



first quarterly report  
period ended january 31, 2001

# Transat A.T. Inc.

## TRAVEL AGENCIES

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CONSULTOUR — CLUB VOYAGES, VOYAGES EN LIBERTÉ, INTER VOYAGE

VACANCES TOURBEC

EXIT TRAVEL

ANYWAY

CLUB VOYAGES (FRANCE)

## OUTGOING TOUR OPERATORS

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AIR TRANSAT HOLIDAYS

AMERICANADA

KILOMÈTRE VOYAGES (a division of DMC Transat)

VOYAGES NOLITOUR

REGENT HOLIDAYS

RÉVATOURS

WORLD OF VACATIONS (35% interest)

BROK'AIR

VACANCES AIR TRANSAT (FRANCE)

LOOK VOYAGES (99.2% interest)

## INCOMING TOUR OPERATORS

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DMC TRANSAT (66.7% interest)

JONVIEW CANADA (50% interest)

VACANCES AIR TRANSAT HOLIDAYS (FLORIDA)

TOURGREECE (40% interest held by Look Voyages)

## HOTEL MANAGEMENT

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CAMELEON

## AIR CARRIERS

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AIR TRANSAT

HANDLEX GROUNDHANDLING SERVICES

STAR AIRLINES (49.6% 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.

## HEAD OFFICE

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## TRANSFER AGENT AND REGISTRAR

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Computershare Trust Company  
of Canada

## STOCK EXCHANGE

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

[www.transat.com](http://www.transat.com)

## MESSAGE TO SHAREHOLDERS

During the quarter ended January 31, 2001, the revenues of Transat A.T. Inc. (the "Corporation") reached \$509.6 million compared with \$397.4 million for the same period last year, an increase of 28.3%. Aside from significant internal growth, part of this increase is due to the consolidation of activities of the companies in which Transat increased its interest, mainly Consultour/Euro Charter and Americanada. For the period, the Corporation reported operating income before amortization and goodwill charges of \$15.1 million compared with \$10.4 million for the quarter ended January 31, 2000. Net loss amounted to \$0.6 million, or \$0.02 per share, compared with \$0.6 million, or \$0.02 per share last year. Results per share are calculated based on a weighted average number of shares outstanding of 32,151,113 for the first quarter of 2001 compared with 32,730,182 for 2000.

### Revenues

In Canada, the revenues of tour operators and of the airline increased more than 30% compared with the first quarter of last year. In all markets, the companies of the group experienced an increase in revenues. This growth in revenues is due to increased sales volumes and selling prices. The marked increase in sales volumes was helped by improved results during Christmas and New Year's, which had been greatly affected last year by millennium activities. In France, excluding the effect of the decline in value of the euro, the revenues of our tour operators grew slightly more than 8%. Overall, the growth of revenues in France was primarily the result of selling price increases and of higher volumes attained by Vacances Air Transat (France).

### Profitability

In Canada, profitability has improved, due especially to the overall increase in sales volumes and rising selling prices. Factors that nevertheless slowed down profitability were the increase in the cost of fuel (despite a surcharge added to selling prices), the decline in value of the Canadian dollar against its U.S. counterpart, the increase in interest expense and the increase in certain operating expenses, including aircraft maintenance.

In France, profitability decreased due to pressure on Look Voyages' sales prices and the loss incurred by Anyway. The Corporation's before-tax results were reduced by \$2.5 million due to the results of Anyway.com, our French online travel agency, which reached the operational stage. Anyway.com enhances our distribution network and positions us for the future. It should be noted that given seasonal fluctuation, Anyway.com generally has a higher level of activity during the six-month summer period than during the six-month winter period. Nevertheless, in gross billing the company has shown excellent growth, with an increase of 100% over the same period last year. Finally, the results of Star Airlines, a company subject to significant influence, also declined due to two major factors outside its control: the weakness of the euro against the U.S. dollar and the high cost of fuel.

### Financial position

The Corporation's cash and cash equivalents totalled \$206,347,000 as at January 31, 2001, compared with \$147,401,000 as at October 31, 2000. During the quarter, operating activities generated significant cash flows, reaching \$72.4 million compared with \$52.8 million in the first quarter of 2000. Most of this improvement comes from the increase in non-cash working capital balances. The Corporation spent nearly \$22 million on investing activities, including \$10 million for the acquisition of a 50% interest in the incoming tour operator Jonview Corporation, and nearly \$11 million for the acquisition of capital assets and aircraft spare parts as well as other assets. Financing activities generated \$8.5 million, following an increase in long-term debt and bank loans in the amount of \$14.6 million and the repayment of debts totalling \$6.1 million.

### Outlook

Trends for the second quarter allow us to be optimistic for the winter season results that will end April 30, compared to last year. It is still early to determine trends for the coming summer season, it seems clear that in Canada, as during the past years, competition will remain fierce, especially with regard to departures for Europe.

In Europe, the value of the euro in relation to the U.S. dollar could again affect the demand for North American tourist products. As for Look Voyages, it currently has good levels of bookings for next summer, which is encouraging at this point.

### Subsequent events

Since the beginning of March, the Corporation has announced the acquisition of three companies. First, the Corporation acquired a 100% interest in the specialized outgoing tour operator Rêvateurs (Montreal) for a cash consideration of \$3,250,000. The Corporation also increased its interest in the outgoing tour operator World of Vacations (Toronto), from 35% to 100%, for a cash consideration of \$1,000,000. However, this transaction will be completed only once it has been approved by the Competition Bureau. Finally, through its subsidiary Look Voyages, the Corporation acquired a 40% interest in the Greek incoming tour operator Tourgreece (Athens) for a cash consideration of \$1,500,000. The Corporation holds an option to become the majority shareholder in three years.



Jean-Marc Eustache

Chairman of the Board and President and Chief Executive Officer  
Toronto, March 27, 2001

## CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

	As at January 31, 2001 (Unaudited)	As at October 31, 2000 (Audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	206,347	147,401
Accounts receivable	66,758	67,564
Income tax recoverable	8,376	2,737
Inventories	7,751	9,603
Deposits with suppliers	49,860	52,204
Prepaid expenses	71,250	24,611
<b>Total current assets</b>	<b>410,342</b>	<b>304,120</b>
Deposits and other expenses	93,122	85,991
Tax benefits	—	17,442
Future income tax assets	27,843	—
Inventory of rotatable aircraft spare parts	14,625	13,628
Investments	27,813	19,173
Capital assets	172,395	166,931
Goodwill	48,238	49,075
Other assets	29,233	27,759
	<b>823,611</b>	<b>684,119</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank loans	3,214	991
Accounts payable and accrued liabilities	207,698	200,039
Customer deposits and deferred income	206,576	96,490
Current portion of long-term debt and obligations under capital leases	27,132	19,999
<b>Total current liabilities</b>	<b>444,620</b>	<b>317,519</b>
Long-term debt	76,919	66,652
Obligations under capital leases	52,108	57,484
Future income tax liabilities	9,305	—
Debenture	10,000	10,000
	<b>592,952</b>	<b>451,655</b>
<b>Shareholders' equity</b>		
Share capital [note 2]	108,230	108,154
Retained earnings	124,194	124,952
Deferred translation adjustments	(1,765)	(642)
	<b>230,659</b>	<b>232,464</b>
	<b>823,611</b>	<b>684,119</b>

## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

*(In thousands of dollars except the amount per share) (Unaudited)*

	Three (3) months ended January 31	
	2001	2000
	\$	\$
Revenues	<b>509,643</b>	397,361
Operating expenses	<b>494,548</b>	386,916
<b>Income before the following accounts</b>	<b>15,095</b>	10,445
Amortization	<b>10,333</b>	8,230
Interest on a long-term debt, obligations under capital leases and debenture	<b>3,169</b>	2,235
Other interest and financial expenses	<b>400</b>	416
Interest income	<b>(2,484)</b>	(2,477)
	<b>11,418</b>	8,404
<b>Income before share of net loss of companies subject to significant influence, income taxes and goodwill charges</b>	<b>3,677</b>	2,041
Share of net loss of companies subject to significant influence	<b>(1,244)</b>	(624)
Income taxes	<b>2,245</b>	1,341
Net income before goodwill charges	<b>188</b>	76
Goodwill charges	<b>837</b>	628
Net loss for the period	<b>(649)</b>	(552)
Retained earnings, beginning of period	<b>124,952</b>	93,720
Modification of an accounting policy <i>[note 1]</i>	<b>(97)</b>	-
Premium paid on redemption of common shares	<b>(12)</b>	(2,265)
<b>Retained earnings, end of period</b>	<b>124,194</b>	90,903
Net earnings per share before goodwill charges	<b>0.01</b>	0.00
Net loss per share	<b>(0.02)</b>	(0.02)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(In thousands of dollars) (Unaudited)*

	Three (3) months ended January 31	
	2001	2000
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(649)	(552)
Add items not involving an outlay (receipt) of cash		
Amortization and goodwill charges	11,170	8,858
Share of net loss of companies subject to significant influence	1,244	624
Deferred income taxes	(2,190)	(1,984)
<b>Operating cash flow</b>	<b>9,575</b>	<b>6,946</b>
Net change in non-cash working capital balances related to operations	70,801	66,601
Deposits for engine and airframe overhauls	(7,966)	(20,761)
<b>Cash flows from operating activities</b>	<b>72,410</b>	<b>52,786</b>
<b>INVESTING ACTIVITIES</b>		
Increase in investment	(9,721)	—
Additions to capital assets	(6,988)	(2,834)
Other assets	(2,074)	(1,915)
Purchase of rotatable aircraft spare parts	(1,802)	(2,174)
Deposits	(1,402)	(5,844)
Loan to a joint venture	—	(11,700)
<b>Cash flows from investing activities</b>	<b>(21,987)</b>	<b>(24,467)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term debt - revolving term loan	6,712	1,766
Increase in other long-term debt	5,674	—
Bank loans	2,175	3,133
Issue of common shares	85	56
Repayment of other long-term debt and obligations under capital leases	(6,102)	(5,013)
Repurchase of common shares	(21)	(4,338)
<b>Cash flows from financing activities</b>	<b>8,523</b>	<b>(4,396)</b>
<b>Increase in cash and cash equivalents for the period</b>	<b>58,946</b>	<b>23,923</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>147,401</b>	<b>173,868</b>
<b>Cash and cash equivalents, end of period</b>	<b>206,347</b>	<b>197,791</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### Note 1 **Change in 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 must 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 statement of income, the consolidated balance sheet, and the consolidated statement of cash flows, for the quarter ended January 31, 2001, and for the fiscal year to end October 31, 2001 is not material.

### Note 2 **Share Capital**

#### a) Authorized, issued and outstanding as at January 31, 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 32,175,703 commons shares are issued and outstanding for a total amounting to \$108,230,000.

#### b) Options issued and outstanding as at January 31, 2001

Grant date	Exercises prices (\$)	Number
1997	12.32	703,750
1998	12.32 to 12.83	45,000
1999	6.45 to 7.05	730,904
2000	7.86 to 8.80	513,769
		<u>1,993,423</u>