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URBEC CONSULTOUR/CL
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SWORLD OF VACATIONS
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(FRANCE) LOOK VOYAC
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AT KILOMETRE VOYAGE
SVACANCES AIR TRANS
ATHOLIDAYS ELORIDV
DAIR TRANSAT
NESSERVICE



SUBSIDIARIES AND AFFILIATED COMPANIES

(Interest in)

IN CANADA

TRAVEL AGENCIES

100% **VACANCES TOURBEC**50% **CONSULTOUR**
• CLUB VOYAGES
• VOYAGES EN LIBERTÉ
• INTER VOYAGE

OUTGOING TOUR OPERATORS

100% **VACANCES AIR TRANSAT-
AIR TRANSAT HOLIDAYS**100% **VOYAGES NOLITOUR**100% **REGENT HOLIDAYS**35% **WORLD OF VACATIONS**

INCOMING TOUR OPERATORS

66.66% **DMC TRANSAT**
• KILOMÈTRE VOYAGES100% **VACANCES AIR TRANSAT HOLIDAYS
(FLORIDA)**

THE AIRLINE SECTOR

100% **AIR TRANSAT**50% **SERVICES HAYCOT**

IN FRANCE

TRAVEL AGENCIES

100% **EURO CHARTER/CLUB VOYAGES ⁽¹⁾**

OUTGOING TOUR OPERATORS

100% **VACANCES AIR TRANSAT (FRANCE)**97.9% **LOOK VOYAGES**39% **BROK'AIR**
• ANY WAY

THE AIRLINE SECTOR

49.6% **STAR AIRLINES ⁽²⁾**

(1) 100% interest held by Consultour/Club Voyages

(2) 49.6% interest held by Look Voyages

REPORT TO THE SHAREHOLDERS

For the quarter ended July 31, 1999, Transat A.T. Inc. (the «Corporation») reported net income of \$8,839,000, or \$0.26 per share, compared with \$6,330,000, or \$0.18 per share, for the same period in 1998, an increase of slightly over 44% in earnings per share. The Corporation's revenues rose 13.3% to \$413.6 million, compared with \$365 million for the same period last year. Both the Canadian and French markets contributed to this \$48.6 million growth. In Canada, tour operators and the airline company reported an overall 6.2% increase in revenue, while French subsidiaries revenues climbed 11.1% due mainly to price and volume increases.

For the nine months ended July 31, 1999, the Corporation posted net income of \$13,513,000, or \$0.40 per share, compared with \$7,580,000, or \$0.22 per share for the same period last year. Revenues rose 18.8% to \$1.23 billion, compared with \$1.03 billion last year, up \$194.6 million. Earnings per share are calculated based on a weighted average number of shares outstanding of 34,127,930 for the first nine months of 1999 and 34,270,368 for 1998. For the first three quarters of 1999, revenues for all Corporation's Canadian companies are up almost 9% on average, while revenues for the Corporation's French companies increased by more than 30%.

The third quarter represents the first part of the summer season, which runs from May 1 to October 31. For this quarter, earnings before interest, amortization and taxes (including the share of net income of companies subject to significant influence) amounted to \$25.3 million, compared with \$20.7 million for the same period in 1998. During the third quarter, profitability increased in Canada and France, the Corporation's two primary markets. Improved profitability in the Canadian market resulted from an increase in revenues, partially offset by higher costs, and lower fuel price, while profitability in the French market was enhanced following higher volume and sales prices together with improved load factors. In France, Look Voyages reported improved results compared with last year.

However, negative factors generated downward pressure on the Corporation's results. In Canada, the major factors include the weakness of the Canadian dollar against the U.S. dollar, intense competition with respect to European destinations and an increase in some operating expenses. In France, the results were also impacted by rising operating expenses and currency fluctuations.

The Corporation's cash and cash equivalents totalled \$178,370,000 as of July 31, 1999, compared with \$150,171,000 as of April 30, 1999. During the quarter, the Corporation's operating cash flow amounted to \$15.1 million, compared with \$13.2 million for the same quarter last year. The net change in non-cash working capital balances generated \$35.4 million in cash, an increase of \$8 million over last year. The Corporation spent \$6.4 million for investing activities, primarily for additions to capital assets and deposits to suppliers. As well, \$13.1 million was used for financing activities, primarily for the repayment of debt and revolving term loan, as well as for the redemption of common shares as part of the normal course issuer bid.

The Corporation is now in the final and very important period of the summer season. In Canada, the competitive conditions that prevailed in the last quarter persist. In the French market, this is the busiest period of the year as vacationers travel abroad in large numbers. Management is standing by the objectives set regarding the results of Look Voyages for the fiscal year ending October 31, 1999. Overall, Management is confident with respect to the results it will achieve for the entire summer season.



Jean-Marc Eustache

Chairman of the Board
President and Chief Executive Officer
Montreal, September 14, 1999

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

As at July 31 As at October 31
(Unaudited) (Audited)

	1999 \$	1998 \$
ASSETS		
Current assets		
Cash and cash equivalents	178,370	155,720
Accounts receivable	84,302	47,323
Inventories	7,268	13,380
Deposits with suppliers	26,111	20,807
Prepaid expenses	26,258	23,543
Total current assets	322,309	260,773
Deposits	26,555	20,061
Tax benefits	24,384	18,980
Inventory of rotatable aircraft spare parts	16,118	8,474
Investments in companies subject to significant influence	16,259	15,718
Capital assets	126,826	120,837
Goodwill	34,115	36,026
Other assets	11,374	15,698
	577,940	496,567
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	9,984	16,637
Accounts payable and accrued liabilities	157,427	113,134
Customer deposits and deferred income	110,446	64,005
Income taxes payable	4,202	208
Current portion of long-term debt and obligations under capital leases	20,238	18,832
Total current liabilities	302,297	212,816
Long-term debt	30,006	44,975
Obligations under capital leases	43,914	45,569
Debenture	10,000	10,000
Other long-term liabilities	539	539
	386,756	313,899
Shareholders' equity		
Share capital	112,592	115,795
Retained earnings	79,058	69,156
Deferred translation adjustments	(466)	(2,283)
	191,184	182,668
	577,940	496,567

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands of dollars except the earnings per share)

(Unaudited)

	Three (3) months ended July 31		Nine (9) months ended July 31	
	1999 \$	1998 \$	1999 \$	1998 \$
Revenues	413,589	364,954	1,228,503	1,033,947
Operating expenses	389,874	345,813	1,174,085	991,257
Income before the following accounts	23,715	19,141	54,418	42,690
Amortization	9,121	9,066	27,361	25,290
Interest on long-term debt, obligation under capital leases and debenture	2,499	2,510	7,632	7,535
Other interest and financial expenses	321	578	1,839	2,269
Interest income	(1,903)	(1,818)	(6,463)	(6,192)
	10,038	10,336	30,369	28,902
Income before share of net income of companies subject to significant influence and income taxes	13,677	8,805	24,049	13,788
Share of net income of companies subject to significant influence	1,618	1,595	1,609	519
Incomes taxes (recovered)				
Current	7,649	4,656	17,549	10,694
Deferred	(1,193)	(586)	(5,404)	(3,967)
	6,456	4,070	12,145	6,727
Net income for the period	8,839	6,330	13,513	7,580
Retained earnings, beginning of period			69,156	49,425
Premium paid on redemption of shares			(3,611)	—
Retained earnings, end of period			79,058	57,005
Earnings per share	0.26	0.18	0.40	0.22
Diluted earnings per share	0.25	0.18	0.39	0.22

CONSOLIDATED CASH FLOW STATEMENTS

(in thousands of dollars)

(Unaudited)

	Three (3) months ended July 31		Nine (9) months ended July 31	
	1999 \$	1998 \$	1999 \$	1998 \$
OPERATING ACTIVITIES				
Net income for the period	8,839	6,330	13,513	7,580
Add items not involving an outlay (receipt) of funds				
Amortization	9,121	9,066	27,361	25,290
Share of net income of companies subject to significant influence	(1,618)	(1,595)	(1,609)	(519)
Deferred income taxes	(1,193)	(586)	(5,404)	(3,967)
Decrease of long-term deferred income	—	—	—	(779)
Operating cash flow	15,149	13,215	33,861	27,605
Net change in non-cash working capital balances related to operations	35,386	27,417	61,007	34,939
Deposits for engine and airframe overhauls	(2,905)	(1,683)	(5,219)	(5,937)
Cash flows from operating activities	47,630	38,949	89,649	56,607
INVESTING ACTIVITIES				
Additions to capital assets	(3,886)	(2,780)	(13,543)	(9,732)
Deposits	(1,636)	(3,189)	(4,521)	(1,519)
Other assets	(855)	—	(1,880)	(1,490)
Purchase of rotatable aircraft spare parts	—	(21)	(4,351)	(161)
Cash flows from investing activities	(6,377)	(5,990)	(24,295)	(12,902)
FINANCING ACTIVITIES				
Long-term debt – revolving term loan	(2,683)	10,000	(18,759)	(16,181)
Increase in other long-term debt	2,268	—	4,323	1,693
Issue of common shares	77	—	633	908
Repayment of other long-term debt and obligations under capital leases	(4,866)	(4,927)	(14,801)	(22,381)
Repurchase of common shares	(4,277)	—	(7,447)	—
Bank loans and other	(3,573)	(4,074)	(6,653)	4,509
Recovery of deposits for engine and airframe overhauls	—	—	—	15,371
Repurchase of preferred shares	—	—	—	(108)
Cash flows from financing activities	(13,054)	999	(42,704)	(16,189)
Increase in cash and cash equivalents for the period	28,199	33,958	22,650	27,516
Cash and cash equivalents, beginning of period	150,171	134,891	155,720	141,333
Cash and cash equivalents, end of period	178,370	168,849	178,370	168,849

Transat is an integrated company in the tourism industry. It is represented by subsidiaries or affiliated companies at each of three levels: providing retail sales through travel agencies, creating and distributing packages through tour operators, and providing air transportation. The objectives of Transat are to maintain its position of leadership in vacation travel in Canada and to become one of the leaders in this industry in Europe.

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**TRANSFER AGENT
AND REGISTRAR**

Montreal Trust Company

STOCK EXCHANGE

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

