

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



1st
QUARTERLY REPORT
 PERIOD ENDED
 JANUARY 31, 1997

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**TRANSFER AGENT
 AND REGISTAR**
 Fiducie Desjardins inc.

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

**TRANSAT'S TICKER
 SYMBOL**
 TRZ

REPORT TO THE SHAREHOLDERS

During the quarter ended January 31, 1997, the revenues of Transat A.T. inc. (the "Corporation") rose to 279.8 million dollars, compared to 138.6 million dollars for the same quarter of the previous year. Specifically, 90.2 million dollars of this improvement resulted from the acquisitions of Look Voyages and World of Vacations (formerly Canadian Holidays). The remaining subsidiaries and affiliated companies accounted for an increase of 51 million dollars, or 37%. For this structurally loss making quarter, the Corporation posted a net loss of \$4,952,000, or \$0.17 per share, compared to a net loss of \$381,000, or \$0.02 per share, for the quarter ended January 31, 1996. The earnings per share must be considered on the basis of an average weighted number of outstanding shares of 28,912,637 for the first quarter of 1997 compared to 20,359,281 (after subdivision) for the same quarter in 1996.

Tour operator revenues increased by 43% at Air Transat Holidays (Toronto), 15% at Vacances Air Transat (Montréal), 49% at Air Transat Holidays (Vancouver), 118% at Vacances Air Transat France and by 28% at Nolitour (Montréal). Air Transat's revenues rose by 57% following the addition, compared to the same quarter last year, of three Lockheed L1011s and three Boeing757s to the fleet. This was needed in order to respond to increased capacity demand by the Corporation's tour operators. Following the return of two Boeing757s and the addition of two Lockheed L1011-500s in April 1997, Air Transat's fleet will be comprised of ten Lockheed L1011-150s, two Lockheed L1011-500s and five Boeing757s.

During this time of year, there is a slowdown in the holiday travel industry. It is also a period when Air Transat carries out maintenance work on its aircraft. The Corporation must therefore absorb high fixed costs on, among other things, the modern aircraft in its fleet, the Boeing757-200ERs, which must be operated on the basis of set minimum block hours in order to take full advantage of their very low variable costs.

Notwithstanding the losses generated by Look Voyages, STAR Europe and World of Vacations, there was an increase in profitability for this quarter, in comparison to the corresponding quarter of the previous year, which is primarily the result of the contribution generated by increase in sales volume. However, a rise in fuel prices had a negative impact on results. It should be noted that since October 15, 1996, the results of Look Voyages have been completely consolidated with those of Transat's. Traditionally, the first quarter is a loss-maker for Look Voyages.

The Corporation's cash position stood at \$153,350,000 as at January 31, 1997, compared to \$46,897,000 as at October 31, 1996. During the quarter, the Corporation issued 8,700,000 common shares (after subdivision) for a cash consideration of 83.5 million dollars, which will permit the Corporation to finance future acquisitions. Furthermore, the Corporation acquired three Lockheed L1011s, spare parts and various types of aircraft equipment. The Corporation obtained long term financing for the acquisition of the aircraft and spare parts.

As for Look Voyages, management continues its restructuring efforts in an attempt to return the company to profitability. Despite the fact that progress has been made in this regard, it is nevertheless expected that Look Voyages' sales for the end of the winter season and for the upcoming summer season, are ahead of last year's pace. When the impact of newly acquired subsidiaries and affiliated companies is excluded, management expects that results will improve.

Pursuant to a resolution approved at a special meeting of shareholders held on December 17, 1996 and a Certificate of Amendment issued on December 18, 1996, each common share of the Corporation was divided into three common shares effective December 31, 1996. As at January 31, 1997, the Corporation had 33,568,000 outstanding common shares.

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

Montréal, March 25, 1997



CONSOLIDATED STATEMENT OF INCOME

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

	Three (3) months ended January 31	
	1997	1996
	\$	\$
Revenues	279,790	138,611
Expenses and other income	281,021	133,573
Operating	4,963	3,779
Amortization		
Interest on debenture, long-term debt and obligations under capital leases	1,665	1,501
Other interest and financial expenses	816	352
Interest income	(1,239)	(731)
	287,226	138,474
Income (loss) before share of net income (net loss) of companies subject to significant influence, income taxes and non-controlling interest	(7,436)	137
Share of net income (net loss) of companies subject to significant influence	(793)	87
Income taxes		
Current (recovered)	57	(19)
Deferred	(3,291)	255
	(3,234)	236
Share of non-controlling interest in subsidiaries' results	43	(369)
Net loss for the period	4,952	381
Loss per share	0.17	0.02

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 STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)
 (in thousands of dollars)

	Three (3) months ended January 31	
	1997	1996
	\$	\$
Operating activities		
Net loss for the period	(4,952)	(381)
Add items not involving an outlay (receipt) of funds		
Amortization	4,963	3,779
Share of net loss (net income) of com- panies subject to significant influence	793	(87)
Deferred income taxes	(3,291)	255
Non-controlling interest	(43)	369
Decrease of long-term deferred income	(462)	(418)
Operating cash flow	(2,992)	3,517
Net change in non-cash working capital balances related to operations	33,902	13,103
Deposits for engine and airframe overhauls	(4,656)	(259)
Cash provided by operating activities	26,254	16,361
Investing activities		
Cash from acquired company	80	—
Additions to capital assets	(30,844)	(7,446)
Advance to companies subject to significant influence	(6,410)	(3,226)
Purchase of rotatable aircraft spare parts	(3,335)	—
Other assets	(1,192)	(57)
Deposits	(177)	175
Consideration paid for company acquired	(86)	—
Cash used in investing activities	(41,964)	(10,554)
Financing activities		
Issue of common shares	87,899	4
Increase in obligations under capital leases	26,617	174
Loans	11,818	—
Increase in long-term debt	2,709	4,760
Shares issue costs	(4,260)	—
Repayment of long-term debt and obligations under capital leases	(2,620)	(1,429)
Repayment of deposits for engine and airframe overhauls	—	1,364
Dividends paid on first preferred shares, series 1	—	(73)
Cash provided by financing activities	122,163	4,800
Net increase in cash for the period	106,453	10,607
Cash, beginning of period	46,897	35,101
Cash, end of period	153,350	45,708