**5,538**	7,429
	85,991	27,167

5 Investments

	2000 $	1999 $
Loans to a joint venture, net of the Corporation's interest therein	**13,867**	2,167
Investments in companies subject to significant influence	**5,306**	17,151
	19,173	19,318

The loans bear interest at 12%. One loan in the amount of $3,333,333 is repayable in ten equal quarterly instalments as of May 1, 2002. A second loan in the amount of $18,000,000 is repayable in 24 equal quarterly instalments as of May 1, 2002.

6 Capital Assets

	2000		1999	
	Cost $	**Accumulated amortization $**	Cost $	Accumulated amortization $
Property under capital leases				
Aircraft	**95,372**	**37,349**	123,932	49,371
Other	**27,142**	**5,005**	10,435	3,049
	122,514	**42,354**	134,367	52,420
Owned assets				
Aircraft engines	**4,659**	**1,888**	1,632	1,557
Hangar and administrative building	**7,511**	**1,368**	6,089	979
Aircraft	**61,704**	**26,907**	17,632	8,756
Improvements to aircraft under operating leases	**2,887**	**1,204**	2,040	1,163
Aircraft equipment	**22,700**	**14,092**	13,393	9,429
Computer equipment, software and other	**41,122**	**20,002**	25,920	15,205
Office furniture and equipment	**14,427**	**8,985**	10,435	6,834
Leasehold improvements	**9,978**	**4,452**	5,855	3,469
Automotive equipment	**1,814**	**1,133**	1,488	839
	166,802	**80,031**	84,484	48,231
	289,316	**122,385**	218,851	100,651
Accumulated amortization	**122,385**		100,651	
Net book value	**166,931**		118,200	

During the year, assets acquired using capital lease financing totalled $15,125,000 [$18,618,000 in 1999].

7 Other Assets

	2000 $	1999 $
Deferred costs [unamortized balance]		
Foreign exchange loss on long-term monetary items	**2,957**	1,587
Financing costs	**534**	602
Development costs and other	**13,671**	4,702
Miscellaneous	**10,597**	5,278
	27,759	12,169

8 Bank Loans

Operating lines of credit totalling €18,294,000 [€19,818,000 in 1999] have been authorized for Look Voyages S.A., of which €685,000 [approximately $882,000] was used as at October 31, 2000. As at October 31, 2000, the operating lines of credit bear interest at an average rate of 6.6% [4.75% in 1999].

9 Long-Term Debt

	2000 $	1999 $
Transat A.T. Inc.		
Loans at 7.5% *[see a]*	**4,330**	–
Air Transat A.T. Inc.		
Bank loans and bankers' acceptances at rates ranging between 6.31% and 7.5% [ranging between 5.59% and 6.25% in 1999] *[see a]*	**43,043**	31,617
Term loan in the amount of US$9,570,000, bearing interest at a variable average annual rate of 9.16%, repayable in instalments of varying amounts, maturing in June 2005 and collateralized by a movable hypothec on an aircraft	**14,571**	–
Term loan in the amount of US$2,850,000, bearing interest at 8%, repayable in monthly instalments of capital and interest totalling US$43,860, maturing in June 2004 and collateralized by a movable hypothec on rotable aircraft spare parts	**4,339**	4,614
Term loan, bearing interest at 9.46%, repayable in monthly instalments of varying amounts, maturing in July 2001 and collateralized by a movable hypothec on an aircraft	**622**	1,435
Air Transat Holidays A.T. Inc.		
Bank loans and bankers' acceptances at a rate of 5.59% in 1999 *[see a]*	**–**	7,029
Brok'Air S.A.		
Term loans in the amount of €3,049,000, bearing interest at a rate of 5.81% and maturing at various dates until 2004	**2,835**	–
Other subsidiaries	**710**	100
	70,450	44,795
Less current portion	**3,798**	1,331
	66,652	43,464

Principal instalments payable during the next five years are as follows: 2001 - $3,798,000; 2002 - $50,777,000; 2003 - $3,644,000; 2004 - $9,005,000 and 2005 - $2,721,000.

[a] Revolving term loan and special revolving credit

The Corporation, Air Transat A.T. Inc. and Air Transat Holidays A.T. Inc. entered into an agreement with a banking syndicate for a revolving term loan in the amount of $55,000,000 and, with respect to guarantee agreements related to the operations of Air Transat A.T. Inc., a special revolving credit of $35,000,000.

Under the bank agreement, the Corporation and its subsidiaries, Air Transat A.T Inc. and Air Transat Holidays A.T. Inc., granted their bankers movable hypothecs on all their movable property. In addition, the Corporation granted a movable hypothec on the shares of its subsidiaries, and Air Transat A.T Inc. granted an immovable hypothec on the hangar and administrative building.

The revolving term loan matures on February 28, 2002. Under this agreement, amounts can be drawn by way of bankers' acceptances or loans in Canadian or U.S. dollars. The interest rate is based on a rate scale which varies in accordance with the level of financial ratios calculated on a consolidated basis.

10 Obligations under Capital Leases

	2000 $	1999 $
Obligations totalling US$36,400,000 [US$37,511,000 in 1999] related to aircraft, maturing at various dates until 2004	**55,420**	55,190
Obligation totalling US$9,422,000 related to an aircraft engine, maturing in 2009	**14,346**	–
Obligations totalling US$1,629,000 [US$1,941,000 in 1999] related to aircraft equipment, maturing at various dates until 2004	**2,480**	2,855
Other obligations, maturing at various dates until 2004	**1,439**	1,503
	73,685	59,548
Less current portion	**16,201**	17,122
	57,484	42,426

Obligations under capital leases related to aircraft, an aircraft engine and aircraft equipment were determined based on interest rates ranging from 7.7% to 11.9% [from 7.7% to 11.9% in 1999], and those related to other obligations were determined based on rates averaging 6.5% [6.5% in 1999].

Minimum instalments payable under these leases amount to approximately $93,472,000, of which $19,787,000 is interest, payable as follows for the next five years: 2001 - $22,223,000; 2002 - $22,384,000; 2003 - $10,989,000; 2004 - $15,351,000 and 2005 - $9,073,000.

11 Debenture

The $10,000,000 debenture of Air Transat Holidays A.T. Inc. bears interest at 17.5% and matures on November 1, 2005. The debenture is repayable at the option of Air Transat Holidays A.T. Inc. at any time on or after November 1, 2000, subject to a ten-day prior notice. In the event the debenture is repaid, the redemption price will be such that the holder earns a compound annual return of 20.5% from its issuance on November 1, 1995 [taking into consideration annual interest already paid and recorded at a rate of 17.5%]. The debenture, if not repaid, is convertible into 25% of the common shares of Air Transat Holidays A.T. Inc. on or after November 1, 2000, subject to a 30-day prior notice.

The debenture is collateralized by certain intercorporate guarantees and by a movable hypothec on the shares of a number of the Corporation's subsidiaries and on all of the tangible assets of Air Transat A.T. Inc. and of Air Transat Holidays A.T. Inc. Should the Corporation be subject to a takeover bid, the lender has the option to acquire all of the outstanding shares of Air Transat Holidays A.T. Inc. at a price determined under an agreed formula.

12 Share Capital

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

		2000 $	1999 $
32,144,105	common shares [32,967,932 in 1999]	**108,154**	110,690
–	preferred shares, series 3 [123,800 in 1999]	**–**	436
		108,154	111,126

Due to the Canada Transportation Act, the proportion of the Corporation's common shares that can be held by non-residents is limited to 25%.

During the year, the Corporation bought back and cancelled 1,452,265 common shares [1,582,590 in 1999] for a total of $10,288,100 [$10,760,000 in 1999] under a normal course issuer bid. The premium paid on the redemption of these shares totalled $5,408,000 [$5,458,000 in 1999] and was charged against retained earnings. On October 29, 2000, the Corporation was authorized to prolong its normal course issuer bid, thus enabling it to buy back up to 2,283,243 shares in the subsequent twelve months.

12 Share Capital (Cont'd)

On February 2, 2000, the Corporation issued 171,688 common shares for a total of $1,210,000 as part of its acquisition of the balance of Brok'Air S.A. shares [see note 15a].

The preferred shares, series 3, are non-voting and are entitled to a dividend equal to any dividend declared on the common shares. They are convertible at the rate of one preferred share, series 3, for three common shares and are redeemable at the holder's option at their issue price. Following a transaction carried out in March 1997, a total of 51,671 preferred shares, series 3, are the property of the subsidiary Regent Holidays Limited and are excluded from the balance of issued and outstanding shares.

As part of termination of the transaction for the acquisition of Regent Holidays Limited, 123,800 preferred shares, series 3, were converted into 371,400 common shares on October 31, 2000. A total of 103,194 of these common shares became the property of Regent Holidays Limited and are excluded from the number of issued and outstanding shares [see note 15d].

At the annual meeting held on March 24, 1999, the shareholders ratified the adoption of a shareholders' subscription rights plan ["rights plan"]. The rights plan entitles holders of common shares to acquire, under certain conditions, additional common shares at a price equal to 50% of their market value at the time the rights are exercised. The rights plan is designed to give the Board of Directors time to consider offers, thus allowing shareholders to receive full and fair value for their shares. The rights plan will terminate at the annual shareholders' meeting in 2002, unless it is terminated earlier by the Corporation's Board of Directors.

Share purchase plan

A share purchase plan is available to eligible employees and management of the Corporation and its subsidiaries. Under the plan adopted in 1989 and amended subsequently, the Corporation is authorized to issue up to 75,285 common shares. The plan allows each eligible employee to purchase shares for a subscription limit up to 10% of their annual salary in effect at the time of the subscription. The purchase price of the shares under the plan is equal to the weighted average price of the common shares during the five trading days prior to the issue of the shares, less 10%.

During the year, the Corporation issued 106,922 common shares [100,205 in 1999] for a total of $673,000 [$605,000 in 1999] under the share purchase plan.

Stock option plan

Options on common shares are granted under a stock option plan for directors, management and employees. Under the plan, the Corporation may grant up to 1,574,050 common shares to eligible persons at a share price equal to the weighted average price of the common shares during the five trading days prior to the granting of the options. Options granted prior to 1999 may be exercised during a five-year period after the grant date, whereas those granted as of 1999 may be exercised during a ten-year period but subject to a maximum of one third during the first two years after the grant date, an additional third in the third year and a final third after the start of the fourth year. The tables below summarize all outstanding options:

	2000		1999	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Beginning of the year	**1,638,738**	**9.07**	983,000	10.62
Granted	**585,576**	**7.87**	751,738	6.75
Exercised	**(81,622)**	**1.78**	(21,000)	1.33
Cancelled	**(92,264)**	**8.25**	(75,000)	8.29
End of the year	**2,050,428**	**9.06**	1,638,738	9.07
Options exercisable at the end of the year	**1,191,309**	**10.34**	1,137,579	10.09

	Outstanding options			Exercisable options	
Range of exercise prices $	Number of outstanding options as at October 31, 2000	Weighted contractual average remaining life	Weighted average exercise price $	Number of options exercisable as at October 31, 2000	Weighted average exercise price $
1.83	30,000	0.3 years	1.83	30,000	1.83
6.45 to 8.80	1,258,678	9.1 years	7.25	399,559	7.19
12.32 to 12.83	761,750	1.4 years	12.33	761,750	12.33
	2,050,428	6.1 years	9.06	1,191,309	10.34

13 Joint Ventures

The Corporation's share in the assets, liabilities, revenues, expenses and cash flows of joint ventures is summarized as follows:

	2000 $	1999 $
Balance sheet		
Cash and cash equivalents	**12,846**	10,884
Other current assets	**5,265**	5,493
Capital assets	**661**	1,140
Other long-term assets	**5,446**	6,214
	24,218	23,731
Current liabilities	**15,493**	19,896
Equity	**8,725**	3,835
	24,218	23,731
Statement of income		
Revenues	**91,186**	123,382
Expenses	**91,181**	124,082
Net income (net loss)	**5**	(700)
Statement of cash flows		
Operating activities	**(2,603)**	997
Investing activities	**(424)**	(456)
Financing activities	**6,300**	(532)
Net increase in cash and cash equivalents	**3,273**	9

Revenues and expenses include sales of $13,499,000 and purchases of $23,949,000 with the Corporation for the year ended October 31, 2000 [sales of $11,929,000 and purchases of $19,557,000 in 1999].

The commitments presented in note 19 a) include the Corporation's share in the commitments of joint ventures.

14 Amortization

	2000 $	1999 $
Capital assets	**28,921**	26,319
Rotable aircraft spare parts	**2,374**	3,503
Deferred costs and other assets	**1,957**	3,083
Deferred foreign exchange loss	**626**	1,648
	33,878	34,553

15 Acquisitions

[a] Brok'Air S.A.

On February 2, 2000, the Corporation acquired the balance of the outstanding shares [61%]of Brok'Air S.A. in consideration of $2,005,000. The Corporation is also committed to paying an additional amount based on the average income before income taxes earned by Brok'Air S.A. for fiscal 2001, 2002 and 2003. Because of the uncertainty related to the estimated results to be achieved, no additional amount was recorded. The acquisition was recorded under the purchase method. The results of Brok'Air S.A. were recorded on a proportionate consolidation basis until February 2, 2000 and on a fully consolidated basis as of February 3, 2000.

	$
Assets acquired and liabilities assumed at fair market value	
Cash	1,220
Non-cash working capital balances	(2,395)
	(1,175)
Tax benefits	91
Capital assets	691
Other assets	42
Goodwill	2,487
Long-term debt	(131)
	2,005
Consideration	
Cash [including costs related to acquisition]	795
Issue of common shares	1,210
	2,005

15 Acquisitions (Cont'd)

[b] Consultour/Club Voyages Inc.

On April 30, 2000, the Corporation acquired the balance of the outstanding shares [50%] of Consultour/Club Voyages Inc. for a consideration of $8,177,000. The acquisition was recorded under the purchase method. The results of Consultour/Club Voyages Inc. were recorded on a consolidated basis as of May 1, 2000. Previously, the results were recorded under the equity method.

	$
Assets acquired and liabilities assumed at fair market value	
Cash	1,351
Non-cash working capital balances	(6,135)
	(4,784)
Tax benefits	300
Capital assets	1,487
Other assets	1,832
Goodwill	12,476
Long-term debt	(3,134)
	8,177
Consideration	
Cash [including costs related to acquisition]	8,177

[c] Other acquisitions

On February 17, 2000, the Corporation acquired the balance of the outstanding shares [50%] of Handlex, Groundhandling Services Inc. [formerly Services Haycot Inc.] for a consideration of $1,015,000. The acquisition was recorded under the purchase method. The results of Handlex, Groundhandling Services Inc. were recorded on a consolidated basis as of February 18, 2000. Previously, the results were recorded under the equity method.

On November 1, 1999, the Corporation acquired a 50% interest in the tour operator Americanada International Tours Inc. On April 30, 2000, the Corporation acquired the balance of the outstanding shares of Americanada International Tours Inc. These acquisitions were recorded under the purchase method. The results of Americanada International Tours Inc. were recorded on a consolidated basis as of May 1, 2000. Previously, the results were recorded under the equity method. The total consideration amounted to $2,564,000, including $1,545,000 in cash and $1,019,000 payable in three instalments maturing at various dates until November 1, 2002.

In July 2000, the Corporation increased its interest in Look Voyages S.A. to 99.2% following an issuer bid to buy back shares at a price of €4.57 a share [approximately $5.90]. The total consideration paid, including costs related to acquisition, amounted to $897,000. The acquisition was recorded under the purchase method, and the consideration paid was included under goodwill.

[d] Regent Holidays Limited

The acquisition transaction in respect of Regent Holidays Limited was terminated on October 31, 2000, and no purchase price balance was paid under the initial price adjustment clause.

As a final settlement, 89,402 escrowed preferred shares, series 3, were released and converted into 268,206 common shares. The balance of preferred shares, series 3, namely 34,398 shares, were converted into 103,194 common shares and transferred to Regent Holidays Limited. In addition, $1,126,000 owed by the former shareholders of Regent Holidays Limited was included under goodwill.

16 Income Taxes

Income tax expense as presented differs from the amount calculated by applying the statutory income tax rate to income before share of net income of companies subject to significant influence, income taxes and goodwill charges.

The reasons for this difference and the impact on income tax expense are as follows:

	2000 $	1999 $
Statutory income tax rate	**38.8%**	39.5%
Income tax expense at statutory rate	**25,609**	20,730
Reconciliation items:		
Non-deductible expenses and other permanent differences	**1,913**	1,780
Foreign exchange variance on translation of financial statements	**–**	324
	27,522	22,834

17 Related Party Transactions and Balances

In the normal course of its operations, the Corporation entered into transactions with related companies. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. Significant transactions between related companies are as follows:

	2000 $	1999 $
Revenues from companies subject to significant influence	**1,981**	37,421
Purchases from companies subject to significant influence	**67,221**	87,750

The balances receivable from and payable to related companies included in the accounts receivable and accounts payable and accrued liabilities are as follows:

	2000 $	1999 $
Accounts receivable from companies subject to significant influence	**2,295**	6,767
Accounts payable and accrued liabilities due to companies subject to significant influence	**558**	3,669

18 Pension Plan

The Corporation offers a defined benefit pension plan to some of its executives. As at October 31, 2000, the actuarial present value of accrued pension benefits and the actuarial deficit amounted to $1,223,000 [$810,000 in 1999].

19 Commitments and Contingencies

[a] The Corporation's commitments under operating leases relating to aircraft [including the three Airbus A310-300 financed aircraft referred to in note 19d], land, automotive equipment, telephone systems and office premises amounted to $461,517,000, broken down as follows: $40,761,000, US$270,421,000 and €5,208,000.

Annual instalments to be paid under these leases during the next five years are as follows:

Year	$
2001	82,757
2002	79,500
2003	65,100
2004	56,054
2005	54,881

As part of certain financings maturing in 2006, the Corporation guaranteed a portion of the residual value amounting to $65,000,000.

[b] In 2001, the joint venturer in DMC Transat Inc. will have the option of selling to the Corporation and to Air Transat Holidays A.T. Inc. the shares of DMC Transat Inc. which it holds at a price equal to the greater of 7.5 times the average net income earned by DMC Transat Inc. during the two previous years and the investment of $2,500,000 plus the amount required to provide an annual return of 7% starting in May 1995.

19 Commitments and Contingencies (Cont'd)

[c] On November 13, 2000, the Corporation entered into a commitment to acquire 50% of the outstanding shares of Jonview Corporation, an incoming tour operator, for a cash consideration of $10,000,000. In 2004, the Corporation will acquire the balance of the shares for a consideration based on the fiscal 2001, 2002 and 2003 results.

[d] In August 2000, Air Transat A.T. Inc. entered into a commitment for the delivery of six Airbus A310-300 aircraft during fiscal 2001 [four aircraft] and fiscal 2002 [two aircraft]. On December 22, 2000, Air Transat A.T. Inc. signed financing agreements in respect of three of the four deliveries in fiscal 2001. These financings are considered operating leases for a five-year period and are included in the annual instalments to be paid referred to in note 19a. Following these financing agreements, the balance of payments for the remaining three aircraft totals US$66,750,000 [approximately $102,201,000], payable as follows:

Year	$
2001	34,067
2002	68,134

20 Financial Instruments and other Derivative Instruments

In the normal course of its operations, the Corporation is exposed to risks related to exchange rate fluctuations for certain currencies and fuel cost variations. The Corporation manages these risks by entering into various derivative financial instruments. The Corporation's Management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to hedge existing commitments or obligations and not to realize a profit on trading operations.

Credit risk related to derivative instruments

The theoretical risk to which the Corporation is exposed in relation to derivative financial instruments is limited to the replacement cost of contracts at market rates in effect in the event of default by one of the parties. Management is of the opinion that the credit risk related to derivative instruments is well controlled because the Corporation only enters into agreements with large financial institutions and multinational companies.

Management of fuel price and foreign exchange risks

The Corporation enters into fuel purchasing contracts to manage fuel price fluctuation risks. As at October 31, 2000, fuel purchasing contracts covered approximately 41% of the requirements for fiscal 2001 and approximately 8% of the requirements for fiscal 2002.

The Corporation has also entered into foreign exchange forward contracts of less than one year for the purchase and sale of foreign currencies to manage foreign exchange risks. As at October 31, 2000, the face value of these contracts to purchase and sell foreign currencies amounted to approximately $415,945,000 and $38,076,000 respectively [$281,801,000 and $30,204,000 respectively in 1999].

The fair value of foreign exchange forward contracts generally reflects the estimated amounts that the Corporation would receive from settlements of favourable contracts or that it would be required to pay to cancel unfavourable contracts at year-end. These estimated fair values are based on the rates in effect at financial institutions. As at October 31, 2000 and 1999 the fair values in the event of a settlement were as follows:

	2000 $	1999 $
Favourable foreign exchange forward contracts	**17,973**	4,647
Unfavourable foreign exchange forward contracts	**(472)**	–
	17,501	4,647

It is the Corporation's policy not to speculate either on contracts to purchase fuel or on foreign exchange positions. Thus, contracts are normally maintained until maturity according to the primary objective of hedging risks.

20 Financial Instruments and other Derivative Instruments (Cont'd)

Concentration of credit risk

The Corporation believes it is not exposed to a significant concentration of credit risk. Cash and cash equivalents are invested on a diversified basis in corporations benefiting from an excellent credit rating. Accounts receivable generally arise from the sale of vacation packages to individuals through retail travel agencies and the sale of seats to tour operators which are dispersed over a wide geographic area.

Fair value of financial instruments

Due to their short-term nature, the carrying amount of current financial assets and liabilities reflected on the consolidated balance sheets approximates their fair value.

The fair value of long-term debt and obligations under capital leases, including the current portion, is based on the rates in effect for financial instruments with similar terms and maturities. As at October 31, 2000 and 1999, the carrying amount and fair value of long-term financial instruments are as follows:

	2000		1999	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Long-term debt	**70,450**	**70,361**	44,795	44,733
Obligations under capital leases	**73,685**	**72,106**	59,548	60,703

The fair value of the debenture could not be determined with sufficient reliability due to its specific nature.

21 Segmented Information

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the consolidated statements of income include all the required information. With respect to geographic areas, the Corporation operates mainly in Canada and in Europe. Geographic intersegment sales are accounted for at prices that take into account market conditions and other considerations.

	Canada		France and others		Eliminating entry		Total	
	2000 $	1999 $	2000 $	1999 $	2000 $	1999 $	2000 $	1999 $
Revenues from third parties	**1,163,007**	980,700	**759,543**	642,615	**–**	–	**1,922,550**	1,623,315
Geographic intersegment sales	**61,889**	46,211	**–**	–	**(61,889)**	(46,211)	**–**	–
Total revenues	**1,224,896**	1,026,911	**759,543**	642,615	**(61,889)**	(46,211)	**1,922,550**	1,623,315
Capital assets and goodwill	**177,319**	119,024	**38,687**	32,660	**–**	–	**216,006**	151,684

22 Comparative Figures

Certain comparative figures were reclassified to conform to the presentation adopted in the current year.

Financial Review

[In thousands of dollars, except per share amounts]

	2000	1999	1998	1997	1996
Consolidated statements of income					
Revenues	**1,922,550**	1,623,315	1,421,454	1,316,740	779,157
Operating expenses	**1,820,026**	1,532,538	1,349,175	1,244,283	718,978
Income before the following accounts	**102,524**	90,777	72,279	72 457	60,179
Expenses and other income					
Amortization	**33,878**	34,553	30,593	22,801	16,002
Interest on long-term debt, obligations under capital leases and debenture	**10,524**	9,720	10,269	8,172	6,556
Other interest and financial expenses	**2,417**	2,608	2,977	4,443	3,455
Interest income	**(10,296)**	(8,584)	(8,769)	(6,652)	(3,452)
	36,523	38,297	35,070	28,764	22,561
Income before share of net income of companies subject to significant influence, income taxes, non-controlling interest and goodwill charges	**66,001**	52,480	37,209	43,693	37,618
Share of net income of companies subject to significant influence	**1,023**	2,918	1,796	2,380	1,233
Income taxes	**27,522**	22,834	16,661	17,984	15,667
Share of non-controlling interest in subsidiaries' results	**–**	–	–	(11)	369
Net income before goodwill charges	**39,502**	32,564	22,344	28,078	23,553
Goodwill charges	**2,862**	2,542	2,613	2,714	1,351
Net income for the year	**36,640**	30,022	19,731	25,364	22,202
Net earnings per share before goodwill charges					
Earnings per share	**1.23**	0.96	0.65	0.86	1.05
Diluted earnings per share	**1.16**	0.93	0.63	0.82	0.90
Net earnings per share					
Earnings per share	**1.14**	0.89	0.58	0.78	0.98
Diluted earnings per share	**1.08**	0.86	0.56	0.74	0.86
Cash flows from:					
Operating activities	**52,585**	88,908	35 804	24,603	27,400
Investing activities	**(88,048)**	(28,430)	(16,404)	(53,526)	(34,938)
Financing activities	**8,996**	(42,330)	(5,013)	123,359	19,334
Net increase (decrease) in cash and cash equivalents	**(26,467)**	18,148	14,387	94,436	11,796
Cash and cash equivalents at end of year	**147,401**	173,868	155,720	141,333	46,897
Operating cash flow	**75,226**	63,391	51,127	46,117	37,742
Operating cash flow per share	**2.34**	1.87	1.49	1.41	1.69
Total assets	**684,119**	545,346	496,567	467,476	308,927
Long-term debt and obligations under capital leases [including current portion]	**144,135**	104,343	109,376	115,760	44,533
Debenture	**10,000**	10,000	10,000	10,000	10,000
Shareholders' equity	**232,464**	204,149	182,668	164,420	52,995
Debt ratio [1]	**0.66**	0.63	0.63	0.65	0.83
Book value per share	**7.23**	6.19	5.29	4.81	2.10
Return on weighted average shareholders' equity	**16.8%**	15.6%	11.4%	23.5%	58.9%
Shareholding statistics [in thousands]					
Common shares outstanding at year-end	**32,144**	32,968	34,429	34,063	24,770
Weighted average number of common shares outstanding [before dilution]	**32,158**	33,899	34,311	32,705	22,389
Weighted average number of common shares outstanding [after dilution]	**34,387**	35,422	35,772	34,415	26,067

[1] Represents liabilities over liabilities plus shareholders' equity.

Quarterly Data

	2000				1999			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Revenues	**461,293**	**469,314**	**594,582**	**397,361**	394,812	413,589	451,445	363,469
Operating income (loss) [2]	**22,441**	**18,402**	**25,588**	**2,215**	27,256	15,208	14,858	(1,098)
Net income (loss)	**14,081**	**9,819**	**13,292**	**(552)**	16,509	8,839	7,553	(2 879)
Earnings (loss) per share	**0.44**	**0.31**	**0.41**	**(0.02)**	0.49	0.26	0.22	(0.08)
Operating cash flow	**28,539**	**21,133**	**18,608**	**6,946**	29,550	15,149	15,544	3,148
Operating cash flow per share	**0.89**	**0.66**	**0.58**	**0.21**	0.88	0.45	0.45	0.09

[2] Represents revenues less operating expenses and amortization.

Directors and Officers

Directors

Jean-Marc Eustache [1,3]	Chairman of the Board President and Chief Executive Officer, Transat A.T. Inc. and President, Look Voyages S.A.
André Bisson, O.C. [2,4]	Chancellor, Université de Montréal
Lina De Cesare	Executive Vice-President, Tour Operators, Transat A.T. Inc. President, Cameleon Hotel Management Corporation and President, Tourbec (1979) Inc.
Benoît Deschamps [1,2,4]	Director of Corporations
Marcel Gagnon	Director, CDP Capital d'Amérique, Caisse de dépôt et placement du Québec
Yves Graton [3]	Director of Corporations
Jean Guertin [1,3]	Senior Advisor, Telemedia Corporation and Honorary Professor, École des Hautes Études Commerciales
Michel Lessard [4]	President, Placement-Voyages Inc. and President, Club Voyages Air-Mer Inc.
André Lévesque	Captain and Check Pilot, Airbus A330, Air Transat A.T. Inc.
Jacques Simoneau	Group Vice-President, Investments, Fonds de solidarité (FTQ)
Philippe Sureau [1]	Executive Vice-President, Transat A.T. Inc. and President, Exit Travel Inc.
John D. Thompson [2,3]	Deputy Chairman of the Board, Montreal Trust Company
Peter G. White	Executive Vice-President, Argus Corporation

1 Member of the Executive Committee
2 Member of the Audit Committee
3 Member of the Human Resources and Compensation Committee
4 Member of the Corporate Governance Committee

Transat

Jean-Marc Eustache	President and Chief Executive Officer
Philippe Sureau	Executive Vice-President
Lina De Cesare	Executive Vice-President, Tour Operators
Odette Thomas	Executive Vice-President, Retail Networks
Lorraine Maheu	Vice-Président, Finance and Administration and Chief Financial Officer
Jean-Marc Bélisle	Vice-President and Chief Information Officer
Danièle Bergeron	Vice-President, Human Resources, Tour Operators
Bernard Bussières	Vice-President, General Counsel and Corporate Secretary
André De Montigny	Vice-President, Corporate Development

Air Transat

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Clive Edwards	Vice-President, Maintenance and Engineering
Denis Gosselin	Vice-President, Flight Operations
Kevin Kalbfleisch	Vice-President, Sales
Peter Nitzschke	Vice-President, Passenger Services
Denis Pétrin	Vice-President, Finance and Administration
Suzanne Viens	Vice-President, Human Resources

Air Transat Holidays

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Lucy De Cesare	Vice-President, Operations
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Paul Foster	Vice-President and General Manager, Ontario and Atlantic Provinces Division
Vic Nakhleh	Vice-President and General Manager, Western Provinces Division
Patrick Martinet	National Vice-President, Sales and Marketing
Isabelle Sparer	Vice-President, European Products
Anna Malito	Vice-President, Product Merchandising
Daniel Tessier	Vice-President, Sunshine Products

Voyages Nolitour

Sam Ghorayeb	President and Chief Executive Officer
Robert Brouillard	Vice-President, Operations
Paul Capaday	Vice-President, Finance and Administration
Lyne Chayer	General Manager

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Paul Capaday	Vice-President, Finance and Administration
Lyne Chayer	General Manager

World of Vacations

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Janaki Veerakumar	Vice-President, Finance and Administration
Brenda McInerney	Vice-President, Product, Marketing and Sales

Americanada

Patricia Corcos	General Manager

DMC Transat

Georges Vacher	President and Chief Executive Officer

Jonview Canada

John Proctor	Chief Executive Officer
Paul Schroeder	President
Bill Knowlton	Vice-President, Sales and Marketing
Marie Côté	General Manager—Montreal
Lynda Cadieux	Sales Manager

Cameleon

Lina De Cesare	President
Jacques Ternois	General Manager

Vacances Tourbec

Lina De Cesare	President
Odette Thomas	General Manager

Consultour

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Chantal Barbeau	Vice-President and General Manager
Peter Ouellette	Vice-President, Network Development

Exit Travel

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Michel Boilard	Vice-President and General Manager

Handlex

Luc Trépanier	President and Chief Executive Officer

Look Voyages

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Cédric Pastour	General Manager
Diane Ghirotto	Deputy General Manager, Finance and Administration
Michel Madi	Deputy General Manager, Production
Laurent Curutchet	Deputy General Manager, Sales and Marketing
Bruno Rigal	Deputy General Manager, Services and Projects
Christian Vanroy	Deputy General Manager, Yield and Transport

Star Airlines

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Daniel Chaubard	Vice-President, Technical
Jean-Louis Clauzier	Vice-President, Finance
Jim Dezetter	Vice-President, Operations
Luc Preher	Vice-President, Planning and Stations
Laurent Valet	Vice-President, Sales
Michel Madi	Vice-President, Information Systems

Brok'Air

Eric Eustache	President and Chief Executive Officer
Marieke Bruijns	Deputy General Manager, Globe System and Groups
Christian Diamante	Deputy General Manager, Finance and Administration
Christian Mazeau	Deputy General Manager, Information Systems

Anyway

Eric Eustache	President and Chief Executive Officer
Olivier Kervella	General Manager

Vacances Air Transat (France)

Jean Marc Batta	General Manager
Eric Angé	Director, Transport
Patrice Caradec	Director, Sales and Marketing
Michel Quenot	Director, Production and Ground Operations
Leng Taing	Director, Finance

Club Voyages (France)

Jean-Paul Bellon	President
Odette Thomas	General Manager
Chantal Barbeau	Director, Administration
Nathalie Boyer	Director, Finance
Patricia Chastel	Deputy General Manager

Information for Shareholders and Investors

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Information
For additional information on the Corporation, investors and analysts are invited to contact, in writing, the Director, Finance and Administration.

Vous pouvez obtenir un exemplaire de ce rapport annuel en français en écrivant au directeur, finances et administration.

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

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Montreal Trust Company
Place Montreal Trust
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Montreal, Quebec H3A 3K9

Auditors
Ernst & Young LLP
Montreal, Quebec

The annual meeting of shareholders will be held on March 28, 2001, 10:30 a.m.

at:
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955 Bay Street
Toronto, Ontario

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The Board of Directors, Transat A.T. Inc.

1 **Jean-Marc Eustache**, Chairman of the Board, President and Chief Executive Officer, Transat A.T. Inc. and President, Look Voyages S.A. 2 **André Bisson, O.C.**, Chancellor, Université de Montréal 3 **Lina De Cesare**, Executive Vice-President, Tour Operators, Transat A.T. Inc., President, Cameleon Hotel Management Corporation and President, Tourbec (1979) Inc. 4 **Benoit Deschamps**, Director of Corporations 5 **Marcel Gagnon**, Director, CDP Capital d'Amérique, Caisse de dépôt et placement du Québec 6 **Yves Graton**, Director of Corporations 7 **Jean Guertin**, Senior Advisor, Telemedia Corporation and Honorary Professor, École des Hautes Études Commerciales 8 **Michel Lessard**, President, Placements-Voyages Inc. and President, Club Voyages Air-Mer Inc. 9 **André Lévesque**, Captain and Check Pilot, Airbus A330, Air Transat A.T. Inc. 10 **Jacques Simoneau**, Group Vice-President, Investments, Fonds de solidarité (FTQ) 11 **Philippe Sureau**, Executive Vice-President, Transat A.T. Inc. and President, Exit Travel Inc. 12 **John D. Thompson**, Deputy Chairman of the Board, Montreal Trust Company 13 **Peter G. White**, Executive Vice-President, Argus Corporation.

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