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**TRANSFER AGENT
AND REGISTRAR**

Montreal Trust Company

**STOCK EXCHANGE
LISTINGS**

The Montreal Exchange
The Toronto Stock Exchange

**TRANSAT'S TICKER
SYMBOL**

TRZ



TRANSAT

VACANCES TOURBEC

CONSULTOUR / CLUB VOYAGES

EURO CHARTER

VACANCES AIR TRANSAT

AIR TRANSAT HOLIDAYS

VOYAGES NOLITOUR

REGENT HOLIDAYS

WORLD OF VACATIONS

VACANCES AIR TRANSAT (FRANCE)

LOOK VOYAGES

BROK'AIR

DMC TRANSAT /
KILOMÈTRE VOYAGES

VACANCES AIR TRANSAT HOLIDAYS
(FLORIDA)

AIR TRANSAT

STAR AIRLINES

SERVICES HAYCOT

During the quarter ended January 31, 1998, the revenues of Transat A.T. Inc. (the Corporation) rose to \$300.2 million from \$279.8 million for the same quarter last year, an increase of 7.3%. For this seasonal loss making quarter, the Corporation posted a net loss of \$4,861,000, or \$0.14 per share, compared with a net loss of \$4,952,000, or \$0.17 per share, for the quarter ended January 31, 1997. Earnings per share are determined based on a weighted average number of shares outstanding of 34,078,675 for the first quarter of 1998 and 28,912,637 for 1997.

Revenues for most of the Corporation's tour operators in Canada were more than 20% higher, with a total increase of \$31.1 million, compared with the same quarter last year. The most significant increases were in the Ontario and Western Canada markets. In France, Look Voyages's revenues fell by about \$15 million compared with the same quarter last year which is in line with Management's objective to reposition this subsidiary in the French market. In contrast, revenues of Vacances Air Transat (France) rose, reflecting its successful strategy to develop the sunshine destinations market, mainly in the Caribbean. Air Transat's revenues, including its operations within the group, increased by \$19.1 million or 22.7%, which reflects a greater demand from the group's tour operators. To service this growth, Air Transat has added two aircraft to its fleet which now comprised 10 Lockheed L-1011-150s (nine in 1997), three Lockheed L-1011-500s (two in 1997) and five Boeing 757s (seven in 1997), as well as two Boeing 737-400s (none in 1997).

Vacation travel sector is usually slow during the first half of the winter season, which extends from November 1st to April 30th, and each year Air Transat takes advantage of this period to carry out major maintenance work on its aircraft. Consequently, despite the reduced use of the aircraft, the Corporation must absorb significant fixed costs.

A number of other factors contributed to the quarter's results. The results of Look Voyages improved significantly compared with the same quarter in 1997. In fact, the loss before income taxes (excluding the share of net income of companies subject to significant influence and the amortization of goodwill) decreased to approximately \$4.2 million from \$7.8 million during the same period in 1997. This improvement is mainly attributed to higher selling prices and a stronger performance by both air-only and vacation packages. In Canada, the higher sales volume, lower fuel costs and the increase in interest income had a positive impact on results. However, the drop in value of the Canadian dollar versus the U.S. dollar and higher operating expenses were negative factors. An overcapacity in the cruise market, especially in Ontario, also reduced profits during the quarter. In addition the Ice Storm which hit southwestern Quebec in early January 1998, had a very important negative impact on holiday travel. All of these factors translated into lower profits during the quarter, for our Canadian operations, compared with the same period last year.

The Corporation's cash position stood at \$174,909,000 as at January 31, 1998 compared with \$141,333,000 as at October 31, 1997. During the first quarter, operating activities continued to generate significant cash flows, reaching \$30.8 million, compared with \$26.3 million in the first quarter of 1997. The Corporation also invested close to \$17 million in capital expenditures, including the acquisition of a third Lockheed L-1011-500. These expenditures were primarily financed by capital leases. The increase in repayments of various debts results from greater indebtedness incurred to finance the expansion of the Corporation's operations in 1997. The Corporation was able to refinance three aircraft at more attractive terms, which therefore allowed it to recover deposits for the overhaul of engines and airframes and reduce its obligations under capital leases by a net amount of \$7,426,000.

For the balance of the winter season, the major factors are still the strength of the U.S. dollar and the lingering effect of the Ice Storm on the Quebec market. In the rest of Canada however, the trends of the first quarter are expected to continue in the second quarter.

Look Voyages's results are encouraging and inspire optimism for the coming months. The conversion of Transat's advances in Look's shares, announced previously, was completed at the end of February 1998, and the Corporation's ownership in that company now stands at approximately 98%.



Jean-Marc Eustache
Chairman of the Board
and President and Chief Executive Officer, Transat

Montreal, March 25 1998

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)
(in thousands of dollars except the loss per share)

Three (3) months
ended January 31

	1998	1997
	\$	\$
Revenues	300,246	279,790
Expenses and other income		
Operating	297,298	281,021
Amortization	8,008	4,963
Interest on debenture, long-term debt and obligations under capital leases	2,596	1,665
Other interest and financial expenses	707	816
Interest income	(2,031)	(1,239)
	306,578	287,226
Loss before share of net loss of companies subject to significant influence, income taxes and non-controlling interest	6,332	7,436
Share of net loss of companies subject to significant influence	1,167	793
Income taxes		
Current	(37)	(57)
Deferred	2,675	3,291
	2,638	3,234
Share of non-controlling interest in subsidiaries' results	—	(43)
Net loss for the period	4,861	4,952
Loss per share	0.14	0.17

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)
(in thousands of dollars)

Three (3) months
ended January 31

	1998	1997
	\$	\$
Operating activities		
Net loss for the period	(4,861)	(4,952)
Add items not involving an outlay (receipt) of funds		
Amortization	8,008	4,963
Share of net loss of companies subject to significant influence	1,167	793
Deferred income taxes	(2,675)	(3,291)
Non-controlling interest	—	(43)
Decrease of long-term deferred income	(462)	(462)
Operating cash flow	1,177	(2,992)
Net change in non-cash working capital balances related to operations	33,160	33,902
Deposits for engine and airframe overhauls	(3,514)	(4,656)
Cash provided by operating activities	30,823	26,254
Investing activities		
Additions to capital assets	(16,972)	(30,844)
Other assets	(728)	(1,192)
Purchase of rotatable aircraft spare parts	(114)	(3,335)
Deposits	(8)	(177)
Loan to a company subject to significant influence	—	(6,410)
Other	—	(6)
Cash used in investing activities	(17,822)	(41,964)
Financing activities		
Increase in long-term debt and obligations under capital leases	15,116	29,326
Loans	14,336	11,818
Recovery of deposits for engine and airframe overhauls	12,745	—
Issue of common shares	33	87,899
Repayment of long-term debt and obligations under capital leases	(21,655)	(2,620)
Shares issue costs	—	(4,260)
Cash provided by financing activities	20,575	122,163
Net increase in cash for the period	33,576	106,453
Cash, beginning of period	141,333	46,897
Cash, end of period	174,909	153,350

ies, is involved at all levels of the distribution of travel services and air transportation through its subsidiaries and affiliates.