

TRANSAT VACANCES TO
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(FRANCE) LOOKVOYAC
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AT/KILOMETREVOYAGE
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ATHOLIDAYS
AIRTRANSAT
INESSERVICE



A.T. inc.

2nd QUARTERLY REPORT
PERIOD ENDED APRIL 30, 1999

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 VOYAGES
	100%	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

During the quarter ended April 30, 1999, Transat A.T. Inc. (the "Corporation") reported net income of \$7,553,000 (\$0.22 per share), compared with \$6,111,000 (\$0.18 per share) for the quarter ended April 30, 1998, an increase in earnings per share of slightly more than 22%. Revenues for the quarter totalled \$451.4 million compared with \$368.8 million in the same quarter last year, up 22.4%. This revenue growth of approximately \$82.6 million is attributable to both the Canadian and French markets. As a result of higher selling prices and volumes in Canada, revenues of our tour operators and the airline company were up by about 13% overall. As well, revenues of the French subsidiaries increased substantially, by nearly 45%. This growth is mainly due to higher volumes and the strengthening of the French franc against the Canadian dollar.

For the six months ended April 30, 1999, the Corporation recorded net income of \$4,674,000 (\$0.14 per share), compared with \$1,250,000 (\$0.04 per share), for the same period last year. Earnings per share were calculated based on a weighted average number of shares outstanding of 34,407,030 for the first half of the year and 34,189,882 for 1998. The Corporation's revenues for the first six months totalled \$815 million, compared with \$669 million for the same period last year.

This quarter marks the end of the first half of our fiscal year. The results of the winter season were particularly encouraging and are indicative of the Corporation's attractive positioning in its various markets. During that period, overall revenues increased by \$146 million, or 21.8%. In the first six months, Canadian tour operators recorded average revenue growth of approximately 9.3%, and French tour operators' revenues improved by 53%. Air Transat's revenues for the same period, including those resulting from operations within the group, increased by 11.5%.

Various factors had a positive impact on profitability during the quarter compared with the same period last year. In the Canadian market, higher selling prices, lower fuel costs, higher volumes in certain markets, better load factors and a drop in interest expenses. In France, Look Voyages's consolidated results are comparable to those of last year. Finally, the fluctuation of the French currency did not affect significantly the Corporation's results.

Despite the many factors that had a positive impact on the quarterly results, there were some which impacted negatively. In Canada, the most noteworthy are: the weak Canadian dollar compared with its U.S. counterpart, more competition in certain markets, particularly the Toronto - Florida sector, and an increase in certain operating expenses. In France, there was pressure on Look Voyages's profit margins, mainly as a result of the launching of new products.

As at April 30, 1999, the Corporation's cash and cash equivalents stood at \$150,171,000, compared with \$183,275,000 as at January 31, 1999. During the quarter, its operating cash flow amounted to \$16.8 million compared with \$13.2 million for the same quarter last year. The net change in non-cash working capital balances used approximately \$7.5 million in the second quarter, reflecting the seasonality of operations. The Corporation spent \$14.1 million in investing activities, mainly on capital assets and spare parts. Finally, nearly \$26 million was spent on financing activities, principally for the repayment of debts and the redemption of common shares as part of the normal course issuer bid announced in the fall of 1998.

The second semester of the fiscal year is very important for the Corporation. In the Canadian market, it is anticipated that conditions which prevailed last year will continue, with sustained competition for the European destinations, particularly for departures from western Canada. In France, Look Voyages offers an attractive range of products with its Club Lookéa and a large offer of air-only charters, and Vacances Air Transat (France) offers Canadian, U.S. and sunshine destinations.



Jean-Marc Eustache

Chairman of the Board
President and Chief Executive Officer
Montreal, June 15, 1999

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

As at April 30 (Unaudited) As at October 31 (Audited)

	1999 \$	1998 \$
ASSETS		
Current assets		
Cash and cash equivalents	150,171	155,720
Accounts receivable	62,264	47,323
Inventories	7,040	13,380
Deposits with suppliers	20,403	20,807
Prepaid expenses	26,897	23,543
Total current assets	266,775	260,773
Deposits	22,473	20,061
Tax benefits	23,192	18,980
Inventory of rotatable aircraft spare parts	12,825	8,474
Investments in companies subject to significant influence	14,667	15,718
Capital assets	128,379	120,837
Goodwill	34,729	36,026
Other assets	9,516	15,698
	512,556	496,567
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	13,558	16,637
Accounts payable and accrued liabilities	125,705	113,134
Customer deposits and deferred income	81,597	64,005
Income taxes payable	12	208
Current portion of long-term debt and obligations under capital leases	19,225	18,832
Total current liabilities	240,097	212,816
Long-term debt	28,492	44,975
Obligations under capital leases	46,288	45,569
Debenture	10,000	10,000
Other long-term liabilities	539	539
	325,416	313,899
Shareholders' equity		
Share capital	114,779	115,795
Retained earnings	72,232	69,156
Deferred translation adjustments	129	(2,283)
	187,140	182,668
	512,556	496,567

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands of dollars except the earnings per share)

(Unaudited)

	Three (3) months ended April 30		Six (6) months ended April 30	
	1999 \$	1998 \$	1999 \$	1998 \$
[REDACTED]				
Revenues	451,445	368,747	814,914	668,993
Operating expenses	426,353	348,146	783,003	645,444
Income before the following accounts	25,092	20,601	31,911	23,549
Amortization	10,884	8,216	19,448	16,224
Interest on long-term debt, obligation under capital leases and debenture	2,445	2,429	5,133	5,025
Other interest and financial expenses	557	984	1,518	1,691
Interest income	(1,985)	(2,343)	(4,560)	(4,374)
	11,901	9,286	21,539	18,566
Income before share of net income (net loss) of companies subject to significant influence and income taxes	13,191	11,315	10,372	4,983
Share of net income (net loss) of companies subject to significant influence	687	91	(9)	(1,076)
Incomes taxes (recovered)				
Current	7,303	6,001	9,900	6,038
Deferred	(978)	(706)	(4,211)	(3,381)
	6,325	5,295	5,689	2,657
Net income for the period	7,553	6,111	4,674	1,250
Retained earnings, beginning of period			69,156	49,425
Premium paid on redemption of shares			(1,598)	—
Retained earnings, end of period			72,232	50,675
Earnings per share	0.22	0.18	0.14	0.04
Diluted earnings per share	0.22	0.18	0.14	0.04

CONSOLIDATED CASH FLOW STATEMENTS

(in thousands of dollars)

(Unaudited)

	Three (3) months ended April 30		Six (6) months ended April 30	
	1999 \$	1998 \$	1999 \$	1998 \$
OPERATING ACTIVITIES				
Net income for the period	7,553	6,111	4,674	1,250
Add items not involving an outlay (receipt) of funds				
Amortization	10,884	8,216	19,448	16,224
Share of (net income) net loss of companies subject to significant influence	(687)	(91)	9	1,076
Deferred income taxes	(978)	(706)	(4,211)	(3,381)
Decrease of long-term deferred income	—	(317)	—	(779)
Operating cash flow	16,772	13,213	19,920	14,390
Net change in non-cash working capital balances related to operations	(7,471)	(25,638)	24,413	7,522
Deposits for engine and airframe overhauls	(2,374)	(740)	(2,314)	(4,254)
Cash flows from operating activities	6,927	(13,165)	42,019	17,658
INVESTING ACTIVITIES				
Additions to capital assets	(7,502)	(3,426)	(9,657)	(6,952)
Purchase of rotatable aircraft spare parts	(4,033)	(26)	(4,351)	(140)
Deposits	(1,988)	1,678	(2,885)	1,670
Other assets	(544)	(762)	(1,025)	(1,490)
Cash flows from investing activities	(14,067)	(2,536)	(17,918)	(6,912)
FINANCING ACTIVITIES				
Long-term debt – revolving term loan	(16,537)	(15,000)	(16,076)	(26,181)
Increase in other long-term debt	600	23	2,055	1,693
Issue of common shares	556	875	556	908
Repayment of other long-term debt and obligations under capital leases	(5,105)	(6,980)	(9,935)	(17,454)
Repurchase of common shares	(3,170)	—	(3,170)	—
Bank loans and other	(2,308)	(5,753)	(3,080)	8,583
Recovery of deposits for engine and airframe overhauls	—	2,626	—	15,371
Repurchase of preferred shares	—	(108)	—	(108)
Cash flows from financing activities	(25,964)	(24,317)	(29,650)	(17,188)
Decrease in cash and cash equivalents for the period	(33,104)	(40,018)	(5,549)	(6,442)
Cash and cash equivalents, beginning of period	183,275	174,909	155,720	141,333
Cash and cash equivalents, end of period	150,171	134,891	150,171	134,891

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

