

AIR TRANSAT  
AIR TRANSAT HOLIDAYS  
CONSULTOUR/CLUB VOYAGES  
DMC TRANSAT/KM VOYAGES  
LOOK VOYAGES  
NOLITOUR  
REGENT HOLIDAYS  
SERVICES HAYCOT  
STAR EUROPE  
VACANCES AIR TRANSAT  
VACANCES AIR TRANSAT FRANCE  
VACANCES TOURBEC  
WORLD OF VACATIONS



3<sup>rd</sup>  
QUARTERLY REPORT  
PERIOD ENDED  
JULY 31, 1997

**HEAD OFFICE**  
Transat A.T. inc.  
300, Léo-Pariseau  
Suite 400  
Montréal QC, H2W 2P6  
Telephone: (514) 476-1011  
(514) 987-1660  
Fax: (514) 476-9359  
(514) 987-8029  
http://www.transat.com

**TRANSFER AGENT  
AND REGISTRAR**  
Montreal Trust Company

**STOCK EXCHANGE  
LISTINGS**  
The Montréal Exchange  
The Toronto Stock Exchange

**TRANSAT'S TICKER  
SYMBOL**  
TRZ

## REPORT TO THE SHAREHOLDERS

During the quarter ended July 31, 1997, the revenues of Transat A.T. inc. (the Corporation) rose to 344.8 million dollars compared to 234.2 million dollars for the corresponding quarter of the previous year. Of this increase of 110.6 million dollars or 47%, 70.9 million dollars is due to the acquisitions made in 1996, in particular, Look Voyages and World of Vacations. This improvement also reflects the increase in the Corporation's shareholding in Look Voyages undertaken in October 1996. The other subsidiaries of the Corporation improved their revenues by 39.7 million dollars, or 22%. For the quarter ended July 31, 1997, the Corporation posted net income of \$12,803,000, or \$0.40 per share, compared to net income of \$8,615,000, or \$0.39 per share, for the corresponding period of the previous year.

For the nine month period ended July 31, 1997, the Corporation's revenues were 972.8 million dollars, compared to 536.4 million dollars for the same period of the previous year. The Corporation posted net income of \$11,186,000, or \$0.35 per share, compared to net income of \$11,269,000, or \$0.51 per share, for the same period last year. These results per share should be considered on the basis of an average weighted number of outstanding shares of 32,250,164 for the first nine months of 1997, and 21,668,973 (after the stock split) for 1996.

The increase in profitability for this quarter, in comparison to the same quarter of the preceding fiscal year, is due primarily to an increase in sales volume, more favorable pricing, lower fuel costs (which were offset by higher maintenance costs), an increase in interest income and an overall improvement in net income of the companies subject to significant influence. Furthermore, Look Voyages posted net income for this quarter compared to a net loss for the corresponding quarter of the preceding year. Since the beginning of the fiscal year, revenues at Transat's tour operators rose by 117 million dollars while revenues generated by the companies acquired during 1996 increased by 276 million dollars. Air Transat's revenues, including revenues generated within the group, improved by 107 million dollars during the same period. At the end of this quarter, Air Transat's fleet was comprised of ten Lockheed L-1011-150s, two Lockheed L-1011-500s and five Bøeing 757s.

The Corporation's cash position stood at \$152,825,000 as at July 31, 1997, compared to \$124,681,000 as at April 30, 1997. During the quarter, the Corporation generated operating cash flow of \$18,756,000 or \$0.58 per share, compared to \$11,475,000 or \$0.51 per share, during the same period of the previous year. The effect of the net change in non-cash working capital amounting to \$15,386,000 during this quarter reflects the seasonality of activities during the summer season. Furthermore, the Corporation acquired capital assets amounting to 3.4 million dollars and spare parts amounting to 2.8 million dollars. One Lockheed L-1011-150 acquired during the preceding quarter was financed on a long term basis. Subsequent to the end of the quarter, the Corporation concluded a new agreement with a banking syndicate. It now has access to various credit facilities, of which \$55,000,000 is a revolving term credit.

Operating results posted by Look Voyages during this quarter, as well as for the first nine month period of the fiscal year were consistent with projected results. Restructuring activities which began at the beginning of this fiscal year are still being implemented and, even if progress has been made, management continues its effort to improve Look's profitability.

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

Montréal, September 24, 1997



## CONSOLIDATED STATEMENTS OF INCOME

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

	Three (3) months ended July 31		Nine (9) months ended July 31	
	1997 \$	1996 \$	1997 \$	1996 \$
<b>Revenues</b>	<b>344,784</b>	234,186	<b>972,766</b>	536,360
<b>Expenses and other income</b>				
Operating	316,528	213,202	932,646	500,259
Amortization	7,515	4,516	18,242	12,188
Interest on debenture, long-term debt and obligations under capital leases	2,340	1,516	6,331	5,175
Other interest and financial expenses	1,050	1,656	2,681	2,720
Interest income	(2,031)	(833)	(4,451)	(2,416)
	<b>325,402</b>	220,057	<b>955,449</b>	517,926
<b>Income before share of net income of companies subject to significant influence, income taxes and non-controlling interest</b>	<b>19,382</b>	14,129	<b>17,317</b>	18,434
Share of net income of companies subject to significant influence	1,259	502	1,219	777
Income taxes (recovery)				
Current	7,679	6,621	11,844	8,349
Deferred	159	(673)	(4,505)	(307)
	<b>7,838</b>	5,948	<b>7,339</b>	8,042
Share of non-controlling interest in subsidiaries' results	—	(68)	(11)	100
<b>Net income for the period</b>	<b>12,803</b>	8,615	<b>11,186</b>	11,269
<b>Earning per share</b>	<b>0.40</b>	0.39	<b>0.35</b>	0.51
<b>Diluted earning per share</b>	<b>0.39</b>	0.33	<b>0.34</b>	0.44

Transat, leader in the Canadian and French travel and tourism industries, is involved at all levels of the distribution of travel services and air transportation through its subsidiaries and affiliates.

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Unaudited)  
(in thousands of dollars)

	Three (3) months ended July 31		Nine (9) months ended July 31	
	1997 \$	1996 \$	1997 \$	1996 \$
<b>Operating activities</b>				
Net income for the period	12,803	8,615	11,186	11,269
Add items not involving an outlay (receipt) of funds				
Amortization	7,515	4,516	18,242	12,188
Share of net income of companies subject to significant influence	(1,259)	(502)	(1,219)	(777)
Deferred income taxes	159	(673)	(4,505)	(307)
Non-controlling interest	—	68	11	(100)
Decrease of long-term deferred income	(462)	(549)	(1,386)	(1,386)
Operating cash flow	18,756	11,475	22,329	20,887
Net change in non-cash working capital balances related to operations	15,386	31,122	27,177	39,869
Deposits for engine and airframe overhauls	1,195	389	(10,548)	215
Cash provided by operating activities	35,337	42,986	38,958	60,971
<b>Investing activities</b>				
Deposits	1,255	(821)	2,472	(646)
Other assets	39	(171)	(257)	(185)
Additions to capital assets	(3,378)	(6,186)	(43,715)	(21,338)
Purchase of rotatable aircraft spare parts	(2,833)	—	(9,286)	—
Increase in investment	(304)	—	(1,478)	—
Non-interest bearing advances	—	—	(353)	—
Advance to companies subject to significant influence	—	—	(6,410)	—
Consideration paid for companies acquired	—	(570)	(86)	(13,298)
Cash from acquired companies	—	1,339	80	4,697
Cash used in investing activities	(5,221)	(6,409)	(59,033)	(30,770)
<b>Financing activities</b>				
Increase in obligations under capital leases	4,394	531	39,201	705
Increase in long-term debt	992	3,917	3,701	8,677
Repayment of long-term debt and obligations under capital leases	(4,261)	(7,104)	(10,728)	(10,494)
Loans	(3,097)	(7,500)	9,537	(7,500)
Issue of common shares	—	1,880	88,887	3,740
Shares issue costs	—	—	(4,260)	—
Repurchase of preferred shares, series 3	—	(2,400)	(335)	(2,400)
Repayment of deposits for engine and airframe overhauls	—	3,915	—	5,279
Dividends paid on first preferred shares, series 1	—	(59)	—	(202)
Cash provided by (used in) financing activities	(1,972)	(6,820)	126,003	(2,195)
<b>Net increase in cash for the period</b>	<b>28,144</b>	29,757	<b>105,928</b>	28,006
<b>Cash, beginning of period</b>	<b>124,681</b>	33,350	<b>46,897</b>	35,101
<b>Cash, end of period</b>	<b>152,825</b>	63,107	<b>152,825</b>	63,107