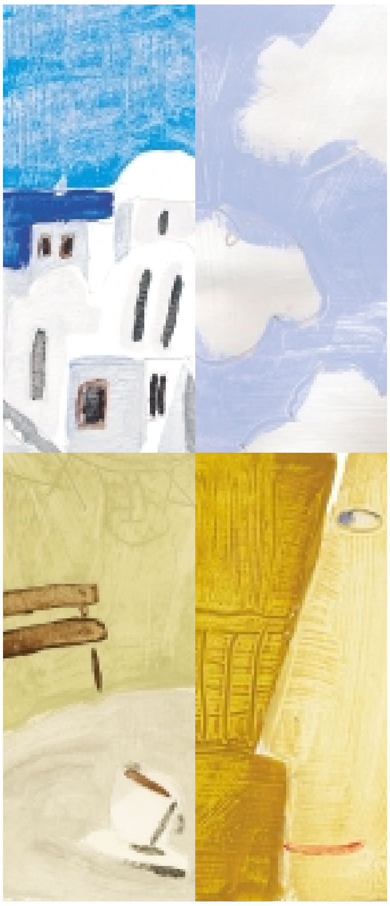


transat a.t. inc.

2001 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 tour operators in Canada and France. Transat is also involved in air transportation, hotel management, and value-added services at travel destinations. Finally, Transat has secured a dynamic presence in distribution through travel agency networks and e-commerce.

Transat and its subsidiaries have one ambition: to offer quality vacation travel to an extensive clientele at affordable prices. This goal takes the form of two objectives: to maintain its leadership in Canada and to become a major player in the holiday travel industry in North America and in Europe.

highlights

Growth in Canada and in France resulted in revenues of $2.1 billion.

An income before unusual items, income taxes, goodwill charges and minority interest of $2.7 million.

A drop in demand and subsequent reduction in capacity in the aftermath of the events of September 11, resulting in the write-off of assets and non-recurring charges for a total of $95 million after taxes.

A substantial increase in the sales of online travel agencies Anyway and Exit Travel confirmed their technological and commercial advances.

Transat invested in Jonview Canada, the leading incoming tour operator in Canada, as well as in World of Vacations, Tourgreece and in Rêvatours.

Transat acquired the franchisor and travel agency network Travel Plus and Goliger's, a transaction that made the emergence of a national Canadian distribution network a reality.

results years ended October 31 (in thousands of dollars)	2001	2000
Revenues	2,121,886	1,922,550
Operating income (before goodwill charges)	6,748	68,646
Unusual items	(116,972)	—
Net income (net loss)	(98,964)	36,640
Operating cash flow	59,357	75,226

balance sheets as at October 31 (in thousands of dollars)	2001	2000
Cash and cash equivalents	84,619	147,401
Total assets	614,371	684,119
Long-term debt, debentures and obligations under capital leases (including current portion)	158,390	154,135
Shareholders' equity	135,867	232,464

per common share years ended October 31 (in dollars)	2001	2000
Earnings (loss) before goodwill charges	(2.93)	1.23
Earnings (loss) after goodwill charges	(3.07)	1.14
Earnings before goodwill charges and unusual items	0.01	1.23
Diluted earnings (loss) before goodwill charges	(2.93)	1.22
Diluted earnings (loss) after goodwill charges	(3.07)	1.13
Operating cash flow	1.84	2.34

Our mission remains focused on holiday travel, where we excel. On a strategic level, we kept to our plan, which permitted several major accomplishments during the year.

outgoing tour operators

air transat holidays

The leading Canadian tour operator, Air Transat Holidays, develops and markets vacation products and flights including those to southern destinations and to Europe.

world of vacations/nolitour

World of Vacations and Nolitour offer quality products at competitive prices to destinations in the United States, the Bahamas, the West Indies, Mexico, South America, the Mediterranean Basin, and Europe.

americanada

A specialist in à la carte tourism (FITs—Foreign Independent Tours), this tour operator rounds out the range of services offered by Transat and acts as a consolidator of airline tickets.

rêvatours

Rêvatours has been offering, on the Quebec market, upscale tours off the beaten track for 15 years and will soon extend its product offerings to the rest of Canada.

kilomètre voyages

This tour operator offers packages to Quebec and elsewhere in North America to a Quebec clientele and to visitors passing through.

a division of DMC Transat

vacances air transat (france)

Number one in France for packages to Canada, this tour operator also offers vacation travel to the United States, the West Indies, Mexico, and South 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 growing rapidly, as is the success of its Lookéa Clubs, an all-inclusive formula.

99.2% interest

brok'air

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

incoming tour operators and services at travel destinations

jonview canada

The leading incoming tour operator in Canada and with a solid presence in the European market, Jonview Canada brings some 165,000 foreign tourists to Canada

35.8% interest

DMC transat

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

71.5% interest

air transat holidays USA

Established in Florida, this tour operator offers excursions to customers of Air Transat Holidays, Vacances Air Transat (France) and Look Voyages, markets Air Transat flights to Canada, and offers packages to its local clientele.

tourgreece

From the home of the famous Parthenon, Tourgreece offers excursions, cruises, and hotel services to visitors passing through.

Look Voyages holds a 40% interest in this tour operator

trafic tours

New company that offers services at destination in Mexico.

40% interest

transat a.t.

canada europe

travel agencies and distribution

consultour

In Canada, Consultour orchestrates a distribution network of about 211 sales outlets under the banners of Club Voyages, Voyages en Liberté, Inter Voyage, Travel Plus, and Goliger's.

vacances tourbec

A Quebec travel agency network, it has 35 sales outlets of which six are wholly owned (four in superstores).

exit travel

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

anyway

Anyway relies on a Web site (Anyway.com) backed up by a call centre to offer a broad range of products including aircraft seats at negotiated or published fares. Anyway is already recording sustained growth, making it one of the leading online travel agencies in the French market.

club voyages (france)

A French network of some 63 corporate-owned travel agencies.

air transportation

air transat

Air Transat offers departures from Canada to some 90 destinations in 25 countries. The airline 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

Star Airlines operates charter flights from France mainly to the Mediterranean Basin and to Africa.

Look Voyages holds a 44.3% interest in this air carrier

hoteliers

cameleon

Cameleon manages hotels as well as a Lookéa Club in the Transat tradition of quality.

the lookéa clubs

The family-oriented Lookéa Clubs, located in nature settings, are increasingly popular among French tourists looking for an affordable all-inclusive formula to sunshine destinations.

inc.

message to shareholders

Jean-Marc Eustache
Chairman of the Board
and President and
Chief Executive Officer
Transat A.T. Inc.

Fiscal 2001 was marked by an excellent winter season, with an increase of more than 20% in revenues and close to 25% in net income, followed, however, by a more difficult summer, as anticipated, due mainly to the slowdown in the economy and an obvious oversupply in Canada.

Then, the tragic events of September 11 in the United States further undermined an already weak economic situation, especially with regard to the travel industry. The drop in demand was immediate and dramatic, resulting in a significant negative impact on our results.

Although tourists gradually began to travel again in the fall, the shock of September's events was sufficiently serious to call for a rapid reduction in our product offerings in response to an unprecedented reduction in demand, in order to maintain the financial soundness of the group. Consequently, on September 24, we began the implementation of a plan, primarily in Canada, resulting in a 25% capacity cut for Air Transat, an approximate 25% reduction in staff, wage cuts and freezes for management and non-unionized employees, and a tightening of all other expenditures. Comparable measures were carried out in France, where the decline in demand was, however, not as strong. The reduction in capacity also accelerated the retirement of part of the Air Transat fleet, whose unamortized value was written off. In total, this write-off, the write-down of the value of other assets, and various non-recurring items resulted in unusual charges of approximately $117 million before taxes in the fourth quarter ($101 million in non-cash charges).

We ended fiscal 2001 with revenues of $2.1 billion, an increase of approximately 10% over the previous year. Good sales volumes and higher prices for the winter season as well as acquisitions explain this performance. On the other hand, the strong US dollar, fierce competition, especially during the summer, the sharp drop in activity after September 11 and finally the increase in costs, including aircraft maintenance, exerted a downward pressure on margins. Transat recorded a net loss of $99 million ($3.07 per share) after unusual items, compared with a net income of $36.6 million ($1.14 per share) in 2000. Had it not been for the write-off of assets and for the unusual items, the Corporation would have recorded an income of $2.7 million before taxes, goodwill charges and minority interest.

On a strategic level, we kept to our plan, which permitted several major accomplishments during the year. Our mission remains focused on holiday travel, where we excel, and Transat has had no difficulty in remaining a leader among international tour operators. We continue to rely on vertical integration, the development of a range of products, and the penetration of new markets to ensure our expansion and our profitability.

Our Mission: Holiday Travel

Our outgoing tour operators

Outgoing tour operators are central in the organization of holiday travel. They draw on the resources of the group's other divisions or companies and outside suppliers to create vacation packages. Tour operators co-ordinate value-chain creation where the distribution network, the air carrier, the services at destination and the hotel management company all play an essential role in customer satisfaction and thus in the group's success.

In Canada, we have primarily two major organizations. The first of these is Air Transat Holidays, which remains the leading Canadian tour operator. Recognized for its vision of product development, with a strong presence among major travel agency networks, Air Transat Holidays plays a leading role in our plans for growth in Canada. The second is World of Vacations, in which we increased our interest from 35% to 100% during fiscal 2001, and then combined it with Regent Holidays on May 1, 2001. World of Vacations and Nolitour, which operates in Quebec, share the same management team. This more in-depth integration has given us a second organization with national reach, World of Vacations/Nolitour, thereby increasing efficiency and consistency.

During the year, Transat acquired Rêvatours, a Quebec tour operator with some 15 years of experience specializing in upscale tours in Asia, Eastern Europe, North Africa, Greece, and Turkey. This acquisition will enable us to penetrate a new market niche and to reach new clientele.

In France, we rely on tour operator Look Voyages, which had a good year but faced a difficult summer season, as was the case in North America. The competition remains fierce on the French market, where we also rely on Brok'Air and on Vacances Air Transat (France).

Travel agencies and distribution

We increased our direct presence in distribution with the acquisition, by Consultour, of Canadian franchisor Travel Plus, a network of some sixty independent travel agencies under the Travel Plus and Goliger's banners. This acquisition strengthened our position in Ontario and Western Canada, a priority market due to its growth potential. Consultour and Tourbec thus became the second-largest Canadian travel agency network, with close to 250 franchised, affiliated, or wholly owned agencies. We also strengthened our presence in France with the acquisition of several agencies, bringing their total number in that country to 63. In all, we estimate that our products are distributed by about 8,000 travel agencies in Canada and in France.

Our two online travel agencies, Anyway in France and Exit Travel in Canada, had an excellent year. Both have Web platforms backed up by call centres, confirming that marketing our products on the Internet holds promise for the future. These companies substantially increased revenues as well as the proportion of reservations made on the Internet and took important steps towards expanding their product line. As well, these companies made progress in forging alliances that confirm the attraction of our business model, the quality of our technology, and above all our leadership in these matters on both sides of the Atlantic. We continue to believe that Anyway will be an effective strategic tool for penetrating new European markets as soon as circumstances allow.

Our airlines

Flexible access to quality and attractively priced air transportation services is a critical success factor for all international tour operators. Our subsidiaries, Air Transat and the ground handler Handlex in Canada, and our affiliate Star Airlines in France specialize in charter flights and as such are of great importance to the group. In the fiscal year just ended, both airlines offered services to about the same number of travellers as the previous year as they were both affected by the impact of September 11. At Air Transat, our continuous improvement programs were successful, as proven by our enviable on-time performance and a high level of customer satisfaction. We are also continuing our efforts in the re-engineering of processes in order to improve this carrier's profitability. In August 2001, Air Transat experienced the most serious incident in its some 15 years of existence when one of its aircraft was forced to make an emergency landing in the Azores. We handled this exceptional occurrence with diligence, focusing above all on the well-being of those passengers directly affected. Significant measures were then taken to prevent something like this from happening again.

Incoming tour operators, hoteliers and services at travel destination

The final stage of vertical integration involves destinations, completing the circle that enables maximum control of a product. In this regard, three major aspects are of interest: the activities of incoming tour operators, hotels, and services provided at destinations.

During fiscal 2001, in partnership with the Solidarity Fund QFL, a shareholder, we purchased an interest in Jonview Canada, the leading incoming tour operator in Canada with annual revenues of $100 million and competencies in several niches. Taking place in two stages, the acquisition of the leading tour operator Jonview Canada will consolidate our presence in Europe, Latin America, and Asia, in parallel with the operations of Canadian incoming tour operator DMC Transat, which is very active principally in the French market.

We continue to strengthen our activity in hotel management, a very important facet of any tour package. Quality lodging services are a strategic issue of growing importance, especially for the most popular destinations. In this area, we rely on our subsidiary Cameleon, which manages hotels and has just experienced a successful year. We also continue to develop Lookéa Clubs through Look Voyages. Their success on the French market remains strong and consistent; it is our objective to have some 30 Lookéa Clubs by 2005.

Services at destination—the optional activities offered to tourists once they are there—is also a promising market, especially because of the margins they provide. We purchased a 40% interest in Tourgreece, a longstanding partner based in Athens that has been offering services at destination to tourists for more than 20 years, with an option to acquire a majority interest. We also created a division under the name of Trafic Tours that offers services at destination in Mexico and could develop a presence in other markets.

Outlook

The year 2002 will be challenging as a result of the September 11 attacks and their impact on the travel industry as a whole. Given that our industry historically has held its own in times of recession, it is likely that the effect of the economic slowdown would have been far less pronounced had it not been for the attacks.

International tourism has shown a strong resistance to economic and political crises over the past 50 years, recording an uninterrupted average annual growth of 7% (except in 1982). Moreover, years where growth was slower were often followed by exceptional years, as people tended to postpone their trips rather than abandon their travel plans. Certain structural factors, such as the fact that baby boomers are reaching retirement age, are healthy, and have the financial means to travel, combined with more leisure time and stronger interest in new destinations, suggest that demand for tourism products will recover and continue to increase.

While we may believe that recovery is inevitable, the pace at which it will occur remains a great unknown. It is also possible that the nature of tourism flows may change, which will require adjustments by the tourism industry. The first signs of such a transformation appeared in the fall of 2001. Certain destinations, for example, could come to be considered as more dangerous. Others, considered less so, could become fashionable substitution products. Some products, like shorter stays or destinations closer to home, could also gain in popularity. Whatever happens, Transat is well positioned for several reasons.

First, we acted promptly to avoid a serious financial crisis. Obviously, we regret that we were forced to lay off more than one thousand loyal employees. But it was a necessary step, and management, more than anyone, is hoping for a quick resumption of growth. As I write, Transat has all the resources required by what we believe will be the market needs for the coming winter and summer seasons.

Second, about 32% of Transat's revenues come from the French market, where the impact on demand was far less pronounced than in North America and where, it seems, recovery could take place a little more quickly.

Transat ranks among the ten leading tour operators in the world. Our critical mass, our presence on two continents, the significant number of destinations we serve and, above all, our integrated structure—all of these give us significant flexibility. For example, given our privileged ties with our hotel partners, we were able to efficiently manage a hotel room inventory in the aftermath of the events of September 11.

The Canadian air transportation market—plagued as it was in 2000 and 2001 by overcapacity that had a significant impact on our business, especially during the past summer season—is in the process of transformation. In this respect, the disappearance of certain competitors improves our position. When the market gets back to normal, Transat and Air Transat will be in an excellent position to benefit from the recovery.

Finally, at the beginning of fiscal 2002, we were able to announce an investment of $20 million by two of our shareholders, as well as a contribution of nearly $2 million from management and members of the Board of Directors, all in the form of non-convertible debentures. We have also subsequently announced a convertible debenture issue of $51 million for which the closing took place in February 2002. Our bankers, as we explain further on in this report, also made a contribution by extending our credit facilities, and by releasing collateral that improved our cash position by $20 million. Thanks to this support from our financial partners, the Transat team is ready to rise to the challenge of 2002.

Finally, I would like to mention the appointment of Bernard Bussières to the positions of Vice-President, Legal Services and Secretary of the Corporation. I would like to thank all of our employees—including those who left us during the past few months due to the economic situation—and to offer them some encouragement. I also want to offer special thanks and encouragement to the Air Transat team more directly involved in the recent events. I want to particularly note the professionalism of the crew of flight TS 236 on August 23, 2001, a professionalism we and our colleagues and clients all witnessed. Finally I wish to thank the members of the Board of Directors who throughout the year played their role with customary wisdom and rigour.

Jean-Marc Eustache

Chairman of the Board and President and Chief Executive Officer, Transat A.T. Inc.
Montreal, February 13, 2002

air transat holidays
world of vacations/
nolitour
americanada
rêvatours
kilomètre voyages

outgoing tour operators

rest and renewal

sun, sand, palm trees, hammocks, parasols, transat

In Canada, the Transat group is the leader in its industry segment.

Air Transat Holidays is the leading tour operator in Canada. One of the few tour operators to have balanced its winter and summer sales volumes, this subsidiary serves all of the major national travel agency networks. Aside from packages to the south in winter and to Europe in summer, it markets air-only flights to Florida and packages to Las Vegas. In addition, Air Transat Holidays distributes products from many of the major cruise line companies.

The group also includes a second national tour operator, World of Vacations, into which have been integrated the operations of Regent Holidays as well as those of Nolitour in Quebec. This consolidation resulted in major gains in efficiency. World of Vacations/Nolitour, very active in holiday packages, is well known for its exclusive destinations, its cruises, and for the development of its presence in the Mediterranean Basin, especially in Greece. World of Vacations/Nolitour serves, among others, many of the country's independent travel agencies.

Air Transat Holidays had an excellent year, despite a certain downward pressure on margins during the summer. World of Vacations/Nolitour had a good winter, although the summer season was more difficult.

To enhance the product offerings of both Air Transat Holidays and World of Vacations/Nolitour, Transat also developed a presence in other market niches. In 2000, Transat acquired the tour operator Americanada, which offers the foreign independent tour (FIT) formula known as à la carte tourism; namely, combining the sale of seats with lodging and car rentals. Americanada's mission was expanded in 2001 to include a complementary activity—the consolidation of airline tickets of various airlines. Targeting increased efficiency, these activities previously carried out by Consultour and representing a substantial revenue of $60 million, were consolidated into Americanada. Americanada opened an office in Toronto during the fiscal year and expects to open one in Vancouver in 2002.

The acquisition in 2001 of Rêvatours, with activities in Quebec, is part of the same expansion strategy. Rêvatours specializes in upscale tours in Asia (China, Vietnam, India, and others), Eastern Europe, North Africa (Tunisia, Morocco), Greece, and Turkey, with specialized offerings for smaller market segments. Indeed, these are markets, destinations, and products with very high growth potential, given their growing attraction for a certain clientele. Rêvatours surveys some 7,000 customers a year in Quebec, and now that the tour operator is part of the Transat group, its products can be distributed throughout the country.

jonview canada
DMC transat
air transat holidays USA
cameleon
trafic tours

incoming tour operators, the hotel business, and services at destination

choice

tours, cruises, adventure, hospitality, diving, excursions

Incoming tour operators develop and provide an array of services at our destinations that range from simple passenger transfers to taking charge of all the details for the entire stay.

Since the acquisition of an interest in Jonview Canada at the beginning of the fiscal year, Transat now ranks first in Canada in this market. Firmly established in Europe, in Latin America, and in Asia, Jonview Canada promotes Canadian tourism destinations that are in demand throughout the world. For those destinations, Jonview Canada has developed a line of products aimed at the different market segments. Consequently, Jonview Canada is an acquisition that provides Transat with access to new customer pools and that will lead to promising synergies with Air Transat.

Jonview Canada is known for its energetic forward-looking approach to technology. The company uses the most advanced information systems to manage its products, and during the past fiscal year it also implemented a new e-commerce platform that facilitates communication with the tour operators responsible for distributing its products throughout the world. The tour operators can access Jonview Canada's systems through the Internet or through direct communication. The result is an efficient and close network of relations and partnerships. A significant portion of reservations are already made electronically, and a subsequent phase of the project targets the establishment of electronic communications with key supply partners down the line, such as hoteliers.

Fiscal 2001 was marked by major gains in market share for Jonview Canada. Nevertheless, external factors, such as unfavourable exchange rates, had a negative impact on overall demand in the European market throughout the year. At the end of the fiscal year, the events of September 11 resulted in a sharp decline in the number of people visiting Canada, especially on long-haul flights.

DMC Transat remains the leading Canadian incoming tour operator offering coach tours in Canada to the French market. Marketing is handled in France by its largest client, Vacances Air Transat (France). During the past fiscal year, DMC Transat took the innovative step of successfully developing Morocco as a new French-speaking market, with a weekly flight to Montreal.

Cameleon, a hotel management subsidiary founded in 1999, now manages hotels in Puerto Aventuras, near Cancun (Mexico), and in Montego Bay (Jamaica), as well as a Lookéa Club in the palm grove of Marrakech, Morocco. These activities are completely in line with the Transat group's growth strategy based on vertical integration. When it comes to lodging, the Corporation thus has better control over product quality and its supply of quality hotel rooms in the most attractive destinations and those most in demand.

Transat also created Trafic Tours, an organization that will offer value-added services in Mexico.

consultour
vacances tourbec
exit travel

travel agencies and distribution

culture

architecture, the arts, fine cuisine, souvenirs, history

On the Canadian market, fiscal 2001 saw a major expansion of the travel agency network.

On the Canadian market, fiscal 2001 saw a major expansion of the travel agency network, with the acquisition of Canadian franchisor Travel Plus and its 61 travel agencies operating under the Travel Plus and Goliger's banners. With this acquisition, the group now has more than 246 franchised, affiliated, or wholly owned agencies, including the Tourbec agencies. Consultour is the leading franchisor in Quebec and now ranks second in Canada.

The rapid growth of e-commerce along with other pressures, such as the recent drop in commissions paid by airlines, have resulted in an in-depth transformation of travel agencies. More than ever, they must offer personalized services and added value, forcing them to keep in step with consumers' needs. There are many changes to be made, including changes to product portfolios of travel agents and especially changes in training, resource development, and marketing. This is mainly what Consultour targets on a national scale in order to build a solid travel agency network. This effort to adapt is all the more important in light of the change in the market precipitated by the economic climate and the events of September 11. Therefore, Consultour is mainly focusing on the support to members of its network and on the diversification of product offering that will, under the new conditions, attract consumers.

In 1999, Exit Travel launched its online travel agency, bringing into play a transactional Web site and a call centre. The agency experienced strong growth during the fiscal year, but as a result of September 11, just missed attaining its challenging objective. Indeed, the site had more than 450,000 unique visitors a month, and Exit Travel surveyed about 50,000 customers during the fiscal year, of which nearly two-thirds used the Internet and one-quarter carried out their transaction directly on the site. These figures, which parallel the performance of other similar sites in the United States, seem to indicate that travel is among the most promising sectors of e-commerce. In a very user-friendly way, Exit Travel provides access to the most comprehensive collection of vacation packages, charter flights, scheduled flights, and consolidated tickets from Canada. The site is updated in real time. The site carries not only Transat's products, but also those of several other tour operators.

The technological platform of exit.ca proved itself during this very active year and aroused the interest of companies that operate Internet portals with the intention of integrating online travel agency services. As a result, during 2001, Exit Travel became the Canadian vacation partner of AOL (America Online), Sympatico, Travelocity, and Quebecor Media.

Concerned about developing the site and its resources for the travelling public, at the beginning of 2002, Exit Travel will implement a new, even higher-performance interface that will, for example, reduce the number of clicks needed for searches and reservations, and offer new search engines for travel packages.

air transat
handlex

air transportation

confidence

safety, reliability, experience, precision, capacity

During the past year, Air Transat offered services to some 3.3 million passengers, about the same number as the previous year.

Air Transat continues to be the leading charter carrier in Canada, serving 90 destinations in 25 countries from some ten Canadian cities. During the year, the airline successfully inaugurated a weekly flight for the summer from Vancouver to Japan after concluding an agreement with a tour operator in that country, and maintained its flight between Buffalo and the Dominican Republic. Air Transat remains 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 mainly serves southern destinations during the winter season, and European destinations during the summer.

About two-thirds of Air Transat's sales are made to the group's tour operators. The remainder are mainly purchased by other tour operators. During the year, Air Transat launched a new Web site offering a wealth of information to tourists as well as enabling online reservations, thanks to a close partnership with Exit Travel, the group's Canadian online travel agency.

As planned, Air Transat will put into operation one additional Airbus A310-300 during 2002, the last aircraft of a series of five added for fleet renewal. This aircraft type is ideally suited to the needs of the group's tour operators. Combining reliability and comfort, Airbus A310s enable Air Transat to provide non-stop flights to all its destinations. Moreover, Air Transat retired its seven Lockheed L-1011-150s as a result of the drop in demand. Finally, due to the retirement of its Lockheed L-1011-150s, Air Transat will add a fourth Airbus A330 to its fleet for the next summer season. For nearly two years, Air Transat has been committed to a sweeping re-engineering and improvement of processes involving all aspects of its operations. The purpose of this large-scale project, which is progressing in stages, is to improve the quality of service while optimizing resources. It includes a complete review of processes linked to aircraft maintenance, the integration of functions connected with passenger service and crew and aircraft scheduling, as well as the implementation of a new information management system. There have already been tangible results in all of these areas of operation, translating into improved on-time performance. In 2001, Air Transat had about 15,000 flights, on average 300 flights a week.

Following the emergency landing of one of its aircraft in August 2001, Air Transat implemented further measures—some imposed by regulatory bodies, others voluntary—that added to the extensive effort already undertaken by Air Transat to improve its methods. These measures, based on a principle of precaution to which Air Transat subscribes without reserve, focus particularly on certain aspects of crew training and the inspection of maintenance work. As always, Air Transat continues to work closely with Canadian authorities.

The cost of fuel, which did not decrease until summer; fierce competition mainly during the summer, which had an impact on load factors; the cost of aircraft maintenance; and above all, the sharp decline in operations after September 11—all of these had an impact on Air Transat's results in 2001. With some 650 layoffs and the reduction in the number of flights to many destinations, especially Florida, Air Transat reduced its product offerings for the winter 2001-2002 season by around 25%. However, several marketing measures were implemented to encourage customers to travel.

Handlex is an Air Transat partner on the ground that provides airport representation and handling services; it had a good year and now counts EgyptAir, Virgin Atlantic, and Exp-Air Cargo as clients.

vacances air transat (france)
look voyages
brok'air
tourgreece

outgoing tour operators, lookéa clubs and services at destination

at a glance

animation, social events, enjoyment, sightseeing

In France, Transat's tour operator activities rely on Look Voyages, Vacances Air Transat (France), and airline ticket consolidator Brok'Air.

Look Voyages continues to progress, having had, in 2001, a fiscal year marked by stability and profitability. As in North America, the summer season was more difficult while the winter season was excellent for the whole French market. In September, due to the uncertainty connected to the events of September 11, demand sharply declined for certain destinations in North Africa and the Mediterranean Basin that are important to Look Voyages. Look Voyages, as it had hoped, continued to make gains in its overall business dealings by increasing the proportion of packages sold in relation to air-only flights. The strategy of Look Voyages above all relies on its extensive line of quality products offered at competitive prices, on its some 90 partner companies, and, of course, on the Lookéa Clubs. Its products are distributed by French travel agencies. The leader for air-only flights, Look Voyages offers its customers some 800 destinations around the world, with departures from Paris and seven other French cities.

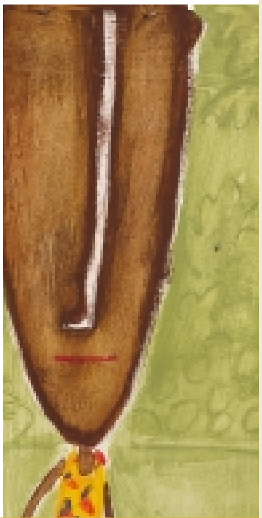
The Lookéa Clubs are a leading product of Look Voyages and continue to sustain their popularity with the French public. Situated in choice locations, these resorts, which numbered 14 by the end of fiscal 2001, bring travellers into direct contact with what is often lush nature. There are plans for 22 clubs by 2003, and for some 30 clubs by 2005. Grand openings are planned for 2002 in Mexico, Kenya, Sicily, Spain, and the French Alps. For the Lookéa Clubs, Transat uses a hybrid management formula calling upon partners to manage the establishments. Look Voyages handles activities and site supervision. During the past fiscal year, Look Voyages made new investments to ensure that the facilities will continue to meet the standards of quality sought by customers.

One of the ten leading tour operators in France, Vacances Air Transat (France) continues to strengthen its presence on the long-haul market by relying on its position as the leader for travel to Canada. Although Canada remains a valued destination, the relative weakness of European currencies and the events of September 11 exerted a downward pressure on air traffic during the past year. In light of its alliance with its Canadian counterpart, Vacances Air Transat (France) remains a major tour operator in France for the Dominican Republic, Cuba, and Mexico. Brok'Air, a consolidator of airline tickets at negotiated fares, distributes its products through travel agencies and through Anyway.

The development of services at destination, such as excursions and other products offered at sunshine destinations on an optional basis, represents an important source of potential growth. In line with this policy, the Corporation acquired a 40% interest in Tourgreece, a long-standing partner based in Athens. This tour operator specializes in hotel activities, excursions, and cruises, among other activities, and generates some $19 million in revenues annually. Through Look Voyages, Transat also has an option to acquire a majority interest in Tourgreece.

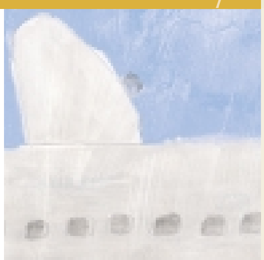
club voyages
anyway
star airlines

travel agencies, distribution and air transportation



diversity

exotic settings, discovery, change of scenery, escape



French consumers have a large number of ways in which they can purchase either a vacation package or airline tickets: traditional or virtual travel agencies, company committees, community organizations, group specialists.

In France, Transat has 63 wholly owned sales outlets under the Club Voyages banner, 34 of them in the metropolitan Paris area. During the fiscal year, some 15 other agencies were acquired, most of them around Paris. Pursuing its growth strategy and considering the climate of consolidation that characterizes the market, the group plans to continue to expand its distribution network in France.

Anyway operates a call centre and the anyway.com Web site, offering airline tickets, hotel rooms, car rentals, trips, and increasingly, packages. With the recent addition of charter flights offered by Vacances Air Transat (France), Anyway now distributes all of the group's airline products. Its range of products will continue to expand in 2002. Since its launch in April 1999, Anyway has reported sustained growth, a trend that continued in 2001 with a growth rate of nearly 60%, almost reaching its objective despite the sharp decline in reservations in September and October. As for Exit Travel in Canada, the proportion of Anyway's online reservations is rapidly increasing, as is the turnover rate of its call centre because more and more consumers have already made their decisions before establishing telephone contact. This trend means an increase in efficiency and a reduction in unit costs. Anyway equipped itself with new facilities during the year to be able to handle a significant growth in business.

Anyway has become involved in subcontracting through partnerships, thus enabling it to extend its influence. As a result, Anyway now acts as the exclusive French subcontractor for Expedia, the second online travel provider in the world. Anyway also has agreements with other portals, namely Wanadoo and Voila (France Télécom), and Yahoo! France. These partnerships say a great deal about the strength of Anyway's technological and business platform, and they have a significant impact on sales volume and on the company's efficiency.

Star Airlines mainly serves continental Europe, the Mediterranean Basin, and North Africa. The airline operates a fleet of five Airbus A320s, performance-oriented aircraft well adapted to this market. A sixth aircraft of the same type will be added to the fleet in 2002 under excellent conditions. Star Airlines flies shorter average distances than other carriers, its sales volume fluctuates between seasons, and European regulations, especially regarding noise and environmental performance, are particularly stringent. All these factors support the use of an aircraft like the Airbus A320. The number of passengers in 2001 was comparable to the previous year. On another front, Star Airlines created two new affiliated companies; one to provide food service aboard its aircraft and another to provide pilot training.

management's discussion and analysis

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

Results for Fiscal 2001

For the year ended October 31, 2001, Transat reported revenues of $2.1 billion compared with $1.9 billion in 2000, an increase of 10.4%. This increase is mainly attributable to acquisitions made during the year as well as to the general increase in prices, especially during the winter season. Revenues were unfavourably affected by fierce competition during the summer season and by a decline in demand, especially in September and October, subsequent to the attacks on the United States on September 11, 2001.

Winter Season

The results of the winter season, during which the Corporation primarily sells travel to sunshine destinations, were excellent. For the six-month period ended April 30, 2001, Transat reported revenues of $1.2 billion and income before taxes of $30.6 million compared with revenues of $991.9 million and income before taxes of $25.8 million for the same period last year. While growth was in part attributable to business acquisitions, it came primarily from price increases and higher sales volumes.

Summer Season

The second half of the fiscal year was more difficult than anticipated, due to a slowing economy, fierce competition, overcapacity in air transportation in Canada and the resulting pressure on prices. Demand slumped in certain markets, especially after September 11, adding pressure on sales prices. Finally, the continuing strength of the U.S. dollar (airlines pay a major part of their expenses in U.S. dollars) and an increase in costs including aircraft maintenance expenditures had an unfavourable effect on margins. Economic uncertainty and later the events of September 11 certainly had a negative impact on demand. For the six-month period ended October 31, 2001, Transat reported revenues of $922.5 million and a loss of $32.5 million before unusual items and taxes, compared with revenues of $930.6 million and income before taxes of $38.3 million for the same period the previous year.

Unusual Items

The September 11 attacks resulted in a significant decrease in demand. Confronted with this situation, Transat quickly moved to reduce its capacity and the size of its organization. The measures taken by Transat in September resulted in the write-off of certain tangible and intangible assets, as well as the incurrence of unusual charges and non-recurring expenses connected to the restructuring. The unusual items (listed in note 16 to the consolidated financial statements) resulted in a charge of $117.0 million before taxes ($94.8 million after taxes) in the fourth quarter. The assets written off included, in particular, the seven L-1011-150s from the fleet of Air Transat A.T. Inc. ("Air Transat") (whose retirement had previously been planned for within the next three years), comprising airframe, engines and spare parts for these aircraft and totalling $74.8 million. Layoff and restructuring costs of $7.1 million, charges connected to an incident in the Azores in August 2001 of $5.3 million and other write-offs of $29.8 million represent the balance of the $117.0 million in pre-tax unusual items, $100.8 million of which did not involve any cash outflows.

Other Charges

Amortization expense increased 51.4% to reach $51.3 million in 2001, compared with $33.9 million in 2000. This increase is mainly attributable to additions to capital assets ($54.7 million and $60.1 million respectively for fiscal 2001 and 2000) and additions to other assets ($17.8 million and $15.0 million respectively for fiscal 2001 and 2000).

Interest expenses rose from $12.9 million in 2000 to $15.1 million in 2001 due to an increase in average indebtedness, which was partly offset by lower interest rates. Interest revenues declined by $0.3 million.

Goodwill charges increased to $4.4 million in 2001 compared with $2.9 million in 2000 as a result of business acquisitions made in fiscal 2000 and 2001.

Results

For the year ended October 31, 2001, the Corporation recorded an income of $2.7 million before unusual items, income taxes, goodwill charges and minority interests, compared with $67.0 million the previous year. The Corporation recorded a net loss of $99.0 million ($3.07 per share) compared with net income of $36.6 million ($1.14 per share) in 2000. Results per share are calculated based on a weighted average number of shares outstanding of 32,248,437 for fiscal 2001, compared with 32,158,026 for fiscal 2000.

revenues per season	2001	2000	variation	change in %
winter season	1,199,343	991,943	207,400	+20.9%
summer season	922,543	930,607	(8,064)	-0.9%
total	2,121,886	1,922,550	199,336	+10.4%

(in thousands of dollars)

source of revenues	2001
ontario	33.8%
france	31.8%
quebec	22.6%
western canada	7.1%
united kingdom	2.2%
other	2.5%

Acquisitions

Pursuant to its strategy of vertical integration, Transat completed several acquisitions in fiscal 2001, details of which are listed in note 15 to the consolidated financial statements. The Corporation acquired on January 22, 2001 a 50% interest in Jonview Canada, the leading Canadian incoming tour operator, for a cash consideration of $10.6 million. Through a series of transactions with a minority shareholder of DMC Transat Inc. (the leading incoming tour operator in Québec), Transat subsequently reduced its participating interest in Jonview Canada to 35.8% and increased its investment in DMC Transat Inc. to 71.5%. On March 1, 2001, Transat acquired a 100% interest in the outgoing tour operator Rêvatours Inc. for a cash consideration of $3.3 million. Through Look Voyages S.A., Transat acquired on March 5, 2001 a 40% interest in Tourgreece S.A., a Greek incoming tour operator, for a cash consideration of $1.6 million. On May 1, 2001, Transat acquired the remaining 65% of the shares of World of Vacations Ltd. for a cash consideration of $1.1 million. Finally, through its subsidiary Consultour/Club Voyages Inc., Transat acquired a number of travel agencies in Canada and in France as well as a Canadian franchisor of travel agencies for a total amount of $9.6 million.

Financial Position

The Corporation's cash and cash equivalents, including cash held in trust, totalled $84.6 million as at October 31, 2001.

For fiscal 2001, the Corporation generated an operating cash flow of $59.4 million. Operating activities used $12.0 million of cash, considering the negative net change of $71.4 million in non-cash working capital balances net of deposit and engine and airframe overhaul expenses. The Corporation spent a net amount of $59.4 million on investing activities, mostly for additions to capital assets and other assets and for the acquisition of businesses. For the year ended October 31, 2001, financing activities generated $8.7 million, through increased borrowings under existing bank credit facilities as well as long-term debt, net of debt repayments.

revenues		
for the years ended October 31	2001	**2,121,886**
	2000	1,922,550
	1999	1,623,315
	1998	1,421,454
(in thousands of dollars)	1997	1,316,470

net income (net loss)		
for the years ended October 31	2001	**(98,964)**
	2000	36,640
	1999	30,022
	1998	19,731
(in thousands of dollars)	1997	25,364

operating cash flow		
for the years ended October 31	2001	**59,357**
	2000	75,226
	1999	63,391
	1998	51,127
(in thousands of dollars)	1997	46,117

earnings (loss) per share		
for the years ended October 31	2001	**(3.07)**
	2000	1.14
	1999	0.89
	1998	0.58
(in dollars)	1997	0.78

operating cash flow per share		
for the years ended October 31	2001	**1,84**
	2000	2,34
	1999	1,87
	1998	1,49
(in dollars)	1997	1,41

Accounts receivable increased from $67.6 million as at October 31, 2000 to $85.5 million as at October 31, 2001, an increase resulting mostly from activities related to current operations and acquisitions of businesses.

Income taxes recoverable as at October 31, 2001 totalled $35.4 million and are connected to the carry back of tax losses incurred by certain subsidiaries in 2001 allowing for recovery of income taxes paid in previous fiscal years. The Corporation received $29.6 million of the income taxes recoverable in the first quarter of 2002.

Deposits with suppliers declined by $13.9 million, or 26.6%, from $52.2 million as at October 31, 2000, to $38.3 million as at October 31, 2001. This item consists mainly of deposits with hoteliers for the winter 2001-2002 season. The reduced level of these deposits for the winter 2001-2002 season is a direct consequence of the expected decrease in activity compared with the previous winter season.

Future income tax assets increased $8.7 million due to the consolidation of World of Vacations Ltd. in May 2001, and the recording of future income tax benefits related to losses incurred by certain subsidiaries in 2001, offset by the realized portion of future income tax assets and a valuation allowance of $18.3 million.

Deposits and other expenses decreased from $86.0 million as at October 31, 2000 to $19.7 million as at October 31, 2001 due mainly to the write-off of deposits and engine and airframe overhaul expenses related to the Lockheed L-1011-150 aircraft mentioned in note 16 to the consolidated financial statements.

The decrease in investments from $19.2 million as at October 31, 2000 to $8.4 million as at October 2001 is mainly related to the acquisition and subsequent consolidation of World of Vacations Ltd. as of May 1, 2001.

Capital assets totalled $185.4 million as at October 31, 2001, compared with $180.6 million as at October 31, 2000. Additions to capital assets totalled $54.7 million in fiscal 2001 but depreciation combined with asset write-offs reduced the year-end balance.

Goodwill as at October 31, 2001 was $68.6 million, compared with $49.1 million as at October 31, 2000. This increase is the result of business acquisitions completed during the fiscal year, net of goodwill charges and write-down.

Accounts payable and accrued liabilities increased by $32.3 million, or 16.2%, mainly as a result of business acquisitions during the year and tighter cash management by the Corporation.

Customer deposits and deferred income decreased by $29.5 million, or 30.6%, due to the decline in reservations for the winter 2001-2002 season, compared with the previous winter season.

Long-term debt, obligations under capital leases, and debentures increased from $154.1 million as at October 31, 2000, to $158.4 million as at October 31, 2001. This increase is the result of financing related to additions to capital assets made during fiscal 2001, net of debt repayments.

Cash Injection

On January 10, 2002, the Corporation completed the closing of transactions with certain shareholders and with its bankers in order to increase its available cash by $41.9 million. CDP Capital d'Amérique, a subsidiary of the Caisse de dépôt et placement du Québec, and the Solidarity Fund QFL—two of Transat's major shareholders—invested $10.0 million each, in the form of non-convertible debentures in the Corporation and its wholly-owned subsidiary, Air Transat. Management of Transat and its subsidiaries also committed to invest $1.9 million in debentures having identical financial terms. The debentures carry an annual interest rate of 6% and feature a premium which, combined, provide an internal rate of return of 15% at maturity. The debentures mature in seven years, but can be redeemed at the option of the Corporation after three years and upon certain stated events. These debentures carry a total of 1,421,225 warrants to purchase an equal number of common shares at a price of $6.75 per share for a period of five years and are more fully described in note 23 to the consolidated financial statements. In addition, the Corporation renewed its bank revolving credit facilities for an additional year, and obtained from its bankers the release of collateral that increased the cash available for working capital purposes by $20.0 million.

Incident in the Azores

On August 24, 2001, an Air Transat Airbus A330-200 was forced to make an emergency landing in the Azores after running out of fuel. Assistance in addition to any necessary or desirable support services were given or offered to passengers. The investigation (involving the airplane manufacturer, the engine manufacturer and Air Transat) into the causes of the incident is being conducted by the Portuguese authorities and the Transportation Safety Board of Canada. Subsequent to this incident, Transport Canada conducted a special audit of Air Transat's operations and maintenance activities, requested that Air Transat implement certain measures (some of which were already planned) in order to improve processes, and imposed a fine. Air Transat estimates having to assume $5.3 million for this incident, an amount not covered by insurance which has been included in unusual items and for which appropriate provisions were made in 2001. Management considers that this event has had and will continue to have little negative impact on Transat's business.

Risks and Uncertainties

The holiday travel industry must deal with demand that is volatile and price sensitive. Furthermore, as observed in 2001, aviation security and customer confidence regarding security measures taken by the industry are factors that have a major impact on demand. It is not known how quickly demand will resume, but important measures have been taken by Transat to adjust to these new market conditions.

The Canadian airline industry, afflicted by an excess capacity, is in full transition. Despite the well-established position of the Corporation, it could be affected by price pressures resulting from the overcapacity in air transportation in Canada.

Fuel is one of the Corporation's significant expenditures, exposing it to price fluctuations in the cost of oil. The Corporation purchases futures contracts to hedge against this risk. The Corporation is also exposed to fluctuations in exchange rates, especially with regard to the U.S. dollar against the Canadian dollar and the Euro. The Corporation purchases derivative financial instruments to hedge against exchange rate fluctuations as well as interest rates regarding a portion of its long-term debt, obligations under capital leases and off-balance-sheet financing for aircraft.

Outlook

The September 11 attacks had an immediate, significant and negative impact on the travel industry in general, especially in North America. The air transportation industry was paralyzed for a few days causing the Canadian government to provide financial assistance to all air carriers affected, including Air Transat.

The impact of September 11 on the results of Transat for fiscal 2001 was considerable but was tempered by the fact that the ensuing two months normally constitute the Corporation's slowest months. Nevertheless, demand for the winter 2001-2002 season was seriously affected by these events, initially plummeting before recovering. Management estimates that from a low of 50% below prior year levels in September and October 2001, bookings improved to an average of approximately 15% below throughout the month of January 2002 compared with January 2001. The Corporation believes that the cumulative effect on the Canadian operations for the winter season could be a decline in volume of 20% to 25% compared with the previous year. In France, the decline in volume is less pronounced. The Corporation expects that prices will continue to be under considerable pressure, resulting mainly from fierce competition between tour operators when supply exceeds demand. As for the 2002 summer season, management believes it is too soon to measure the impact on volume and prices.

As a consequence of the significant decrease in demand, Transat reacted quickly, announcing a decrease in capacity on September 24, 2001. The measures carried out in the ensuing weeks included: a 25% reduction in Air Transat's capacity (number of flights and seats), a 25% reduction in the number of employees of all Canadian divisions, wage freezes or cuts for non-unionized employees and management, and tightening of all other expenditures.

The events of September 11 also led governments to tighten security in air transportation, while insurers took measures intended to reduce their exposure to risks associated with terrorism. In Canada, the government's actions to increase airport security will be financed primarily through new taxes charged to passengers. These additional costs could have a negative impact on Transat's business to the extent that the Corporation operates in an industry—holiday travel—where demand is very price-sensitive. As for insurers, additional premiums have already been imposed because of the terrorist threat. Insurers have also limited their coverage of damages caused by terrorist acts, and the Canadian Government has, in the interim, taken on the coverage of such damages to enable Canadian carriers to continue to function normally. The situation continues to evolve, and will probably result in additional expenditures for carriers and passengers.

Despite the major challenges arising from this exceptional situation, Transat is in a strategic position that suggests reasonable optimism, as a result of its integrated operations, its presence on two continents, its quick adjustment of capacity, and the additional liquidity injected at the beginning of fiscal 2002.

Required Quarterly Unaudited Financial Information

	fiscal 2001				fiscal 2000			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(in thousands of dollars, except per share amounts)								
Revenues	**401,346**	**521,197**	**689,700**	**509,643**	467,323	463,284	594,582	397,361
Net income (net loss)	**(120,713)**	**5,876**	**16,522**	**(649)**	14,081	9,819	13,292	(552)
Earnings (loss) per share	**(3.74)**	**0.18**	**0.51**	**(0.02)**	0.44	0.31	0.41	(0.02)
Diluted earnings (loss) per share [1]	**(3.74)**	**0.18**	**0.51**	**(0.02)**	0.43	0.31	0.41	(0.02)

[1] See note 3 of the Consolidated Financial Statements.

Other

The Canadian Institute of Chartered Accountants issued new sections on business combinations and goodwill and other intangible assets. These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life created by business combinations accounted for using the purchase method of accounting. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual impairment test. The new standards will be effective for Transat in the first quarter of 2002 and were implemented for business combinations consummated after June 30, 2001.

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 Canadian 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, 2001 and 2000 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 Canadian generally accepted auditing standards. 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP (signed)
Chartered Accountants

Montreal, Canada
January 17, 2002
[Except as to notes 20 [c] and 23 [b]
which are as of February 13, 2002]

consolidated balance sheets

As at October 31 [In thousands of dollars]

	2001 $	2000 $
Assets *[notes 10, 11 and 12]*		
Current assets		
Cash and cash equivalents *[note 4]*	84,619	147,401
Accounts receivable	85,529	67,564
Income taxes recoverable	35,375	2,737
Future tax assets *[note 17]*	8,283	—
Inventories	11,348	9,603
Deposits with suppliers	38,299	52,204
Prepaid expenses	29,077	24,611
Total current assets	292,530	304,120
Deposits and other expenses *[note 5]*	19,731	85,991
Future tax assets *[note 17]*	17,891	17,442
Investments *[note 6]*	8,389	19,173
Capital assets *[note 7]*	185,403	180,559
Goodwill	68,617	49,075
Other assets *[note 8]*	21,810	27,759
	614,371	684,119
Liabilities and shareholders' equity		
Current liabilities		
Bank loans *[note 9]*	8,843	991
Accounts payable and accrued liabilities	232,378	200,039
Customer deposits and deferred income	66,960	96,490
Current portion of long-term debt and obligations under capital leases	21,965	19,999
Total current liabilities	330,146	317,519
Long-term debt *[note 10]*	73,036	66,652
Obligations under capital leases *[note 11]*	52,495	57,484
Debentures *[note 12]*	10,894	10,000
Minority interest and other liabilities	11,933	—
	478,504	451,655
Shareholders' equity		
Share capital *[note 13]*	109,402	108,154
Retained earnings	25,879	124,952
Deferred translation adjustments and equity component of a debenture *[note 12]*	586	(642)
	135,867	232,464
	614,371	684,119

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

Commitments and contingencies *[note 20]*
See accompanying notes to consolidated financial statements.

consolidated statements of income

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

	2001 $	2000 $
Revenues	**2,121,886**	1,922,550
Operating expenses	**2,063,863**	1,820,026
	58,023	102,524
Amortization *[note 14]*	**51,275**	33,878
Interest on long-term debt, obligations under capital leases and debentures	**11,310**	10,524
Other interest and financial expenses	**3,762**	2,417
Interest income	**(10,043)**	(10,296)
Share of net income of companies subject to significant influence	**(939)**	(1,023)
	55,365	35,500
Income before the following items	**2,658**	67,024
Unusual items *[note 16]*	**(116,972)**	—
	(114,314)	67,024
Income taxes (recovered) *[note 17]*		
Current	**(22,553)**	24,653
Future	**2,644**	2,869
	(19,909)	27,522
Income (loss) before goodwill charges and minority interest in subsidiaries' results	**(94,405)**	39,502
Goodwill charges	**(4,442)**	(2,862)
Minority interest in subsidiaries' results	**(117)**	—
Net income (loss) for the year	**(98,964)**	36,640
Net earnings (loss) per share before goodwill charges		
Earnings (loss) per share	**(2.93)**	1.23
Diluted earnings (loss) per share *[note 3]*	**(2.93)**	1.22
Net earnings (loss) per share		
Earnings (loss) per share	**(3.07)**	1.14
Diluted earnings (loss) per share *[notes 3 and 13]*	**(3.07)**	1.13

consolidated statements of retained earnings

Years ended October 31 [In thousands of dollars]

	2001 $	2000 $
Retained earnings, beginning of year	**124,952**	93,720
Net income (loss) for the year	**(98,964)**	36,640
Change in accounting policies *[note 3]*	**(97)**	—
Premium paid on redemption of common shares *[note 13]*	**(12)**	(5,408)
Retained earnings, end of the year	**25,879**	124,952

See accompanying notes to consolidated financial statements.

consolidated statements of cash flows

Years ended October 31 [In thousands of dollars]

	2001 $	2000 $
Operating activities		
Net income (loss) for the year	(98,964)	36,640
Operating items not involving an outlay (receipt) of cash		
Amortization and goodwill charges	55,717	36,740
Write-off of assets	100,782	—
Share of net income of companies subject to significant influence	(939)	(1,023)
Minority interest in subsidiaries' results	117	—
Future income taxes	2,644	2,869
Operating cash flow	59,357	75,226
Net change in non-cash working capital balances related to operations	(86,041)	39,392
Deposits and engine and airframe overhaul expenses	14,683	(62,033)
Cash flows relating to operating activities	(12,001)	52,585
Investing activities		
Deposits	3,783	1,865
Acquisitions of investments	(1,320)	(1,854)
Additions to capital assets *[note 7]*	(54,697)	(60,146)
Consideration paid for acquired companies	(24,546)	(11,329)
Cash and cash equivalents from acquired companies	35,122	6,510
Other assets	(17,783)	(14,960)
Dividends from companies subject to significant influence	—	3,566
Loans to a joint venture	—	(11,700)
Cash flows relating to investing activities	(59,441)	(88,048)
Financing activities		
Bank loans	7,755	(3,433)
Long-term debt – revolving term loan	(2,353)	8,725
Increase in other long-term debt	15,899	32,055
Repayment of other long-term debt and obligations under capital leases	(23,281)	(18,881)
Issue of common shares	1,256	818
Other liabilities	6,905	—
Issue of a debenture	2,500	—
Repurchase of shares	(21)	(10,288)
Cash flows relating to financing activities	8,660	8,996
Net change in cash and cash equivalents	(62,782)	(26,467)
Cash and cash equivalents, beginning of year	147,401	173,868
Cash and cash equivalents, end of year	84,619	147,401
Supplementary information		
Income taxes paid	16,831	37,417
Interest paid	8,556	13,187

See accompanying notes to consolidated financial statements.

October 31, 2001 and 2000 [Tabular figures in thousands of dollars, except where otherwise noted]

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 packages 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 and in hotel management.

2 Significant Accounting Policies

The consolidated financial statements of the Corporation have been prepared by Management in accordance with Canadian generally accepted accounting principles. 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, 2001	Accounting method
	[see note 15]	
Air Transat A.T. Inc.	100%	Consolidated
Air Transat Holidays USA	100%	Consolidated
Americanada International Tours Inc.	100%	Consolidated
Brok'Air S.A. and its subsidiaries	100%	Consolidated
Cameleon Hotel Management Corporation	100%	Consolidated
Consultour/Club Voyages Inc. and its subsidiaries	100%	Consolidated
Exit Travel Inc.	100%	Consolidated
Handlex, Groundhandling Services Inc.	100%	Consolidated
Les Voyages Nolitour Inc.	100%	Consolidated
Rêvatours Inc.	100%	Consolidated
Tourbec (1979) Inc.	100%	Consolidated
Transat A.T. Barbados Limited	100%	Consolidated
Transat Tours Canada Inc. ["Transat Tours"] [1]	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. ["DMC"]	71.51%	Consolidated
Star Airlines S.A.	44.3%	Equity method
Tourgreece S.A.	40%	Equity method
Jonview Corporation	35.76%	Proportionate consolidation

1 On May 1, 2001, Vacances Air Transat A.T. Inc., World of Vacations Ltd. and Regent Holidays Limited merged. The merged company is called Transat Tours.

Cash equivalents

Cash equivalents consist primarily of commercial paper, 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 value approximates their fair market value.

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 cost.

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 as follows:

Property under capital leases	
Aircraft	7 to 10 years
Other property	Lease term
Owned assets	
Hangar and administrative building	35 years
Improvements to aircraft under operating leases	Lease term
Aircraft engines	Cycles used
Aircraft equipment	10% and 20%
Computer equipment and software	20% to 33 1/3%
Office furniture and equipment	10% to 25%
Leasehold improvements and other	Lease term
Rotable aircraft spare parts	Use or lease term

Other assets

Other assets consist in particular of long-term financing costs and development costs made up of revenues earned and expenses incurred during the pre-operating period. Deferred financing costs are amortized over the financing period of the related debts and development costs are 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.

[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 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 consolidated 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.

Stock-based compensation plans

The Corporation offers stock-based compensation plans which are described in note 13. 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 at the time of reservation. 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.

2 Significant Accounting Policies [Cont'd]

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.

The Corporation has entered into interest-rate swap agreements to control interest-rate fluctuations to which it is exposed. Interest expense is based on rates provided for in the contracts. The Corporation has also entered into currency swap agreements to protect its exchange position on certain operating leases. Gains and losses on these contracts are not charged to income until they have been 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 liability method. Under this method, future income tax assets and liabilities are calculated based on differences between the carrying value and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws expected to be in effect when the differences reverse. A valuation allowance has been recorded to the extent that it is more likely than not that future income taxes will not be realized *[note 3]*.

3 Change in Accounting Policies

Income taxes

Effective November 1, 2000, the Corporation retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes, without restating prior periods. These recommendations are based on the liability method whereby future income tax assets and liabilities are calculated based on temporary differences between the carrying value of the assets and liabilities and their corresponding tax basis. Prior to October 31, 2000, the Corporation used the tax deferral method to account for income taxes. The cumulative effect of adopting the new recommendations is immaterial.

Employee future benefits

Effective November 1, 2000, the Corporation also retroactively adopted the new method of accounting for employee future benefits required by the Canadian Institute of Chartered Accountants, without restating prior years. Under the new recommendations, the cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement age of employees and expected health-care costs. Plan obligations are discounted using current market interest rates. Previously, pension cost and obligations were discounted using the expected long-term rate of return on plan assets. The application of these new rules has not had a material impact on the Corporation's financial statements.

Earnings per share

Effective in 2001, the Corporation retroactively adopted the new recommendations published by the Canadian Institute of Chartered Accountants with respect to the method for calculating earnings per share and the information provided thereon. The new recommendations require the use of the treasury stock method rather than the imputed earnings approach to calculate diluted earnings per share.

This change has not had an impact on net earnings per share or on net earnings per share before goodwill charges. The impact on diluted earnings per share and diluted earnings per share before goodwill charges for the year ended October 31, 2000 is as follows:

	2000 $
Diluted earnings per share before goodwill charges	
Imputed earnings approach	1.16
Treasury stock method	1.22
Diluted earnings per share	
Imputed earnings approach	1.08
Treasury stock method	1.13

4 Cash and Cash Equivalents

As at October 31, 2001, cash balances amounting to $36,395,000 [$37,211,000 in 2000] 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 charter flights not made. As at October 31, 2001, an amount of $5,422,000 had been reserved for this purpose [$5,083,000 in 2000].

As at October 31, 2001, bank accounts and term deposits amounting to $1,993,000 [$6,593,000 in 2000] were pledged as collateral security against letters of guarantee issued by financial institutions.

5 Deposits and Other Expenses

	2001	2000
	$	$
Deposits on leased aircraft	**11,265**	15,637
Deposits and engine and airframe overhaul expenses *[note 16]*	**739**	64,816
Other deposits	**7,727**	5,538
	19,731	85,991

6 Investments

	2001	2000
	$	$
Investments in companies subject to significant influence and other investments	**8,389**	5,306
Loans to a joint venture, net of the Corporation's interest therein	**—**	13,867
	8,389	19,173

7 Capital Assets

		2001		2000
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Property under capital leases				
Aircraft	**56,249**	**18,008**	95,372	37,349
Other	**35,068**	**8,067**	27,142	5,005
	91,317	**26,075**	122,514	42,354
Owned assets				
Aircraft engines	**4,659**	**1,942**	4,659	1,888
Hangar and administrative building	**7,658**	**1,598**	7,511	1,368
Aircraft	**26,371**	**4,110**	61,704	26,907
Improvements to aircraft under operating leases	**10,167**	**2,081**	2,887	1,204
Aircraft equipment	**26,507**	**17,204**	22,700	14,092
Computer equipment and software	**65,265**	**28,996**	41,122	20,002
Office furniture and equipment	**20,791**	**12,136**	14,427	8,985
Leasehold improvements and other	**18,225**	**6,854**	11,792	5,585
Rotable aircraft spare parts	**17,619**	**2,180**	14,647	1,019
	197,262	**77,101**	181,449	81,050
	288,579	**103,176**	303,963	123,404
Accumulated amortization	**103,176**		123,404	
Net book value	**185,403**		180,559	

During the year, assets acquired using capital lease financing totalled $8,567,000 [$15,125,000 in 2000].

8 Other Assets

	2001 $	2000 $
Deferred costs [unamortized balance]		
Foreign exchange loss on long-term monetary items	3,644	2,957
Financing costs	1,026	534
Development costs and other	9,517	13,671
Miscellaneous	7,623	10,597
	21,810	27,759

9 Bank Loans

Operating lines of credit totalling €23,667,000 [$33,678,000] have been authorized for certain French subsidiaries of which €5,811,000 [$8,269,000] was used as at October 31, 2001. For the year ended October 31, 2001, operating lines of credit bore interest at an average rate of 5.6% [6.6% in 2000].

10 Long-Term Debt

	2001 $	2000 $
Transat A.T. Inc.		
Loans at variable rates, 4.5% as at October 31, 2001 *[see [a]]*	2,120	4,330
Air Transat A.T. Inc.		
Bank loans and bankers' acceptances at variable rates ranging between 2.82% and 4.5% as at October 31, 2001 [between 6.31% and 7.5% in 2000] *[see [a]]*	42,900	43,043
Term loan in the amount of US$6,228,000 [US$9,570,000 in 2000], bearing interest at Libor plus 2.5%, i.e. 5.66% as at October 31, 2001 [9.16% in 2000] repayable in instalments of varying amounts, maturing in June 2005 and collateralized by a movable hypothec on an aircraft	9,882	14,571
Term loan in the amount of US$2,550,000, [US$2,850,000 in 2000], 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	4,031	4,339
Other	5,668	622
Euro Charter S.A.		
Loans of €2,912,000 bearing interest at rates ranging from 5.40% to 6.75% and maturing between 2002 and 2006	4,144	—
Brok'Air S.A.		
Term loans in the amount of €6,098,000 [€2,178,000 in 2000], bearing interest at Euribor plus 0.7%, i.e. 3.89% as at October 31, 2001 [5.81% as at October 31, 2000] and maturing at various dates until 2007	8,720	2,835
Other subsidiaries	1,845	710
	79,310	70,450
Less current portion	6,274	3,798
	73,036	66,652

Principal instalments payable during the next five years are as follows: 2002 — $6,274,000; 2003 — $51,059,000; 2004 — $8,651,000; 2005 — $12,197,000 and 2006 — $700,000.

10 Long-Term Debt [Cont'd]

[a] Revolving term loan and special revolving credit

On January 10, 2002, the Corporation, Air Transat A.T. Inc. and Transat Tours 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 in the amount of $35,000,000.

Under the bank agreement, the Corporation, its significant Canadian subsidiaries and Vacances A.T. Europe S.A. granted their bankers movable hypothecs on the universality of all their movable property. In addition, the Corporation, Vacances A.T. Europe S.A. and the significant Canadian subsidiaries granted a movable hypothec on the shares of subsidiaries they hold, and Air Transat A.T. Inc. granted an immovable hypothec on the hangar and administrative building. Finally, the other active companies within the group that have not granted charges to the lenders agreed not to collateralize their property.

The revolving term loan matures on February 28, 2003. Under this agreement, amounts can be drawn by way of bankers' acceptances, loans in Canadian or U.S. dollars or letters of credit. The interest rate will be based on a rate scale that varies in accordance with the level of certain financial ratios calculated on a consolidated basis.

11 Obligations under Capital Leases

	2001 $	2000 $
Obligations totalling US$27,385,000 [US$36,400,000 in 2000] related to aircraft, maturing at various dates until 2005	**43,451**	55,420
Obligations totalling US$9,013,000 [US$9,422,000 in 2000] related to an aircraft engine, maturing in 2009	**14,301**	14,346
Obligations totalling US$3,825,000 related to an aircraft engine, maturing in 2005	**6,069**	—
Other obligations, maturing at various dates until 2005	**4,365**	3,919
	68,186	73,685
Less current portion	**15,691**	16,201
	52,495	57,484

Obligations under capital leases related to aircraft, aircraft engines and aircraft equipment were determined based on interest rates ranging from 5% to 11.9% [from 7.7 % to 11.9% in 2000], and those related to other obligations were determined based on rates averaging 7.2% [6.5% in 2000].

Minimum instalments payable under these leases amounting to approximately $84,702,000, of which $16,516,000 is interest, are as follows for the next five years: 2002 — $21,154,000; 2003 — $19,388,000; 2004 — $19,191,000; 2005 — $5,570,000 and 2006 — $7,345,000.

12 Debentures

[a] The $10,000,000 debenture of Transat Tours bears interest at 17.5% and matures on November 1, 2005. Since November 1, 2000, the debenture is repayable at the option of Transat Tours, 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 redeemed, is convertible into 25% of the common shares of Transat Tours 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 Transat Tours. Should the Corporation be subject to a takeover bid, the lender has the option to acquire all of the outstanding shares of Transat Tours at a price determined under an agreed formula.

[b] In September 2001, DMC issued a debenture in the amount of $2,500,000 bearing interest at a rate of 8.25%. The debenture is repayable in one instalment in September 2009 in cash or shares of Transat A.T. Inc. at the option of Transat A.T. Inc. The debenture is also repayable in advance at DMC's option as of September 2004 in return for a premium whereby the holder will earn a return of 11.25% from its issuance taking into consideration annual interest already paid and recorded at the rate of 8.25%.

The liability and equity components of the $2,500,000 debenture amount to $894,000 and $1,606,000, respectively.

13 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

	2001 $	2000 $
32,323,559 common shares [32,144,105 in 2000]	**109,402**	108,154

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 2,600 common shares [1,452,265 in 2000] for a total of $21,000 [$10,288,100 in 2000] under a normal course issuer bid. The premium paid on the redemption of these shares totalled $12,000 [$5,408,000 in 2000] and was charged against retained earnings.

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 15]*.

Following a transaction carried out in March 1997, a total of 51,671 preferred shares, series 3, are the property of Transat Tours [formerly Regent Holidays Limited]; they are excluded from the balance of issued and outstanding shares and are the only preferred shares, series 3 outstanding. 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.

As part of the completion of the transaction for the acquisition of Regent Holidays Limited, now merged into Transat Tours, 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.

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, as at October 31, 2001, the Corporation is authorized to issue up to 985,707 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 89,578 common shares [106,922 in 2000] for a total of $765,000 [$673,000 in 2000] under the share purchase plan.

13 Share Capital [Cont'd]

Stock option plan and warrants

Options on common shares are granted under a stock option plan for directors, management and employees. Under the plan, as at October 31, 2001, the Corporation may grant up to 1,163,952 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:

	2001		2000	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Beginning of the year	**2,050,428**	**9.06**	1,638,738	9.07
Granted	**541,430**	**9.84**	585,576	7.87
Exercised	**(92,476)**	**5.32**	(81,622)	1.78
Cancelled	**(131,332)**	**10.39**	(92,264)	8.25
End of the year	**2,368,050**	**9.31**	2,050,428	9.06
Options exercisable at the end of the year	**1,319,495**	**10.07**	1,191,309	10.34

	Outstanding options			Exercisable options	
Range of exercise prices $	Number of outstanding options as at October 31, 2001	Weighted contractual average remaining life	Weighted average exercise price $	Number of options exercisable as at October 31, 2001	Weighted average exercise price $
6.45 to 8.80	1,151,153	8.1 years	7.26	511,855	7.07
8.93 to 10.25	531,897	9.4 years	9.83	122,640	9.93
12.32 to 12.83	685,000	0.4 year	12.33	685,000	12.33
	2,368,050			1,319,495	

On January 10, 2002, the Corporation authorized 1,421,225 warrants *[note 23 [a]].*

Diluted earnings (loss) per share

Reconciliation of the denominator used to calculate earnings per share is as follows:

	2001 $	2000 $
Net earnings (loss)	**(98,964)**	36,640
Weighted average number of shares outstanding [in thousands]	**32,248**	32,158
Number of shares issuable pursuant to the exercise of stock options [1] [in thousands]	**—**	195
	32,248	32,353
Diluted earnings (loss) per share [in dollars]	**(3.07)**	1.13

[1] Antidilutive in 2001.

14 Amortization

	2001 $	2000 $
Capital assets	**44,250**	31,295
Other assets	**5,409**	1,957
Deferred foreign exchange loss	**1,616**	626
	51,275	33,878

15 Acquisitions

Acquisitions in 2001

On January 22, 2001, the Corporation acquired a 50% interest in the common shares of incoming tour operator Jonview Corporation ["Jonview"] for a consideration of $10,564,000. This acquisition was recorded under the purchase method. Jonview's results were proportionately consolidated as of January 22, 2001.

Under the agreement, the Corporation and Jonview shareholders have a put/call option related to the acquisition of the balance of the shares in 2004 at a price to be determined based on the average earnings realized during two of the three best years prior to the acquisition.

On September 7, 2001, under several agreements between the Corporation and the minority shareholder of DMC, the shareholder acquired an indirect interest of 14.24% in Jonview and reduced its interest in DMC to 28.49%, for a total consideration of $833,000. The minority shareholder also subscribed to a debenture of $2,500,000 in DMC *[see note 12]*.

Pursuant to these transactions, DMC is now a subsidiary that is 71.51%-owned by Transat A.T. Inc. and Jonview is a joint venture in which Transat A.T. Inc. has a 35.76% interest. Consequently, DMC's results were consolidated as of September 7, 2001 and Jonview's results were proportionately consolidated.

On March 1, 2001, the Corporation acquired all the shares of Rêvatours Inc., an outgoing tour operator, for a consideration of $3,297,000. The acquisition was recorded under the purchase method. Rêvatours Inc.'s results were consolidated as of the acquisition date.

On May 1, 2001, the Corporation acquired the balance of the shares [65%] of World of Vacations Ltd. for a consideration of $1,098,000. The acquisition was recorded under the purchase method. The results were consolidated as of May 1, 2001. Previously, the results were recorded on a proportionate consolidation basis.

During 2001, the subsidiary Consultour/Club Voyages Inc. acquired retail networks and a travel agency franchisor for a total cost of $9,587,000. These acquisitions were recorded under the purchase method. Their results were consolidated as of the individual acquisition dates.

Acquisitions in 2000

On February 2, 2000, the Corporation acquired the balance of the outstanding shares [61%] of Brok'Air S.A. for a 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. Due to 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.

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 consolidated as of May 1, 2000. Previously, the results were recorded under the equity method.

	2001 $	2000 $
Assets acquired and liabilities assumed at fair market value		
Cash and cash equivalents	35,122	2,571
Non-cash working capital balances	(33,351)	(8,530)
	1,771	(5,959)
Long-term assets	13,769	4,443
Long-term liabilities	(20,281)	(3,265)
Goodwill	29,287	14,963
	24,546	10,182
Consideration		
Cash [including costs related to acquisition]	23,136	8,972
Issue of common shares and balances of purchase price	1,410	1,210
	24,546	10,182

Other acquisitions in 2000 and 2001

On March 5, 2001, the subsidiary Look Voyages S.A. acquired a 40% interest in incoming tour operator Tourgreece S.A. for a consideration of $1,629,000. This investment was recorded under the equity method as of the acquisition date.

15 Acquisitions [Cont'd]

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 consolidated 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 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 consolidated 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.

16 Unusual Items

	2001 $
Write-off of assets related to L-1011-150 aircraft	74,756
Severance costs and restructuring costs	7,099
Costs related to an incident in the Azores, net of insurance proceeds	5,315
Write-off of other assets related to electronic commerce activities	15,026
Write-off of goodwill	5,000
Other write-offs and direct costs related to unusual events	9,776
	116,972
Income taxes related to the above-mentioned items	(40,397)
Reduction of certain future income tax assets	18,254
	94,829

Due to the events of September 11, 2001 and the major slowdown that resulted throughout the tourism industry, the Corporation decided to significantly reduce its capacity. This decision led to the accelerated retirement of seven Lockheed L-1011-150 aircraft still in its fleet. The Corporation therefore reduced the value of the assets related to these aircraft, including engines, airframes and spare parts, the book value of which amounted to $74,756,000.

The slowdown in activities also resulted in major cutbacks in the work force and resulted in layoff expenses, primarily severance costs for employees whose positions were eliminated, which, combined with restructuring costs and other similar costs, amounted to $7,099,000.

Finally, the slowdown prompted the Corporation to examine the value of certain other assets. Based on that analysis, the Corporation had to write off the carrying value of costs capitalized over the pre-operating period related to electronic commerce activities for a total of $15,026,000, a portion of goodwill related to distribution for an amount of $5,000,000 and various other assets totalling $9,776,000. Costs related to the incident in the Azores represent direct, uninsured costs incurred during the year due to an emergency landing.

Most of the items described above will result in an estimated tax savings of $40,397,000. The Corporation also recorded an amount of $18,254,000 as a reduction in the value of future income tax assets related to the uncertainty regarding the use of the subsidiaries' tax losses.

17 Income Taxes

Income tax expense as presented differs from the amount calculated by applying the statutory income tax rate to income (loss) before share of net income of companies subject to significant influence, income taxes, goodwill charges and the minority interest in subsidiaries' results.

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

	2001 $	2000 $
Statutory income tax rate	38.7%	38.8%
Income tax expense (recovery) at statutory rate	(44,603)	25,609
Reconciling items:		
Non-deductible expenses	4,624	1,913
Valuation allowance	18,254	—
Miscellaneous	1,816	—
	(19,909)	27,522

17 Income Taxes [Cont'd]

The tax consequences of temporary differences giving rise to future income tax assets and liabilities are as follows:

	Liability method 2001 $
Future income taxes	
Net operating loss carry-forwards and other tax deductions	49,023
Carrying amount of capital assets below tax basis	3,319
Carrying amount of capital assets over tax basis	(5,232)
Other	(2,682)
Total future income taxes	44,428
Valuation allowance	(18,254)
Net future income tax assets	26,174

The Corporation has accumulated losses other than capital losses and other tax deductions for an amount of approximately €31,000,000 [$44,113,000] which are available to reduce future taxable income. The related tax savings were not recorded in the financial statements. These losses and other deductions, if not used, will expire at various dates until 2009.

18 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:

	2001 $	2000 $
Revenues from companies subject to significant influence	3,199	1,981
Purchases from companies subject to significant influence	80,516	67,221

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

	2001 $	2000 $
Accounts receivable from companies subject to significant influence	4,097	2,295
Accounts payable and accrued liabilities due to companies subject to significant influence	111	558

19 Employee Future Benefits

The Corporation offers a defined benefit pension plan to some of its executives. As at October 31, 2001, obligations under accrued pension benefits and the actuarial deficit amounted to $1,671,000 [$1,223,000 in 2000]. In 2001, the net pension expense totalled $354,000 [$297,000 in 2000].

20 Commitments and Contingencies

[a] The Corporation's commitments under operating leases relating to aircraft, land, automotive equipment, telephone systems and office premises amounted to $564,485,000 broken down as follows: $50,835,000, US$318,111,000 and €5,993,000.

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

Year	$
2002	87,832
2003	82,236
2004	71,629
2005	69,244
2006	66,956

As part of certain financings maturing at various dates until 2008, the Corporation guaranteed a portion of the residual value amounting to approximately US$57,064,000 [approximately $90,543,000].

20 Commitments and Contingencies [Cont'd]

[b] In 2009, the minority shareholder in DMC may require the Corporation to sell the shares of DMC which it holds at a price equal to the fair market value. The price paid may be settled, at the Corporation's option, in cash or by a share issue.

[c] Air Transat A.T. Inc. is committed for the delivery of one Airbus A310-300 aircraft during fiscal 2002. The balance of payments to be made in 2002 for this aircraft amounted to US$18,720,000 [$29,703,000]. The Corporation has received an offer related to the financing of this aircraft and is currently negotiating the related terms and conditions.

[d] In the normal course of its operations, the Corporation is exposed to various claims and legal proceedings. These disputes often involve numerous uncertainties and the outcome of the individual cases is unpredictable. According to Management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial situation.

21 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 has entered into fuel purchasing contracts to manage fuel price fluctuation risks. As at October 31, 2001, fuel purchasing contracts covered approximately 47% of the requirements for fiscal 2002 [as at October 31, 2000, approximately 41% of the requirements for fiscal 2001 and 8% of the requirements for fiscal 2002 were covered].

The Corporation has also entered into foreign exchange forward contracts for the purchase [most contracts are for the purchase of U.S. currency] and sale [euros] of foreign currencies, expiring in less than one year, to manage foreign exchange risks. As at October 31, 2001, the face value of these contracts to purchase and sell foreign currencies amounted to approximately $251,004,000 and $14,975,000 respectively [$415,945,000 and $38,076,000 respectively in 2000].

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 obtained from financial institutions. As at October 31, 2001 and 2000, the fair values in the event of a settlement were as follows:

	2001	2000
	$	$
Favourable foreign exchange forward contracts	**8,849**	17,973
Unfavourable foreign exchange forward contracts	**(763)**	(472)
	8,086	17,501

The Corporation has entered into interest-rate and foreign currency swap agreements related to certain operating leases maturing at various dates until 2008. As at October 31, 2001, these swaps have a fair value of approximately $17,262,000.

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.

Concentration of credit risk and interest-rate 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. As at October 31, 2001, one debtor represented 12% of the total accounts receivable.

The Corporation is exposed to interest-rate fluctuations since certain long-term debts and leasing contracts bear interest at floating rates.

Fair value of financial instruments presented on the balance sheets

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.

21 Financial Instruments and Other Derivative Instruments [Cont'd]

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, 2001 and 2000, the carrying amount and fair value of long-term financial instruments are as follows:

	2001		2000	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Long-term debt	**79,310**	**79,103**	70,450	70,361
Obligations under capital leases	**68,186**	**65,842**	73,685	72,106

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

22 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		Elimination entry		Total	
	2001 $	2000 $	2001 $	2000 $	2001 $	2000 $	2001 $	2000 $
Revenues from third parties	**1,447,226**	1,163,007	**674,660**	759,543	**—**	—	**2,121,886**	1,922,550
Geographic intersegment sales	**42,773**	61,889	**3,845**	—	**(46,618)**	(61,889)	**—**	—
Total revenues	**1,489,999**	1,224,896	**678,505**	759,543	**(46,618)**	(61,889)	**2,121,886**	1 922,550
Capital assets and goodwill	**206,748**	190,947	**47,272**	38,687	**—**	—	**254,020**	229,634

23 Subsequent Events

[a] On January 10, 2002, the Corporation and Air Transat A.T. Inc. issued debentures to certain shareholders for an amount of approximately $21,865,000, bearing interest at a rate of 6% and maturing in January 2009. The debentures are redeemable in advance as of January 2005 in return for payment of a penalty equal to three months' interest. The Corporation and Air Transat A.T. Inc. must also pay the holders a premium at maturity or when redeemed in advance, such that the holders earn a compound annual return of 15%, taking into consideration interest already paid at a rate of 6%.

In the course of this financing, the Corporation issued 1,421,225 warrants entitling the holders to subscribe to the same number of common shares of the Corporation at an exercise price of $6.75 each. These warrants expire on January 10, 2007.

[b] On February 13, 2002, the Corporation filed a final short form prospectus to issue $50,000,000 of convertible unsecured subordinated debentures maturing on March 1, 2007, following a bought deal agreement signed with the underwriters. The underwriters have an option to purchase up to an additional $25,000,000 of the debentures. The debentures would bear interest at 9%, payable semi-annually in cash or in common shares of the Corporation at its option. The debentures would also be convertible in common shares of the Corporation, at a conversion price of $8.75 per share, at the option of holders at any time.

On and after March 1, 2005 and prior to March 1, 2006, the debentures could be redeemed at par by the Corporation provided its common shares were traded at a price of $10.94 or more for 20 consecutive trading days before the notice of redemption. After March 1, 2006, the debentures could be redeemed at par. The Corporation would have the option to repay the debentures, in whole or in part, in cash or by delivering a number of common shares obtained by dividing the principal amount of the debentures by 95% of the market price of the Corporation's shares at the redemption date or at maturity.

24 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]

	2001	2000	1999	1998	1997
Consolidated statements of income					
Revenues	**2,121,886**	1,922,550	1,623,315	1,421,454	1,316,740
Operating expenses	**2,063,863**	1,820,026	1,532,538	1,349,175	1,244,283
	58,023	102,524	90,777	72,279	72,457
Expenses and other income					
Amortization	**51,275**	33,878	34,553	30,593	22,801
Interest on long-term debt, obligations under capital leases and debentures	**11,310**	10,524	9,720	10,269	8,172
Other interest and financial expenses	**3,762**	2,417	2,608	2,977	4,443
Interest income	**(10,043)**	(10,296)	(8,584)	(8,769)	(6,652)
Share of net income of companies subject to significant influence	**(939)**	(1,023)	(2,918)	(1,796)	(2,380)
	55,365	35,500	35,379	33,274	26,384
Income before the following items	**2,658**	67,024	55,398	39 005	46,073
Unusual items	**116,972**	—	—	—	—
Income taxes (recovered)	**(19,909)**	27,522	22,834	16,661	17,984
Minority interest in subsidiaries' results	**117**	—	—	—	11
Net income (net loss) before goodwill charges	**(94,522)**	39,502	32,564	22,344	28,078
Goodwill charges	**4,442**	2,862	2,542	2,613	2,714
Net income (net loss) for the year	**(98,964)**	36,640	30,022	19,731	25,364
Net earnings (net loss) per share before goodwill charges					
Earnings (loss) per share	**(2.93)**	1.23	0.96	0.65	0.86
Diluted earnings (loss) per share [2]	**(2.93)**	1.22	0.95	0.64	0.85
Net earnings (loss) per share					
Earnings (loss) per share	**(3.07)**	1.14	0.89	0.58	0.78
Diluted earnings (loss) per share [2]	**(3.07)**	1.13	0.88	0.57	0.77
Cash flows from:					
Operating activities	**(12,001)**	52,585	88,908	35,804	24,603
Investing activities	**(59,441)**	(88,048)	(28,430)	(16,404)	(53,526)
Financing activities	**8,660**	8,996	(42,330)	(5,013)	123,359
Net change in cash and cash equivalents	**(62,782)**	(26,467)	18,148	14,387	94,436
Cash and cash equivalents at end of year	**84,619**	147,401	173,868	155,720	141,333
Operating cash flow	**59,357**	75,226	63,391	51,127	46,117
Operating cash flow per share	**1.84**	2.34	1.87	1.49	1.41
Total assets	**614,371**	684,119	545,346	496,567	467,476
Long-term debt and obligations under capital leases [including current portion]	**147,496**	144,135	104,343	109,376	115,760
Debentures	**10,894**	10,000	10,000	10,000	10,000
Shareholders' equity	**135,867**	232,464	204,149	182,668	164,420
Debt ratio [1]	**0.78**	0.66	0.63	0.63	0.65
Book value per share	**4.20**	7.23	6.19	5.29	4.81
Return on weighted average shareholders' equity	**(53.7%)**	16.8%	15.6%	11.4%	23.5%
Shareholding statistics [in thousands]					
Common shares outstanding at year-end	**32,324**	32,144	32,968	34,429	34,063
Weighted average number of common shares outstanding [before dilution]	**32,248**	32,158	33,899	34,311	32,705
Weighted average number of common shares outstanding [after dilution] [2]	**32,248**	32,353	34,084	34,532	33,001

[1] Represents liabilities over liabilities plus shareholders' equity.
[2] See note 3 of the Consolidated Financial Statements.

Quarterly Data	2001				2000			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Revenues	**401,346**	**521,197**	**689,700**	**509,643**	467,323	463,284	594,582	397,361
Operating income (loss) [3]	**(39,522)**	**10,997**	**30,511**	**4,762**	22,441	18,402	25,588	2,215
Net income (loss)	**(120,713)**	**5,876**	**16,522**	**(649)**	14,081	9,819	13,292	(552)
Earnings (loss) per share	**(3.74)**	**0.18**	**0.51**	**(0.02)**	0.44	0.31	0.41	(0.02)
Operating cash flow	**2,450**	**21,625**	**25,707**	**9,575**	28,539	21,133	18,608	6,946
Operating cash flow per share	**0.07**	**0.67**	**0.80**	**0.30**	0.89	0.66	0.58	0.21

[3] Represents revenues less operating expenses and amortization.

directors and officers

board of directors

Jean-Marc Eustache
Chairman of the Board
President and Chief Executive Officer, Transat A.T. Inc.
and President, Look Voyages S.A.

André Bisson, O.C.
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
Director of Corporations

Marcel Gagnon
Investments Director
Manufacturing Sector, CDP Capital d'Amérique

Jean Guertin
Corporate Advisor
Honorary Professor, École des Hautes Études
Commerciales de Montréal

H. Clifford Hatch Jr.
President and Chief Executive Officer,
Aurdisyl Management Corporation
Cliffco Investments Limited
and Equity Link Management Limited

Michel Lessard
President, Club Voyages Air-Mer Inc.
and President, Placement-Voyages 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
Executive Vice-President, Transat A.T. Inc.

John D. Thompson
Deputy Chairman of the Board,
Montreal Trust Company

Peter G. White
Executive Vice-President,
Argus Corporation Limited

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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, Distribution

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

Jean-Marc Bélisle
Vice-President and Chief Information Officer

Bernard Bussières
Vice-President, General Counsel
and Corporate Secretary

André De Montigny
Vice-President, Corporate Development

canada

air transat	Denis Jacob President and Chief Executive Officer
air transat holidays	Daniel Godbout President and Chief Executive Officer
americanada	Benoit Deshaies President and Chief Executive Officer
cameleon	Lina De Cesare President
consultour	Odette Thomas President
tourbec	Lina De Cesare President
exit travel	Michel Boilard President and Chief Executive Officer
DMC transat	Georges Vacher President and Chief Executive Officer
handlex	Luc Trépanier President and Chief Executive Officer
jonview canada	John Proctor Chief Executive Officer
rêvatours	Marianne Babouder President
world of vacations/ nolitour	Sam Ghorayeb President and Chief Executive Officer

europe

anyway	Olivier Kervella General Manager
brok'air	Éric Eustache President and Chief Executive
club voyages (france)	Patricia Chastel Deputy General Manager
look voyages	Cédric Pastour General Manager
star airlines	Daniel Dupont General Manager
tourgreece	Vassilis P. Sakellaris President
vacances air transat (france)	Jean-Marc Batta 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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Computershare Trust Company of Canada
Place Montreal Trust
1800 McGill College Avenue
Montreal, Quebec H3A 3K9

Auditors
Ernst & Young LLP
Montreal, Quebec

The annual meeting of shareholders will be held on March 27, 2002, 9:30 AM at:

Fairmont The Queen Elizabeth
Marquette-Jolliet Room
900 René-Lévesque Blvd. West
Montreal, Quebec

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Illustration (details): Daniel Dumont
Photography: Viateur Castonguay

europe	2001	2000
travel agencies		
club voyages (france)		
commission revenues (€)	8,600,000	8,500,000
commission revenues ($)	12,000,000	11,000,000
employees	232	171
outlets	63	50
anyway		
commission revenues (€)	3,900,000	2,600,000
commission revenues ($)	5,400,000	3,600,000
employees	107	64
outgoing tour operators		
vacances air transat (france)		
revenues (€)	120,000,000	108,000,000
revenues ($)	166,000,000	149,000,000
employees	156	150
travellers	119,000	125,000
look voyages		
revenues (€)	300,000,000	302,000,000
revenues ($)	417,000,000	424,000,000
employees	381	381
passengers	1,400,000	1,500,000
brok'air		
revenues (€)	11,000,000	16,000,000
revenues ($)	15,000,000	23,000,000
employees	62	81
incoming tour operators		
tourgreece		
revenues (€)	14,000,000	n/a
revenues ($)	19,000,000	n/a
employees	40	n/a
air transportation		
star airlines		
revenues (€)	110,000,000	105,000,000
revenues ($)	154,000,000	147,000,000
employees	301	301
passengers	805,000	811,000

canada	2001	2000
travel agencies		
consultour		
network revenues ($)	461,000,000	473,000,000
commission revenues ($)	5,000,000	6,000,000
outlets	211	158
vacances tourbec		
network revenues ($)	48,000,000	41,000,000
commission revenues ($)	960,000	471,000
outlets	35	30
exit travel		
commission revenues ($)	2,700,000	1,000,000
employees	70	66
outgoing tour operators		
air transat holidays		
revenues ($)	745,000,000	661,000,000
employees	448	477
travellers	780,000	797,000
world of vacations/nolitour		
revenues ($)	511,000,000	440,000,000
employees	266	331
travellers	496,000	494,000
americanada		
revenues ($)	62,000,000	55,000,000
employees	185	111
rêvatours		
revenues ($)	7,300,000	n/a
employees	25	n/a
travellers	7,000	n/a
incoming tour operators		
DMC transat		
revenues ($)	23,000,000	27,000,000
employees	48	37
travellers	38,000	44,000
air transat holidays USA		
revenues ($)	7,100,000	6,900,000
employees	25	22
jonview canada		
revenues ($)	100,000,000	n/a
employees	150	n/a
travellers	165,000	n/a
air transportation		
air transat		
revenues ($)	801,000,000	725,000,000
employees	2,029	2,366
passengers	3,300,000	3,300,000
handlex		
revenues ($)	23,000,000	17,000,000
employees	751	651

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