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second quarterly report
period ended April 30, 2001

Transat A.T. Inc.

TRAVEL AGENCIES

CONSULTOUR — CLUB VOYAGES, VOYAGES EN LIBERTÉ, INTER VOYAGE

VACANCES TOURBEC

EXIT TRAVEL

ANYWAY

CLUB VOYAGES (FRANCE)

OUTGOING TOUR OPERATORS

AIR TRANSAT HOLIDAYS

AMERICANADA

KILOMÈTRE VOYAGES (a division of DMC Transat)

VOYAGES NOLITOUR

REGENT HOLIDAYS

RÉVATOURS

WORLD OF VACATIONS

BROK'AIR

VACANCES AIR TRANSAT (FRANCE)

LOOK VOYAGES (99.2% interest)

INCOMING TOUR OPERATORS

DMC TRANSAT (66.7% interest)

JONVIEW (50% interest)

VACANCES AIR TRANSAT HOLIDAYS (FLORIDA)

TOURGREECE (40% interest held by Look Voyages)

HOTEL MANAGEMENT

CAMELEON

AIR CARRIERS

AIR TRANSAT

HANDLEX GROUNDHANDLING SERVICES

STAR AIRLINES (44.3% interest held by Look Voyages)

IN CANADA

IN EUROPE



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 tour operators in Canada and Europe. 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.

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TRANSFER AGENT AND REGISTRAR

Computershare Trust Company
of Canada

STOCK EXCHANGE

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

www.transat.com

MESSAGE TO SHAREHOLDERS

For the quarter ended April 30, 2001, Transat A.T. Inc. (the "Corporation") reported net income before goodwill charges of \$17.5 million compared with \$13.9 million for the same period last year, a significant increase of 26%. Net income was \$16.5 million, or \$0.51 per share, compared with \$13.3 million, or \$0.41 per share last year. During the quarter, revenues reached \$689.7 million compared with \$594.6 million for the same period last year, an increase of 16%.

Growth in revenues and net income comes primarily from internal growth of Canadian subsidiaries that recorded a significant increase in sales volumes during the quarter, to which is added growth attributable to the acquisition of Americanada and Consultour in April 2000, and the acquisition of Rêvateurs and Jonview during 2001. In addition, the increase in prices, especially to offset increased fuel costs and a strong U.S. dollar, also contributed to the increase in revenues. In France, the revenues of tour operators also increased over the same quarter last year, due especially to Look Voyages' increased selling prices, the recovery of the euro in relation to the Canadian dollar over the same period last year, and the increasing sales volumes of Vacances Air Transat (France).

For the six-month period ended April 30, 2001, the Corporation reported net income of \$15.9 million, or \$0.49 per share, compared with net income of \$12.7 million, or \$0.39 per share, an increase of 24%. Earnings per share are calculated based on a weighted average number of shares outstanding of 32,196,052 for the first six months of 2001 and of 32,451,335 for 2000. For this six-month period, revenues totalled \$1.2 billion, compared with \$992 million for the same period last year, an increase of 21%.

A number of factors contributed to the increase in profitability during the second quarter, compared with the same quarter last year. On both the Canadian and French markets, the increase in sales volumes and prices resulted in an improved contribution margin despite the increase in fuel costs and a strong U.S. dollar in both Canada and France.

Overall, the results for the winter season are excellent. The increased profitability during the first six months over the same period last year occurred primarily in Canada and is mainly due to the overall increase in sales volumes and stronger prices. The French subsidiaries also contributed to this increased profitability, due primarily to increasing sales volumes, higher load factors, and the French currency. Countering these positive factors, in both Canada and France, a significant increase in the cost of fuel, the strength of the U.S. dollar, and an increase in certain operating and interest expenses reduced the increase in profitability. During the first half year, the subsidiary Anyway began its online French travel agency operations, resulting in an after tax loss of \$4.0 million, as initially anticipated. It should be noted that considering seasonal fluctuations, Anyway generally will have a higher level of activity during the six-month summer season than during the six-month winter period. Gross billings for the six month period ended show excellent growth with an increase of 87% over the same period last year.

The Corporation's cash and cash equivalents totalled \$162.4 million as at April 30, 2001, compared with \$147.4 million as at October 31, 2000. During the quarter, the Corporation's operating cash flow amounted to \$25.7 million, compared with \$18.6 million for the same quarter last year. The net change in non-cash working capital along with deposits for engine and airframe overhauls used \$47.7 million in cash. The Corporation spent \$21.1 million on investing activities including \$9.1 million for the acquisition of companies such as Rêvateurs and Tourgreece (40% interest), and \$14.8 million for the purchase of capital assets and other assets. Finally, during the same period, the Corporation spent \$808,000 on financing activities, with \$5.8 million in increased debt, and \$7.3 million for the repayment of debt, compared with \$23 million spent in 2000.

For the first six months of 2001, the Corporation generated \$50.4 million from operating activities after using \$17.5 million for engine and airframe overhauls. For the same period, the Corporation spent \$43.1 million on investing activities, primarily for the acquisition of companies, capital assets, and other assets. Financing activities generated \$7.7 million for the six months ended April 30, 2001.

Outlook

In Canada, competition remains strong for the next summer season, especially for departures to Europe, which are affected by overcapacity on the Canadian market and a weaker economy. Nevertheless, the level of bookings is encouraging.

In Europe, the value of the euro could affect the demand for tourist products for North American destinations. For its part, Look Voyages' level of bookings is good, and on the rise compared with last year.

Other developments

On May 1, 2001, the Corporation increased its interest in the outgoing tour operator World of Vacations (Toronto), from 35% to 100%, for a cash consideration of \$1,000,000. This acquisition follows others carried out earlier this year: namely, incoming tour operators Jonview (50%) and Tourgreece (40%), the outgoing tour operator Rêvateurs (100%), and a number of travel agencies. Finally, with regard to the process of renewal of Air Transat's fleet, two Airbus A310-308s will be delivered during the quarter ending July 31, 2001.



Jean-Marc Eustache

Chairman of the Board and President and Chief Executive Officer
Paris, June 12, 2001

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

	As at April 30, 2001 (Unaudited)	As at October 31, 2000 (Audited)
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	162,421	147,401
Accounts receivable	93,251	67,564
Income tax recoverable	—	2,737
Inventories	6,502	9,603
Deposits with suppliers	37,721	52,204
Prepaid expenses	33,295	24,611
Total current assets	333,190	304,120
Deposits and other expenses	108,698	85,991
Future income tax assets	31,356	17,442
Inventory of rotatable aircraft spare parts	14,516	13,628
Investments	20,102	19,173
Capital assets	171,218	166,931
Goodwill	62,402	49,075
Other assets	33,742	27,759
	775,224	684,119
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	122	991
Accounts payable and accrued liabilities	233,065	200,039
Customer deposits and deferred income	108,287	96,490
Income taxes payable	4,582	—
Current portion of long-term debt and obligations under capital leases	28,677	19,999
Total current liabilities	374,733	317,519
Long-term debt	81,896	66,652
Obligations under capital leases	51,130	57,484
Future income tax liabilities	9,905	—
Debenture	10,000	10,000
	527,664	451,655
Shareholders' equity		
Share capital [note 2]	109,027	108,154
Retained earnings	140,716	124,952
Deferred translation adjustments	(2,183)	(642)
	247,560	232,464
	775,224	684,119

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

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

	Three (3) months ended April 30		Six (6) months ended April 30	
	2001	2000	2001	2000
	\$	\$	\$	\$
Revenues	689,700	594,582	1,199,343	991,943
Operating expenses	646,630	560,441	1,141,178	947,357
Income before the following accounts	43,070	34,141	58,165	44,586
Amortization	12,559	8,553	22,892	16,783
Interest on long-term debt, obligations under capital leases and debenture	2,690	2,561	5,859	4,796
Other interest and financial expenses	1,238	427	1,638	843
Interest income	(3,277)	(2,723)	(5,761)	(5,200)
	13,210	8,818	24,628	17,222
Income before share of net income (net loss) of companies subject to significant influence, income taxes and goodwill charges	29,860	25,323	33,537	27,364
Share of net income (net loss) of companies subject to significant influence	73	370	(1,171)	(254)
Income taxes	12,432	11,755	14,677	13,096
Net income before goodwill charges	17,501	13,938	17,689	14,014
Goodwill charges	979	646	1,816	1,274
Net income for the period	16,522	13,292	15,873	12,740
Retained earnings, beginning of period			124,952	93,720
Modification of an accounting policy <i>[note 1]</i>			(97)	—
Premium paid on redemption of common shares			(12)	(5,083)
Retained earnings, end of period			140,716	101,377
Net earnings per share before goodwill charges				
Earnings per share	0.54	0.43	0.55	0.43
Diluted earnings per share	0.53	0.42	0.53	0.42
Net earnings per share				
Earnings per share	0.51	0.41	0.49	0.39
Diluted earnings per share	0.47	0.38	0.47	0.38

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars) (Unaudited)

	Three (3) months ended April 30		Six (6) months ended April 30	
	2001	2000	2001	2000
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income for the period	16,522	13,292	15,873	12,740
Items not involving an outlay (receipt) of cash				
Amortization and goodwill charges	13,538	9,199	24,708	18,057
Share of (net income) net loss of companies subject to significant influence	(73)	(370)	1,171	254
Future income taxes	(4,280)	(3,513)	(6,470)	(5,497)
Operating cash flow	25,707	18,608	35,282	25,554
Net change in non-cash working capital balances related to operations	(38,247)	(1,478)	32,554	65,123
Deposits for engine and airframe overhauls	(9,484)	(15,052)	(17,450)	(35,813)
Cash flows from operating activities	(22,024)	2,078	50,386	54,864
INVESTING ACTIVITIES				
Cash and cash equivalents from acquired companies	3,148	6,510	3,148	6,510
Consideration in cash paid for companies acquired	(9,107)	(11,642)	(18,828)	(11,642)
Additions to capital assets	(7,039)	(31,295)	(14,027)	(34,129)
Other assets	(6,972)	(3,044)	(9,046)	(4,959)
Purchase of rotatable aircraft spare parts	(832)	(475)	(2,634)	(2,649)
Deposits	(292)	8,424	(1,694)	2,580
Loan to a joint venture	—	—	—	(11,700)
Dividends from companies subject to significant influence	—	2,913	—	2,913
Cash flows from investing activities	(21,094)	(28,609)	(43,081)	(53,076)
FINANCING ACTIVITIES				
Long-term debt - revolving term loan	634	(13,483)	7,346	(11,717)
Increase in other long-term debt	5,123	—	10,797	—
Issue of common shares	797	1,892	882	1,948
Repayment of other long-term debt and obligations under capital leases	(4,266)	(4,718)	(10,368)	(9,731)
Bank loans	(3,096)	(1,312)	(921)	1,821
Repurchase of common shares	—	(5,383)	(21)	(9,721)
Cash flows from financing activities	(808)	(23,004)	7,715	(27,400)
Net change in cash and cash equivalents for the period	(43,926)	(49,535)	15,020	(25,612)
Cash and cash equivalents, beginning of period	206,347	197,791	147,401	173,868
Cash and cash equivalents, end of period	162,421	148,256	162,421	148,256

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 **Modification of an accounting policy**

On November 1, 2000, the Corporation retroactively adopted the new recommendations regarding income taxes without restating the figures of the comparative periods. The new income tax recommendations are based on the liability approach, which requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amount and their corresponding tax values. The future income tax assets and liabilities are evaluated using the enacted income tax rate in effect during that fiscal period when temporary differences should be settled or realized. Until October 31, 2000, the Corporation used the tax deferral method to record income taxes. The cumulative effect of the adoption of the new recommendations on opening retained earnings at November 1, 2000 and on the consolidated balance sheet, the consolidated statement of income and the consolidated statement of cash flows for the half year ended April 30, 2001 is not material.

Note 2 **Share Capital**

a) Share capital as at April 30, 2001

Authorized

An unlimited number of common shares.

An unlimited number of preferred shares, non voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

Issued and outstanding

A total of 32,269,892 commons shares are issued and outstanding for a total of \$109,207,000.

b) Options as at April 30, 2001

Issued and outstanding

Grant date	Exercises prices (\$)	Number
1997 and 1998	12.32 to 12.83	711,750
1999	6.45 to 7.05	726,980
2000	7.86 to 8.80	503,610
2001	8.93 to 9.90	491,430
		<u>2,433,770</u>

Exercisable

A total of 1,242,423 options are exercisable.