



**ANNUAL INFORMATION FORM**  
**PERIOD ENDED ON OCTOBER 31, 2000**

**March 20, 2001**

TRANSAT A.T. INC.

TABLE OF CONTENTS

<b>ITEM 1. INCORPORATION</b> .....	1
<b>1.1 TRANSAT A.T. INC.</b> .....	1
<b>1.2 CORPORATE STRUCTURE AS AT OCTOBER 31,2000</b> .....	1
<b>ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS</b> .....	5
<b>2.1 BUSINESS OF THE CORPORATION</b> .....	5
2.1.1 Overview .....	5
2.1.2 Business Strategy.....	5
2.1.3 General Development of the Business .....	5
<b>2.2 OVERVIEW OF THE INDUSTRY</b> .....	8
2.2.1 Tour Operators .....	8
2.2.2 Distribution and Travel Agencies .....	8
2.2.3 Charter Air Carriers .....	9
2.2.4 Factors Affecting Demand.....	9
2.2.5 Trends.....	9
<b>ITEM 3. DESCRIPTION OF THE BUSINESS</b> .....	9
<b>3.1 TOUR OPERATOR ACTIVITIES</b> .....	9
3.1.1 Products of Air Transat Holidays .....	9
3.1.2 Products of VAT France .....	10
3.1.3 Products of Nolitour .....	10
3.1.4 Products of Regent .....	10
3.1.5 Products of Americanada.....	10
3.1.6 Products of World of Vacations .....	11
3.1.7 Products of Look Voyages.....	11
3.1.8 Products of Brok' Air.....	11
3.1.9 Products of DMC.....	11
3.1.10 Products of Jonview.....	11
3.1.11 Products of Rêvatours.....	12
3.1.12 Products of Tourgreece.....	12
3.1.13 Positioning with Regards to Competition.....	12
<b>3.2 DISTRIBUTION BUSINESS</b> .....	13
3.2.1 Travel Agencies.....	13
3.2.2 E-Commerce.....	13
3.2.3 Positioning with Regards to Competition .....	14
<b>3.3 CHARTER AIRLINE BUSINESS</b> .....	14
3.3.1 Distribution and Marketing.....	15
3.3.2 Maintenance .....	15
3.3.3 Insurance.....	16
3.3.4 Fuel Supply.....	16
3.3.5 Ground Handling and Airport Services .....	16
3.3.6 Positioning with Regards to Competition .....	16
<b>3.4 REGULATORY ENVIRONMENT</b> .....	17
3.4.1 Tour Operators and Travel Agencies.....	17
3.4.2 Charter Air Carriers .....	17
<b>3.5 EMPLOYEES</b> .....	18
<b>3.6 GEOGRAPHIC BUSINESS SEGMENTS</b> .....	19
<b>3.7 PREMISES</b> .....	19
<b>3.8 ENVIRONMENT</b> .....	21
<b>ITEM 4. SELECTED CONSOLIDATED FINANCIAL INFORMATION</b> .....	22
<b>4.1 ANNUAL</b> .....	22

<b>4.2</b>	<b>STATISTICS OF THE LAST EIGHT QUARTERS</b> .....	22
<b>4.3</b>	<b>DIVIDENDS</b> .....	23
<b>4.4</b>	<b>AUDITORS</b> .....	23
<b>ITEM 5.</b>	<b>MANAGEMENT'S DISCUSSION OF OPERATING RESULTS</b> .....	23
<b>5.1</b>	<b>FISCAL 2000 COMPARED TO FISCAL 1999</b> .....	23
5.1.1	Revenues.....	23
5.1.2	Operating Expenses and Profitability.....	24
5.1.3	Financial Position.....	24
5.1.4	Risk and Uncertainties .....	25
<b>5.2</b>	<b>FISCAL 1999 COMPARED TO FISCAL 1998</b> .....	25
5.2.1	Revenues.....	25
5.2.2	Operating Expenses and Profitability.....	26
5.2.3	Financial Position.....	27
5.2.4	Risk Management, Fuel and Foreign Currency.....	27
<b>ITEM 6.</b>	<b>SHARE CAPITAL OF THE CORPORATION, MARKET FOR THE NEGOTIATION OF SECURITIES AND PRIOR DISTRIBUTIONS</b> .....	28
<b>6.1</b>	<b>CAPITAL STRUCTURE</b> .....	28
<b>6.2</b>	<b>MARKET FOR THE NEGOTIATION OF SECURITIES</b> .....	28
<b>6.3</b>	<b>PRIOR DISTRIBUTIONS</b> .....	28
<b>ITEM 7.</b>	<b>DIRECTORS AND EXECUTIVE OFFICERS</b> .....	29
<b>7.1</b>	<b>DIRECTORS</b> .....	29
<b>7.2</b>	<b>OFFICERS</b> .....	31
<b>ITEM 8.</b>	<b>ADDITIONAL INFORMATION</b> .....	32

## **ITEM 1. INCORPORATION**

### **1.1 TRANSAT A.T. INC.**

Transat A.T. Inc. (the “Corporation” or “Transat”) was incorporated under the *Canada Business Corporations Act* by Certificate of Incorporation dated February 13, 1987, under the name of 154117 Canada Inc.

Since its incorporation, the following amendments have been made to the Articles of the Corporation:

- on April 27, 1987, a Certificate of Amendment was issued to the Corporation to change its name to Groupe Transat A.T. Inc. and to provide for the creation of an unlimited number of Preferred Shares issuable in series;
- on November 19, 1990, a Certificate of Amendment was issued to provide for the creation of 2,400,000 Series 1 Preferred Shares;
- on April 24, 1991, a Certificate of Amendment was issued to fix the minimum number of directors at nine and the maximum number of directors at 15;
- on July 22, 1992, a Certificate of Amendment was issued to provide for the creation of 250,000 Series 2 Preferred Shares;
- on April 22, 1993, a Certificate of Amendment was issued to the Corporation to amend certain provisions relating to the Series 1 Preferred Shares and to change the Corporation’s name to Transat A.T. Inc.;
- on November 25, 1993, a Certificate of Amendment was issued to provide for the creation of an unlimited number of Series 3 Preferred Shares;
- on December 18, 1996, a Certificate of Amendment was issued to subdivide each common share on the basis of three common shares for each issued and outstanding common share;
- on March 26, 1999, a Certificate of Amendment was issued to introduce constraints on issues and transfers of voting shares of the Corporation’s share capital in order for the Corporation to remain a “Canadian” corporation within the meaning of the *Canada Transportation Act*, S.C. (1996) c.10, and also to enable the Board of Directors to appoint directors during a given year.

The principal place of business of the Corporation is located at 300 Léo-Pariseau, Suite 600, Montreal, Quebec, H2W 2P6.

In this information form, unless the context provides otherwise, the Corporation refers to Transat and its subsidiaries.

### **1.2 CORPORATE STRUCTURE AS AT OCTOBER 31, 2000**

Transat has twelve principal wholly-owned subsidiaries, Air Transat A.T. Inc. (“Air Transat”), Air Transat Holidays A.T. Inc. (“Air Transat Holidays”), Brok’Air S.A. (“Brok’Air”), Consultour / Club Voyages inc. (“Consultour”), Les Voyages Nolitour Inc. (“Nolitour”), Regent Holidays Limited (“Regent”), Tourbec (1979) Inc. (“Tourbec”), Exit Travel Inc. (“Exit”), Handlex, Groundhandling Services Inc. (formerly Haycot Services Inc.) (“Handlex”), Cameleon Hotel Management Corporation (“Cameleon”), Vacances A.T. Europe S.A. (“A.T. Europe”), and Americanada International Tours Inc. (“Americanada”).

A.T. Europe owns 100% of the share capital of Vacances Air Transat (France) S.A.S. (“VAT France”) and holds a 99.2% interest in Look Voyages S.A. (“Look Voyages”).

Air Transat Holidays owns 100% of the share capital of Transat A.T. (Barbados) Limited and Air Transat Holidays USA, Inc. (“ATH Florida”) and holds a 66.7% interest in DMC Transat Inc. (“DMC”).

Americanada holds a 66.66% interest in CV Invitation Jaro Inc., who in turn holds a 50% interest in Invitation Golf Inc.

The Corporation also holds a 35% interest in World of Vacations Ltd. (“World of Vacations”).

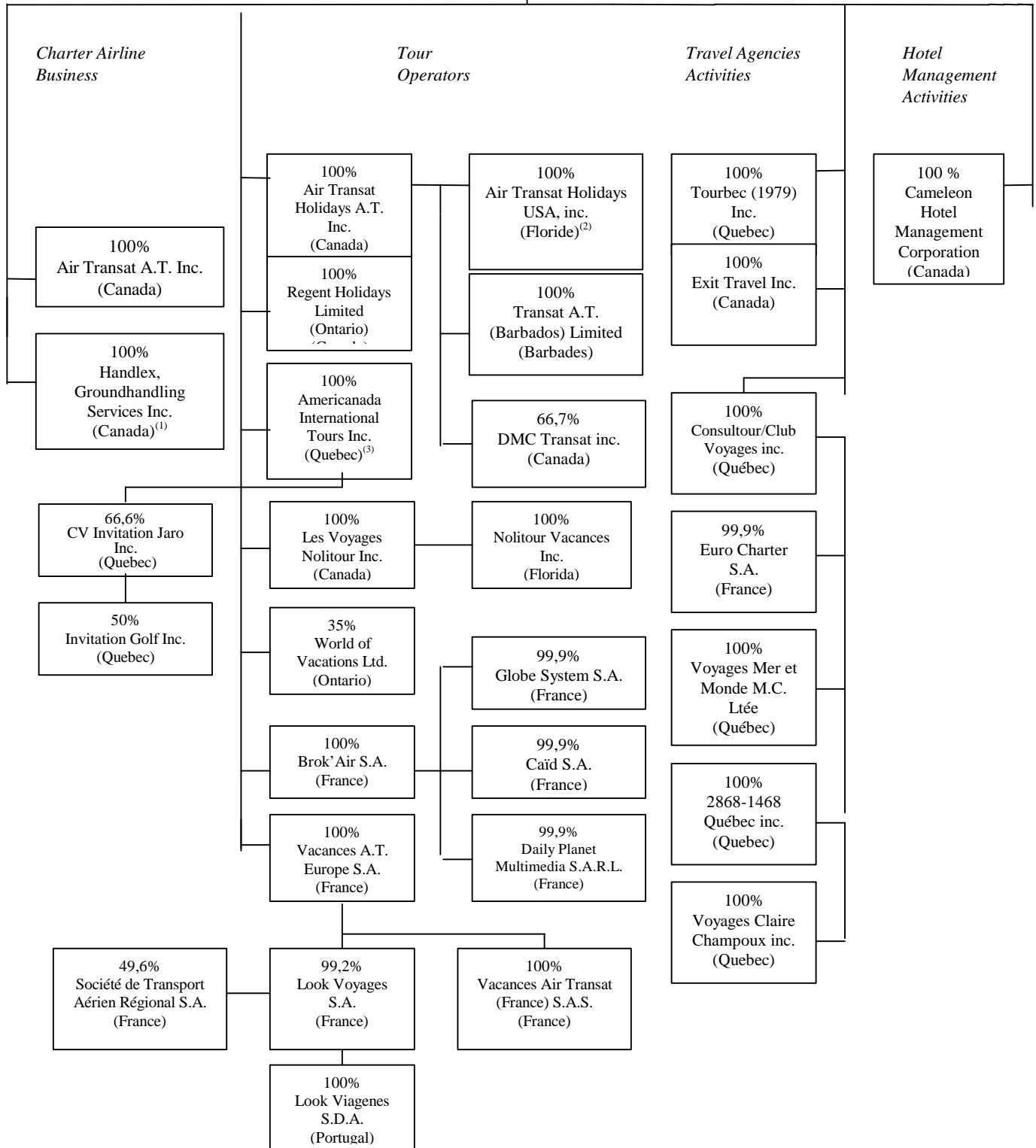
Consultour holds a 100% interest in each of Voyages Mer et Monde M.C. Ltée, 2868-1468 Quebec Inc. and Voyages Claire Champoux inc. Consultour also holds a 99.9% interest in Euro Charter S.A (“Euro Charter”).

Look Voyages holds a 49.6% interest in Société de Transport Aérien Régional S.A. which operates under the name STAR Airlines S.A. (“STAR”) and a 100% interest in Look Viagenes S.D.A.

Brok’ Air holds a 99.9% interest in each of Globe System S.A., Caïd S.A., operating under the trade name Anyway, and Daily Planet Multimédia S.A.R.L.

The following organization chart sets out the corporate structure of the Corporation as at October 31, 2000, the jurisdiction of incorporation of the principal subsidiaries and associated companies of Transat and the percentage of voting and participating shares held in each of the companies included therein:

**TRANSAT A.T. INC.**  
(Canada)



(1) Formerly Haycot Services Inc.

(2) Formerly Air Transat Holidays (Florida) Inc.

(3) Held indirectly by Transat (through its wholly owned subsidiary 3633535 Canada Inc. that holds 100% of 28631646 Québec Inc. and 124317 Canada Inc., that in turn owns equally the shares of Americanada).

**Note :** The following companies were acquired after October 31, 2000 :

1. Jenkins Leaside Travel Limited (100%) acquired by Consultour / Club Voyages inc. in December 2000. This company is incorporated in Ontario.
2. Jonview Corporation (50%) acquired in January 2001 by Transat. This company is incorporated in Canada.
3. Rêvateurs Inc. (100%) acquired in March 2001 by Transat. This company is incorporated in Quebec.
4. Tourgreece S. A. (40%) acquired in March 2001 by Look Voyages. This company is incorporated in Greece.

## **ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS**

### **2.1 BUSINESS OF THE CORPORATION**

#### ***2.1.1 Overview***

Transat A.T. Inc., incorporated under the Canada Business Corporations Act, is an integrated company in the tourism industry. Tour operators offer holiday travel with transportation provided in part by commercial charter flights operated by member companies of the group. Travel agencies provide advice to consumers and distribute the products available from tour operators and other tourism-related services. The Corporation also acts as a franchisor for the travel industry. The Corporation operates mainly in two geographic segments, to wit Canada and France.

#### ***2.1.2 Business Strategy***

The Corporation's objective is to maintain its position as a leader in the holiday travel sector in Canada and to increase its business activities in Europe. It has based its development strategy on the vertical integration of holiday -travel distribution channels. The Corporation's tour operator and travel agent activities benefit from the availability of seats on its own air carrier. This strategy encourages synergies, ensures reciprocal loyalty between the levels of operations and permits better quality control of the Corporation's products and services. It also gives the Corporation more flexibility to adjust prices, products and services offered by the different levels of operations, enhancing its ability to operate profitably.

This strategy has led the Corporation to acquire, or to invest in, tour operators and travel agencies in Canada and in Europe while continuing to expand its air carrier services. In 1999, the Corporation created a hotel management subsidiary with the mission to manage a network of superior accommodations, thus enhancing its development strategy based on the vertical integration of holiday - travel distribution channels.

#### ***2.1.3 General Development of the Business***

Air Transat Holidays was incorporated in 1983 under the name Trafic Voyages Ltée ("Trafic Voyages"). Its principal market at that time was the Montreal-Paris route and its activities were limited to those of a tour operator until 1987, when Air Transat was founded as part of a vertical-integration strategy. The year 1997 was a turning point for Transat, since it was initially financed by a public offering of the Corporation's securities, which was completed in June 1987. Further, Air Transat signed its first operating lease for an aircraft in September 1987 and its first commercial flight took place on November 14 of the same year.

The Corporation created Trafic Tours France S.A.R.L. in February 1987 (which name was subsequently changed to Vacances Air Transat (France) S.A.S.) to increase the number of passengers on the Montreal - Paris route, reduce its dependency on independent tour operators in France and increase its sales of seats in the French market. Initially, most of Trafic Voyages passengers travelled principally between April and October. In July 1987, in order to increase its November-to-April operations, the Corporation acquired Les Vacances Multitour International Inc. ("Multitour"), which specialized in sunshine destinations.

While seeking to expand the scope of its tour operator activities, the Corporation also wanted to ensure a presence in the retail travel business that was consistent with its vertical-integration strategy. In August 1988, the Corporation acquired a 50% interest in Consultour, a travel agency franchisor comprising travel agencies doing business under the Club Voyages, Voyages en Liberté, Inter Voyage and Tourbec banners. In 2000, the Corporation acquired the remaining 50% interest in Consultour, bringing its interest in this company to 100%. Consequently, the Corporation now relies on some 240 well established travel agencies in Canada and France.

In October 1988, the Corporation acquired 50% of the shares of Haycot Services Inc. (now Handlex, Groundhandling Services Inc.), a provider of ground handling services, which participation rose to 100% in February 2000 (the consideration paid was \$1,015,000). The Corporation also acquired, in February 1989, all the outstanding shares of Tourbec, which then operated 11 travel agencies primarily in the Greater Montreal Region.

In November 1989, Trafic Voyages and Multitour merged and, in February of 1991, they adopted the name Air Transat Holidays A.T. Inc. with a view to capitalizing on the quality image Air Transat had acquired in the travel market.

In December 1989, the Corporation decided to enter the Toronto market through the acquisition of British Airways Holidays (Canada) Limited, which adopted the Air Transat Holidays trademark, in February 1992, before merging with Air Transat Holidays in May 1992.



In August 1990, the Corporation acquired 100% of the share capital of Placements Venaco Inc., a holding company for two well-known, established tour operators doing business in the Quebec City and Montreal areas under the name of Vacances Fantasia. On October 31, 1992, Vacances Fantasia merged with Air Transat Holidays.

In July 1992, to further consolidate its position in the Toronto market, the Corporation acquired a 50% interest in Regent, a tour operator. During the 1997 fiscal year, the Corporation acquired the balance of the issued and outstanding participating shares of the capital of Regent, thereby increasing its interest to 100% of participating shares and 50% of the outstanding voting shares. In October 2000, the Corporation acquired the remaining 50% issued and outstanding voting shares of Regent. No purchase price balance was paid under the initial price adjustment clause. In addition, \$ 1,126,000 owned by the former shareholders of Regent was included in the goodwill.

In 1993, in order to better control the distribution of its products in the Toronto - United Kingdom market, Air Transat entered into a firm five-year distribution agreement with The Globespan Group plc, one of Great Britain's foremost tour operators for travel to Canada. This agreement was renewed until October 31, 2001.

With a view to continuing its growth in Quebec, the Corporation acquired control of Nolitour by share purchases in July 1993 and July 1994. In April 1994, Nolitour abandoned its direct sales operations, transferred its travel agencies to Tourbec and makes now its products broadly available to all travel agencies. During the 1997 fiscal year, Nolitour acquired certain assets of Auratours, a tour operator specializing in travel products to Italy.

In July 1993, Air Transat Holidays opened a new division in Vancouver to further expand its Canadian operations.

ATH Florida was formed, in December 1993, to offer representation services to customers of Air Transat Holidays at their destinations in Florida.

In 1995, Air Transat Holidays transferred its incoming tour operator activities to DMC, a newly formed company. On June 13, 1995, the Fonds de solidarité des travailleurs du Québec (FTQ) (the "Fonds") acquired one-third of the outstanding common shares of DMC in consideration of \$2.5 million. DMC's mission is to develop incoming tourism services in Canada. On November 1, 1996, DMC merged with Club Kilomètre Inc., a small tour operator located in Quebec City acquired in April 1996.

On October 19, 1995, a subsidiary of Caisse de dépôt et placement du Québec ("CDPQ") purchased 25% of the common shares of Air Transat Holidays, which shares were redeemed on November 1, 1995. In a related transaction, Air Transat Holidays issued a debenture to CDPQ in an aggregate principal amount of \$10 million. This debenture bears interest at 17.5% per annum and matures on November 1, 2005. It is redeemable at Air Transat Holidays' option on or after November 1, 2000 and convertible into 25% of Air Transat Holidays' common shares at CDPQ's option on or after November 1, 2000. In the event the debenture is redeemed, the redemption price will be equal to the amount paid plus a premium that is sufficient to enable the holder to obtain a compound annual return of 20.5% on the amount paid, calculated from November 1, 1995, taking into consideration annual interest paid on the debenture during the period. The debenture may also be redeemed on the same conditions by Air Transat Holidays, in the event that CDPQ exercises the option to convert the debenture into shares of Air Transat Holidays. Finally, should the Corporation be subject to a takeover bid, CDPQ has the option to purchase all of the outstanding shares of Air Transat Holidays at a price to be determined in accordance with the terms and conditions of the debenture

The debenture is collateralized, among other things, by the guarantee of Transat and Air Transat, a second-ranking movable hypothec on the shares of certain of the Corporation's affiliates and a second-ranking movable hypothec without delivery on the universality of the movable property of Air Transat Holidays and of Air Transat. The debenture also includes several undertakings of Air Transat Holidays and Transat in favour of CDPQ.

In 1996, the Corporation first acquired a 33.7% interest in Look Voyages, which interest was increased to 68% in October 1996. On June 2, 1997, following a takeover bid, the Corporation increased this interest to 84.4%. Following several transactions (including an increase in the capital of Look Voyages) that took place in 1997 and 1998, the indirect interest of Transat in Look Voyages has been increased to approximately 98% of its capital. In October 1999, Transat completed the corporate restructuring of its principal French subsidiaries under A.T. Europe when Air Transat Holidays transferred its ownership of VAT France to A.T. Europe. In July 2000, the Corporation increased its interest in Look Voyages to 99.2% following an issuer bid to buy back shares at a price of 4,75 € per share (approximately \$5.90) and several other transactions pertaining to Look Voyages' capital. The total consideration paid, including costs related to acquisition, amounted to \$ 897,000.

In December 1995, Look Voyages participated in the establishment of an air carrier, STAR. Look Voyages holds 49.6% of STAR's capital. STAR now operates five aircraft and primarily services the Mediterranean region. The Corporation also acquired, in 1996, a 34.4% interest in Brok' Air. In December 1996, the Corporation increased said interest to 39% and, since February 2000, now owns 100% of Brok' Air. The Corporation acquired this additional 61% interest in Brok' Air in consideration of \$ 2,005,000. The Corporation is also committed to paying an additional amount based on the average income before income taxes earned by Brok' Air for fiscal 2001, 2002, and 2003.

In August 1996, the Corporation purchased 35% of the shares of Canadian Holidays, a Toronto-based tour operator, at a price of \$2 million payable in cash. Canadian Holidays changed its name to World of Vacations Ltd. on September 6, 1996. In addition, a loan of \$4 million bearing interest at 12% per annum and repayable in 12 quarterly installments ending on July 31, 1999, was made between World of Vacations and Transat. Since that date, the reimbursement terms of this loan were amended. Thus, the balance of the loan is now repayable in 10 quarterly installments starting May 1, 2002. A second loan of \$18 million bearing interest at 12% per annum and repayable in 24 quarterly installments starting May 1, 2002, was also made between World of Vacations and Transat. This second loan is convertible into common shares of World of Vacations at any time, allowing Transat to increase its ownership in World of Vacations, up to a maximum of 88% if the total amount of the loan remains unpaid upon conversion. Furthermore, Transat also has an option to increase its interest in World of Vacations to 100% at any time, based on World of Vacations' financial results. In January 2001, World of Vacations acquired, for a cash consideration of \$765,000, a 100% interest in D&R Travel Inc., a company that operates five travel agencies. On March 9, 2001, Transat announced that it is acquiring the remaining outstanding shares of World of Vacations, subject to the approval by the Competition Bureau of Canada. The transaction will be completed only once it receives this approval.

In September 1997, Transat, Air Transat and Air Transat Holidays entered into an arrangement with a banking syndicate pertaining to a revolving term loan in an amount of \$55 million and special revolving credit in an amount of \$27 million, increased to \$35 million in October 1998. Pursuant to the banking arrangement, Transat, as well as its subsidiaries Air Transat and Air Transat Holidays, granted their bankers movable hypothecs on the universality of their movable property. In addition, Transat granted a movable hypothec on the shares of the subsidiaries it owns and Air Transat granted an immovable hypothec on the warehouse and administrative building located at the Montreal International Airport in Mirabel, Quebec.

The revolving term loan matures on February 28, 2002. In accordance with the conditions of this arrangement, amounts may be drawn in the form of bankers' acceptances or bank loans in Canadian or US dollars. The interest rate is determined on the basis of a rate schedule that varies in accordance with the level of certain financial ratios calculated on a consolidated basis.

In June 1999, Transat incorporated Cameleon Hotel Management Corporation, a subsidiary with the mission to manage a network of superior accommodations at major destinations served by the Transat group of companies. During the same month, Transat also incorporated Exit Travel Inc., a subsidiary with the mission to develop the Corporation's business in retail e-commerce.

In November 1999, the Corporation acquired a 50% interest in the tour operator Americanada, a specialist in à-la-carte tourism with its FITs (Foreign Independent Tours), namely the sale of seats along with lodging and car rentals. In April 2000, the Corporation acquired the balance of the outstanding shares of Americanada, thereby bringing its interest in this company to 100%. The total consideration amounted to \$ 2,564,000, including \$1,545,000 in cash and \$1,019,000 payable in three instalments maturing at various dates until November 1, 2002.

In 2000, Cameleon began its hotel management operations with two superior-class resorts: one in Puerto Aventuras, close to Cancun (Mexico), and the other in Rose Hall, Montego Bay (Jamaica). A third hotel, in the palm grove of Marrakech (Morocco), will be added in spring 2001, targeting mainly the customers of Look Voyages. These successful grand openings reflect Transat group's growth strategy based on vertical integration. Where lodging is concerned, the Corporation thus has greater control over product quality and the supply of quality hotel rooms available at the most attractive and most popular destinations.

In January 2001, Transat acquired a 50% interest in the capital of Jonview Corporation, the leading incoming tour operator in Canada, for a cash consideration of \$ 10,000,000. Transat has the option (call option) to acquire the remaining 50% interest in Jonview Corporation for a consideration based on the fiscal 2001, 2002, and 2003 results. The vendors have the option (put option) to require Transat to purchase the remaining 50% interest in Jonview Corporation. The aforesaid put and call options may be exercised after October 30, 2003.

In March 2001, Look Voyages acquired, for a cash consideration of \$ 1,500,000, a 40% interest in the incoming tour operator Tourgreece S.A. (“Tourgreece”), located in Athens, Greece. Look Voyages has the option to acquire the remaining 60% interest after March 5, 2004.

Further, in March 2001, Transat acquired Rêvateurs Inc. (“Rêvateurs”), a Quebec tour operator specialized in premier-quality guided tours in Asia, Eastern Europe, North America, Greece and Turkey, for a cash consideration of \$3, 250, 000.

## **2.2 OVERVIEW OF THE INDUSTRY**

The holiday travel industry is composed mainly of tour operators, travel agencies (traditional and online), and charter air carriers.

### **2.2.1 Tour Operators**

The market for tour operators is well established in Europe, Asia and Canada. Tour operators specialized in outgoing services purchase the various components of a trip and sell them to the consumer through the services of travel agencies, either as a travel package or separately. An outgoing tour operator purchases blocks of seats or complete flights mainly from charter air carriers and undertakes to pay for all the seats so purchased whether it sells them or not, thereby obtaining a better price. Such tour operator also negotiates with hotel facilities for blocks of rooms and makes arrangements in order to offer travel packages at lower prices than if consumers were to make their own reservations.

The market for sunshine destinations is mainly a package market, whereas Europe is a market of aircraft seats, car rentals and hotel rooms booked on a nightly basis. On the Canadian market, 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, such tour operators undertake negotiations with air carriers, hotel and cruise ship operators and car rental agencies. When such negotiations are completed, brochures 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, which make 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. The incoming tour operator essentially exports a country’s attractions to foreigners, while also providing services with respect to the organization of leisure travel, conventions and incentive trips.

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; and a solid relationship with travel agents based upon the tour operator’s reputation for value and customer satisfaction.

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.

### **2.2.2 Distribution and Travel Agencies**

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

As a result of technological advances, on-line travel agencies now offer a large range of travel products by way of transactional web sites on the Internet.

### **2.2.3 Charter Air Carriers**

Air carriers provide their services to travel agencies and tour operators. These carriers are known as “scheduled” when they sell their services directly to the public and to travel agencies and as “charter” when they sell their seats in blocks to tour operators.

Generally speaking, charter air carriers specialize in the holiday travel market, whereas scheduled carriers rely mainly on the business travel segment. However, both types of carriers compete more and more in the holiday destinations market and the so-called “visiting friends and relatives” travel market.

Airline companies either own their aircraft or lease aircraft on short-or long-term basis. Aircraft are configured differently depending on their use by scheduled or charter carriers in order to meet their respective needs in terms of service and capacity.

#### ***2.2.4 Factors Affecting Demand***

In recent years, the vacation package and air charter industries have grown as a result of several factors, including: an aging population with more leisure time and financial resources; improved airplane efficiency reducing the costs of airline travel; the addition of new destinations; the increasing popularity of all-inclusive packages; and recognition that travel requirements for vacationers are distinct from those of business travellers. An other factor affecting demand remains the general state of the economy of the various countries in which tour operators operate.

#### ***2.2.5 Trends***

In recent years the activities of the Canadian leisure-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, the Canadian industry is now dominated by three major tour operators, two of which are foreign-owned.

Although the United Kingdom has experienced similar trends, France is still a largely fragmented market with several large tour operators and a large number of smaller ones. The Corporation believes that France will also be affected by globalization and concentration.

### **ITEM 3. DESCRIPTION OF THE BUSINESS**

Certain of the following data on competitive positioning and market share of the Transat’s group of companies has been estimated by Management, based on it’s knowledge of the relevant industry segments.

#### **3.1 TOUR OPERATOR ACTIVITIES**

The Corporation acts as an outgoing tour operator through its wholly-owned subsidiaries, Vacances Air Transat (Montreal, Toronto, Vancouver and regional offices in Quebec City, Halifax and Calgary), VAT France (Paris), Nolitour (Montreal), Regent (Toronto), Americanada (an à-la-carte tour operator) and Rêvatours (acquired in March 2001), as well as through its subsidiaries Look Voyages (France) and Brok’ Air (France), and World of Vacations (mainly Toronto and Vancouver). DMC, ATH Florida, Jonview (acquired in January 2001) and Tourgreece (acquired in March 2001) operate as incoming tour operators in Quebec, Florida, Canada and Greece, respectively. Each of these subsidiaries and affiliates operates independently in its own market in the development and marketing of its individual product lines, while benefiting from the considerable purchasing power and other advantages generated by the Corporation’s strategy of vertical integration.

##### ***3.1.1 Products of Air Transat Holidays***

Air Transat Holidays offers its clientele quality travel at good prices. It has developed two principal types of products: travel packages for sunshine destinations, mainly during the winter season, and charter flights with complementary products and services for travel to Europe, mainly during the summer season. Air Transat Holidays is the leading Canadian-owned tour operator and the only major Canadian tour operator to have balanced its winter and summer sales volumes.

For travel to Europe, travellers may also make reservations for short stays (in hotels, studios, apartments, and beds and breakfast), car rentals (based either on the straight car rental formula or with a buy-back option) or train tickets. For destinations in France, Air Transat Holidays sells flights mainly to Paris, Nice, Bordeaux, Marseilles, Lyons, Basel-

Mulhouse, Toulouse and Nantes, and for destinations in the United Kingdom and Ireland, it sells flights mainly to London, Manchester, Glasgow, Newcastle, Exeter, Cardiff, Birmingham, Edinburgh, Aberdeen, Belfast, Shannon, and Dublin. Air Transat Holidays also sells flights to Berlin, Brussels, Düsseldorf, Frankfurt, Amsterdam, Prague, and Warsaw. Flights to London and Paris are offered year round, but fewer flights are available from November to March.

With respect to sunshine destinations, Air Transat Holidays offers packages to the Dominican Republic, the West Indies, Cuba, Venezuela, Mexico, Costa Rica, Colombia and the United States, among others. Most of the sunshine destinations are available, with departures from ten Canadian cities and are sold out of offices located in Montreal, Quebec, Toronto, Calgary, Vancouver, and Halifax. Further, Air Transat Holidays offers direct flights from Buffalo to the Dominican Republic. In addition to European and sunshine destinations, Air Transat Holidays offers charter flights within Canada as well as Canadian travel packages.

Air Transat Holidays also offers cruises to the Caribbean and to Europe, as well as bus tours mainly in Europe.

For the 12-month period ended October 31, 2000, approximately 797,000 travellers travelled with Air Transat Holidays.

### ***3.1.2 Products of VAT France***

The primary objective of VAT France is the distribution of holiday packages to Canada through French travel agencies. VAT France also offers its French clientele various destinations in the Caribbean, such as the Dominican Republic (where it has a leading position in France), Cuba, and Mexico, and to the United States. VAT France offers packages and guided tours in many countries in Latin America, namely in Costa Rica, Equator, Brazil, Argentina, Chili, Peru, and Bolivia.

For the 12-month period ended October 31, 2000, approximately 125,000 travellers travelled with VAT France.

### ***3.1.3 Products of Nolitour***

Nolitour offers to clients residing in the province of Quebec products which are similar to those of Air Transat Holidays. It specializes in southern destinations and sells packages to clients seeking value and comfort. For the 12-month period ended on October 31, 2000, approximately 82,000 travelers travelled with Nolitour. Several years ago, Nolitour undertook to develop new products in order to balance its revenues from one season to the next. Hence, in the spring of 1997, it acquired certain assets of Auratours, a specialist in travel products to Italy. Since the 1998 summer season, Nolitour started to market Air Transat flights to Greece.

### ***3.1.4 Products of Regent***

Regent has built an enviable reputation in the Ontario market for cruises in the Caribbean in the winter and in the Mediterranean during the summer, and also offers packages to Venezuela, Colombia, Panama, and Greece. Since the fall of 1998, Regent joined forces with EnRoute Holidays, a Florida specialist on the Ontario market, so that it offers now a wider range of products to this important destination while continuing to market other sunshine destinations such as the Dominican Republic, Cuba, and Mexico. Furthermore, 1999 was the beginning of a new collaboration between Regent and Nolitour. These two outgoing tour operators have joined together certain of their business activities and are now run by the same President and CEO.

For the 12-month period ended October 31, 2000, approximately 141,000 travellers travelled with Regent.

### ***3.1.5 Products of Americanada***

The tour operator Americanada is an à-la-carte specialist with its FITs (Foreign Independent Tour); namely, the sale of seats along with lodging and car rentals. This tour operator excellently complements the wide range of products offered to the travel agencies by the Transat group.

Americanada offers customized Florida and Islands vacations, to Barbados, Bermuda, the Bahamas, and Aruba. It offers also customized motor coach tours in Quebec, Canada and the United States, as well as the rental of motorhomes. Further, Americanada offers cruises in Alaska, Europe and the Caribbean. Americanada plans to open offices in Toronto and in Vancouver in 2001.

For the 12-month period ended October 31, 2000, approximately 65 000 travellers travelled with Americanada.

### ***3.1.6 Products of World of Vacations***

World of Vacations operates in the markets of Ontario, the Atlantic Provinces, the Prairies and Western Canada and offers a broad range of products for destinations in the United States (including Hawaii and Disney Cruise Lines), the Bahamas, the Caribbean, Mexico, Cuba and South America. In addition, it offers exclusively, under the brand name “World Choice Resorts”, quality packages at competitive prices to its sunshine destinations. In Canada, World of Vacations specializes in short getaways to all the major cities and also offers ski packages to all the major resorts. In the summer, World of Vacations adds major European destinations to its product line.

For the 12-month period ended October 31, 2000, approximately 271,000 travellers travelled with World of Vacations.

### ***3.1.7 Products of Look Voyages***

Look Voyages is one of the largest French tour operators and is recognized as a leader in the air-only flight market. It holds a position of strength in the 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 which include group animations and target a youthful family-oriented clientele. Look Voyages’ products are sold year round, but the 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. Look Voyages’ medium-term strategy is to develop value-added products aimed at increasing its vacation package activities, while remaining a leader in the distribution of air-only tickets markets. In accordance with its strategic objectives, while consolidating its leadership position in the sale of air-only flights, Look Voyages increased in 2000 sales of its packages by more than a third, generating 42% sales.

For the 12-month period ended October 31, 2000, approximately 1,500,000 travellers (in legs) travelled with Look Voyages.

### ***3.1.8 Products of Brok’Air***

Brok’Air is a French company active in two major fields of the holiday travel industry. First, it is a consolidator in France for negotiated fares with the regular airlines and the leader in France in this field. Second, it markets guided tours for North America, South America and Australia. Due to its expertise, Brok’Air also develops integrated solutions for travel agencies for sale of on line air fares through Internet.

Brok’Air also offers services through Anyway, which is now one of the leading online travel agencies in France offering air fares (regular or charter), hotel accommodation, as well as car rentals, stays and guided tours, via its Website [www.anyway.com](http://www.anyway.com)

### ***3.1.9 Products of DMC***

DMC provides foreign tour operators with a complete range of competitively priced Canadian tourism products, for both groups and individual travellers. In addition, DMC offers two major types of products, to wit the organization of leisure trips (traditional, discovery and adventure tourism) and business trips (incentive trips, meetings, conferences) which it markets mostly in Europe and in the United States. DMC, which served 44,000 travellers during the 12-month period ended October 31, 2000, is one of the largest incoming tour operators in Canada.

### ***3.1.10 Products of Jonview***

Jonview is an incoming tour operator with offices in Montreal, Toronto, and Vancouver. It also has sale representation offices in France, the United Kingdom and Italy. Jonview sells its wide range of products to tour operators in Europe, South America, Latin America, Australia, New Zealand and Asia.

Jonview offers a full range of Canadian vacation products, including guided bus tours, group travel arrangements, fly and drive holidays, city and activity packages, ski vacations and a wide range of hotel accommodation. Jonview also offers, through its Canadian International Student Services division, a comprehensive range of ESL (English as a second language) products combining language studies with activities. Jonview brings approximately 200,000 tourists each year to Canada.

### ***3.1.11 Products of Rêvatours***

Rêvatours is a well established outgoing tour operator, located in Quebec, having 14 years of existence. It has an office in Montreal. It specializes in premier-quality guided tours in Asia, Eastern Europe, North America, Greece and Turkey. Rêvatours served approximately 6,600 travellers in 2000.

### ***3.1.12 Products of Tourgreece***

Tourgreece is a well established incoming tour operator located in Athens, Greece, having 22 years of existence. It offers a wide 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 served approximately 100,000 travellers in 2000, of which half were clients of the Transat group, and more particularly of Look Voyages who owns three Lookéa Clubs, in Greece.

### ***3.1.13 Positioning with Regards to Competition***

#### ***On the Canadian Market***

Management believes that the Corporation is the largest tour operator in the Quebec market, where it is in competition with smaller tour operators, such as Tour Mont-Royal/Nouvelles Frontières, Signature Holidays, Air Pax Holidays and several others.

The Ontario market is the largest in Canada. Besides the Corporation, a few large tour operators play leading roles in the Ontario market, including North American Leisure Group (which includes Sunquest and Alba Tours), Signature Vacations Inc., Canada 3000 Holidays Inc. and Conquest. Air Transat Holidays, Regent and World of Vacations have succeeded in establishing a significant market share in the European travel segment (mainly to the United Kingdom) during the summer season, as well for the sunshine destinations segment during the winter season. Success has also been achieved in offering Las Vegas trips on a year round basis.

Air Transat Holidays and World of Vacations are working to strengthen the Transat group's presence in Western Canada. For the rest of the industry, which is composed of small-and medium-sized players, the scope is either regional or limited to a specific type of destination or travel.

Although quality is an important factor, competition between tour operators on the Canadian and French markets is mainly based on price, with consumers 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. Another important factor relative to competition is exclusive access to certain hotels in sunshine destinations, which may enable a few major tour operators to improve their position on the market.

Globally, market conditions are stringent, with supply generally outstripping demand. Demand is on the rise, however, as Canadians increasingly travel abroad. More than 18 million passengers crossed Canadian borders in 1999, more than 4 million of them on their way to destinations other than the United States. Influenced by the climate, travellers prefer sunshine destinations in winter and European destinations in summer. By order of importance, Mexico, the Dominican Republic and Cuba are the most popular sunshine destinations.

With its leadership position, its skill in the strategic management of its products, and its market experience, the Transat group considerably strengthened its presence in the Canadian market in 2000. The result is that the number of travellers opting for its products increased. More precisely, the group strengthened its presence in Ontario while at the same time it introduced packages from Saskatoon, Winnipeg and St. John's, bringing the number of Canadian cities served to 10. Geographical diversification involves both departure points and destinations, the purpose being to offer the products that best meet customers' expectations in each new market, preferably exclusively. In addition, Transat continues to invest in the expansion of its range of products, in keeping with market trends. Among its initiatives are short package trips to Paris, and the upscale "Special Collection" products.

#### ***On the French Market***

The French market consists of approximately 350 tour operators with total revenues estimated at \$8 billion, the largest of which are Club Med-Jet Tours, Nouvelles Frontières, Voyages FRAM and Look Voyages. The trend towards consolidation that has characterized the tour operator industry in Canada is well underway in France. Thus, the French vacation travel market continues to evolve on two levels: consumption patterns and organizational structure.

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. On an operational level, it is a welcome change because it results in greater use of equipment and infrastructures over longer periods of time.

As for its organizational structure, in France, there was accelerated consolidation of the tourism industry in 2000; this was the combined result of the arrival of foreign companies and of the pooling of interests among French players. More and more market participants are looking at various forms of partnership with other organizations in order to spur their own development. This trend can in part be explained by the market's strong potential for growth: the French, who have historically travelled abroad much less than other Europeans, seem now to be increasingly drawn to travel outside their borders. Some 25 million trips outside the country were recorded in 1999; growth in this area is very close to 10% a year.

As for Transat, it is firmly established in France, where its tour-operator activities rely on VAT (France), Look Voyages, and the consolidator Brok' Air. These subsidiaries substantially increased their sales volumes in 2000.

VAT(France), which now ranks among the 10 leading tour operators in France, is the leader for packages to Canada, a product purchased by more than 77,000 travellers each year. In fact, Canada is one of the country's most popular transatlantic destinations, having attracted some 400,000 French tourists in 1999. Over the years, VAT (France) has been able to build on this solid base by enriching its product offerings. Taking advantage of synergies with Air Transat Holidays in Canada, the tour operator is the leader in France for the Dominican Republic and ranks second for Cuba.

The leader for air-only flights, Look Voyages offers its customers some 800 destinations on five continents, with departures from Paris and seven other cities. 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 summer they readily opt for the Mediterranean Basin and North Africa. Look Voyages has succeeded in building a solid brand image and ranks first in top of mind surveys with the under-30 age group.

Brok' Air, now a wholly owned subsidiary of Transat, is the leader in France among consolidators of airline tickets at negotiated fares, and ranks second (all products combined) for travel to the United States, the leading long-haul market for departures from France.

## **3.2 DISTRIBUTION BUSINESS**

### **3.2.1 Travel Agencies**

The travel agencies sell a wide variety of products, including those offered by the Transat Group. The travel agents make the reservation of the products either through a computerized booking system or by phone. When the travel agencies operate as franchises, they are required, under the terms of the franchises, to pay fees based on their sales and to devote a certain percentage of their sales to the Corporation.

In the Canadian market, Transat distributes its products in part through its own retail network, corporate or franchised, which represents close to 190 sales outlets under four banners, managed by Consultour and Vacances Tourbec. Consultour is the leading franchisor in Quebec, with some 160 mostly franchised sales outlets under the names Club Voyages, Voyages en Liberté, and Inter Voyages in Quebec and in Eastern Canada. Consultour also markets airline tickets for scheduled flights at preferential fares. Another 30 sales outlets, most of them franchises, are operated under Transat's Vacances Tourbec banner. Consultour, through Euro Charter, owns and operates 50 travel agencies throughout France.

For the year ended October 31, 2000, the traditional Canadian agencies had commission revenues of approximately 6.5 million dollars and the traditional French agencies of approximately 11 million dollars.

### **3.2.2 E-Commerce**

[www.anyway.com](http://www.anyway.com)

Information technologies play a major role in the tourism industry. Therefore, it has become increasingly clear that marketing our products on the Internet holds great promise. In France, we penetrated the market in spring 1999 with the [www.anyway.com](http://www.anyway.com) site, a true online travel agency whose sales doubled in 2000, making it a proven business success. Our objectives for Anyway are ambitious: the strategic plan is to make it a key tool in the penetration of new geographical markets, especially in Southern Europe.

[www.exit.ca](http://www.exit.ca)

In Canada, we developed and launched the [www.exit.ca](http://www.exit.ca) site. The result of a multidisciplinary collaboration, this transactional and readily accessible site offers the Transat group's vacation packages and flights as well as those of several competitors. It is the only portal of its kind in Canada, and, in our view, one of the best sites in its category in the world.



Immediately embraced by the general public, the site generated several hundred transactions during the initial weeks of existence.

The first Web site specializing in holiday packages and charter flights, [www.exit.ca](http://www.exit.ca) offers travellers user-friendly access to nearly 13,000 products, based on the city of departure, the destination chosen and desired dates of travel. Net surfers can analyze the options, indicate their choices with a few clicks, and then reserve online in complete security. They have access to aircraft seats, packages, promotions and various last-minute discounts. Soon they will also be able to reserve car rentals and hotel rooms.

The site is secure, offering a rapid response and a broad range of products, including packages of competitors, and for these reasons it is already popular among Canadian vacationers. They readily carry out their transactions directly or through a call centre after choosing the product they want on the Internet. Behind the scenes is a unique technological platform and a highly sophisticated product management system; these allow for advanced automation with content updates every 12 hours. Therefore, consumers have round-the-clock access to their travel agency.

### **3.2.3 Positioning with Regards to Competition**

According to industry sources, there are more than 5,000 travel agencies in Canada (including approximately 1,100 in Quebec) and 5,000 in France.

Competition between travel agencies is principally based on price. 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 the distribution network in our two principal geographic markets.

French consumers have a number of ways in which they can purchase either a vacation package or airline tickets: traditional or online travel agencies, company committees, community organizations, group specialists or Minitel. With regard to the agencies, the market is all the more fragmented in that large travel agency networks work alongside numerous small, independent, generalized or specialized travel agencies. In France, Transat has close to 50 wholly owned sales outlets under the Club Voyages banner; 30 of them are in the metropolitan Paris area. The Transat group, following its growth strategy, intends to expand its distribution network in France.

Thanks to Anyway, which operates a call centre and the [www.anyway.com](http://www.anyway.com) Web site, Transat is ahead of the game in the distribution of products on the Internet. Since its launch in April 1999, [www.anyway.com](http://www.anyway.com) has recorded sustained growth in the number of visitors, and its look-to-book ratio is among the best in Europe for sites of this kind. In addition to airline tickets, hotel rooms, car rentals and vacations can be booked with Brok'Air, and charter flights with Look Voyages. The site's success, also producing many telephone transactions, has made Anyway the third leading online travel agency in France, with sales of approximately 23 million euros in 2000, double the sales of the previous year.

## **3.3 CHARTER AIRLINE BUSINESS**

Air Transat, a charter air transportation company, was incorporated under the *Canada Business Corporations Act* by Certificate of Incorporation dated October 31, 1986, under the name of Les Services Aériens de Transport International S.A.T.I. Ltée. This name was changed to Air Transat A.T. Inc. by way of a Certificate of Amendment dated April 29, 1987.

Air Transat aims to offer a high quality service. It was awarded the "Air Carrier of the Year" award by The Association of Quebec Travel Agencies in 1989, 1990, 1991, 1993, 1995 and 1998.

Air Transat offers charter flights mainly out of Montreal, Toronto, Vancouver, Quebec City, Calgary, Edmonton, Winnipeg, Halifax, Regina, St-John's, and Saskatoon. Since November 2, 1997, Air Transat has been one of the two Canadian air carriers to operate scheduled flights between Canada and France, in particular between Montreal-Mirabel and Paris-Charles-de-Gaulle. This scheduled-service route is in addition to that already held by Air Transat between Canada and Cuba.

Having carried close to 33 million passengers in the last fiscal year, almost 25% more than in 1999, Air Transat is the leading charter carrier in Canada. The leader for holiday flights to France, Belgium, the Netherlands, the United Kingdom, Greece, Germany, Portugal, Switzerland, Cuba, the Dominican Republic, Mexico, Venezuela, Colombia and Costa Rica, Air Transat flies to some 90 destinations in 27 countries. Air Transat mainly serves sunshine destinations during the winter season and European destinations during the summer. In Canada, Air Transat now flies from 10 major cities, with the recent addition of Winnipeg, Saskatoon and St. John's.

Air Transat currently operates a fleet of two Airbus A330-200 with 362 seats each, one Airbus A330-300 with 362 seats, eight Lockheed L-1011-150s with 362 seats each, six Lockheed L-1011-500s with 309 seats each, five Boeing 757-200ERs with 228 seats each and one Airbus A310-300 with 259 seats that was delivered in January 2001. This aircraft is the first of a series of six aircraft to be put into service over a period extending to 2002. The addition of these aircraft will make it possible to gradually retire the Lockheed L-1011-150s. Pursuant to the lease agreements for the Boeing 757s and Airbus 330s, Air Transat has deposited amounts totaling \$10,946,225, to be applied against the last rental payments at the expiry of the leases. Pursuant to the majority of the lease agreements, the Corporation must deposit with its lessors certain amounts calculated on the basis of the number of flight hours in order to provide for the overhaul costs of engines and airframes.

Air Transat believes it derives a competitive advantage from the mix of recent and older aircraft. Older aircraft generally carry lower fixed costs whereas newer aircraft must be used almost constantly in order to be profitable. The mix gives Air Transat flexibility to select which aircraft are to be used during low demand periods.

The Corporation holds a 99.2% interest in the capital of Look Voyages. Look Voyages co-founded and holds a 49.6% interest in STAR, a French charter air transportation company. STAR operates five Airbus A320 aircraft with 180 seats each. After an attempt to penetrate the long-haul market, STAR reverted to its original mission: to serve the travel market in continental Europe and the Mediterranean, including certain countries in North Africa and the Carribeans, for the benefit of Look Voyages as well as other tour operators.

In 2000, close to 3,300,000 passengers travelled with Air Transat, divided amongst the following important destinations; international flights (67.8%) flights towards the United States (21.9%) and domestic flights (10.3%). In 2000, STAR carried 811,000 passengers to numerous destinations, the principals of which were: Spain (20%), Italy (14%), Greece (15%), Senegal (13%), Tunisia (13%), Morocco (8%) and others (17%).

### ***3.3.1 Distribution and Marketing***

The marketing of charter air services for passenger transportation is effected on a seasonal basis, in large part by the Corporation's tour operators who organize package tours. In the winter season, most of the seats sold are to southern destinations whereas in the summer season seats are primarily sold to Europe. The selection of Air Transat's destinations is determined in close collaboration with tour operators, which enter into charter agreements with the air carrier six to eight months prior to the beginning of each season and undertake to effect payment thereto.

Even though the marketing of the flights is primarily in the hands of tour operators, Air Transat also markets some of its own seats as a scheduled carrier between Canada and France, Canada and Cuba, as well as for certain domestic and transborder flights.

Tour operators owned by or affiliated with the Corporation provided approximately 75% of Air Transat's revenues for the 12-month period ended on October 31, 2000.

### ***3.3.2 Maintenance***

On February 3, 1994, Air Transat acquired a warehouse with two bays of approximately 5,100 square meters each as well as administrative offices at the Montreal International Airport in Mirabel, Quebec. The Corporation effects regular maintenance work itself on all aircraft of its fleet.

Air Transat carries a large inventory of spare parts for its Airbus 330 and 310, Lockheed L-1011 and Boeing 757 aircraft. Air Transat's aircraft maintenance procedures and standards exceed Transport Canada's requirements and equal those set by well-known scheduled airlines having a reputation for high maintenance standards.

### ***3.3.3 Insurance***

Air Transat carries insurance in amounts in accordance with industry standards and in compliance with applicable statutory requirements and the covenants in its aircraft lease agreements. The Corporation's 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 coverage limit for any single event is U.S. \$1 billion.

### ***3.3.4 Fuel Supply***

Fuel costs represent a major component of Air Transat's operating expenses. While an increase in the price of vacation packages and air-only flights (especially in winter) and the tight management of aircraft did in part compensate for the upsurge in fuel costs, Air Transat's margins were nevertheless affected during fiscal 2000. The Corporation has negotiated with national and international oil companies to ensure that aircraft are supplied with fuel at all airports where it operates. Fuel prices are agreed to for each season on the basis of fixed margins over fluctuating world prices. When deemed necessary, the Corporation hedges a portion of its fuel requirements. 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.

### ***3.3.5 Ground Handling and Airport Services***

Ground handling and airport services (airport representation, baggage handling and aircraft cleaning) required for the operation of aircraft are provided by Handlex at the international airports in Montreal ( Dorval and Mirabel) and Toronto. These services are provided by subcontractors at the other airports.

Air Transat is not only the partner on the ground of Handlex, but it also continues serving other airlines. As such, it has renewed its contract with Air France and began working with Egypt Air.

### ***3.3.6 Positioning with Regards to Competition***

The distribution of charter air carriers' products is controlled mainly by tour operators, which reserve blocks of seats from air carriers, negotiate bulk hotel room rates and make other arrangements to render the price of a package vacation sold to the consumer cheaper than it would have been if the same consumer had attempted to make his own reservations.

Over the last few years, scheduled air carriers have been forced to deal with significant competition from charter airline carriers in international markets. Following the 1984 liberalization and the 1988 deregulation in Canada, several carriers specializing in passenger charter services appeared in 1988 and 1989.

The competition between charter air carriers is essentially based on price, which is mainly a function of the level of seat capacity. 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. Recent developments in Canada concerning competitors of Transat has brought on capacity which exceeds demand, generating a certain duplication of seats offered by different charter air carriers. Furthermore, the large number of charter air carriers and scheduled airlines flying to U.S. destinations combined with the weakness of the Canadian dollar versus the U.S. dollar has resulted in heavy competition and lower profit margins on flights to these destinations.

Generally speaking, charter air carriers specialize in the holiday travel market, whereas scheduled carriers rely mainly on the business travel segment. However, both types of carriers compete more and more in the holiday destinations market and the so-called "visiting friends and relatives" travel market.

In January 2001, two of the main competitors of Air Transat announced that they were regrouping by virtue of the purchase by Canada 3000 Inc. of the outstanding shares of Royal Aviation Inc. Canada 3000 Inc. intends to consolidate all the activities of the two companies in order to create an air carrier for passengers, offering services to national and international destinations, at low rates.

## **3.4 REGULATORY ENVIRONMENT**

### ***3.4.1 Tour Operators and Travel Agencies***

In all jurisdictions where the Corporation operates, tour operators and travel agencies are governed by legislation providing protection to the travel consumer, notably for amounts paid upon purchase of a product. Generally, pursuant to such legislation, travel agents and tour operators are required to hold permits, which are granted if certain conditions are met and, in some cases, if a fee is paid. In some jurisdictions, such as Quebec, Ontario and British Columbia, monies received from customers upon purchase of a product must be deposited in a trust account and may be withdrawn, prior to departure, solely to effect payments on behalf of customers. Remaining monies may be withdrawn from the trust account by the tour operator only once the services have been rendered.

Certain legislation also provides that a bond is required as a condition to receiving a travel agent permit. To ensure compliance with applicable legislation, control and inspection mechanisms have been put in place. In addition, in some jurisdictions travel agents must contribute to compensation funds used to protect against fraud and bankruptcies.

The Corporation believes it holds all necessary permits and is in compliance with the requirements of applicable legislation.

### ***3.4.2 Charter Air Carriers***

#### ***International Regulation***

The commercial aspect of international air transport is regulated by international conventions, principally the Chicago Convention of 1944 relative to International Civil Aviation (the “Chicago Convention”), by the domestic legislation of countries in which air transport is conducted, and by numerous bilateral agreements.

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 the International Civil Aviation Organization (“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. For example, France’s foreign charter carriers are allocated a quota of seats every year based on the number of passengers transported to France in the previous year.

#### ***Canadian Legislation***

The operation of a commercial airline in Canada is regulated by the *Aeronautics Act* and the *Canada Transportation Act*. Such operation is subject to the delivery of the required licences, to the issuance of an operating certificate certifying that the aircraft complies with Canadian standards, and to the delivery of the required liability insurance. In the case of charter flights, permits are required for each proposed flight or series of flights. Licences and charter permits are issued by the National Transportation Agency (the “Agency”), and the operating certificate is issued by Transport Canada. This certificate certifies that the air carrier is adequately equipped and able to conduct its business in compliance with the *Canadian Aviation Regulations* and the *Air Transportation Regulations*. Such a certificate was issued to Air Transat on November 13, 1987, and was subsequently modified to reflect the Corporation’s changing operating conditions.

Furthermore, 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 and to the eligibility and financial responsibility of the charterer and to the terms and conditions of the charter contract. Moreover, the issuance of any authorization relating to a 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 and the conditions upon which the public may purchase seats from the charterer.

The air carrier must charge the charterer a price determined on the basis of the rate provided for in the tariff previously filed with the Agency. In return, the charterer offers the seats to the public at a price not lower than that established pursuant to the tariff, subject to adjustments in certain cases.

Other conditions apply to the sale of seats on international flights if the charterer accepts advance bookings or organizes package charter flights. The conditions generally include restrictions relating to advance bookings and payment, cancellation charges, minimum price, duration of stay, transferability and the requirement that all sales be made on a round-trip basis. 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 an aircraft from one or more competent charterers.

The conditions and restrictions mentioned previously do not apply to Canadian domestic operations in that the legislation no longer makes any distinction between scheduled flight services and charter flight services, and in fact deregulates the domestic market. Furthermore, Transat's scheduled service flights to the United States of America, Cuba and France are subject to the rules established under the bilateral agreements entered into between Canada and these countries.

Air Transat believes it holds all necessary licences, certificates and permits and is in compliance with the requirements of applicable Canadian legislation. Furthermore, all of Air Transat's aircraft meet the "Stage 3" noise requirements set by Transport Canada.

Pursuant to the *Canada Transportation Act*, Air Transat must establish, at all times, that it is a "Canadian" within the meaning of such act in order to hold the appropriate licence to operate an air service. As Air Transat is wholly-owned by Transat, the Corporation must, in order that Air Transat may qualify as a "Canadian" itself qualify as a "Canadian", which means it must ensure that no more than 25 % of its outstanding voting shares are held, directly or indirectly, by "non-Canadians" within the meaning of such act. To the best of the Corporation's knowledge, approximately five percent of the voting shares of the Corporation's share capital was owned by "non-Canadians" within the meaning of such act as at December 31, 2000.

### ***Foreign Legislation***

In respect of each jurisdiction other than Canada in which Air Transat operates, it must comply with applicable laws and, when necessary, obtain the required licences, 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. STAR must also comply with applicable French and European laws and obtain various licences, permits and authorizations, when necessary. Air Transat and STAR believe they hold all licences, permits and authorizations necessary for their operations and are in compliance with the requirements of applicable foreign legislation.

### **3.5 EMPLOYEES**

As at October 31, 2000, the Corporation and its wholly-owned subsidiaries had 4,896 full-time employees and its affiliates had 490 full-time employees, for a total of 5,386 employees, as follows:

Air Transat	2,366	Look Voyages	381	World of Vacations	189
Air Transat Holidays	477	Nolitour	74	ATH Florida	22
Brok' Air	145	Regent	68	Cameleon	3
Consultour	133	STAR	301	Exit Travel	66
DMC	37	Tourbec	12	Americanada	111
Euro Charter	171	Transat	29		
Handlex	651	VAT France	150		

The Corporation favours employee ownership of its share capital, and for this purpose has established a common share purchase plan for employees and executives and a stock option plan for directors, officers and employees.

Some of Air Transat's employees, mainly the pilots, flight attendants, crew scheduling personnel, passenger service employees and mechanics, belong to employee associations with which Air Transat has negotiated a series of working conditions. Pilots are affiliated with the Airline Pilots Association ("ALPA") while the flight attendants are affiliated with the Canadian Union of Public Employees and the crew scheduling personnel, passenger service employees and mechanics with the International Association of Machinists and Aerospace Workers. Collective bargaining agreements are presently

in force with the pilots and flight attendants, crew scheduling personnel, passenger service employees and mechanics, for periods expiring October 31, 2001, December 31, 2001, July 31, 2003, April 30, 2002, and April 30, 2003, respectively.

The Corporation believes that it has good relations with its employees.

### 3.6 GEOGRAPHIC BUSINESS SEGMENTS

The Company is active in two principal geographic segments, i.e. Canada and Europe.

	<u>Canada</u>		<u>Europe</u> (in thousands of dollars)		<u>Total</u>	
	2000 \$	1999 \$	2000 \$	1999 \$	2000 \$	1999 \$
<b>Revenues from third parties</b>	1 163 007	980 700	759 543	642 615	1 922 550	1 623 315
<b>Geographic intersegment sales</b>	61 889	46 211	—	—	61 889	46 211
<b>Total revenues</b>	1 224 896	1 026 911	759 543	642 615	1 984 439	1 669 526
<b>Amortization and goodwill charges</b>	177 319	119 024	38 687	32 660	216 006	151 684

### 3.7 PREMISES

The Corporation owns the building situated at 11,600 Cargo A-1 Street, Montreal International Airport in Mirabel, Quebec, which is the head office and the principal maintenance base of Air Transat. This property, which has an area of 15,302 m<sup>2</sup>, is mortgaged in favour of the Corporation's bankers.

The addresses of the main premises leased by the Corporation and its principal subsidiaries are listed below.

<u>Name</u>	<u>Address</u>	<u>Description</u>	<u>Area</u>
Transat	300 Léo-Pariseau Street Suite 600 Montreal, Quebec	Head office and place of business	1,372 m <sup>2</sup>
Air Transat	12655 Commerce A-4 Montreal International Airport Mirabel, Quebec	Place of business	2,300 m <sup>2</sup>
	19555 Cargo A-6 D Building Montreal International Airport Mirabel, Quebec	Warehouse	4,638 m <sup>2</sup>
	3400 American Drive Mississauga, Ontario	Place of business and warehouse	1,869 m <sup>2</sup>
	6380, Northwest Drive Mississauga, Ontario	Warehouse	2,344 m <sup>2</sup>
Air Transat Holidays	300 Léo-Pariseau Street Suite 400 Montreal, Quebec	Head office and place of business	5,080 m <sup>2</sup>
	5915 Airport Road Suite 1000 Mississauga, Ontario	Place of business	1325 m <sup>2</sup>
Air Transat Holidays	505 Burrard Street	Place of business	1,240 m <sup>2</sup>

<u>Name</u>	<u>Address</u>	<u>Description</u>	<u>Area</u>
	Suite 620 Vancouver, British Columbia		
Nolitour	300 Léo-Pariseau Street Suite 500 Montreal, Quebec	Head office and place of business	921 m <sup>2</sup>
VAT France	43 Diderot Blvd. 75012 Paris France	Head office and place of business	1,350 m <sup>2</sup>
	7 Baccaria Street 75012 Paris France	Place of business	200 m <sup>2</sup>
DMC Transat	300 Léo-Pariseau Street 24th Floor Montreal, Quebec	Head office and place of business	703 m <sup>2</sup>
Regent	6205 Airport Road 2 <sup>nd</sup> Floor Mississauga, Ontario	Head office and place of business	1,397 m <sup>2</sup>
Look Voyages	12 Truillot Street 94204 Ivry-sur-Seine France	Head office and place of business	4,082 m <sup>2</sup>
ATH Florida	140 South Federal Highway 2nd Floor Dania Beach, Florida 33004	Head office and place of business	2,834 m <sup>2</sup>
Exit Travel	300 Léo-Pariseau Street 15 <sup>th</sup> Floor Montreal, Quebec	Head office and place of business	822 m <sup>2</sup>
Consultour / Club Voyages Americanada	300 Léo-Pariseau Street 2 <sup>nd</sup> and 16 <sup>th</sup> Floors Montreal, Quebec	Head office and place of business	2,381 m <sup>2</sup>
Brok' Air	76, bis Vieille du Temple Street 75003 Paris France	Head office and place of business	210 m <sup>2</sup>
	5 Elzévir Street 1 <sup>st</sup> Floor 75003 Paris France	Place of business	240 m <sup>2</sup>
	30 Amiral Lemonnier Street 78160 Marly le Roi France	Place of business	157 m <sup>2</sup>
Euro Charter	6 Marbeuf Street 75008 Paris	Head office	180 m <sup>2</sup>

<u>Name</u>	<u>Address</u>	<u>Description</u>	<u>Area</u>
	France		
	Parc d'activités de la Maison Neuve 6 Marcel Dassault Street 44980 Ste-Luce sur Loire France	Place of business	336 m <sup>2</sup>

In addition, Air Transat leases several ticket counters and maintenance, catering and warehousing facilities in Montreal, Quebec City, Toronto and Vancouver, as well as a flight-simulator facility in Toronto. Air Transat Holidays leases several ticket counters in the above four cities and warehousing facilities in Montreal and Toronto.

### **3.8 ENVIRONMENT**

The Corporation is subject to various environmental laws and monitors its operation to ensure that it complies with the applicable environmental requirements and standards and, if necessary, adopts preventive and corrective measures. In this respect, Air Transat has, in particular, implemented a series of programs and procedures to optimize the recovery, recycling and management of fossil fuels. Air Transat formed in 1999 an environmental committee which ensures that applicable environmental requirements and standards are complied with, in all material respects. This committee held four meetings in the year 2000.

The Corporation believes it complies in all material respects with the provisions of applicable environmental laws and regulations.



## ITEM 4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 4.1 ANNUAL

The Company's selected consolidated financial information over the last five fiscal years ended October 31 has been taken from the Company's consolidated audited financial statements.

	Years ended October 31				
	2000	1999	1998	1997	1996
	(in thousands of dollars except amounts per share)				
Revenues	1,922,550 \$	1,623,315 \$	1,421,454 \$	1,316,740 \$	779,157 \$
Operating income before amortization and goodwill charges	102,524	90,777	72,279	72,457	60,179
Operating income before goodwill charges	68,646	56,224	41,686	49,656	44,177
Goodwill charges	2,862	2,542	2,613	2,714	1,351
Net income	36,640	30,022	19,731	25,364	22,202
Operating cash flow	75,226	63,391	51,127	46,117	37,742
Capital assets (including rotatable aircraft spare parts)	180,559	131,077	129,311	130,083	95,710
Total assets	684,119	545,346	496,567	467,476	308,927
Long-term debt and obligations under capital leases (including current portion)	144,135	104,343	109,376	115,760	44,533
Debenture	10,000	10,000	10,000	10,000	10,000
Shareholders' equity	232,464	204,149	182,668	164,420	52,995
Net earnings per share before goodwill charges					
Earnings per share in circulation	1.23	0.96	0.65	0.86	1.05
Diluted earnings per share	1.16	0.93	0.63	0.82	0.90
Net earnings per share					
Earnings per share in circulation	1.14	0.89	0.58	0.78	0.98
Diluted earnings per share	1.08	0.86	0.56	0.74	0.86

- The numbers of shares as well as the data per share take into account the subdivision of the common shares of the Corporation in December 1996, on the basis of three common shares for each common share issued and outstanding.

### 4.2 STATISTICS OF THE LAST EIGHT QUARTERS

Selected Consolidated Quarterly Financial Data

(in thousands of dollars except amounts per share)

Year ended October 31, 2000	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
Total revenues	397,361	594,582	469,314	461,293
Income (loss) before income taxes	789	25,047	17,497	20,829
Net income (net loss)	(552)	13,292	9,819	14,081
Earnings (loss) per share	(0.02)	0.41	0.31	0.44
Diluted earnings (loss) per share	(0.02)	0.38	0.29	0.43

<b>Year ended October 31, 1999</b>	<b>1<sup>st</sup> quarter</b>	<b>2<sup>nd</sup> quarter</b>	<b>3<sup>rd</sup> quarter</b>	<b>4<sup>th</sup> quarter</b>
Total revenues	363,469	451,445	413,589	394,812
Income (loss) before income taxes	(3,515)	13,878	15,295	27,198
Net income (net loss)	(2,879)	7,553	8,839	16,509
Earnings (loss) per share	(0.08)	0.22	0.26	0.49
Diluted earnings (loss) per share	(0.08)	0.22	0.25	0.47

### **4.3 DIVIDENDS**

Since its incorporation, the Corporation has never declared or paid any dividends. For the time being, the Corporation does not expect to declare any dividends on its common shares and intends to use its future profits to finance its operations and expansion.

### **4.4 AUDITORS**

Ernst & Young, LLP, have been the Corporation's auditors since its incorporation.

## **ITEM 5. MANAGEMENT'S DISCUSSION OF OPERATING RESULTS**

### **5.1 FISCAL 2000 COMPARED TO FISCAL 1999**

For the year ended October 31, 2000, Transat A.T. reported total revenues of over \$1.9 billion, up from \$1.6 billion in 1999, for an increase of \$300 million, or 18.4%. This increase can be attributed primarily to internal growth resulting from higher volumes and prices in Canada and in France. However, the weakness of the euro cut approximately \$89 million from the Corporation's revenues.

Income before amortization, interest, share of net income of companies subject to significant influence, income taxes and goodwill charges amounted to \$102.5 million, an increase of \$11.7 million or 12.9% over 1999. Net income rose \$6.6 million to \$36.6 million in 2000, or \$1.14 per share (\$1.08 per share on a fully diluted basis), compared with \$30 million, or \$0.89 per share (\$0.86 per share on a fully diluted basis) last year.

The Corporation enhanced its profitability as a result of higher volumes and prices and in spite of skyrocketing fuel prices, the decline of the euro and rising operating expenses, in particular maintenance costs for Air Transat's fleet. These three negative factors were partly offset by the positive impact of the strength of the Canadian dollar against its U.S. counterpart on Canadian operations.

#### **5.1.1 Revenues**

During the winter season, which lasts from November to April and is reflected in the results of the first two quarters, the Corporation primarily markets packages and flights originating in Canada and France to sunshine destinations. In summer, however, it offers packages and flights primarily between Canada and Europe, as well as departing from France for destinations in the Mediterranean region, North America and the Caribbean.

The Corporation's revenues for the 1999-2000 winter season totalled \$992 million compared with \$815 million in the same period last year, an increase of approximately \$177 million or 22%. This performance is essentially attributable to two factors: the increase in the volume of activity, and rising sales prices resulting from hikes in certain operating expenses both in Canada and in France. This increase would have been higher were it not for the decline of the euro against the Canadian dollar, which accounted for a shortfall of \$43 million.

Combined revenues of Canadian tour operators and of Air Transat climbed more than 27% primarily as a result of further substantial business growth in Ontario and Western Canada. During the winter season, Air Transat operated 22 aircraft, namely eight Lockheed L-1011-150s, four Lockheed L-1011-500s, five Boeing 757-200 ERs, three Airbus A330s and two leased Boeing 737-400s. In France, revenues in local currency rose some 22% thanks to VAT (France), which is continuing to develop its sunshine destination market, mainly in the Caribbean, and Look Voyages, which launched new product offerings. Approximately half of the revenues generated by Look Voyages stem from packages that include, for

example, the Lookéa Clubs. Look Voyages also reached its objective of increasing the proportion of its revenues generated from the sale of packages compared to air-only flights.

Revenues for the 2000 summer season rose \$122 million (15%) to \$930 million, compared with \$808 million last year.

For the last six months of 2000, combined revenues of Air Transat and Canadian outgoing tour operators, including Air Transat Holidays, surged 18% compared with 1999, due to higher volumes and prices and in spite of sharp competition for European destinations. The acquisition of tour operator Americanada and the inclusion of Consultour after acquiring the balance of its shares accounted for approximately \$30 million of the increase in revenues. As at October 31, 2000, Air Transat had a fleet of 22 aircraft, namely eight Lockheed L-1011-150s, six Lockheed L-1011-500s, five Boeing 757s and three Airbus A330s, which corresponds to the fleet it operated during the summer season.

In France, Look Voyages' revenues rose by approximately 22% as a result of an increase in its offering of packages and air-only flights, while the revenues of VAT (France) climbed approximately 7%, in local currency. French demand for Canadian destinations was lower than expected. The decline of the euro led to a \$46 million shortfall in revenues for the summer season alone.

### **5.1.2 Operating expenses and profitability**

Several factors-skyrocketing fuel prices, the decline in the value of the euro, the increase in operating expenses resulting from the rise in volume and higher maintenance costs for Air Transat aircraft-had a major impact on results for the year. The Corporation spent significant amounts for engine overhaul and other maintenance expenses for Air Transat's fleet, which are amortized based on flight cycles.

Although the Corporation applies a hedging program to reduce fuel-related risks, these costs climbed approximately \$43 million during the year, excluding the impact of higher business volumes for Air Transat. Net of surcharges and although somewhat offset by the rise in sales prices, soaring fuel prices had a negative impact - nearly \$18 million - during the summer season.

The average value of the Canadian dollar rose compared with last year, thereby improving profitability by more than \$10 million over the year. As for the euro, its weakness resulted in a decrease in income before taxes of approximately \$2 million.

Lastly, profitability was affected by a drop in the load factors resulting from strong competition and a sharp increase in offerings.

### **5.1.3 Financial position**

The Corporation's cash position as at October 31, 2000 was \$147.4 million (including \$37.2 million in trust) compared with \$173.9 million (including \$33.0 million in trust) at the same date last year. During the year, operating activities generated cash flows amounting to \$52.5 million, while investing activities required \$88 million and financing activities generated approximately \$9 million. These activities resulted in a net decrease in cash and cash equivalents of \$26.5 million for the year.

Cash flows from operating activities include operating cash generated by the Corporation that amounted to \$75.2 million (\$2.34 per share or \$2.19 on a fully diluted basis) this year, compared with \$63.4 million (\$1.87 per share or \$1.79 on a fully diluted basis) in 1999. Significant cash flows of approximately \$39.4 million were generated by working capital, a sharp increase over last year's \$24.5 million. The Corporation used some \$62 million, primarily on engine and airframe overhaul expenses for its fleet, which affected cash flows from operating activities.

Moreover, the Corporation used \$88.0 million for investing activities during the year ended October 31, 2000. These activities included additions to capital assets and rotatable aircraft spare parts, primarily for the renewal of Air Transat's fleet (including the acquisition of an engine), the acquisition of businesses, the development of e-commerce operations and a loan to a joint venture. The acquisition of businesses is described in detail in note 15 to the consolidated financial statements.

The Corporation continued with its Air Transat fleet renewal program with the addition of two Lockheed L-1011-500s during the year. Air Transat also announced it would take delivery of six Airbus A310-300s at various dates until spring 2002, the first of which was delivered in January 2001. These aircraft will replace some of the current fleet.

Finally, during the year, financing activities generated approximately \$9 million, of which new debt instruments accounted for \$40.8 million, while the repayment of existing debts totalled \$22.3 million. The Corporation used approximately \$10.3 million to redeem common shares in its normal course issuer bid program.

#### **5.1.4 Risk and uncertainties**

As part of its operations, Transat spends significant amounts on fuel for its aircraft. It enters into forward contracts to manage the risk of fuel-price fluctuations. Management considers the environment risky, given the amount of money the Corporation spends on fuel, volatile fuel prices and their possible impact on the sales prices of its products.

Moreover, given the nature of its operations, the Corporation is sensitive to exchange-rate fluctuations that apply in particular to the Canadian and U.S. currencies, the euro and the Canadian dollar as well as the euro and the U.S. dollar. The Corporation uses foreign exchange forward contracts to hedge against such fluctuations.

Information relating to fuel purchasing contracts and foreign exchange forward contracts is presented in note 20 to the consolidated financial statements.

## **5.2 FISCAL 1999 COMPARED TO FISCAL 1998**

For the year ended October 31, 1999, Transat A.T. Inc. generated over \$1.6 billion in total revenues, up from \$1.4 billion in 1998, an increase of \$201.9 million or 14%. This increase in sales results from internal growth in volume in the Canadian and French markets, higher prices and a rise in the value of the French franc.

Income before amortization, interest, share of net income of companies subject to significant influence and income taxes amounted to \$90.8 million, an increase of \$18.5 million or 26% compared with last year. In 1999, the Corporation earned net income of \$30 million, or \$0.89 per share (\$0.86 per share on a fully diluted basis), up \$10.3 million compared with net income of \$19.7 million, or \$0.58 per share (\$0.56 per share on a fully diluted basis) in 1998.

Several factors contributed to the Corporation's increased profitability in 1999. First, lower fuel costs for the first nine months, higher volumes and improved load factors helped to boost results substantially. Cruise activities also posted improved results. The sales price adjustments made following the increase in certain operating expenses, including the impact of the drop in value of the Canadian dollar against its U.S. counterpart, also enhanced the overall results. Sharp competition and overcapacity certainly had an impact on profit margins. Moreover, the improved results of companies subject to significant influence and lower interest expenses were also notable factors.

### **5.2.1 Revenues**

The Corporation's operations are divided into two main seasons: winter, from November to April, when it markets flights and packages originating in Canada and France, mainly to sunshine destinations; and summer, when it offers flights and packages primarily between Canada and Europe, as well as departures from France for destinations in the Mediterranean region, North America and the Caribbean. During the summer, sales are concluded with Canadians travelling to Europe as well as with Europeans travelling to Canada.

The Corporation's revenues for the 1998-1999 winter season totaled \$815 million compared with \$669 million in the same period last year, an increase of approximately \$146 million or 21.8%. This performance is attributable to the increased volume in both the Canadian and French markets, as well as rising prices stemming from substantial cost increases generated, among other things, by the weak Canadian dollar. During the winter season, the strength of the French franc against the Canadian dollar also contributed to the increase in sales.

During the 1998-1999 winter season, the growth in revenues for all the group's tour operators in Canada, except for Regent, ranged from 11% to 25%. The Corporation thus continues to post a substantial increase in sales in Western Canada. Despite sharp competition, particularly with respect to the marketing of air-only travel, the Corporation has maintained a leadership position in its markets and is therefore pursuing its development. With respect to Regent's lower sales, it may be explained by, among other things, the reduction in cruise offerings, which was undertaken to improve the profitability of this type of activity. In light of the overcapacity in the cruise market, particularly in Ontario, the Corporation thereby undertook to market a portion of its overall cruise offerings in Quebec and in France.

In France, VAT (France), which is continuing to develop its sunshine destination market, mainly with regard to the Caribbean, reported growth in revenues of over 50% in winter 1998-1999, compared with the previous year. During the 1998-1999 winter season, sunshine destinations in the Caribbean accounted for 79% of the revenues generated by VAT

(France), compared with 74% in the previous winter season. Moreover, Look Voyages' revenues rose more than 54% as a result, among other things, of the addition to its product offering of cruises and two new Lookéa clubs, one in Cuba and the other in Guadeloupe. As well, the strength of the French franc last winter contributed to the growth in revenues posted by VAT (France) and by Look Voyages.

Similarly, Air Transat's revenues, including those generated from business activities within the group, grew by approximately 11%. During the winter season, Air Transat added one Lockheed L-1011-500 to its fleet and leased another to STAR in France. Thus, during the winter season, Air Transat operated ten Lockheed L-1011-150s, four Lockheed L1011-500s (including the one leased to STAR), five Boeing 757s, two Boeing 737-400s and one Airbus A-330-200. The latter was delivered on February 24, and a second was added to the fleet in April. With the addition of these two aircraft, the Corporation has begun the fleet renewal process that will take place over the next few years.

Revenues for the summer season rose from \$752.5 million in 1998 to \$808.4 million in the 1999 summer season, up \$55.9 million, or 7.4%. For the last six months of 1999, revenues of our Canadian outgoing tour operators Air Transat Holidays and World of Vacations, were up compared with the 1998 summer season, due to higher volumes and prices, despite sharp competition and excess capacity, especially with respect to European destinations. As for Regent's, revenues were down in part because of the war in Kosovo that no doubt discouraged travel to neighbouring countries, such as Greece, or cruise vacations in the Mediterranean region.

In France, Brok'Air's revenues rose by approximately 30%, while those of VAT (France) increased by approximately 19% (excluding the currency translation). VAT (France) partly recovered the drop in sales for Canadian destinations experienced last year and continued with the promotion of destinations in the U.S. and the Caribbean. The improved sales volume in the French market also had an impact on DMC, our incoming tour operator, whose activities focus primarily on leisure travel from France to Canada. The excellent performance posted by VAT (France) was partially offset by the decline in the value of the French franc in the 1999 summer season compared with 1998.

Look Voyages' volume rose in the summer season, while sales prices remained stable. However, the increase was more than offset by the decline in the French currency, as mentioned, thereby resulting in a slight drop in revenue on consolidation. It should be remembered that growth in the European travel market slowed last summer as a result of the war in Kosovo and problems in Turkey.

Finally, Air Transat's sales, including from business activities within the group, increased by approximately \$36 million, or 13%. As in the winter season, Air Transat experienced solid growth. As at October 31, 1999, its fleet of aircraft consisted of nine Lockheed L-1011-150s, four Lockheed L-1011-500s, five Boeing 757s, two Airbus A330-200s and one Airbus A330-300.

Overall, a number of reasons were behind the growth of consolidated revenues during the summer of 1999 over the previous summer: first, increased volumes in France and Canada as well as improved load factors; second, higher sales prices made necessary by the general increase in costs. However, these positive elements were offset by the decline in the value of the French franc against the Canadian dollar, which had a negative impact on revenues generated in French francs when converted into Canadian dollars. Given the hedging of the foreign exchange risk through the use of forward contracts and the fluctuation in the conversion rates for transactions in French francs, income before income taxes decreased by approximately \$0.8 million in 1999 compared with 1998.

### ***5.2.2 Operating expenses and profitability***

With respect to operating expenses, the drop in value of the Canadian dollar against the U.S. dollar is the factor that had the most impact on the results for the year. Indeed, a large portion of the Corporation's expenses are incurred in U.S. dollars. They include leasing of aircraft, fuel, maintenance and airport costs, as well as hotel room reservations for sunshine destinations.

During the 1998-1999 winter season, the value of the Canadian dollar was on average US\$0.66 compared with an average of US\$0.71 in the previous winter. During the summer, the Canadian dollar fluctuated around US\$0.68, similar to its level in the same season last year. Although the Corporation has a policy of hedging foreign exchange risk through the use of forward contracts, it suffered seriously from the decline in the Canadian dollar which, from the fall of 1998 to the summer of 1999, traded below US\$0.67. For the whole year, the weakening of the Canadian dollar had an impact of over \$18 million on our margins, essentially incurred during the 1998-1999 winter season. This currency fluctuation generated an increase in costs, partially covered by higher sales prices; nevertheless, it had a significant impact on profitability for the year.

The combination of higher volume in 1999 compared with 1998 and higher purchase prices charged by suppliers

resulted in an increase in overall expenses. With respect to our airline operations, aircraft maintenance costs remained subject to upward pressure. Fuel is another cost that has a substantial impact on profitability. In the first three quarters, fuel prices were lower than in the corresponding period last year. Given the level of world fuel prices and fuel purchase contracts negotiated, the Corporation achieved savings for the current year compared with last year.

Amortization expenses for the year increased by close to \$4 million compared with 1998. The increase stems from acquisition and improvement programs related to aircraft and other assets of the Corporation.

The inclusion of Look Voyages' results had a positive impact on income in 1999. For the first time since it was acquired by Transat, Look Voyages reported a profit in spite of factors, such as the war in Kosovo and events in Turkey, which had a negative impact. Look Voyages' sales for the year totalled over \$400 million, up 18% compared with last year. Its results also improved substantially, and Look Voyages reported consolidated income before income taxes in the amount of \$4.6 million for the current year compared with a consolidated loss before income taxes of \$1.2 million in 1998. This improvement is primarily explained by higher volumes and improved load factors. STAR, a company on which Look Voyages exercises a significant influence, also contributed positively to Look Voyages' financial performance. Now that it is profitable, Look Voyages is committed to growth, in particular in the area of vacation packages.

World of Vacations posted a loss for the year ended October 31, 1999, but of a lesser magnitude than that of the previous year. Management is still working on streamlining activities and repositioning the company in its markets.

### **5.2.3 Financial position**

The Corporation's cash position as at October 31, 1999 was \$173.9 million (including \$33.0 million in trust) compared with \$155.7 million (including \$22.3 million in trust) at the same date last year. During the year, operating activities generated cash in the amount of \$89.9 million, while investing and financing activities required \$28.4 million and \$42.3 million, respectively. Thus, these activities resulted in a net increase in cash and cash equivalents of \$18.1 million for the year.

Net cash inflow provided by operating activities is largely due to an operating cash flow generated by the Corporation that amounted to \$63.4 million (\$1.87 per share or \$1.79 on a fully diluted basis) this year, compared with \$51.1 million (\$1.49 per share or \$1.43 on a fully diluted basis) in 1998. Moreover, a significant cash amount of about \$24.5 million was generated by working capital, an improvement over last year when cash in the amount of over \$15.1 million was invested in working capital.

The Corporation used \$28.4 million for investing activities during the year ended October 31, 1999, of which \$13.6 million were additions to capital assets and rotatable aircraft spare parts, and close to \$9.0 million were deposits with suppliers. Additions to capital assets primarily included one Lockheed L-1011-500 to Air Transat's fleet, as well as the purchase of computer hardware and software, in particular with respect to the Year 2000 changeover. It should be noted that the Corporation made retroactive changes to the presentation of its statement of cash flows, in particular by excluding the investing and financing activities that have no impact on cash or cash equivalents. Based on this approach, the acquisition of assets under a capital lease is now excluded from the Corporation's statement of cash flows. As well, the Corporation used \$5.8 million to acquire other assets.

Finally, during the year, \$42.3 million was used for financing activities. The repayment of various debts required approximately \$37 million in cash, while the financing of capital assets mentioned previously provided \$4.8 million in cash. Moreover, the Corporation used about \$10.7 million as part of its program to redeem common shares in the normal course of business and received \$633,000 from issues of shares..

### **5.2.4 Risk Management, fuel and foreign currency**

As part of its operations, Transat spends significant amounts on fuel for its aircraft. It uses fuel purchasing contracts with terms not exceeding one year to protect against unstable fuel prices. Management considers the current environment risky, given the amount of money the Corporation spends on fuel, volatile fuel prices and the possible impact on the sales prices of the Corporation's products. In order to manage foreign exchange risk, the Corporation enters into foreign exchange forward contracts. Information relating to fuel purchasing contracts and foreign exchange forward contracts is presented in note 18 to the consolidated financial statements. Given the sharp rise in the price of fuel in the fall of 1999, and in order to minimize its negative effect on results, a surcharge was imposed at the beginning of fiscal 2000 to cover part of the excess costs for the 1999-2000 winter season.

## ITEM 6. SHARE CAPITAL OF THE CORPORATION, MARKET FOR THE NEGOTIATION OF SECURITIES AND PRIOR DISTRIBUTIONS

### 6.1 CAPITAL STRUCTURE

The share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of Preferred Shares issuable in series, of which 32,280,923 common shares were issued and outstanding on February 20, 2001. Only the common shares of the Corporation are voting shares, each common share carrying one vote.

On March 24, 1999, the shareholders ratified the adoption of a shareholders' subscription rights plan (the "Rights Plan"). The Rights Plan entitles holders of common shares to acquire, under certain conditions, additional common shares at a price equal to 50% of their market value at the time the rights are exercised. The Rights Plan will terminate at the 2002 annual shareholders' meeting, unless it is terminated earlier by the Corporation's Board of Directors.

To the knowledge of Transat, the only persons or entities holding 10% or more of the voting shares of the share capital of the Corporation are the Fonds which, as at February 20, 2001, held 3,869,843 common shares, namely 12% of the issued and outstanding common shares, and CDPQ which, as at February 20, 2001, held 3,304,375 common shares, namely 10.2% of the issued and outstanding common shares of the Corporation.

### 6.2 MARKET FOR THE NEGOTIATION OF SECURITIES

The common shares of Transat are solely listed on The Toronto Stock Exchange, under the symbol TRZ. The following table sets out the reported high and low prices, and volumes of trading on The Montreal Exchange and The Toronto Stock Exchange, for the periods indicated.

Period	<u>The Montreal Exchange</u>			<u>The Toronto Stock Exchange</u>		
	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>
<u>2000<sup>(1)</sup></u>						
1 <sup>st</sup> quarter	-	-	-	\$8.15	\$6.60	5,370,726
2 <sup>nd</sup> quarter	-	-	-	\$9.65	\$7.50	3,189,241
3 <sup>rd</sup> quarter	-	-	-	\$11.25	\$8.40	3,503,230
4 <sup>th</sup> quarter	-	-	-	\$9.30	\$7.95	2,444,542
<u>1999</u>						
1 <sup>st</sup> quarter	\$7.00	\$5.65	1,725,178	\$6.90	\$5.80	305,505
2 <sup>nd</sup> quarter	\$7.00	\$5.85	1,963,067	\$6.95	\$5.90	155,251
3 <sup>rd</sup> quarter	\$8.25	\$6.30	1,796,348	\$8.20	\$6.30	464,711
4 <sup>th</sup> quarter	\$7.85	\$6.40	1,825,601	\$7.60	\$6.65	293,354

(1) Since December 1999, due to the reorganization of the Montreal Exchange's activities, the common shares of Transat are now solely listed on The Toronto Stock Exchange.

### 6.3 PRIOR DISTRIBUTIONS

During the fiscal year ended October 31, 2000, the Corporation issued on February 2, 2000, 171 688 common shares for a total of \$ 1,210,000 as part of its acquisition of the balance of Brok' Air's shares and issued, in February 2000, 106,922 common shares for a total of \$ 673,000 under the share purchase plan for the benefit of employees and executives of the Corporation.

The Corporation has not made any other distribution of its common shares.

## **ITEM 7. DIRECTORS AND EXECUTIVE OFFICERS**

### **7.1 DIRECTORS**

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. They are: the Executive Committee, the Audit Committee, the Human Resources and Remuneration Committee and the Corporate Governance Committee.

The following table sets forth, for each director, the name, municipality of residence, principal occupation, period since which each director holds its office of director and the number of common shares of Transat over which it exercises control or direction. Each of these directors shall hold office until the next annual meeting of Transat or until his or her replacement is elected. Pursuant to a resolution of the Board of Directors of Transat, the number of directors of the Corporation has been established at 13 directors.



<b>Name of Director</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Common Shares Owned or Controlled or Directed</b>
<b>Jean-Marc Eustache</b> <sup>(1)(3)</sup> <i>Outremont, Quebec</i>	Chairman of the Board, President and Chief Executive Officer of the Corporation and President of Look Voyages S.A. ( <i>tour operator</i> )	February 1987	884,276
<b>André Bisson O.C.</b> <sup>(2)(4)</sup> <i>Baie d'Urfé, Quebec</i>	Chancellor, Université de Montréal	April 1995	12,713
<b>Lina De Cesare</b> <i>Montreal, Quebec</i>	Executive Vice-President, Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation ( <i>hotel management</i> ), and President, Tourbec (1979) Inc. ( <i>travel agency franchisor</i> )	May 1989	196,686
<b>Benoît Deschamps</b> <sup>(1)(2)(4)</sup> <i>Dorval, Quebec</i>	Corporate Director	April 1997	7,013
<b>Marcel Gagnon</b> <i>Ste-Julie, Quebec</i>	Director, CDP Capital d'Amérique, Caisse de dépôt et placement du Québec ( <i>institutional investor</i> )	March 1999	-
<b>Yves Graton</b> <sup>(3)</sup> <i>Boucherville, Quebec</i>	Corporate Director	April 1991	3,042
<b>Jean Guertin</b> <sup>(1)(3)</sup> <i>Montreal, Quebec</i>	Senior Advisor, Telemedia Corporation ( <i>communications</i> ) and Honorary Professor, École des Hautes Études Commerciales ( <i>University</i> )	April 1995	5,600
<b>Michel Lessard</b> <sup>(4)</sup> <i>Sorel, Quebec</i>	President, Placement-Voyages Inc. ( <i>travel agency</i> ) and President, Club Voyages Air-Mer Inc. ( <i>travel agency</i> )	April 1998	5,073
<b>André Lévesque</b> <i>Lorraine, Quebec</i>	Captain and Check Pilot, Airbus A330, Air Transat A.T. Inc. ( <i>airline company</i> )	March 2000	53,946
<b>Jacques Simoneau</b> <i>St-Bruno de Montarville, Quebec</i>	Group Vice-President, Investments, Fonds de solidarité (FTQ)	November 2000	-
<b>Philippe Sureau</b> <sup>(1)</sup> <i>Westmount, Quebec</i>	Executive Vice President of the Corporation and President, Exit Travel Inc. ( <i>e-commerce</i> )	February 1987	622,371
<b>John D. Thompson</b> <sup>(2)(3)</sup> <i>Town of Mount-Royal, Quebec</i>	Deputy Chairman of the Board, Montreal Trust Company ( <i>trust company</i> )	April 1995	17,713
<b>Peter G. White</b> <i>Toronto, Ontario</i>	Executive Vice President, Argus Corporation	March 2000	323

(1) Current member of the Executive Committee

(2) Current member of the Audit Committee

(3) Current member of the Human Resources and Compensation Committee

(4) Current member of the Corporate Governance Committee

With the exception of Mr. André Bisson, Mr. Benoît Deschamps, Mr. Marcel Gagnon, and Mr. Jacques Simoneau, each of the directors of Transat has exercised the principal occupation indicated opposite his or her name with the company concerned or other occupations with said company, its subsidiaries or its affiliated companies over the past five years.

Mr. André Bisson was Consultant at Opsis Communications and Marketing, from March 1995 to March 2000. He has been Chancellor, Université de Montréal, and a corporate director during the past five(5) years.

Mr. Benoît Deschamps was, from 1995 to August 1997, Vice-President of Capital d'Amérique CDPQ inc., a subsidiary of Caisse de dépôt et placement du Québec. From August 1997 to November 2000, he was Vice President, Financial Planning and Treasurer, Le Groupe Vidéotron Ltd. Mr. Deschamps has been a corporate director since November 2000.

Mr. Marcel Gagnon was a portfolio manager at Fonds de solidarité (FTQ), from 1994 until October 1997. From October 1997 to December 2000, he was portfolio manager at CDP Capital d'Amérique, a subsidiary of Caisse de dépôt et placement du Québec. Mr. Gagnon is a director of CDP Capital d'Amérique, since January 2000.

Mr. Jacques Simoneau has been President and Chief Executive Officer of the Société Innovatech du Sud du Québec between 1995 and 1999. Since 1999, he is Group Vice-President, Investments, Fonds de solidarité (FTQ).

## 7.2 OFFICERS

The following table sets forth, for each of the Corporation's principal executive officers, his or her name, municipality of residence, the first year of service with the Corporation and the position held with the Corporation.

<u>Name and Municipality of Residence</u>	<u>First Year of Service with the Corporation</u>	<u>Position Held with the Corporation</u>
<b>Jean-Marc Eustache</b> <i>Outremont, Quebec</i>	1987	Chairman of the Board, President and Chief Executive Officer
<b>Philippe Sureau</b> <i>Westmount, Quebec</i>	1987	Executive Vice-President
<b>Lina De Cesare</b> <i>Montreal, Quebec</i>	1989	Executive Vice President, Tour Operators
<b>Lorraine Maheu</b> <i>Brossard, Quebec</i>	1997	Vice-President, Finance and Administration and Chief Financial Officer
<b>Jean-Marc Bélisle</b> <i>Montreal, Quebec</i>	1997	Vice-President and Chief Information Officer
<b>Odette Thomas</b> <i>Montreal, Quebec</i>	2000	Executive Vice President, Retail Networks
<b>André de Montigny</b> <i>Montreal, Quebec</i>	2000	Vice President, Corporate Development
<b>Bernard Bussièrès</b> <i>St-Lambert, Quebec</i>	2001	Vice President, General Counsel and Corporate Secretary

With the exception of Mr. Jean-Marc Eustache, who over the past five years exercised the principal occupation indicated opposite his name, the other officers of Transat held the following positions:

Mr. Philippe Sureau was, until March, 1997, Vice-President, Marketing and Sales of Transat, and Executive Vice-President, Marketing and Sales of Air Transat and, until March 1999, President of DMC. From March 1997 to November 2000, he was President and Chief Executive Officer of Air Transat.

Mrs. Lina De Cesare was President of Air Transat Holidays from February 1994 to December 2000.

Mrs. Lorraine Maheu was first Manager, National Corporate Investments at the Caisse de dépôt et placement du Québec and then Manager and Director of Capital Communication CDPQ inc., from May 1991 to January 1997.

Mr. Jean-Marc Bélisle was, from March 1993 to August 1997, first Director Technology Orientations and then Director Architecture and Systems at Bombardier, Aerospace Group.

Mrs. Odette Thomas has been, from 1991 to 1996, Vice President of Consultour /Club Voyages Inc.

Mr. André de Montigny was, from June 1996 to January 1998, Vice President, Corporate Development of Videotron Limited. He was from February 1998 to June 2000, Vice President, Telecommunications of Capital Communication, a subsidiary of Caisse de dépôt et placement du Québec.

Mr. Bernard Bussièrès was from, January 1995 to February 2001, a senior partner of Fasken Martineau DuMoulin LLP (formerly Martineau Walker LLP).

## **ITEM 8. ADDITIONAL INFORMATION**

- (1) Additional financial data may be found in the Corporations comparative financial statements as of October 31, 2000. Additional information including directors' and officers' remuneration, principal holders of Transat securities, options to purchase securities, is contained in the Corporation's 2001 Management Proxy Circular.
- (2) Transat shall provide to any person or company, upon request to the Corporate Secretary at 300 Leo-Pariseau Street, 6th Floor, Montreal, Quebec, H2W 2P6:
  - (A) when the securities of Transat are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
    - (i) one copy of this annual information form of Transat together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein,
    - (ii) one copy of the comparative financial statements of Transat for its most recently completed fiscal year together with the accompanying auditors' report thereon which are included in the 2000 Annual Report and one copy of any quarterly financial statements of Transat subsequent to the financial statements for its most recently completed fiscal year,
    - (iii) one copy of the Management Proxy Circular of Transat and of the notice of annual meeting of Transat for 2001; and
    - (iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus and that are not required to be provided under (i) to (iii) above;
  - (B) At any other time, one copy of any other documents referred to (2)(a)(i),(ii), and (iii) above, provided Transat may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of Transat.