



TRANSAT A.T. INC.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED OCTOBER 31, 2007

JANUARY 21, 2008

ANNUAL INFORMATION FORM
TRANSAT A.T. INC.

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In this Annual Information Form (“AIF”), “we”, “our”, “us”, “Transat” and the “Corporation” refer to Transat A.T. Inc. together with one or more of its subsidiaries or Transat A.T. Inc. itself, as the context may require.

All dollar figures referred to in this AIF are references to Canadian dollars, unless otherwise indicated.

The information contained in this AIF is reported as of October 31, 2007, being our financial year-end, unless otherwise indicated.

The following is a list of our registered and unregistered trademarks that are referred to and used as such in this AIF: our star logo, Air Consultants Europe, Air Transat, Bennett Voyages, Brokair, Cameleon, Canadian Affair, Club Voyages, Eurocharter, Exitnow.ca, Handlex, Jonview Canada, Lookéa, Lookéko, Look Voyages, Marlin Travel, Merika Tours, Nolitours, Out by View, Révatours, Tourgreece, Trafictours, Transat, Transat Holidays/ Vacances Transat, Transat Holidays USA, TravelPlus, tripcentral.ca, Turissimo and Voyages en Liberté. Any other trademarks, or corporate, trade or domain names used in this AIF are the property of their owners.

Forward-Looking Statements

We make “forward-looking statements” throughout this AIF. By their nature, these statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution you that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect or unfounded since they are subject to risks and uncertainties that affect us. You will find elsewhere in this AIF certain risks and uncertainties affecting us (see “Description of our Business – Risk Factors”). We disclaim any intention or obligation to update or revise any forward-looking statements as of the date of this AIF, whether as a result of new information, future events or otherwise, other than as required by law.

1. CORPORATE STRUCTURE

1.1 NAME AND INCORPORATION

Transat A.T. inc. (hereafter “Transat”) was incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the “*Canada Business Corporations Act*”) by Certificate of Incorporation dated February 13, 1987.

Since its incorporation, Transat has amended its Articles by way of Certificates of Amendment to make the following material changes:

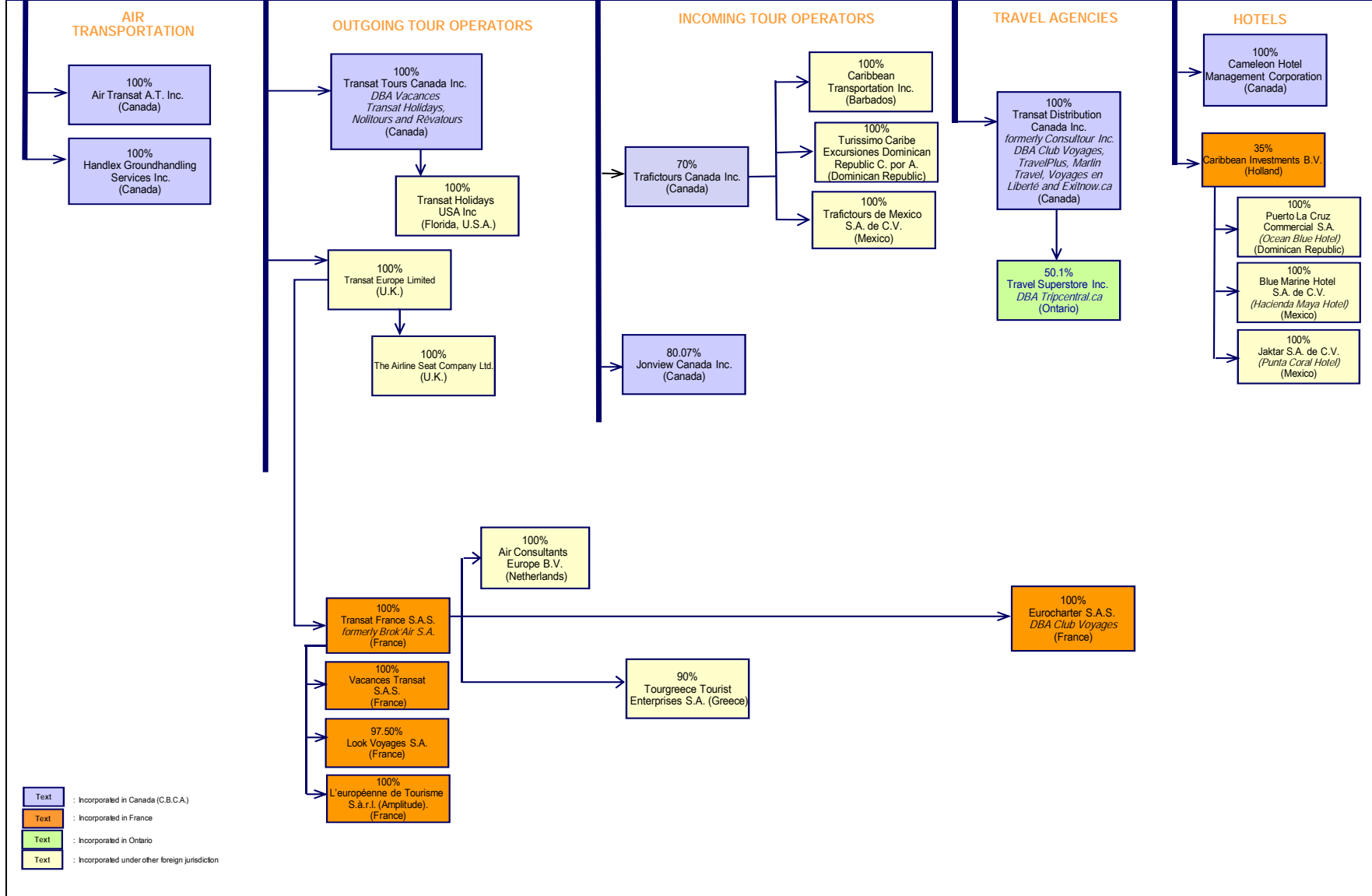
- (i) Change its name to “Transat A.T. Inc.”;
- (ii) Establish the minimum number of directors at nine and the maximum at fifteen and enable the Board of Directors to appoint directors during a given year;
- (iii) Provide for the creation of an unlimited number of Preferred Shares issuable in series, leading to the creation of 2,400,000 Series 1 Preferred Shares, 250,000 Series 2 Preferred Shares and an unlimited number of Series 3 Preferred Shares;
- (iv) Subdivide each common share on the basis of three common shares for each issued and outstanding common share;
- (v) Introduce constraints on the issue and transfer of our voting shares in order for us to remain a “Canadian” corporation within the meaning of the *Canada Transportation Act*, S.C. 1996, c. 10 (the “*Canada Transportation Act*”); and
- (vi) Create an unlimited number of Class A Variable Voting Shares (the “**Variable Voting Shares**”) and an unlimited number of Class B Voting Shares (the “**Voting Shares**”); convert each issued and outstanding common share which is not owned and controlled by a Canadian within the meaning of the *Canada Transportation Act* into one Variable Voting Share; convert each issued and outstanding common share owned and controlled by a Canadian within the meaning of the *Canada Transportation Act* into one Voting Share; cancel each issued and outstanding common share so converted; cancel the unissued common shares of Transat and substitute thereto, with the required adaptations, the Variable Voting Shares and the Voting Shares for the purpose of exercising all rights of subscription, purchase or conversion relating to the common shares so cancelled; and supersede prior restrictions on the issue and transfer of our voting shares stated in (v) above.

Transat’s head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2.

1.2 INTER-CORPORATE RELATIONSHIPS

The following chart sets out our corporate structure. We have omitted certain subsidiaries, each of which represents not more than 10% of our consolidated assets and not more than 10% of our consolidated sales and operating revenues and all of which, in the aggregate, represent not more than 20% of our consolidated assets and not more than 20% of our consolidated sales and operating revenues.

TRANSAT A.T. INC. (Canada)



2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 OVERVIEW OF THE BUSINESS

Transat is one of the largest fully integrated world-class tour operators in North America. We conduct our activities in a single industry (holiday travel) and we mainly market our products in two geographic areas (North America and Europe). Transat's core business involves developing and marketing vacation travel services in package and air-only format, including airline seats. We operate as both an outgoing and incoming tour operator by bundling services bought in Canada and abroad and reselling them in Canada, France, the United Kingdom and elsewhere, mainly through travel agencies, some of which we own. Transat is also a major retail distributor with a total of approximately 500 travel agencies and a multi-channel distribution system that incorporates Web-based sales. Transat leverages on its subsidiary Air Transat A.T. Inc. ("Air Transat"), Canada's largest international charter air carrier, to meet a substantial portion of its airline seat needs. We also offer destination, hotel management and airport services.

2.2 THREE-YEAR HISTORY

You will find below highlights in the development of Transat and other key events that have occurred in the three most recent financial years. For a detailed discussion of changes in our business that we expect will occur during fiscal 2008, we refer you to the "Vision", "Strategy" and "Review of 2007-2008 objectives and achievements" sections of the Management's Discussion and Analysis on page 14 to 38 of our 2007 Annual Report available for consultation on SEDAR at www.sedar.com.

2.2.1 *Our North American Operations*

2.2.1.1 Outgoing tour operators

Transat Tours Canada Inc. ("Transat Tours Canada" or "TTC"), which is the backbone of our Canadian operations, operates through three brand names, namely Transat Holidays, Nolitours and R vatours and integrates Air Transat's commercial activities. During fiscal 2005, we reorganized the corporate structure of R vatours whose operations were previously included in a separate wholly-owned subsidiary of Transat. As part of this reorganization, the shares of R vatours Inc. were transferred to TTC under the tax-free rollover provisions of the *Income Tax Act* (Canada) on October 14, 2005.

During fiscal 2005, Transat secured an option expiring in September 2008 to purchase the outstanding shares of a North American tour operator. The owners of the tour operator may also require Transat to exercise its option as of April 1, 2007 failing which this option will expire. The purchase price will be determined pursuant to a formula not exceeding \$5,000,000 and will be payable at closing in cash or in shares of Transat or a combination of both.. Transat may elect to purchase the assets of the tour operator instead of the shares with appropriate adjustment to the purchase price and other terms and conditions of the option. The closing of a purchase pursuant to the option is subject to usual conditions including satisfactory due diligence and the receipt of all required regulatory approvals.

Since 2003, an agreement with WestJet allows TTC to charter WestJet's Boeing 737 aircraft from Canadian cities, to Southern vacation destinations. WestJet's narrow-bodied aircraft complement Air Transat's wide-bodied fleet, allowing us to broaden our service offering in areas which could not otherwise be served by Air Transat, penetrate new markets and more efficiently manage peak periods. During 2007, Transat Tours Canada extended its agreement with WestJet. This agreement is effective from

November 1, 2007 to October 31, 2010. Our agreement with WestJet was worth in excess of \$105 million during 2007, compared to \$93 million during 2006.

On May 15, 2007, the Corporation's subsidiary TTC and tour operator MyTravel Canada Inc., which does business in Canada under the Sunquest Vacations brand, signed a three (3)-year commercial agreement. The agreement defines the terms and conditions pursuant to which TTC and Sunquest Vacations sell to one another airline seats to sun destinations, as of November 1st, 2007. The agreement sets forth the conditions at which Sunquest Vacations could purchase approximately 120,000 seats on flights chartered by TTC (operating under the Transat Holidays and Nolitours brands), and at which TTC could purchase approximately 120,000 seats on flights chartered by Sunquest Vacations, for the 2007-2008 winter season. The agreement should allow the Corporation to optimize the utilization of its wide-body aircraft on the sun destinations market and supplements TTC's agreement with WestJet.

2.2.1.2 Air Transportation

As of November 1, 2004, Air Transat's Montréal flights that were previously operated out of the Montréal International Airport in Mirabel began flying out of and into the Montréal-Pierre Elliott Trudeau International Airport ("Montréal-Trudeau"). Since then, all Air Transat flights departing or arriving in Montréal do so exclusively out of the Montréal-Trudeau airport. Our move was orchestrated as part of an agreement reached in January 2004 with Aéroports de Montréal ("ADM"). Pursuant to this agreement, ADM constructed the building housing Air Transat's new head office and hangar located within the Montréal-Trudeau airport zone, and leased it back to the air carrier for a period of forty years. The move into these new headquarters was completed in December 2004.

In fiscal 2004, we completed the renewal of our fleet, adding four Airbus A310 to our then existing fleet of six A310s. This review had been initiated during fiscal 2002 in order to avail ourselves of opportunities pertaining to favourable aircraft leasing or purchase conditions that emerged in the aftermath of the September 11, 2001 terrorist attacks. The resulting harmonization and simplification of the fleet, now smaller and all-Airbus, is key to Air Transat reducing its operating expenses. In addition to reduced costs derived from simplified maintenance and training, Air Transat has pursued its efforts at enhancing its operational performance.

In each of May 2006 and May 2007 Air Transat added one Airbus A310-300 for a total A310 fleet of twelve as of October 31, 2007. Therefore, our fleet now consists of sixteen wide-bodied long-haul Airbus aircraft, namely: three Airbus A330-200s with 363 seats each, one Airbus A330-300 with 362 seats and twelve Airbus A310-300s with 259 seats each. In January 2008, a thirteenth Airbus A310-300 shall be delivered and should become operational in February of the same year. In 2008, Air Transat will reconfigure its fleet in order to increase the pitch on its aircraft by two inches in Economy class through the reduction of the seating capacity by ten seats on Airbus A310 aircraft and by 14 seats on Airbus A330 aircraft. As of June 2008, all Airbus A310 will each have a capacity of 249 seats and A330 will seat 349 passengers.

Handlex Groundhandling Services Inc. ("Handlex"), our ground-handling and airport services subsidiary, opened in May 2006 a new base at Vancouver International Airport, which resulted in the hiring of 80 people as passenger counter agents, station attendants, baggage handlers, airplane cabin groomers and ground-equipment mechanics. With this expansion, Handlex now provides its services at three international airports in Canada, namely Montréal, Toronto and Vancouver.

2.2.1.3 Incoming tour operators

On April 8, 2004, we completed the acquisition of the remaining 50% participation in Jonview Corporation, a holding corporation that owns the Canadian tour operator Jonview Canada Inc. (“Jonview Canada”), in partnership with the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, a minority shareholder of D.M.C. Transat Inc. (now Jonview Canada), our incoming tour operator operating from Québec. We had acquired the first 50% interest in Jonview Corporation in fiscal 2001. As a result of this transaction, our percentage ownership in Jonview Corporation increased to 80.07%. We issued a \$3.2 million debenture to the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)* in order to finance a portion of this acquisition. This debenture bears interest at a rate of 6%. It is repayable in one installment in September 2009 in cash or shares of Transat at the latter’s option.

On October 31, 2004, we amalgamated D.M.C. Transat Inc. with Jonview Canada. The incoming tour operator resulting from this amalgamation is Jonview Canada, which company operates under the banners Jonview Canada, Out by View and Merika Tours.

On October 31, 2005, Transat acquired 100% of the assets of Turissimo Caribe Excursiones Dominican Republic, C. por A., an incoming tour operator in the Dominican Republic for a cash consideration of US\$1.2 million (\$1.4 million).

On November 1, 2005, we incorporated a company in Barbados, Caribbean Transportation Inc., which manages the airport-hotel-airport transfers for passengers travelling to the Dominican Republic. Its clients are tour operators, namely Transat Tours Canada, Vacances Transat S.A.S. (“Vacances Transat (France)”) and Look Voyages S.A. (“Look Voyages”). In 2005-2006, approximately 210,000 passengers were serviced by this entity. On November 1, 2006, East Coast Transportation Inc. and West Coast Transportation Inc. were set up by subsidiaries of Transat. East Coast Transportation Inc. manages the airport-hotel-airport transfers for passengers travelling to Cancun/Riviera Maya in Mexico. Its clients are tour operators of which some are subsidiaries of Transat, namely Transat Tours Canada, Vacances Transat (France) and Look Voyages. West Coast Transportation Inc. manages the transfers for passengers travelling to Puerto Vallarta, Mexico. Look Voyages, Vacances Transat (France) and Transat Tours Canada are among its clients.

On November 1, 2007, a reorganization of our incoming tour operators business in the Caribbean took place. The objective was to become the majority shareholder in all our incoming tour operator businesses and to appoint the same management team for all of them. There was no cash consideration, only an exchange of shares: as a result, 30% of the shares of Caribbean Transportation Inc. and of Turissimo Caribe Excursiones Dominican Republic, C. por A. were exchanged for 30% of shares of West Coast Transportation Inc. and of Trafictours de Mexico, S.A. de C.V. As a result of this transaction, Transat owns 70% of each incoming tour operator company in the Caribbean, some of which were merged: Caribbean Transportation Inc., East Coast Transportation Inc. and West Coast Transportation inc. merged on November 1st, 2007 under the name of Caribbean Transportation Inc. On January 1st, 2008, the Mexican companies, Trafictours de Mexico S.A. de C.V. and Trafictours de Cancun S.A. de C.V. merged to become Trafictours de Mexico S.A. de C.V. On November 1, 2007, Transat consolidated its ownership incoming activities in Mexico, Dominican Republic and Barbados through an Agreement with Gesmex Coproration pursuant to which Transat will own 70% of the shares. This transaction was essentially an exchange of shares with no financial payment on either side.

2.2.1.4 Distribution

Concerning our distribution activities, we continued working along two parallel orientations, namely: (i) increasing the number of travel agencies that we control; and (ii) developing online solutions.

During fiscal 2004, we launched our new corporate brand as part of our strategy of vertical integration. Transat, Air Transat, Transat Holidays, TravelPlus and Club Voyages, while keeping each their own name, are now bearing the same colours and the same logo, the pale blue star featured on the cover of this AIF. Nolitours also revisited its image with the same logo, featured in red. The creation of a unique, strong and visible corporate identity across our main business units facilitates the recognition of our various companies and divisions for both our customers and employees. It also maximizes customer awareness on both the B2C and B2B markets, while fully leveraging the contribution of all of our business units and creating value.

On May 1, 2005, the Corporation acquired a 50.1% controlling interest in Travel Superstore Inc. ("Trip Central"), a Canadian company operating a travel agency network, for a total cash consideration of \$4.5 million. Under the agreement, Transat has a call option related to the acquisition of the remaining shares; this option may be exercised prior to 2015. Trip Central, based in Hamilton, Ontario, currently operates a network of 22 travel agencies and a unique travel website. On August 1, 2005, Trip Central acquired the assets of Blenus Travel Service Ltd. and Fundy Travel Ltd. for a total consideration of \$1.3 million. Both of these Canadian companies operate travel agency networks. A cash payment of \$0.3 million was made on the acquisition date, with the balance (\$1.0 million) payable over a five-year period without interest.

During the year 2006, Trip Central acquired the assets of six travel agencies for a total consideration of \$1.1 million, of which \$500,000 was paid in cash on the acquisition dates, with balances payable over a period varying from three to five years, without interest. Trip Central developed a new and dynamic approach to marketing vacation travel services by leveraging synergies between the Internet, a call centre with several sales outlets and the skills of its travel consultants.

On May 1, 2006, we acquired Canadian travel agency network Thomas Cook Travel Limited ("Thomas Cook"), for an amount of \$8.3 million. This network includes 191 travel agencies, 124 of which are franchised and 67 owned, under the Thomas Cook and Marlin Travel banners, as well as 22 foreign exchange offices, 19 of which are located in the travel agencies. With this acquisition, Transat strengthened its presence in Ontario and Western Canada, which is in line with our growth strategy and our business model. This acquisition has enhanced our distribution efficiency and our product line and as such, will benefit our customers. Thomas Cook, headquartered in Mississauga, Ontario, employed 384 people across the country. Thomas Cook merged with our wholly-owned subsidiary Transat Distribution Canada Inc. (formerly Consultour Inc.) ("Transat Distribution Canada") as of May 1, 2006.

2.2.2 *Our European Operations*

In France, we continued the review of our tour operator activities, focusing on our quasi-wholly owned subsidiary Look Voyages. We also strengthened our presence elsewhere in Europe through the acquisition of a majority interest in two companies that are long-standing partners of our group and through the recent acquisition of British tour operator The Airline Seat Company Limited, which does business under the name Canadian Affair.

On November 1, 2004, we acquired a 70% ownership interest in Air Consultants Europe B.V., a Netherlands-based outgoing tour operator, at a cost of €1.1 million (\$1.6 million). Under the Agreement, the Corporation had a call option related to the acquisition of the remaining shares; this option may be exercised at any time prior to October 31, 2007.

On May 1, 2007, Transat acquired the remaining 30% of Air Consultants Europe shares, at a cost of €1.3 million, in accordance with the terms of its option negotiated in 2004. With this transaction, the operations of all of our incoming companies will be under a single management entity, ensuring a better quality of service and improved operational and financial controls. With this transaction, Transat now controls 100% of its General Sales Agent of Air Transat for Germany, Netherlands, Belgium, Switzerland and Austria.

In June 2005, Look Voyages disposed of its 44.27% interest in *Société de transport aérien régional S.A.* to Angel Gage Aviation Limited at a price of €4.5 million (\$6.9 million).

On June 26, 2005, we acquired 100% of the outstanding shares of Bennett Voyages S.A., a French outgoing tour operator specialized in packages and tours to Scandinavia, the United Kingdom and Ireland for a total estimated consideration of €1.8 million (\$2.6 million). A cash payment of €1.1 million (\$1.6 million) was made on the acquisition date, with a further payment of €0.4 million made in February 2006 based on the 2005 results. A final payment was made in February 2007, of an amount similar to the February 2006 payment. This company has since been merged into Vacances Transat (France).

On December 1, 2005, the Corporation acquired, through its French subsidiary Eurocharter S.A.S. (which operates under the Club Voyages banner), the assets of 20 travel agencies operating in France and belonging to Carlson Wagonlit Travel network (CWT) for a total cash consideration of €3.1 million (\$4.3 million). The transaction included the transfer of 41 CWT employees.

On August 1, 2006, we completed the acquisition of all of the shares of British tour operator The Airline Seat Company Limited ("TASC"), which operates under the Canadian Affair brand, for £20.7 million in cash (approximately \$43.7 million). Established in 1995, TASC is one of the largest British tour operators specializing on U.K.-Canada routes, with 200,000 return seats and annual sales of approximately £75 million (approximately \$155 million). Its head office is in London and it has offices in Glasgow (Scotland) and Vancouver. TASC has more than 60 employees and serves seven Canadian destinations. This acquisition is in line with the strategic plan we adopted in 2005 that states our intention to expand the scope of Transat as an outgoing tour operator in Europe, building on our already significant position. In addition, TASC is very strong on direct sales to the consumer (more than 80% of TASC's sales are direct to the consumer, of which more than 50% are made online), which represent the fastest growing market segment in the U.K. This enhances the strategic value of this acquisition by reinforcing the multi-channel distribution strategy that is paramount to succeed in the UK environment.

In connection with the acquisition of TASC, we reorganized in October 2006 the corporate structure of our French subsidiaries, such that these entities are now held by Transat Europe Limited, a wholly-owned subsidiary of the Corporation incorporated in the U.K., which was the acquirer of TASC.

On July 11, 2007, Transat acquired 100% of the shares of French outgoing tour operator Amplitude Internationale, which specializes in travel to Tunisia and has sales of €35 million, for approximately €7.04 million. Amplitude Internationale sells travel products to Tunisia to some 80,000 French citizens every year through traditional and on-line travel agencies as well as through large retail stores.

3. DESCRIPTION OF OUR BUSINESS

The data contained in this section is estimated on competitive positioning and market share of the Transat companies based on our knowledge of the relevant industry segments. Being a vertically integrated business, we have determined that Transat conducts its activities in a single industry segment, namely holiday travel, and operates in two geographic areas, specifically North America and Europe. We recorded \$3,045.9 million in revenues for fiscal 2007, compared to \$2,603.7 million for fiscal 2006. North American operations accounted for \$2,278.1 million of our revenues for fiscal 2007 and \$2,059.6 million for fiscal 2006. European operations amounted to \$767.8 million in revenues for fiscal 2007 and \$544.1 million for fiscal 2006.

3.1 TOUR OPERATORS

Transat acts as an outgoing tour operator through Transat Holidays, Nolitours and Rêvatours. Transat also acts as an outgoing tour operator through its European subsidiaries Vacances Transat (France), Look Voyages, Air Consultants Europe B.V. and TASC.

Transat Holidays USA Inc. ("Transat Holidays USA"), Jonview Canada, Tourgreece, Trafictours de Mexico S.A. de C.V., Trafictours de Cancun S.A. de C.V., Turissimo Caribe Excursiones Dominican Republic, C. por A., Caribbean Transportation Inc., operate as incoming tour operators in Florida, Canada and Greece.

Each of these tour operators operates in its own market by developing and marketing its individual product lines, while benefiting from the considerable purchasing power and other advantages generated by our vertical integration strategy. You will find below descriptions of the main product and service offering.

3.1.1 Products of Transat Tours Canada

Transat Tours Canada commercializes its products destined to Southern and European markets through the brand names of Transat Holidays and Nolitours, both of which have a national presence. We have developed two principal types of products to complement Transat Tours Canada's revenues; notably, travel packages for Southern destinations mainly during the winter season; and a combination of scheduled and charter flights with complementary product and service offering for travel to Europe, mainly during the summer season.

We sell our products from our offices located in Montréal, Toronto and Vancouver. Most of our sunshine destinations are available with departures out of twenty-two Canadian gateways, namely: Abbotsford, Calgary, Comox, Edmonton, Fredericton, Halifax, Hamilton, Kelowna, Lethbridge, Moncton, Montréal, Ottawa, Prince George, Québec City, Regina, Saskatoon, St. John's, Thunder Bay, Toronto, Vancouver, Victoria and Winnipeg.

Transat Tours Canada's brands have completed their repositioning by realigning their respective offering for Southern destinations. In 2005, a new national brand was launched under the name Nolitours, which builds on the reputation of our former Nolitour brand in the Québec market and World of Vacations brand in the rest of Canada. We also revisited Nolitours' product offering and pricing strategy. Transat Tours Canada's main brands represent distinct product ranges and tailored distribution strategies. Nolitours offers all-inclusive packages to sun destinations. Travel agents get lower commissions while Nolitours

makes significant marketing efforts to reach consumers. Nolitours products can also be purchased on-line. Transat Holidays offers also all-inclusive Southern destinations, with a focus on more exclusive and superior hotels. Products are available through travel agency networks across Canada and more information can be found on-line.

Although both brands keep commercializing the three key destinations of Mexico, Cuba and the Dominican Republic, Transat Holidays offers also holiday packages mainly to Jamaica, St-Martin/St. Maarten, Guadeloupe, Martinique and Saint Lucia and Nolitours offers holiday packages mainly to Panama, Venezuela, Columbia, El Salvador, Costa Rica, Nicaragua and Honduras. Nolitours also offers a broad range of products for destinations in the United States (Florida).

For travel to Europe, Transat Holidays also offers short stays (in hotels, studios, apartments, and bed and breakfast inns), car rentals (based either on the straight car rental formula or with a buy-back option) or train tickets. For destinations in France, Transat Holidays sells flights mainly to Paris, Lyon, Marseille, Bordeaux, Nantes, Nice and Toulouse. As for destinations in the United Kingdom and Ireland, it sells flights mainly to London (Gatwick & Heathrow), Birmingham, Exeter, Manchester, Newcastle, Edinburgh, Glasgow, Belfast, Dublin and Shannon. Transat Holidays also sells flights to Brussels, Barcelona, Malaga, München, Frankfurt, Hamburg, Amsterdam, Rome, Athens, Vienna and Madrid. Flights to London and Paris are offered year-round, but fewer flights are available from November to March.

In addition to sunshine and European destinations, Transat Holidays offers the finest cruise itineraries from the world's leading cruise lines to the Caribbean, Alaska and to Europe, as well as coach tours mainly in Europe.

We served approximately 1,348,000 travellers through Transat Holidays and Nolitours in fiscal 2007, compared to 1,200,000 in fiscal 2006.

3.1.2 Products sold under the Rêvatours Brand

Rêvatours' products are offered through Transat Tours Canada. Rêvatours' branded products are premium-quality guided tours in Asia (China, Vietnam, India and Thailand), Eastern Europe, North Africa (Tunisia, Egypt and Morocco), Spain, Portugal, Greece and Turkey, with specialized offerings for smaller market segments. Through Rêvatours, we served approximately 4,300 travellers in fiscal 2007, compared to 6,000 in fiscal 2006. In August 2006, Rêvatours adopted a new logo featuring the golden star as part of our branding strategy, thus positioning it as a niche operator within the group.

3.1.3 Products of Vacances Transat (France)

The primary market of Vacances Transat (France) is the distribution, through French travel agencies, of holiday packages to Canada and the United States. Although Canada and North America generally remain long-haul destinations for the French, they have less and less impact on the sales of this subsidiary as we launch new Caribbean destinations, such as the Dominican Republic, Cuba, Mexico and the French West Indies, as well as packages and guided tours in many countries in Latin America, namely in Costa Rica, Ecuador, Brazil, Argentina, Chile, Peru and Bolivia. In 2004, Vacances Transat (France) developed product offerings to Asia and the Indian Ocean. With this array of destinations, Vacances Transat (France) has become a long-haul specialist in the French market with a focus on selling packages.

Vacances Transat (France) served approximately 111,000 travellers in fiscal 2007, compared to 104,000 in fiscal 2006.

The primary markets of Bennett Voyages (which has been merged into Vacances Transat (France)) are the Scandinavian countries, notably Lapland, for the winter season. As for the summer season, the major destinations are the British Isles (England, Scotland and Ireland) as well as Eastern Europe. Products sold cover group and individual tours and FIT (Foreign Independent Tour). In fiscal 2007, Bennett Voyages served approximately 19,000 travellers, compared to 17,500 in fiscal 2006. Bennett Voyages and Vacances Transat (France) have served together more than 140,000 travelers in 2007, positioning them in the top ten most important tour operators in France.

3.1.4 Products sold under the Brokair Brand

Transat France S.A.S. is active in the marketing in France, under the Brokair brand, of group-guided tours for North America (Canada and the United States), South America, Asia (mostly Thailand) and South Africa.

Approximately 25,000 travellers were served under this brand in fiscal 2007, compared to 20,000 in fiscal 2006. Transat France S.A.S. has merged with Vacances Transat (France) in December 2007.

3.1.5 Products of Look Voyages

Our subsidiary Look Voyages benefits from a well-known brand on the French market due to its exclusive value-added products in the form of holiday packages in "Club" hotels. "Lookéa" is the trademark used for these all-inclusive hotels situated in choice locations that target a youthful family-oriented clientele. We manage Lookéa Clubs according to a hybrid formula calling upon partners to manage the resorts while we handle activities and site supervision.

Look Voyages' products are sold year-round. Its summer season, which in France runs from April to October, is by far its busiest. Its most popular destinations are located in the Mediterranean region. Our medium-term strategy for Look Voyages is to develop value-added products aimed at focusing on its holiday package activities. Thus, Look Voyages now focuses on destinations where it holds substantial volumes, concentrating on packages.

Look Voyages served approximately 204,000 travellers in fiscal 2007, compared to 164,000 in fiscal 2006.

3.1.6 Products of The Airline Seat Company Limited

Canadian Affair is the trading name of The Airline Seat Company Limited, owned 100% by Transat since August 1, 2006. It is one of UK's largest tour operators to Canada, offering customers its products to seven destinations in Canada from eight UK departure airports. This includes its new, first ever services from London Heathrow which have been launched in May 2007 on Air Transat. Canadian Affair offers flights on Thomas Cook aircraft through a commercial agreement and has increased its services in 2007 through the selling of Air Transat capacity, through all distribution channels.

The product offering ranges from air-only trips to wider holiday components such as short city breaks, cars, rail, cruises, tailor made self driving tours and specific products such as the Rocky Montaineer.

During the twelve-month period ended October 31, 2007, Canadian Affair served approximately 161,500 travellers compared to 69,700 travellers in 2006.

3.1.7 Products of Jonview Canada

Jonview Canada, which regroups products sold under the brand names Jonview Canada, Out by View and Merika Tours, is the leading incoming tour operator in Canada, with offices in Montréal and Toronto. It also has sale representation offices in France, the United Kingdom, Mexico, Japan and Brazil. Through Jonview Canada, we sell a range of products to tour operators in Europe, particularly in France, the United Kingdom, Germany, Italy, Switzerland, the Netherlands and Belgium. We also cater to clientele in Latin America, Australia, New Zealand and Asia.

Jonview Canada offers a full range of Canadian holiday products, including guided bus tours, group travel arrangements, fly and drive holidays, city and activity packages, ski vacations, hotel accommodations, local transfers, discovery and adventure tourism, and incentive travel. It is also developing new products, such as snow mobile tours and multi activity winter programs, as well as its Explorer Collection which offers a range of unique and luxury hotels, lodges and resorts across Canada. All of these new products are currently being offered for the 2007-2008 season.

Jonview Canada brought 250,000 travellers to Canada in fiscal 2007, compared to 237,000 in fiscal 2006.

3.1.8 Products of Tourgreece

Tourgreece is an incoming tour operator located in Athens, Greece with 28 years of history. It offers a range of holiday packages, such as stays, excursions and cruises in Greece and the Greek Islands, as well as transportation from the airport to the hotel. Tourgreece services Transat's tour operators as well as other tour operators, mainly from the United States and Europe.

Tourgreece served approximately 72,000 travellers in fiscal 2007, compared to 71,000 travellers in fiscal 2006.

3.2 TRAVEL AGENCIES AND DISTRIBUTION

3.2.1 Travel Agencies

Our travel agencies sell a variety of products, including those offered by our own tour operators. Travel agents reserve products either through a computerized booking system, the Internet or by telephone.

In the Canadian market, we distribute our products in part through our own retail network, corporate or franchised. The acquisition of Thomas Cook which we completed in fiscal 2006 makes us the largest retail distributor of holiday travel products in Canada, with 409 outlets (out of which 105 are wholly owned and 304 are franchised). Our affiliated distribution network in Canada now includes 109 Club Voyages agencies, 66 Voyages en Liberté agencies, 174 Marlin Travel agencies, in addition to 28 TravelPlus agencies, the exitnow.ca online agency and the 22 tripcentral.ca agencies.

Transat Distribution Canada's human resources, finance and administration, information systems and marketing services support the entire retail network. Much like Transat Tours Canada for the Corporation's tour operators, this business unit created during fiscal 2003 is part of the integration of retail business operations, which integration draws on both travel agents and the Internet, not in parallel, but in a highly integrated and collaborative manner.

We intend to operate our travel agencies network in Canada as one business unit by taking advantage of a common administrative system for all of our own corporate agencies across the country, and by putting together our purchasing power. We have developed a new branding initiative whereby both Club Voyages and Marlin Travel share a common logo and identity while keeping their distinct names. This initiative is part of our new branding strategy. The know-how acquired by exitnow.ca in distribution on the Internet is being passed along to the “brick and mortar” agencies in order to have all the distribution acting in a coordinated fashion.

Through our subsidiary Eurocharter, we also own and operate 69 travel agencies throughout France under the Club Voyages banner. However, 32 of these travel agencies have been re-branded under the Look Voyages colours for marketing purposes, in order to benefit from the reputation of Look Voyages in the French market and build on the latter’s marketing initiative.

3.2.2 E-commerce

Exitnow.ca became one of the first website specializing in holiday packages and charter flights in Canada. It has evolved into a division of our subsidiary Transat Distribution Canada inc. (formerly Consultour Inc.), whose mission is twofold: firstly, it operates the Web call centre dedicated to the last minute discounted segment of the travel market in Canada; secondly, it serves as a “fulfiller” of our other companies and divisions as regards their B2C e-commerce needs. More specifically, exitnow.ca operates the websites of Air Transat, Transat Holidays, Nolitours, Club Voyages, Marlin Travel and TravelPlus, offering them their Internet know-how and helping them in creating a “brick and click” strategy.

3.3 AIR TRANSPORTATION

In 2007, our airline Air Transat offered flights out of its principal bases in Montréal, Toronto and Vancouver, as well as some flights out of Ottawa, Winnipeg, Québec City, Calgary, Edmonton, Halifax and St-John’s. As a result of certain government policy changes that came into effect in 2002, Air Transat operates scheduled flights between Canada and the following countries: the Netherlands, Belgium, Ireland, Italy, Spain, Greece, France, the United Kingdom, Germany, the United States, Cuba, Mexico and the Dominican Republic.

During the winter season, we served more than 36 destinations in approximately 18 countries, flying primarily to Southern or other sunshine destinations. In the summer, we shift most of our capacity to Europe, while maintaining some flights to Southern destinations. In fiscal 2007, Air Transat offered direct flights between Canada and some 32 European destinations.

We served 2,727,000 passengers on Air Transat in fiscal 2007 compared to 2,595,000 passengers in 2006.

3.3.1 Distribution and Marketing

Our tour operators market air services for passenger transportation on a seasonal basis. In the winter season, most of the seats sold are to Southern destinations; in the summer season, seats are primarily sold to Europe. Air Transat’s destinations are selected in close cooperation with our tour operators. The latter enter into charter agreements with Air Transat six to eight months prior to the beginning of each season.

Even though the marketing of the flights is primarily in the hands of our tour operators, Air Transat's status as a scheduled carrier for certain countries, as well as for domestic and transborder flights, allows us to market seats directly to travel agencies through Global Distribution Systems (GDS); to sell seats on the Internet; to enter into agreements with other carriers to offer connecting flights; and to transport freight. Those seats are then available on its website, which uses the exitnow.ca booking engine. Air Transat's website offers content to travellers in terms of vacation spots, package browsing and flight options and enabling online reservations.

3.3.2 Maintenance, Inspections and Other Measures

For over five years, we have been committed to a sweeping re-engineering and improvement of processes involving all aspects of our airline operations. The purpose of this project, which is progressing in stages, is to improve the quality of service while optimizing resources. It includes a complete review of processes linked to aircraft maintenance, the integration of functions connected with passenger service and crew and aircraft scheduling. We are seeing tangible results in all of these areas of operation, which have translated into improved on-time performance.

Over the last years, we have implemented an array of measures based on principles of safety and prevention to which we subscribe without reserve. These measures include amongst others, a comprehensive review of Air Transat's maintenance and operations program that led to an improvement of the performance of its quality assurance activity, the introduction of human factors training for all technical personnel, the integration of fuel leak scenarios into simulator training programs and the introduction of the new fuel leak detection system on Airbus A330 aircraft.

Furthermore, Air Transat, in conjunction with Transport Canada, has been a pioneer in the development of a new regulatory framework pertaining to safety management systems. Safety management systems aim at increased accountability within the industry, install a consistent and positive safety culture and improve the safety performance of air operators. Our safety management system has been implemented in 2002 and has already shown its benefits by foreseeing trends that could have an impact on our operation and allow corrective measures well in advance.

We perform regular maintenance work on all aircraft of our fleet. Our aircraft maintenance procedures and standards exceed Transport Canada's requirements and equal those set by well-known network or full service air carriers having a reputation for high maintenance standards. We carry an inventory of spare parts for our Airbus A330 and A310.

Check 1 to Check 8 ("C1 to C8") inspections are completed at regular mandatory intervals pursuant to strict regulatory requirements. Each C1 to C8 inspection for each A310 used to be tendered individually to maintenance specialists, not all of whom were located near Air Transat's hangars. Air Transat reviewed its processes to reduce down time and aircraft ferry by negotiating agreements with inspection specialists that offered better pricing and located closer to its hangars, such as Air Canada Technical Services. In January 2005, Air Transat, which leases Airbus A330 aircraft powered by Rolls-Royce Trent 700 engines, entered into an agreement with Rolls-Royce for the purchase of certain engine maintenance services. It is intended that the term of this agreement shall extend to 2011, being the last year of Air Transat's Airbus A330 leases.

We have a long-standing in-flight medical assistance contract, providing services 24 hours a day 365 days a year with MedAire, Inc., a medical advisory firm specialized with in-flight and on the ground

health emergencies. We have also followed, and continue to follow, all the guidelines announced by Transport Canada and Health Canada.

Through our Audit Committee and our Corporate Governance and Nominating Committee, our Board of Directors identifies and evaluates on a yearly basis, at the least, the principal risk factors related to our business and approves strategies and systems proposed to manage such risks, including those specifically related to the aviation industry. Our Corporate Governance and Nominating Committee in particular oversee the policies and procedures with respect to flight safety. As part of its responsibilities, it regularly reviews the emergency plan implemented by Air Transat. This plan aims to inform and train all of our airline personnel and management on procedures to be followed with respect to an accident or an incident involving an aircraft and the ensuing investigation.

3.3.3 Insurance

We maintain insurance in amounts in accordance with industry standards and in compliance with applicable statutory requirements and the covenants of our aircraft lease agreements. Our liability insurance for airline operations covers liability related to damages resulting from injury or death of passengers, as well as to damage suffered by third parties. The limit for any single event is US\$1.0 billion with the exception of War Risk Bodily Injury/Property Damage to Third Parties excluding passengers where the limit is US\$150 million for any single event and in the aggregate.

Over the past few years, a commercial market has become available to cover these risks. However, the reasonableness of the terms and conditions has been a subject of some discussion, and some insurers are not licensed to transact business in Canada. Since no commercial market was immediately available to provide airlines with third-party civil liability coverage against war and terrorist acts in excess of US\$150 million at commercially reasonable terms, it was necessary for individual governments to cover locally-based airlines against this risk until commercial insurance became available. The Canadian government covers domestic air carriers accordingly.

The Canadian government continues to cover its air carriers, prompted by the licensing situation and by the U.S. government's decision to continue protecting its own carriers against such risks. However, there can be no assurance that the Canadian government will not withdraw its protection, particularly if the U.S. government should change its position.

3.3.4 Fuel Supply

Fuel costs represent a major component of our airline's operating expenses. The increase and constant fluctuations in the cost of fuel are a major concern for Transat given the impact of fuel costs on our margin. Our policy calls for hedging a portion of our fuel requirement needs. As at October 31, 2007, fuel-purchasing contracts covered to 50 % of the fuel requirements for fiscal 2008 and to 2 % of the fuel requirements for fiscal 2009, compared to 53 % as at October 31, 2006 for fiscal 2007 and 12% for fiscal 2008.

We negotiate with national and international oil companies to insure that our aircraft are supplied with fuel at all airports where we operate. Fuel prices are agreed to for each season on the basis of fixed margins over fluctuating world prices. The tariff filed by Air Transat with the Canadian Transportation Agency states that charter agreements signed with tour operators may be amended in the event of significant variations in the price paid for fuel. We also implement fuel surcharges when necessary and in accordance with the legislation to which we are subject in order to partially offset any surge in fuel prices.

3.3.5 Ground Handling and Airport Services

Handlex, our wholly-owned subsidiary, provides ground-handling and airport services, including passenger reception and check-in services, baggage and cargo handling and aircraft cleaning, as well as ramp services, at the international airports in Montréal, Toronto and Vancouver. With approximately 1,200 employees, Handlex serves Air Transat and 25 other air carriers from around the world at its Canadian bases. Their specialized staff provides services for approximately 6,000 departures and arrivals annually.

3.4 OUR EMPLOYEES

As at October 31, 2007, Transat and its subsidiaries had a total of 6,090 active employees and the average number of employees over the fiscal year 2007 is approximately 6050. For additional information concerning the number of employees working in our main subsidiaries, please refer to page 13 of our 2007 Annual Report available for consultation on SEDAR at www.sedar.com.

We favour employee ownership of our share capital. For a detailed description of our share-based compensation plans and other long-term incentive plans, we refer you to our Management Proxy Circular dated January 21, 2008 respecting the 2008 Annual and Special Meeting of Shareholders (or to a more recently filed management proxy circular, if any) available for consultation on SEDAR at www.sedar.com. Our policy is to promote good relations with our employees, in light of which we have adopted a policy to hinder harassment in the workplace and another regarding the protection of personal information and the right to privacy.

Some of our employees belong to employee associations with which we have negotiated a series of working conditions. The following chart sets out employees' affiliations and the status of their respective collective bargaining agreements as at the date of this AIF.

<u>Employees</u>	<u>Transat's Subsidiary</u>	<u>Affiliation</u>	<u>Status of Collective Bargaining Agreement</u>
Flight crew members (pilots)	Air Transat	Airline Pilots Association (ALPA)	In force until April 30, 2010
Flight attendants	Air Transat	Canadian Union of Public Employees (CUPE)	In force until October 31, 2010
Dispatch	Air Transat	Canadian Airline Dispatcher's Association (CALDA)	In force until October 31, 2011
Crew scheduling and passenger service	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW)	In force until July 31, 2012
Maintenance, stores and technical support	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW), Lodge 140	In force until April 30, 2011
Call centre	Air Transat	Teamsters, Local 1999	Expired (in negotiation since December 17, 2007)

<u>Employees</u>	<u>Transat's Subsidiary</u>	<u>Affiliation</u>	<u>Status of Collective Bargaining Agreement</u>
Mechanics and station attendants – Toronto and Montréal	Handlex	Teamsters, Locals 419-1999	In force until November 30, 2009
Passenger service agents – Toronto and Montréal	Handlex	National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada), Local 2002	In force until September 6, 2009
Cabin service attendants – Montréal	Handlex	Union of Local Transport and Various Industry Workers, Local 931	In force until March 26, 2008
Cabin service attendants – Toronto	Handlex	National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada), Local 2002	In force until May 23, 2010
Passenger service agents and Cabin service attendants – Vancouver	Handlex	National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada)	In force until April 1, 2010
Mechanics and station attendants – Vancouver	Handlex	National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada)	In force until November 30, 2009

3.5 COMPETITION

Owing to our vertical integration strategy, we face many competitors doing business worldwide as either, Tour operators, travel agencies (traditional and online) or air carriers.

3.5.1 *Tour operators*

The market for tour operators is well established in Europe, Asia, the United States and Canada. Tour operators specialized in outgoing services purchase the various components of a trip and sell them to customers through the services of travel agencies, either as a travel package or separately. The large outgoing tour operators purchase blocks of seats or complete flights mainly from air carriers specializing in charter services and undertake to pay for all the seats so purchased whether they sell them or not, thereby obtaining a better price. Such tour operators also negotiate with hoteliers for blocks of rooms and make arrangements in order to offer travel packages at lower prices than if customers were to make their own reservations.

The Canadian market for sunshine destinations is mainly a “package” driven market, whereas Europe, as a destination, is a market of aircraft seats, car rentals and hotel rooms booked on a nightly basis. Canadian outgoing tour operators finalize agreements with suppliers six to eight months prior to the beginning of each season. The summer season runs essentially from May 1 to October 31 and packages are prepared in the preceding fall. The winter season runs mainly from November 1 to April 30 and packages are prepared in the preceding spring. As part of these preparations, tour operators undertake

negotiations with air carriers, hotel and cruise ship operators, and car rental agencies. When such negotiations are completed, brochures and websites illustrating the various destinations and describing the various packages and services offered are prepared and distributed to travel agencies before the beginning of each season and sales presentations are made to travel agents in the main cities of the markets covered.

Certain tour operators specialize as incoming tour operators, making arrangements for foreign tourists at their destinations. They negotiate rates with local suppliers of tourist services (hotels, tour buses, local attractions, etc.), assemble packages and sell them to outgoing tour operators in the countries of origin. Incoming tour operators essentially export a country's attractions to foreigners, while also providing services with respect to the organization of holiday travel, conventions and incentive trips.

Certain tour operators round out the range of services offered to travel agencies with the FIT formula (Foreign Independent Tour), namely the sale of seats along with lodging and car rentals. Online travel agencies, such as Expedia, Inc. and Travelocity.com LP, are particularly active in the FIT business segment, thus becoming both an additional distribution channel and a competitor for tour operators.

Factors required to be a successful tour operator include: a good understanding of the tastes and requirements of the vacationer; a solid reputation with hotel suppliers; sufficient travel volume to achieve competitive air and accommodation costs; an established reputation for the ability to deliver on contracted room guarantees and a good understanding of distribution channels from which a solid relationship with travel agents is based upon the tour operator's reputation for value and customer satisfaction.

3.5.1.1 On the Canadian Market

Through Transat Holidays and Nolitours, Transat Tours Canada is the largest tour operator in Canada.

We compete with other tour operators, such as Vacances Tours Mont-Royal Inc., Premier choix Inc. doing business as Signature Vacations, Tours Maison Inc., Touram Inc. doing business as Air Canada Vacations, Go Travel Direct.com, Red Seal Vacations Inc. operating as Sunwing Vacations, etc.

In addition to Transat, a few large tour operators play leading roles in the Canadian market, including MyTravel Canada Holidays Inc. (with Sunquest Vacations® and Alba Tours®), Premier choix Inc. doing business as Signature Vacations, Conquest Vacations Company, Red Seal Vacations Inc. operating as Sunwing Vacations, Air Canada Vacations, etc. We have succeeded in establishing a significant market share in the European travel segment, mainly to the United Kingdom during the summer season, as well as for the sunshine destinations segment during the winter season.

Geographical diversification involves departure points and destinations, the purpose being to offer products that best meet customers' expectations in each new market, preferably exclusively. In this respect, our agreement with WestJet allows us to penetrate new markets, as mentioned in this AIF. In addition, we continue to invest in the expansion of our range of products, in keeping with market trends.

3.5.1.2 On the French Market

The French market consists of approximately 350 tour operators, the largest of which are Club Med-Jet Tours™, Voyages FRAM™, Nouvelles Frontières™ and our own tour operators Look Voyages and Vacances Transat (France).

There is a rising demand for long-haul flights during the winter (primarily to sunshine destinations). Aside from the French West Indies (Guadeloupe and Martinique), the demand for countries such as Cuba, the Dominican Republic and Mexico is growing, supported by the affluence of French tourists. This situation enables several players in the industry to increase that proportion of their revenues derived from winter operations.

France has experienced an accelerated consolidation of the tourism industry since the early 2000's with the arrival of foreign companies and the pooling of interests among French players. In particular, TUI AG, a German tour operator and a major player in the industry, acquired Nouvelles Frontières™ and created a new tour operator named TUI France™, while First Choice, the UK-based tour operator, acquired Marmara-Étapes Nouvelles and Tourinter. For its part, Thomas Cook, a German-owned operator, acquired the Havas travel agency network and created two new tour operators, Thomas Cook Voyages and Neckermann™. All of this has resulted in a very competitive market on each destination, with at least six generalist tour operators and a plethora of specialized players.

Moreover, two important transactions occurred in 2007, the merger of TUI and First Choice and the merger of Thomas Cook and My Travel, all of these tour operators having significant operations in many European countries, as well as in other regions of the world. The impact in France is that Nouvelles Frontières and Marmara now belong to the same owner and, though their operations are not merged, are together the number one tour operator on many of the medium haul destinations such as Morocco, Tunisia, Egypt and Turkey.

As for Transat, we are firmly established in France, where our tour operator activities rely on Vacances Transat (France), Look Voyages and Brokair.

We remain the leading tour operator for packages to Canada through Vacances Transat (France). Over the years, we have been able to build on this base by expanding our product offerings for the entire long-haul market. Taking advantage of synergies with Transat Holidays in Canada, Vacances Transat (France) is one of the leaders in France for travel to the Dominican Republic, Cuba and Mexico.

Look Voyages ranks seventh amongst tour operators in France. As in Canada, the characteristics of the holiday travel market vary depending on the season: during the winter, the French prefer domestic and long-haul flights, while in the summer they readily opt for the Mediterranean Basin and North Africa. We have succeeded in building a solid brand image for Look Voyages, which ranks first in top of mind surveys with the under-30 age group.

Although quality is an important factor, we believe that competition between tour operators on the Canadian and French markets is mainly based on price, with customers looking for the most affordable way to travel to their destinations. Reduced profit margins in recent years have caused tour operators to seek higher volumes and larger market shares. It is our view that another important factor relative to competition is exclusive access to certain hotels in sunshine destinations, which may enable the major tour operators to improve their position on the market. Thus, we increased exclusivity arrangements with hoteliers over the last few years.

3.5.1.3 On the UK Market

The UK travel market is now dominated most significantly by competition based on the price. Customers will decide their holiday destination on the price of their flight; this is the case for every destination in the world from the UK, as air access is no longer the restricting factor.

Canadian Affair is well established in the UK and is now the UK's largest tour operator to Canada and sells flights and holidays to Canada on a direct consumer basis via the phone lines and the website www.canadianaffair.com. Online sales are continually growing, as is the trend in the UK and now account for over 55% of flight sales. Selling to the travel trade is conducted under the brand Air Transat Holidays and offers online booking as well as via viewdata, telephone and via CRS. Air Transat flight only sales can also be booked online via www.airtransat.co.uk.

Competition is fierce in the UK for flight sales with direct selling competing head on with travel agents and tour operators. The main competitors are Zoom Airlines, a low cost Canadian airline established in 2004, and Flyglobespan.com, also a low cost airline and part of the Globespan family that also flies to Europe, the USA, and South Africa. 2007 has been the first year that Flyglobespan has operated its own flights to Canada. Air Canada and British Airways dominate the business traffic to Canada.

Tour operator competitors such as Travelpack, Trailfinders, Thomas Cook Signature, Titan, First Class Holidays all have a dedicated Canada focus and brochure, focus mainly on selling packaged holidays and tours to Canada and whilst many have flight allocations on our flights, they are still a competitor to our sales. Travel agent competitors such as the Multiples e.g. the TUI group, Going Places etc play less of a focus for sales to Canada with the majority of their sales being to traditional sun destinations in Europe and America. Online travel agents such as Expedia, or Travelocity represent a small portion of flight sales to Canada and best prices are found directly with the operator and airline.

Canadian Affair has always positioned itself as selling high quality flights and holidays at the best value prices and is well known in the industry for delivering the best value prices and highest quality products. In 2004 and 2005, it was recognized by the Canadian Tourism Commission as the best direct sale tour operator in the U.K.

3.5.2 Travel Agencies and Distribution

Travel agencies are the intermediary between the tour operator and the customer. Travel agents meet with, advise and sell the product to the customer. In general, tour operators and other suppliers remunerate travel agencies by way of a commission. Travel agencies also sell travel packages and plane tickets offered by tour operators, plane tickets sold directly by airline carriers and other travel products and services such as cruises. Travel agencies mainly operate independently, as part of large corporate groups, as franchisees or within associations.

As a result of technological advances, online travel agencies now offer a large range of travel products by way of transactional websites on the Internet. In both North America and Europe, online travel sales are mostly made up of air tickets, with only a small proportion of packages (including air and hotel).

According to industry sources, there are about 4,500 travel agencies in Canada and 5,000 in France.

We believe that competition between travel agencies is principally based on price and service level. As is the case with tour operators, low profit margins cause travel agencies to seek higher volumes and larger market shares. One of our priorities with regard to integration is to extend our distribution network in our two principal geographic markets.

Retail chains represent one third of all travel agents in Canada. The major chains are Transat Distribution Canada operating under the Club Voyages, Voyages en Liberté, Marlin Travel and TravelPlus

brands, which is our own network of travel agencies, Carlson Wagonlit Travel[®], CAA[™], Flight Center, Uniglobe and Sears Canada Inc. operating as Sears Travel. Retail chains, operating under a common brand, provide a range of services to their members, in the form of centralized negotiated commission levels with major tour operators, as well as training, marketing and information services support.

Consortiums of travel agents, such as Ensemble Travel Ltd., Advantage Travel T-Comm Inc. and Travel Saver constitute the second third of Canadian travel agents. They mainly offer centralized negotiated commissions with tour operators.

Finally, the other third is made up of independent travel agents. Vertical integration between travel agent networks and tour operators has been taking place in Canada, as is the case in Europe. All major Canadian tour operators have acquired more travel agencies in recent years.

French customers have a number of ways in which they can purchase either a vacation package or airline tickets: through travel agencies or the Internet, company committees, community organizations or group specialists. With regards to agencies, the market is more fragmented in that large travel agency networks work alongside numerous small, independent, generalized or specialized travel agencies. In keeping with our growth strategy and considering the climate of consolidation that characterizes the market, we intend to further expand our distribution network in France.

There is no doubt that a number of approaches to distribution will continue to coexist. While online travel agencies keep growing, many customers prefer to deal directly with travel advisors, who must demonstrate their added value. Other customers shop on the Internet but insist on finalizing the transaction in person. Even though our short-term plans with regard to distribution focus on the harmonization and deployment of technology platforms, we intend to pursue a distribution strategy combining traditional travel agencies and the Internet, which will enable us to cater to our customers' preferences. This is where *exitnow.ca*'s technological platform comes in, being the cornerstone of our online operations. It plays a key role in meeting the expectations of both our customers and travel agents, and significantly reducing transaction costs. This in turn can be profitable and efficient for everyone, including the customer.

3.5.3 Air Carriers

It is our view that the competition between air carriers is essentially based on price, which is mainly a function of the level of seat capacity, although there are ways to better manage price and increase yield. Prices therefore vary significantly in accordance with seasonal variations in demand and price wars are often triggered whenever carrier capacity exceeds demand or a competitor seeks to increase its market share. It is our view that recent developments in Canada concerning our competitors have brought on capacity that exceeds demand. Furthermore, the large number of air carriers specializing in charter services and scheduled airlines flying to U.S. destinations has resulted in heavy competition and lower profit margins on flights to these destinations. In addition to price, the image of air carriers and the perception of customers also have an impact on competition.

The air transportation industry is composed of four major segments: (i) network or full-service carriers, such as Air Canada, which primarily operate scheduled flights at major hub airports and rely mostly on the business travel segment and, to a lesser extent, holiday travel markets; (ii) low-cost carriers, such as WestJet, operating short to medium-haul segments at secondary airports on a high-frequency, no frills basis and serving the price-sensitive business and holiday markets; (iii) leisure carriers, such as our own airline Air Transat, serving almost exclusively the holiday travel market through a combination of scheduled and

charter air services; and (iv) regional airlines serving local short-haul markets and providing feed traffic to network carriers at major hubs.

Network operators market and distribute their services to the public through in-house reservations departments, global distribution systems and the Internet. Low-cost carriers sell the vast majority of their seats on the Internet. Leisure carriers charter most of their capacity to tour operators and wholesalers who, in turn, consolidate flight services into packages and sell to the public primarily via the travel agency distribution network. The tour operators negotiate bulk hotel room rates and make other arrangements to render the price of a vacation package sold to the customer more attractive than if the same consumer had attempted to make his own reservations.

Network carriers expand their destination offerings through marketing tools such as code sharing and may be part of several large global carrier-alliances, which have been formed over the last decade in this regard. Holiday and low-cost carriers generally do not interline or connect and offer principally direct point-to-point services for the origin-destination traffic segment.

Airline companies either own their aircraft or lease aircraft on a short or long-term basis. Carriers specializing in charter or scheduled flights configure aircraft differently in order to meet their respective needs in terms of service and capacity.

We believe that network carriers, low-cost carriers and holiday or charter carriers increasingly compete in the holiday and the so-called “visiting friends and relatives” travel markets. This is particularly true following certain policy changes enabling air carriers specializing in charter services to operate scheduled flights between certain destinations, as is the case with Air Transat, which is licensed to offer scheduled services between Canada and the sixteen countries listed in Section 3.3 of this AIF.

3.6 INTELLECTUAL PROPERTY

The following is a list of our principal registered and unregistered trademarks that are used in association with travel-related services rendered by our business units : the star logo featured on the cover of this AIF, Air Transat, Handlex, Nolitours, Transat Holidays/Vacances Transat, Rêvatours, Merika Tours (formerly known as Kilomètre Voyages), Look Voyages, Lookéa, Lookéko, Brokair, Canadian Affair, Air Consultants Europe, Bennett Voyages, Club Voyages, TravelPlus, Marlin Travel, Exitnow.ca, Tripcentral.ca, Voyages en liberté, Jonview Canada, Transat Holidays USA, Cameleon, Turissimo, Trafictours and Tourgreece, as well as trademarks, trade names and domain names associated to the aforementioned trademarks.

Some of these trademarks, such as Air Transat, Handlex, Nolitours, Transat Holidays/Vacances Transat, Rêvatours, Merika Tours, Transat Holidays USA, Club Voyages, TravelPlus and Marlin Travel share the star logo featured on the cover of this AIF as their common platform. The creation of a unique, strong and visible corporate identity across our main business units facilitates the recognition of our various companies and divisions for both our customers and employees. It also maximizes customer awareness on both the B2C and B2B markets, while fully leveraging the contribution of all of our business units and creating value.

We believe that our trademarks are very important to our success. Hence, we take appropriate measures to protect our intellectual property and to defend our trademarks. We achieve this through registering our trademarks with the appropriate authorities in the countries where we carry out our operations, including Canada, the United States, Europe and our destinations, monitoring the usage of

others' trademarks, trade names and domain names that are likely to cause confusion in the mind of the public with our own intellectual property and resorting to legal action when appropriate.

We also take great care not to infringe on the intellectual property and trademarks that belong to others.

3.7 TRENDS

In recent years, the activities of the Canadian holiday travel sector have been consolidated, hence promoting vertical integration. The sector has also experienced the effect of the globalization of markets. Although a significant number of smaller tour operators remain, four major tour operators, two of which are foreign owned, now dominate the Canadian industry.

Although the United Kingdom has experienced similar trends, France is still a largely fragmented market with several tour operators and a large number of smaller ones.

We believe that France will also be affected by globalization and concentration. For more details on trends, please refer to Section 3.5 of this AIF on competition.

3.8 THE REGULATORY ENVIRONMENT IN WHICH WE OPERATE

As a vertically integrated company, we are involved on all levels of operation specific to holiday travel. Hence, we conduct business in a highly regulated environment as far as our tour operators, travel agencies and air carrier are concerned. All of our companies and divisions hold all licences, certificates and permits necessary for their operations and are in compliance with the requirements of applicable legislation. You will find below a description of the legislation to which we are subject.

3.8.1 *Tour operators and Travel Agencies*

3.8.1.1 Canada

In Québec, Ontario and British Columbia, where our operations are centered, tour operators and travel agencies (collectively referred to in this subsection as "Travel Agents") are governed by specific legislation providing protection to the travel customer. In all three provinces, Travel Agents must hold licenses for the performance of their operations and deposit into a trust account monies received from customers in respect of the travel services purchased. Travel Agents may withdraw the monies from the trust account prior to their customer's departure solely to make payments to suppliers of the travel services for which the monies were received. All three provinces also require Travel Agents to provide a security, in the form of a bond or letter of credit, to the authority supervising compliance with statutory obligations as a condition to being granted a Travel Agent's license. Additionally, all three provinces have established compensation funds benefiting customers for the protection against fraud and bankruptcies of Travel Agents and end suppliers, such as airlines or cruise lines. The *Office de la protection du consommateur*, the Travel Industry Council of Ontario and the Business Practices and Consumer Protection Authority are designated authorities in Québec, Ontario and British Columbia, respectively, to carry out the control and inspection mechanisms provided for in the legislation and to ensure compliance therewith. Key aspects addressed by applicable legislation in all three provinces are compensation funds and advertised price for travel services.

A- Compensation Funds

Québec is the only province whose Indemnity Fund, which replaces the former collective security funds, transfers from Travel Agents onto customers the burden of financing their own travelers' protection. This Indemnity Fund is made up of customers' contributions equivalent to 0.35% of the total cost of the travel services purchased and tour operators' contributions equivalent to 0.16% of travel services sold through travel agencies in Québec. Tour operators must contribute to the Indemnity Fund until they reimburse the amount of \$6.0 million previously advanced by the government to replenish the former collective security fund. Customers are able to claim directly on the Indemnity Fund in the event of an end supplier failure that is not attributable to the Travel Agent. In cases where the non-performance of travel services is due to the Travel Agent's fault, the customer may be indemnified or reimbursed out of the Travel Agent's trust account for any remaining balance with respect to such customer's booking, then out of the Travel Agent's individual security and, if the latter is insufficient, out of the Indemnity Fund. The indemnity payable to customers out of the Indemnity Fund may not exceed \$3,000 per person per trip and \$3.0 million per event.

In Ontario, contrary to Québec, Travel Agents remain responsible for financing traveler's financial protection through the compensation fund. As in Québec, Travel Agents registered in Ontario may draw directly on the compensation fund with a view to be reimbursed for disbursements made to customers in the event of end supplier failures. Similarly to Québec, the liability imposed on Travel Agents for end supplier failure is limited to circumstances where the Travel Agent failed to either (i) properly disburse the money received from its customers, or (ii) to act in good faith and at arm's length with the supplier and the said supplier is not in breach of a requirement to be registered under the legislation. The maximum amount that may be reimbursed out of the compensation fund to a customer or Travel Agent for a failure to provide travel services is \$5,000 for each person whose travel services were paid for by the customer. The maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or a major event is capped at \$5.0 million.

In British Columbia, as in Ontario, it is up to the Travel Agents to contribute to the Travel Assurance Fund. The maximum amount that may be paid from the fund to a claimant in respect of a claim is \$5,000 for each person covered by the claim, subject to a \$2.0 million cap in respect of all claims relating to a single event. It remains to be seen how this cap will work out with the contribution holiday applicable to licensees under the legislation when the book value of the Travel Assurance Fund is at least \$1.0 million and the contributor has paid the required contributions for successive semi-annual periods totalling three years.

B- Advertised Price for Travel Services

When it comes to advertising, the province of Québec promotes full disclosure to enable the customer to make informed decisions, namely to ensure that pricing information is not misleading and that the total price is provided at the actual time of purchase to avoid so-called “sticker-shock”. However, Travel Agents may exclude from the total cost of the services advertised the Québec sales tax, the goods and services tax of Canada and the dollar amount payable as a contribution to the Indemnity Fund. Prices advertised on a brochure may not be increased for 60 days after their publication, unless the increase results from an increase in taxes, royalties or charges authorised by a competent public authority. This means that in some cases, the Travel Agent may be forced to absorb the costs of a fuel surcharge paid to an air carrier by reason of his (her) inability to pass it on to customers.

Ontario's legislation requires any representation that refers to the price of travel services, to show in a clear, comprehensible and prominent manner the total amount to be paid for travel services, either including all fees, levies, service charges and surcharges or excluding them and, in the latter case, to provide either an itemized list of the cost for each fee, levy, service charge and surcharge, or the total cost the customer will be required to pay for fees, levies, service charges or surcharges. As in Québec, it is not necessary for the representation that refers to the price of travel services to deal with retail sales tax or federal goods and services tax. While Ontario's legislation allows for price increases, it does so provided that the contract between the Travel Agent and the customer permits price increases and only if the cumulative price increase is by a maximum of seven per cent (7%) of the total price of the travel services, excluding any increase resulting from an increase in retail sales tax or federal goods and services tax. Otherwise, the Travel Agent must offer to the customer the choice of a full and immediate refund or comparable alternate travel services acceptable to the customer.

Advertising rules in British Columbia applicable to Travel Agents are similar to Ontario but they are dealt with in general consumer protection laws.

So far, there is no level playing field between Travel Agents and other travel suppliers, such as air carriers, as far as advertising of airfare is concerned. Air carriers, which are not subject to provincial legislation, may keep advertising prices that exclude taxes, fees and surcharges, the aggregate of which often represents more than two-thirds of the price initially quoted to the customer. Bill C-11 was passed by the House of Commons on February 28, 2007 and received Royal Assent on June 22, 2007, becoming law and amending several acts, including the *Canada Transportation Act*. Although certain provisions of Bill C-11 provide for the right to make regulations with respect to airline price advertising, the scope of these provisions and its effect on airline advertising are not clear. Furthermore, the provisions dealing in Bill C-11 with advertising are presently suspended and there are no indications at this time as to when they would come into force.

As at the date of this AIF, our companies and divisions doing business as Travel Agents hold all licenses necessary for their operations and are in compliance with the requirements of applicable legislation.

3.8.1.2 France

In France, travel agents (producers and distributors) are governed by the provisions of Law No. 92-645 of July 13, 1992, and by Decree No. 94-490 of June 15, 1994. These texts were codified

as existing law in the *Code du tourisme* ("Tourism Code") by Order of December 20, 2004, and by Decree of October 6, 2006.

– *Conditions for conducting business activities as a travel agent*

The provisions of the Code stipulate that travel agents must hold a license to conduct their business activities. As conditions for obtaining such license, the Code requires of corporations ("*personnes morales*") that:

– their legal representatives fulfill conditions for professional competence (degree of qualification and/or experience in tourism) and are exempt from certain criminal convictions.

– they occupy suitable physical facilities on French territory or that of another European Union Member State or state party to the Agreement on the European Economic Area.

– they have proof of insurance covering the financial consequences of their professional legal liability;

– they provide evidence that sufficient financial security has been provided, earmarked especially to cover refunds to buyers of amounts received for travel services not exclusively involving transportation, in case of default by the agency. That security must be provided by an *organisme de garantie collective* (joint guarantee fund), a credit institution or an insurance company established on the territory of a European Union Member State or state party to the Agreement on the European Economic Area. It must cover the cost of any necessary repatriation. Refund may, with the agreement of the buyer, be in the form of provision of different services in replacement of those originally planned.

The minimum amount (currently 99,092 Euros) and method of calculating the financial security are determined by decision of the minister responsible for Tourism upon the advice of the *Conseil National du tourisme* (National Tourism Board). The calculation is based on the travel agency's total annual sales. For calculation of the security amount, the sales components used take into account the relative risk incurred by each category of tourism activity conducted.

– *Prior information to consumers*

In the area of advertising and prior information to consumers, French law requires travel agents to disclose very detailed information so that buyers can make informed decisions.

Prior to entering into contract and on the basis of a written document bearing its corporate name, its address and an indication of its administrative authorization for exercise, the travel agent must communicate to the consumer information on prices, dates and other elements constituting the services provided on the occasion of the journey or of the stay.

The travel agent must also provide to passengers, prior to entering into contract, for each leg of air travel including domestic flights, a list, in writing or by any other suitable means, containing a maximum of five potential air carriers. This information must be complemented by the list of effective carriers where these differ from the contract carriers. Furthermore, the travel agent must confirm to passengers in writing the name of the actual carrier, for each leg, no later than eight days before travel begins. Lastly, the travel agent is required to inform passengers, by suitable means, of any change to the list

of carriers occurring after the contract is entered into, or the name of the effective carrier as soon as this change is known and no later than at the time of check-in.

– Price posting

The *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (DGCCRF, Directorate-General for Fair Trading, Consumer Affairs and Fraud Control) is the administrative authority responsible for overseeing the regulation of market competition and consumer protection.

In that capacity, it ensures, among other things, the respect of applicable rules in regard to pricing information.

These rules are fixed by the *Code de la Consommation* (Consumer Code) and are therefore not specific to travel agents. They apply equally to all business undertakings providing products or services to consumers, which include travel agents and air carriers.

Pricing information must in principle show, no matter what support is used, the total amount of all taxes included that are in fact payable by the consumer. The published price must therefore include the airport taxes, fuel surcharges and administrative charges. The objective is to ensure that the consumer immediately knows the total price to be paid and has no unpleasant surprises upon booking.

In 1998, however, an exemption was granted to travel agents by the DGCCRF for offers encompassing several departure cities and/or arrival cities. In this case, the DGCCRF tolerates the exclusion of airport taxes, which vary according to the departure and arrival locations, from the published price. Nevertheless, the mandatory nature of these taxes must be unambiguously stated and the consumer must be able to find out, on a single occasion, the total amount of the taxes to be added to the price of the trip. The exemption in principle applies only to mandatory airport taxes and travel offers with several departure and/or arrival cities.

In practice, many players in the tourism industry, including air carriers, have taken the initiative of systematically announcing their prices exclusive of taxes and fuel surcharges. To remain competitive, all players in the market have progressively followed suit and adopted the same practice.

Given the specific aspects of the tourism market and the widespread nature of this practice, the DGCCRF has for a long time tolerated these practices.

It has undertaken joint action with the air carriers and travel agents to take their constraints into consideration and develop specific rules to be respected by all, under threat of sanctions.

Pursuant to a notice by the DGCCRF dated March 30, 2007, all tour operators are required to indicate prices that include taxes, fuel surcharges and file fees.

– Price revisions

Published prices may be freely revised until the date on which travel is booked by the buyer.

After that date, Article L.211-13 of the Tourism Code stipulates that the prices may be modified only up to thirty days before the departure date and only if the booking contract expressly provides

for the possibility of upward or downward price revision, and sets forth the specific calculation methods for same, for the sole purpose of accounting for variations in:

- (i) the cost of transport, related to, among other factors, the cost of fuel;
- (ii) the fees and taxes relating to the services provided, such as landing charges or boarding and disembarkation taxes in ports and airports;
- (iii) exchange rates applied to the trip or stay under consideration.

Article R.211-10 of the Code stipulates that when the contract expressly states that price revisions are possible, it must mention the exact calculation methods for price variations, whether upward or downward, including the related amount of the transport charges and taxes, the currency or currencies involved that may have an impact on the cost of the trip or stay, the portion of the price to which the variation applies, and the exchange rate of the reference currency or currencies used when the price appearing on the contract was established.

As of the date of this AIF, our companies and divisions that act as travel agents hold all permits required to conduct their business activities, and fulfill the requirements to which they are subject.

3.8.1.3 United Kingdom

The UK travel industry has three main regulatory bodies: ATOL, ABTA and IATA (defined hereinafter). As a tour operator it is compulsory to have an ATOL licence but membership of ABTA and IATA is non compulsory, though they are well recognised names that consumers like to see for giving confidence and peace of mind when booking a holiday. Canadian Affair is a member of both these associations.

ATOL is a protection scheme for flights and air holidays, and is managed by the Civil Aviation Authority (CAA). Most firms who sell air travel in the UK such as Canadian Affair are required by law to hold a licence called an ATOL. ATOL protects consumers from losing money or being stranded abroad if and when a tour operator goes out of business. All licensed firms have to lodge bonds with the CAA so that if they go out of business, the CAA can give refunds to people who cannot travel and arrange for people abroad to finish their holidays and fly home. ATOL protection is included in the price of a holiday booked with an ATOL holder, and there's a Government-backed fund called the Air Travel Trust that steps in if any ATOL bond is not enough to look after everyone affected by a failure.

ABTA, the Association of British Travel Agents, is an organisation which represents UK travel agents and tour operators responsible for the sale of package holidays and independent travel arrangements. It is ABTA's role to ensure that customers benefit from consistently high standards of trading practice in the travel industry. ABTA members operate under a Code of Conduct and provide consumers guidance and advise on all aspects of holidays from financial security to complaint handling.

IATA, the International Air Transport Association, is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure and economical air services - for the benefit of the world's consumers. IATA membership is open to both scheduled and non-scheduled airlines. Only airlines operating air services are eligible for IATA membership. However, travel agencies can be registered as IATA approved agents.

3.8.2 Air Carriers

3.8.2.1 International Regulatory Framework

Numerous commercial aspects of international air transport are regulated by international conventions, principally the *Convention on International Civil Aviation* signed in Chicago on December 7, 1944 (the “Chicago Convention”), by the domestic legislation of countries in which air transport is conducted, and by a network of bilateral and multilateral air transport agreements and treaties.

The Chicago Convention provides the basis for regulation of air carrier operations. Certain principles pertaining to the operation of international charter flights were established between each of the signatory states, which include Canada, namely that the intended transportation comply with, and be duly approved pursuant to, the national regulations of the countries between which it is being conducted.

The Chicago Convention also established ICAO, a specialized agency of the United Nations whose purpose is to foster the planning and development of international air transport. Under the auspices of ICAO, rules establishing minimum operational standards are normally agreed upon on a multilateral basis. No other agreement is ordinarily required in order to operate charter flights between most countries, subject to certain exceptions regarding capacity quotas.

The new Air Transport Agreement between the Government of Canada and the Government of the United States of America came into effect in March 2007. It provides for the opening of third-country markets, as well as for tariff and all-cargo services liberalization. In operating trans-border flights, Canadian carriers are now allowed to embark passengers at U.S. points and carry them onward toward a destination in a third country and *vice versa*. US carriers have been granted reciprocal rights with respect to their operations via Canada.

On November 5, 2003, the *Montréal Convention of 1999 on Compensation for Accident Victims* (the “Montréal Convention”) came into effect. This multilateral agreement updates the rules on passenger, baggage and cargo liability applicable to international air transport and originally established by the Warsaw Convention in 1929 and amended over the years (together the “Warsaw System”). In general, the Montréal Convention establishes a two-tier liability regime for carriers for damages to passengers resulting from personal injury or death. The first tier includes strict liability up to 100,000 Special Drawing Rights (SDR) (approximately US\$135,000) regardless of the carrier’s fault. The second tier is based on presumption of fault of a carrier and has no limit of liability. The Montréal Convention provides for the review of limits of liability, thus ensuring that the amounts remain relevant with the passage of time. The first such review will take place at the end of the fifth year following the date of entry into force of the Montréal Convention. In addition to establishing new principles of liability, the Montréal Convention modernizes many of the ticketing and air waybill requirements. The Montréal Convention has been ratified by Canada and applies to all flights between Canada and other ratifying states. For flights from Canada to non-ratifying or non-signatory states, the Warsaw System continues to govern.

3.8.2.2 Canadian Legislation

The *Aeronautics Act*, R.S.C. 1985, c. A-2 and the *Canada Transportation Act* are two of the principal legislative instruments that regulate the operation of a commercial airline in Canada. Such operation is subject to the issuance of the required licenses and operating certificate attesting that the air carrier complies with Canadian standards, as well as to the maintenance of the required liability insurance. In the case of charter flights, permits are required for each proposed flight or series of flights. Licenses and charter permits are issued by the Canadian Transportation Agency (the "Agency"), and the operating certificate is issued by Transport Canada. This certificate attests that the air carrier is properly organized and equipped to conduct its business in compliance with the *Canadian Aviation Regulations*, SOR/1996-433. Such a certificate was issued to Air Transat on November 13, 1987, and was subsequently modified to reflect our changing operating conditions.

Our airline Air Transat is required to obtain a permit from the Agency in respect of each international charter flight or series of charter flights. This authorization is conditional upon various details being provided to the Agency with respect to the flight, the eligibility and financial responsibility of the charterer, and the terms and conditions of the charter contract. Moreover, the issuance of any authorization relating to an international charter flight or a series of international charter flights is subject to the provision by Air Transat of satisfactory evidence that any advance payments by the charterer to Air Transat, for an international charter flight or a series of international charter flights, are protected by way of a guarantee or an irrevocable letter of credit. This guarantee or irrevocable letter of credit provides security in an amount equal to the payments received by Air Transat from charterers in advance of all segments of unperformed flights pursuant to a charter contract. The Agency also determines the conditions regulating the relationship between air carriers and the charterer.

Under current Canadian regulations, an air carrier does not have the right to sell seats on international charter air services directly to the public, but must charter its capacity to one or more competent charterers.

The conditions mentioned previously do not apply to Canadian domestic operations in that the legislation no longer makes any distinction between scheduled and charter flight services. Furthermore, Air Transat is licensed to offer scheduled services to the United States, Cuba, France, Germany, the United Kingdom, the Netherlands, Belgium, Ireland, Portugal, Italy, Greece, Spain, Austria, Poland, Mexico and the Dominican Republic. These operations are subject to the rules established under the bilateral air transport agreements concluded by Canada with these respective countries.

As at the date of this AIF, Air Transat holds all necessary licenses, certificates and permits and is in compliance with the requirements of applicable Canadian legislation. Furthermore, all of our aircraft meet the ICAO chapter 3 noise requirements implemented by Transport Canada.

3.8.2.3 Foreign Legislation

In respect of each jurisdiction other than Canada in which Air Transat operates, we must comply with applicable laws and, when necessary, obtain the required licenses, permits and authorizations. Such permits and authorizations are generally issued to Air Transat provided it meets the applicable criteria, which may vary from country to country. We believe that Air Transat holds all licenses, permits and authorizations necessary for its operations and is in compliance with the requirements of applicable foreign legislation.

3.8.3 *Environment*

We are subject to various environmental laws and monitor our operations to ensure that we comply with the applicable environmental requirements and standards. If necessary, we adopt preventive and corrective measures.

In this respect, we have implemented at Air Transat a series of programs and procedures to optimize the recovery, recycling and management of fossil fuels. In 1999, we also formed at Air Transat an environmental committee to ensure that applicable environmental requirements and standards are complied with, in all material respects. Our Corporate Governance and Nominating Committee of the Board of Directors annually reviews risk measurement and corporate policies and procedures respecting the environment. We believe we comply in all material respects with the provisions of applicable environmental laws and regulations.

Given the rise in oil prices and the increasingly pressing issue of greenhouse-gas emissions, the strict management of aircraft fuel remains a constant priority. The introduction and systematic tracking of new procedures have enabled our carrier to decrease annual fuel consumption. All things being equal, fuel consumption has dropped 5.5% since 2003, an exceptional performance that has generated savings of several million dollars, not to mention avoidance of thousands of tonnes of emissions. Fuel saving initiatives relate to flight operations, flight planning, as well as the engineering and the catering services.

Moreover, since 2007, Transat has now a sustainable Tourism Committee whose mandate is to develop and execute a long-term action plan that covers the environmental, socio-cultural and economic aspects of tourism. The implementation of the resulting sustainable tourism strategy is a considerable undertaking that will continue over several years.

In 2007, we attained some important milestones with the creation of environmental committees at all our locations, the launch of a community support program and the preparation of a pilot project that will focus on the performance of our suppliers in terms of sustainable development. For example, in the spring of 2007, we launched a program to support tourism projects that are based on the principles of sustainable development. The program consists of funding organizations or communities that are taking initiatives aimed at protecting and enhancing their natural and cultural heritage or maximizing the positive impacts of tourism.

3.9 RISK FACTORS

We are subject to a number of risks and other factors that could affect demand for our offering, some of which are related or inherent to the travel industry in general. Please see the “Risks and uncertainties” section of our Management’s Discussion and Analysis for the year ended October 31, 2007 available for consultation on SEDAR at www.sedar.com.

4. DIVIDENDS AND ISSUER BIDS

Dividends

We aim to declare and pay cash dividends on a quarterly basis, as per the announcement made on March 14, 2007 that our Board of Directors had approved an additional \$0.02 per Variable Voting Share and Voting Share increasing the quarterly dividend to \$0.09. Our Board of Directors considers several factors

when reviewing dividend payments, including present and future: (i) earnings, (ii) cash flows and (iii) capital requirements. Under this new policy, we declared a cash dividend of \$0.07 per Variable Voting Share and Voting Share which was paid on January 15, 2007 and of \$0.09 on April 15, 2007, July 15, 2007 and October 15, 2007.

Normal Course Issuer Bid

On June 13, 2007, our Board of Directors announced that it had filed a renewal notice with the Toronto Stock Exchange (the "TSX") for a 12-month extension of its normal course issuer bid. In the notice, we stated our intention to purchase for cancellation up to a maximum of 3,288,003 Class A Variable Voting Shares and Class B Voting Shares, representing less than 10% of the public float of Class A Variable Voting Shares and Class B Voting Shares. As of June 12, 2007, there were a total of 33,877,482 Variable Voting Shares and Voting Shares issued and outstanding, including a public float of 32,880,036 Class A Variable Voting Shares and Class B Voting Shares.

This program is designed to allow the Corporation to make proper utilization of its excess of cash. These purchases are to be made through the facilities of the TSX in accordance with its policy statement on Normal Course Issuer Bids. The price that we pay for any Variable Voting Shares and Voting Shares is the market price at the time of acquisition plus brokerage fees. Purchases under the renewed program were authorized to begin on June 15, 2007 and will terminate no later than June 14, 2008.

During the financial year which commenced November 1, 2006 and ended October 31, 2007, we purchased for cancellation for a cash consideration of approximately \$23.9 million, an aggregate of 736,100 voting shares, made up of Class A Variable Voting Shares and Class B Voting Shares.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

We refer you to our Management's Discussion and Analysis for the year ended October 31, 2007 available for consultation on SEDAR at www.sedar.com.

6. OUR CAPITAL STRUCTURE

6.1 CONSTRAINTS

Pursuant to the *Canada Transportation Act*, Air Transat, a wholly owned subsidiary of the Corporation, must at all times, be in a position to establish that it is "Canadian" within the meaning of such act in order to hold the licenses necessary to operate an air service. Because Transat wholly owns Air Transat, we must qualify as "Canadian" in order for Air Transat to qualify as "Canadian." Currently, we must ensure that no more than 25% of voting interests attaching to our shares are owned or controlled by non-Canadians.

In this respect, our Articles provide for Variable Voting Shares and Voting Shares. The Variable Voting Shares can only be owned or controlled by persons who are not Canadian and carry one vote per share unless (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares, or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the

Corporation and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

The holders of Variable Voting Shares and Voting Shares will vote together at any meeting and no separate meeting is being held for any such class of shares. Only votes attached to voting shares represented by shareholders present in person or represented by proxy at a meeting and legally entitled to be voted thereat can be exercised or cast at such meeting.

Pursuant to its powers under Transat By-law No. 1999-1 and the regulations under the *Canada Business Corporations Act*, and in accordance with the provisions of our Articles and the *Canada Transportation Act*, Transat's Board of Directors has implemented a series of administrative measures to ensure that the Voting Shares are owned and controlled by Canadians and the Variable Voting Shares are owned or controlled by non-Canadians at all times (the "Ownership Restrictions"). The measures are notably reflected in the forms of declaration of ownership and control. Shareholders who wish to vote at a meeting either by: (i) completing and delivering a proxy form or a voting instruction form, or (ii) by attending and voting at such meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If a shareholder does not duly complete such declaration or if it is determined by Transat or its transfer agent, CIBC Mellon Trust Company ("CIBC Mellon"), that a shareholder indicated (through inadvertence or otherwise) that he or she owns or controls the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat (through inadvertence or otherwise), we may take any action that we deem appropriate with a view to ensure compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, CIBC Mellon, the vote attached to such declarant's voting shares will not be tabulated.

6.2 GENERAL DESCRIPTION OF OUR SHARE CAPITAL

As at the date of this AIF, Transat's share capital is composed of Voting Shares and Variable Voting Shares introduced in our latest Articles of Amendment filed on March 4, 2005 and effective as at that date, as well as Preferred Shares. As of January 21, 2008 there were 1,807,277 issued and outstanding Variable Voting Shares and 31,865,133 issued and outstanding Voting Shares. Below is a summary describing the rights, privileges, restrictions and conditions attached to Transat's Variable Voting Shares, Voting Shares and Preferred Shares.

6.2.1 *Class A Variable Voting Shares*

Exercise of Voting Rights

The holders of Variable Voting Shares are entitled to receive notice of, to attend and vote at all meetings of our shareholders, except those at which the holders of a specific class are entitled to vote separately as a class under the *Canada Business Corporations Act*.

Variable Voting Shares carry one vote per share held, except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Voting Shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of the holders of

Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total number of votes that may be cast at said meeting.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of Transat shares ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by Transat's directors at the times and for the amounts that our Board of Directors may, from time to time, determine. The Variable Voting Shares and the Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends shall be declared in equal or equivalent amounts per share on all Variable Voting Shares and Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or Voting Shares shall occur unless simultaneously, the Variable Voting Shares or Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to the other classes of Transat shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of Transat, the holders of Variable Voting Shares and Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

Conversion

Each issued and outstanding Variable Voting Share shall be automatically converted into one Voting Share, without any further intervention on the part of Transat or the holder, if (i) the Variable Voting Share is or becomes owned and controlled by a Canadian, or if (ii) the provisions contained in the Canada Transportation Act relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

In the event that an offer is made to purchase Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, to be made to all or substantially all the holders of Voting Shares in a given province of Canada

to which these requirements apply, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Variable Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Voting Shares on behalf of the holder.

Should the Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, into Variable Voting Shares.

Variable Voting Shares may not be converted into Voting Shares, and vice-versa, other than in accordance with the conversion procedure set out in our Articles of Amendment dated March 4, 2005.

Constraints on Share Ownership

Variable Voting Shares may only be owned or controlled by non-Canadians.

6.2.2 Class B Voting Shares

Exercise of Voting Rights

The holders of Voting Shares shall be entitled to receive notice of, and to attend and vote at all meetings of our shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the *Canada Business Corporations Act*. Each Voting Share shall confer the right to one vote at all meetings of our shareholders.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any class of Transat shares ranking prior to the Voting Shares, holders of Voting Shares are entitled to receive any dividends declared by our directors at the times and for the amounts that the Board of Directors may, from time to time, determine. The Voting Shares and the Variable Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends declared shall be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or Variable Voting Shares shall occur unless simultaneously, the Voting Shares or the Variable Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to any class of shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of Transat, the holders of

Voting Shares and Variable Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

Conversion

Each issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of Transat or the holder, if such Voting Share is or becomes owned or controlled by a person who is not a Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, to be made to all or substantially all the holders of Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning the voting rights for Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

Should the Variable Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, to Voting Shares.

The Voting Shares may not be converted into Variable Voting Shares, or *vice-versa*, other than in accordance with the conversion procedure set out in the Articles of Amendment dated March 4, 2005.

Constraints on Share Ownership

The Voting Shares may only be owned or controlled by Canadians.

6.2.3 Preferred Shares

The Preferred Shares, if issued, will rank prior to the Variable Voting Shares and the Voting Shares with respect to the payment of dividends and the distribution of assets. In the event of the dissolution or liquidation of the Corporation or the distribution of its capital, no amount shall be paid and no asset shall be distributed to the holders of shares of any other class of the Corporation until the holders of the Preferred Shares receive an amount equal to the value of the consideration received by the Corporation upon the issuance of such shares and, in the case of Preferred Shares of a series entitled to cumulative dividends, of all dividends then accrued and unpaid, and, for Preferred Shares of a series entitled to non-cumulative dividends, of all dividends declared thereon and unpaid, if any, plus any other amount, if any, determined by the directors in respect of each series prior to the issue of any Preferred Shares of such series. The holders of the Preferred Shares of a particular series shall be entitled to the payment of this entire amount from the assets of the Corporation in preference and prior to the holders of any other class of shares of the capital of the Corporation.

The Preferred Shares of each series will rank equally with the Preferred Shares of other series in terms of payment of dividends and distribution of assets upon liquidation or dissolution of the Corporation.

The Series 3 Preferred Shares do not carry any voting rights and entitle the holders thereof to a dividend equal to any dividend declared on the Variable Voting Shares and the Voting Shares. Each Series 3 Preferred Shares is convertible by the holder into three Variable Voting Shares or Voting Shares, as the case may be, in accordance with our Articles of Amendment dated March 4, 2005 and redeemable by the holders at their issue price. The conversion rate is subject to adjustments upon certain circumstances affecting the share capital of the Corporation.

Upon liquidation or dissolution of the Corporation, or any distribution of assets of the Corporation among its shareholders for the purpose of terminating its activities (collectively a “Distribution upon liquidation”), the holders of Series 3 Preferred Shares shall have the right to receive, as payment of capital, an amount per share equal to that amount to which the holders of the Variable Voting Shares and the Voting Shares shall be entitled to, and shall not have the right to participate in any other distribution of assets of the Corporation. No Distribution upon liquidation can be made to holders of the Variable Voting Shares or the Voting Shares before such amount is paid to the holders of Series 3 Preferred Shares.

Subject to the provisions of the governing law and the Articles of the Corporation, Transat may repurchase at any time all, or, from time to time, part of the Series 3 Preferred Shares, at the price equal to the issue price and all declared and unpaid dividends. In addition, the holders of the Series 3 Preferred Shares have the right to require that the Corporation purchase at all times all or part of their Series 3 Preferred Shares at a price equal to the issue price plus dividends declared and unpaid on such shares.

7. MARKET FOR SECURITIES

Our Variable Voting Shares and our Voting Shares are listed on the TSX under the symbols TRZ.A and TRZ.B, respectively.

The following tables set out the reported high and low prices and trading volume of: (i) the foreign owned Variable Voting Shares listed as “TRZ.A” and (ii) the Canadian owned Voting Shares listed as “TRZ.B” for each month of the fiscal year ended October 31, 2007.

TRANSAT A.T. INC TRZ.A			
Date	High	Low	Volume
October-07	39.96	35.50	136,585
September-07	35.90	29.79	108,338
August-07	31.17	27.50	323,209
July-07	34.89	31.55	108,789
June-07	35.86	32.22	125,826
May-07	38.06	35.30	99,162
April-07	38.00	35.00	90,189
March-07	37.16	31.99	169,044
February-07	36.04	31.00	522,581
January-07	34.00	30.97	238,884
December-06	31.99	29.00	140,079
November-06	29.31	26.99	315,007

TRANSAT A.T. INC TRZ.B			
Date	High	Low	Volume
October-07	40.11	35.11	2,772,269
September-07	35.95	29.02	1,411,012
August-07	31.72	28.20	2,069,872
July-07	34.97	30.99	2,007,727
June-07	36.57	32.00	1,636,567
May-07	38.25	34.89	1,328,258
April-07	38.32	34.52	1,530,441
March-07	37.19	31.30	2,277,673
February-07	36.21	29.10	1,930,623
January-07	34.40	30.63	1,854,308
December-06	31.80	28.51	1,921,456
November-06	29.40	26.87	1,445,527

On October 31, 2007, the closing price on the TSX of a Variable Voting Share was \$39.96 and Voting Shares closed at a price of \$39.88.

8. OUR DIRECTORS AND OFFICERS

8.1 OUR DIRECTORS

The following table states, as at the date of this AIF, the name, province and country of residence, year of election as director and present principal occupation of each director of Transat, as well as the number of voting shares of Transat owned by each director or over which he or she exercises control or direction. Each of our directors shall hold office until the next annual meeting of Transat or until his or her replacement is elected. Mr. Benoît Deschamps announced that he will not seek a renewal of his mandate as director at the Shareholders Meeting.

Name of Director, Province and Country of Residence ⁽¹⁾	Principal Occupation	Director Since	Voting Shares Owned or Controlled or Directed ⁽²⁾
Jean-Marc Eustache <i>Québec, Canada</i>	Chairman of the Board, President and Chief Executive Officer, Transat, and Chairman of the Board, Transat Tours Canada	February 1987	400,905
André Bisson, O.C. <i>Québec, Canada</i>	Chairman of the Board, CIRANO <i>(Centre for Interuniversity Research and Analysis on Organizations)</i> and Chairman of the Board, Branchez-Vous Inc. <i>(an Internet media publisher)</i>	April 1995	20,762

Name of Director, Province and Country of Residence ⁽¹⁾	Principal Occupation	Director Since	Voting Shares Owned or Controlled or Directed ⁽²⁾
John P. (Jack) Cashman <i>Ontario, Canada</i>	President, Humphrey Management Limited <i>(a privately owned holding company that also provides consulting services)</i>	April 2005	1,000
Lina De Cesare <i>Québec, Canada</i>	President, Tour Operators, Transat, President, Cameleon Hotel Management Corporation, President, Trafictours Canada Inc., President, Cameleon Marival (Canada) Inc., and President, Transat Holidays USA, Inc.	May 1989	77,464
Jean Pierre Delisle <i>Québec, Canada</i>	Chartered Accountant <i>(and Director and Executor of a number of companies and estates)</i>	October 2007	2,000
Benoît Deschamps ⁽¹⁾ <i>Québec, Canada</i>	President, Champré Capital Inc. (a corporate finance consulting services company) and Acting Chief Financial Officer of Mechtronix Systems Inc.	April 1997	6,502
Jean Guertin <i>Québec, Canada</i>	Corporate Advisor and Director Honorary Professor, HEC Montréal	April 1995	5,700
H. Clifford Hatch Jr. <i>Ontario, Canada</i>	President and Chief Executive Officer, Cliffco Investments Limited <i>(a management holding and venture capital company)</i>	March 2001	3,374
Jacques Simoneau <i>Québec, Canada</i>	Executive Vice President, Investment, Business Development Bank of Canada	November 2000	3,500
Philippe Sureau <i>Québec, Canada</i>	President, Distribution, Transat and President and Chairman of the Board, Transat Distribution Canada President, Euro Charter S.a.s., Chairman of the Board, Travel Superstore Inc.	February 1987	316,263

Name of Director, Province and Country of Residence ⁽¹⁾	Principal Occupation	Director Since	Voting Shares Owned or Controlled or Directed ⁽²⁾
John D. Thompson <i>Québec, Canada</i>	Corporate Director	April 1995	15,000
Dennis Wood, O.C. <i>Québec, Canada</i>	President and Chief Executive Officer, DWH Inc. <i>(a venture capital corporation which invests in various industries)</i>	March 2004	7,143

(1) Mr. Benoît Deschamps announced that he will not seek a renewal of his mandate as director at the Shareholders Meeting.

(2) The number of shares indicated is given as at January 21, 2008 and is based on the declarations of our directors. Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or deferred share units equivalent to three times the base annual fees to which he or she is entitled after having served three years as a director. All of our directors comply with these guidelines, except for Mr. Cashman and Delisle who have not served yet as director for three years. Please refer to our Management Proxy Circular dated 2008 for additional detail.

Each of the directors of the Corporation has had the principal occupation indicated opposite his or her name during the past five years, except as indicated below:

- Mr. André Bisson, O.C. has been Chairman of the Board of Branchez-Vous Inc. since June 2005 and was Chancellor and Chairman of the Board of Université de Montréal from 1990 until 2003;
- Mr. Benoît Deschamps was a Corporate Director and Corporate Finance Advisor from November 2000 until he took up his current position. He held the position of Vice-President, Financial Planning and Treasurer of Le Groupe Vidéotron Ltée from August 1997 until November 2000;
- H. Clifford Hatch Jr. was President and Chief Executive Officer of Aurdisyl Management Corporation from 1993 to 2006;
- Mr. Jacques Simoneau was President and Chief Executive Officer of Hydro-Québec CapiTech Inc. from November 2004 to April 2006. Prior to 2004, he was at the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, where he held the position of Senior Vice-President – Industry and Services from 2000 to 2004; and
- Mr. Dennis Wood, O.C. has also been acting as Interim President and Chief Executive Officer of GBO Inc. (formerly Le Groupe Bocenor Inc.).

The Board of Directors of Transat has created four committees, to which it has given specific mandates and the necessary powers to assist it in effectively fulfilling its duties. The table below indicates the committees of the Board of Directors, with their respective membership as at January 21, 2008:

EXECUTIVE COMMITTEE	Jean-Marc Eustache – Chair André Bisson, O.C. Jean Guertin H. Clifford Hatch Jr.
AUDIT COMMITTEE	André Bisson, O.C. - Chair Benoît Deschamps ⁽¹⁾ Jean Guertin John D. Thompson
HUMAN RESOURCES AND COMPENSATION COMMITTEE	Jean Guertin – Chair H. Clifford Hatch Jr. Dennis Wood John D. Thompson
CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	H. Clifford Hatch Jr. – Chair André Bisson, O.C. Benoît Deschamps ⁽¹⁾ Jacques Simoneau

(1) Mr. Benoît Deschamps announced that he will not seek the renewal of his mandate as director at the Shareholders Meeting.

André Bisson, O.C., Jean Guertin and H. Clifford Hatch Jr. are the lead directors of Transat. Each assumes responsibility for chairing and coordinating the meetings of the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee, respectively.

8.2 OUR OFFICERS

The following table sets forth the names, province and country of residence of the officers of Transat, their first year of service and current position held with Transat, as well as the number of voting shares of Transat owned or over which he or she exercises control or direction.

As at January 21, 2008, the officers and directors of the Corporation as a group owned 896,263 Voting Shares, which represent 2.83% of the total number of Voting Shares issued and outstanding as at that date and 2.68% of the voting rights attached to all the Variable Voting Shares and the Voting Shares, collectively.

Name, Province and Country of Residence	First Year of Service with Transat	Position Held with Transat	Voting Shares Owned or Controlled or Directed ⁽¹⁾
Jean-Marc Eustache <i>Québec, Canada</i>	1987	Chairman of the Board, President and Chief Executive Officer	400,905
Lina De Cesare <i>Québec, Canada</i>	1989	President, Tour Operators	77,464
Philippe Sureau <i>Québec, Canada</i>	1987	President, Distribution	316,263

Name, Province and Country of Residence	First Year of Service with Transat	Position Held with Transat	Voting Shares Owned or Controlled or Directed ⁽¹⁾
Bernard Bussi�eres <i>Qu�ebec, Canada</i>	2001	Vice-President, General Counsel and Corporate Secretary	25,486
Corinne Charette <i>Qu�ebec, Canada</i>	2006	Vice-President and Chief Information Officer	901
Andr�e De Montigny <i>Qu�ebec, Canada</i>	2000	Vice-President, Corporate Development	10,348
Fran�ois Laurin <i>Qu�ebec, Canada</i>	2005	Vice-President, Finance and Administration and Chief Financial Officer	3,141
Michel Lemay <i>Qu�ebec, Canada</i>	2006	Vice-President, Communications and Corporate Affairs	3,276
Jean Luk Pellerin <i>Qu�ebec, Canada</i>	2007	Vice-President, Human Resources	-

⁽¹⁾ The number of shares indicated is given as at January 21, 2008 and is based on the declarations of our officers.

With the exception of Messrs. Jean-Marc Eustache, Bernard Bussi eres and Andr e De Montigny, who over the past five years have had the principal occupation indicated opposite their name, the other officers of Transat held the following positions:

- Philippe Sureau was Executive Vice-President of Transat, just prior to being named President, Distribution on December 17, 2004. He was President and Chief Executive Officer of Air Transat from March 1997 to November 2000. He is also President of Transat Distribution Canada;
- Lina De Cesare was Executive Vice-President, Tour Operators of Transat, just prior to being named President, Tour operators on December 17, 2004. She is also President of Cameleon Hotel Management Corporation;
- Corinne Charette served as Deputy Director and Chief Information Officer for FINTRAC, the federal government agency that receives and discloses financial intelligence on suspected money laundering, terrorist financing and threats to the country's security, from 2003 to 2006. Prior to that, she was Senior Vice-President, Internet Channel – Retail Banking, for the Canadian Imperial Bank of Commerce. During her career she has also worked for KPMG, IBM Global Services and Via Rail Canada;
- Fran ois Laurin was Vice-President Investments, Medias and Communication at CDP Capital Private Investments from 2003 until joining Transat in May 2005. Prior to that, he was Group Vice-President Comptroller, Americas and Transit systems at Bombardier Transportation from

2001 to 2003 and Vice-President, Finance and Administration at Microcell i5 from 2000 to 2001. He is a chartered accountant (CA) and a chartered financial analyst (CFA);

- Michel Lemay was Vice-President, Corporate and Financial Communication with consultancy Optimum Public Relations, a division of Cossette Communication Group, from 1992 to 2006. Prior to that, he was Director of Communication at the Montreal Exchange;
- Jean-Luk Pellerin was at the helm of his own Consultancy company, specializing in the implementation of Corporate Strategies and organizational change. Prior to that, Mr. Pellerin served in several senior management positions at G.E., Domtar and Bombardier, during which he worked in Europe and Asia. At Bombardier, he was Vice President Human Resources for Bombardier Services Group for 3 years and Vice President Organizational Development for Bombardier Transportation Group for 2 years.

Cease Trade Orders or Bankruptcies

To the knowledge of Transat and except for: (i) Mr. Dennis Wood, who is currently a director of GBO Inc. (formerly Le Groupe Bocenor Inc.) which company was subject to an event which resulted in the company filing a notice of intention to make a proposal under the Bankruptcy and Insolvency Act (Canada) on June 11, 2004, which was ratified by the Québec Superior Court on August 5, 2004, (ii) Mr. H. Clifford Hatch Jr. who (a) was, until March 7, 2003, a director of Geneka Biotechnologie Inc. which made an assignment in bankruptcy on June 1, 2003, and (b) was a director of Fleming Packaging Corporation which became bankrupt in May 2003, being within one year after Mr. Hatch resigned as a director of such company, and (iii) Mr. John P. Cashman was a director of Amtrol Holdings, Inc. until May 2007, which filed, along with certain of its affiliates, voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code on December 18, 2006, and registered on December 27, 2006, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of our Corporation is, as at the date of the AIF or has been, within the 10 years before the date of the AIF, a director or executive officer of any company that while that person was acting in that capacity:

- a. was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,
- b. was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or
- c. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of Transat has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of Transat, in the last ten years, no director or executive officer has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

9. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, Transat is a defendant in a number of legal proceedings, suits, and claims common to companies operating in the travel industry and engaged in the wholesale, retail or airline business. We believe that the ultimate outcome of these matters will not have a material effect upon the Corporation's financial position, operating results or cash flows.

On February 18, 2005, Rosa Alves and named plaintiffs filed three class actions against several defendants including tour operators MyTravel Canada Holidays Inc. and MyTravel Affiliates Inc. carrying on business as "Sunquest", First Choice Canada Inc. carrying on business as "Signature Vacations", Red Seals Vacations Inc. carrying on business as "Sunwing" and Transat A.T. Inc. (which is erroneously named as a defendant in the proceeding instead of Transat Tours Canada Inc.) carrying on business as "World of Vacations and Air Transat Holidays" in the Ontario Superior Court of Justice, in the Saskatchewan Court of Queen's Bench and in the Québec Superior Court (the "Alves Class Actions"). The representative plaintiff is claiming unspecified general damages, indemnity for losses, reimbursement of monies paid for travel services and any further relief as may be just and proper on behalf of all persons who have purchased a vacation through defendants to Holguin, Cuba for the period of travel between November 1st, 2004 and February 1st, 2005. The proceedings allege that the defendants should not have sold holidays when there were water supply problems affecting certain hotels in the area. On November 7, 2005, the Québec Superior Court ruled that it had no jurisdiction in the matter. On September 28, 2007, the Ontario Superior Court of Justice dismissed the action as against Transat on the grounds that the Statement of Claim disclosed no reasonable cause of action against it, there being no named plaintiff who booked a vacation with Transat. The Saskatchewan class action is still pending but has not been moving forward to this date and remains unauthorized.

Air Transat is currently the subject of proceedings instituted by passengers on board one of its Airbus A310s that had to return to Varadero, Cuba shortly after take-off due to a mechanical failure, when a portion of the rudder detached from the aircraft as the flight was progressing under normal conditions at its cruising altitude. 261 passengers and 9 crew members were on board the aircraft and no injuries were suffered. Two class actions were instituted as a result of this incident on March 10, 2005 in the Québec Superior Court by two passengers, namely Herman Croteau and Renaud Brillant, but the latter subsequently abandoned his proceedings and became co-petitioner in the action instituted by the first passenger. Passenger Herman Croteau is claiming damages of \$20,000 on behalf of residents of the province of Québec that were on board Air Transat's flight TS961 departing from Varadero, Cuba on March 6, 2005, as well as punitive damages of \$10,000 for himself as a class representative. The motion to authorize the Herman Croteau proceedings was heard and on December 15, 2005, the Court ruled that the

petitioners' claim was not founded at Law and therefore the petitioners were not authorized to proceed with their lawsuit. The petitioners appealed the decision on January 13, 2006 and the Court of Appeal of Québec dismissed the appeal on May 28, 2007. On August 28, 2007, plaintiff filed an application to the Supreme Court of Canada for leave to appeal from the judgment rendered by the Court of Appeal of Québec, to which Air Transat responded on September 26, 2007. All materials on application for leave were submitted to the Judges and the Supreme Court of Canada which rendered its decision as refusing the appeal from judgment, the whole with costs. Therefore, the judgment of the Court of Appeal of Quebec rendered May 28th, 2007 is final with respect to the questions of law submitted by the Applicants.

None of the above proceedings will have a material adverse effect on either Transat Tours Canada's, Air Transat's or Transat's operating results or financial condition seeing that Transat's insurers will assume all amounts payable by Transat or its subsidiaries in the event of an adverse liability finding, subject to the terms and conditions of their insurance coverage.

On the regulatory end, Transat and Transat Tours Canada, as well as certain officers of both corporations, along with other travel industry players and associations, are under investigation by the Competition Bureau Canada on the basis of a search warrant that the Superior Court of Québec had issued on or about August 15, 2006 with respect to Transat's premises situated at 300, Léo-Pariseau, in Montréal.

As at the date of this AIF, the investigation is still ongoing and no accusations have been laid. At this time, Transat has not been given to understand that any possible accusations resulting from the ongoing investigation would have a material adverse effect on either Transat Tours Canada's or Transat's operating results or financial condition.

10. TRANSFER AGENT AND REGISTRAR

As at the date of this AIF, the transfer agent and registrar for the shares of Transat is CIBC Mellon Trust Company, 2001 University Street, Suite 1600, Montréal, Québec H3A 2A6. Registrar offices are located in Toronto, London (Ontario), Calgary, Winnipeg, Vancouver and Halifax.

11. AUDIT COMMITTEE DISCLOSURE

11.1 AUDIT COMMITTEE'S CHARTER

Transat's Corporate Governance and Nominating Committee approved the latest version of Audit Committee's Charter at its meeting held on November 16, 2004. The Board of Directors adopted and ratified the Audit Committee's Charter on the same date.

11.2 COMPOSITION OF OUR AUDIT COMMITTEE

Our Audit Committee is currently composed of four unrelated, independent and financially literate directors, namely Messrs. André Bisson, O.C. (Chairman), Benoît Deschamps, Jean Guertin and John D. Thompson. It should be noted however that Mr. Benoît Deschamps will not be soliciting a renewal of his mandate as a director of the corporation.

Financial Literacy

André Bisson, O.C. Mr. Bisson has a Master's degree from Université Laval in Commercial Sciences with a major in Accounting. He also holds a MBA from Harvard University, two honorary doctorates and a Fellow *honoris causa* of the Institute of Canadian Bankers. After teaching courses in Finance and Business Policy

at *Université Laval* from 1955 to 1971, Mr. Bisson was appointed in 1971 Senior Vice-President and General Manager, Québec for the Bank of Nova Scotia, where he was in charge among other responsibilities of commercial credit approvals or recommendations until 1987. From 1990 to 2003, Mr. Bisson was Chancellor and Chairman of the Board of *Université de Montréal*. Between 1986 and 2000, Mr. Bisson sat on the board of directors and was a member of the audit committee of two publicly traded companies, namely Power Financial Corporation and Donohue. He also chaired the audit committee of *Université de Montréal* from 1987 to 1991 and that of AXA Assurances from 1994 to 2000. Mr. Bisson is currently Chairman of the Board of CIRANO (Centre for Interuniversity Research and Analysis on Organizations) and of Branchez-Vous Inc., an Internet media publisher quoted on the TSX Venture Exchange. As a result of his experience acquired both as a scholar and in the private sector, Mr. Bisson has the ability to assess the scope of generally accepted accounting principles and their application in particular instances. Furthermore, his research work, publications and practical experience have led him to acquire expertise in appraising the quality of responses given to accounting questions and the relevance of the evaluations utilized, as well as the internal control and procedures for financial reporting.

Benoît Deschamps. Mr. Benoît Deschamps holds a MBA degree and a Ph.D. in Business Administration (Finance) from Georgia State University. He devoted the first eleven years of his career to teaching and research in finance at HEC Montréal and Georgia State University. From 1988 to 2000, Mr. Deschamps held various managerial positions with major Montreal-based companies and financial institutions. Since 2000, he regularly acts, whether directly or through Champré Capital, as a consultant with non-financial corporations in relation with their operations and financing and with the *Autorité des marchés financiers* with respect to mutual fund regulations, disclosure information pertaining to the issuance of securities and continuous disclosure information published by issuers. Mr. Deschamps also advises financial institutions on capital adequacy and risk management in relation to loan and private equity portfolios. Through Metcalfe & Mansfield Alternative Investments and its affiliates, Mr. Deschamps acts as a trustee of three publicly traded and one privately owned income trusts sponsored by National Bank Financial as well as several private trusts sponsored either by National Bank Financial or Quanto Financial Corporation. These private trusts have been established for the primary purpose of either acquiring collateralized credit exposures or to act as multi-seller money market conduits funded through the issuance of AAA-rated short-term debt instruments and invested in cash and synthetic securities. In addition, Mr. Deschamps is a member of the Board of Directors and the audit committee of privately held Mechtronix Systems Inc. and since January, 2008, acting Chief Financial Officer of Mechtronix Systems Inc. In acting as a lender, investor, officer of issuers and a consultant during his career, Mr. Deschamps developed financial structures taking into consideration their fiscal, accounting and legal effects, and he scrutinized financial statements that presented a breadth and level of complexity of accounting issues similar to those raised by Transat's financial statements. He also regularly had to evaluate whether these financial statements fairly presented unusual business situations.

Jean Guertin. Mr. Guertin holds a MBA degree from HEC Montréal and a Ph.D. in Business Administration, with a major in Corporate Finance, from Harvard University. From 1970 to 1987, he taught corporate finance at HEC Montréal. He then became Director of HEC Montréal from 1987 to 1994. From 1995 to 1999, Mr. Guertin was Chairman of the Board and Chief Executive Officer of Société Gasbeau and, from 1999 to 2001, he was Chairman and senior corporate advisor with Société Télémedia, two private corporations. He is currently Corporate Advisor and Honorary Professor at HEC Montréal. During the course of his career, Mr. Guertin acted as a director of several publicly traded corporations, including Alimentation Couche-Tard Inc. and The Algo Group. Mr. Guertin currently sits on several boards of directors, including that of Canadian Helicopters Income Fund, an income trust fund listed on the TSX for which he acts as Chairman of the Board and sits on its Audit Committee. He also sits on the board and serves on the investment, finance and governance committees of the Canadian Investor Protection Fund.

He chairs the Investment Committees of Desjardins Venture Capital and Desjardins Innovatech and also sits on several advisory boards, including that of *Voyages Aller Retour Limitée* and Capital Benoît. During the years he spent at the head of HEC Montréal, Mr. Guertin was instrumental in launching fund raising activities and repatriating the institution's retirement fund. He was also involved in the planning, financing and construction of the building now housing HEC Montréal, a project estimated at \$110.0 million. As part of his academic activities, Mr. Guertin presided over the general review of the institution's curriculum and he currently chairs the Retirement Committee which manages the HEC Retirement Fund (with assets of approximately \$250 M). Mr. Guertin's primary role as Chairman of the Board and Chief Executive Officer of Société Gasbeau and Société Télémédia included business mandates, specifically the privatization of a public company, the global refinancing of the business and the redeployment of venture capital activities. Mr. Guertin's strong background in corporate finance, supported by his experience both in the public and private sectors, gives him an understanding of the accounting principles used by Transat in the preparation of its financial statements.

John D. Thompson. Mr. Thompson has a bachelor's degree in engineering from McGill University. He also holds a MBA degree from the University of Western Ontario. From 1962 to 1994, Mr. Thompson held several managerial positions in the field of commercial financing and corporate financing for large firms with Roynat Capital, Canada's leading private merchant bank, where he was employed as General Manager from 1968, President and Chief Executive Officer from 1973 and of which he became Chairman of the Board of Directors in 1989. During the same year, Mr. Thompson joined the parent company Montréal Trust Company of Canada as President and Chief Executive Officer. During the course of his career, Mr. Thompson also acted as a director of various Canadian companies. He currently sits on the board of directors and is the Chairman of the Audit and Conduct Review Committees of the National Trust Company, the Bank of Nova Scotia Trust Company, the Scotia Life Insurance Company, the Scotia General Insurance Company, the Scotia Mortgage Corporation, the Mortgage Insurance Company of Canada and Triton Électronique Inc. He is also a director of the MacDonald Stewart and Windsor foundations. As part of the numerous managerial positions he has held in the field of commercial financing, corporate financing and merchant banking, Mr. Thompson was actively involved in analyzing, evaluating, structuring and negotiating financings for private and publicly traded corporations of all sizes. In doing so, he closely examined and evaluated financial statements, business and strategic plans, acquisitions and questioned management thereon. Mr. Thompson's aforementioned experience has provided him with the skills to evaluate Transat's accounting and internal control processes in the preparation of its financial statements. Furthermore, Mr. Thompson acted as a member of the audit committee for various Canadian companies.

11.3 COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS

In response to Regulation 52-110 and as part of our efforts to maintain a high standard of good corporate governance, we developed a whistleblower policy and reporting procedure that allow employees of Transat to report, in a confidential manner, any concerns they may have regarding questionable accounting, internal accounting controls or auditing matters. Hence, at its meeting held on September 8, 2004, Transat's Audit Committee approved a Complaint Procedures for Accounting and Auditing Matters applicable to the Corporation and its subsidiaries.

11.4 POLICY RESPECTING THE PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES

Transat's Audit Committee has a Policy Respecting the Pre-Approval of Audit and Non-Audit Services. Transat's Corporate Governance and Nominating Committee also approved this policy on November 16, 2004 and its Board of Directors adopted and ratified the said policy on the same date. This policy prohibits the Corporation from engaging the external auditors to provide certain non-audit services to

the Corporation and its subsidiaries, including bookkeeping, or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, actuarial services, internal audit outsourcing services, investment banking services, management or human resources functions, legal services and expert services unrelated to the audit. The policy allows the Corporation to engage the external auditors to provide non-audit services, other than the prohibited services, only if the services have specifically been pre-approved by the Audit Committee.

11.5 EXTERNAL AUDITOR SERVICE FEES

Ernst and Young LLP have been Transat's auditors since its incorporation. They have confirmed their independence with Transat's Audit Committee.

For the fiscal years ended October 31, 2007 and October 31, 2006, Ernst & Young LLP billed the following fees for audit, audit-related, tax and all other services provided to the Corporation:

	2007	2006
Audit Fees ¹	\$1,009,000	\$983,000
Audit-Related Fees ²	\$168,000	\$128,000
Tax Fees ³	\$317,000	\$318,000
All Other Fees ⁴	\$0	\$0
TOTAL	\$1,494,000	\$1,429,000

- ¹ Audit fees include fees for services rendered for the audit of the Corporation's financial statements or other services that are normally provided by the Corporation's external auditors in connection with statutory or regulatory filings or engagements. These fees also include fees for services rendered in connection with the interpretation of accounting and financial reporting standards.
- ² Audit-related fees include fees for assurance and related services that are performed by the Corporation's external auditors. These services include accounting consultations in connection with acquisitions, special audits and due diligence.
- ³ Tax related fees include fees for assistance with tax planning (restructuring and discontinued operations), tax opinions as well as the preparation and review of income and other tax returns.
- ⁴ This category of fees would normally include professional services rendered by the Corporation's external auditors, which are not reported under the captions "audit fees", "audit-related fees" and "tax fees". No such services were rendered to the Corporation for the fiscal years ended October 31, 2006 and October 31, 2007.

12. ADDITIONAL INFORMATION

Additional financial data may be found in our comparative financial statements and Management's Discussion and Analysis for the year ended October 31, 2007, both of which are contained in the 2007 Annual Report. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Transat securities and securities authorized for issuance under equity compensation plans, is contained in our Management Proxy Circular in respect of the annual and special meeting of shareholders to be held on March 12, 2008.

Copies of these documents and additional information relating to Transat may be found on the SEDAR website at www.sedar.com and may also be obtained upon request to the Corporate Secretary of the Corporation at the following address: Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2.

