

This Management Proxy Circular is furnished in connection with the solicitation by the management of Transat A.T. Inc. of proxies for use at the annual meeting of shareholders of the Corporation to be held on April 29, 1998 at the place and time and for the purposes set forth in the notice of meeting as well as any adjournment thereof. The information provided herein is given as of March 13, 1998, unless otherwise indicated.

#### **Solicitation of Proxies**

The proxies contained in the enclosed form are solicited on behalf of the Corporation's management, which will assume the cost of printing, postage and sending.

The solicitation will be conducted primarily by mail or by any other means deemed necessary by the Corporation's management. The cost of such solicitation should be minimal and will be borne by the Corporation.

If a shareholder wishes to appoint a nominee other than the person mentioned in the proxy form, the shareholder need only enter the person's name in the space provided for in the enclosed proxy form. The nominee need not be a shareholder of the Corporation. To be valid, the duly completed proxy form, must be received by Montreal Trust Company, P.O. Box 1900, Station B, Montreal, Quebec, H3B 9Z9 or be delivered to 1800 McGill College Avenue, 6th Floor, Montreal, Quebec, to the attention of the Corporation, no later than 5:00 p.m. on April 27, 1998.

#### **Revocation of Proxies**

A shareholder who has given a proxy may revoke it by a written instrument, signed by him or his mandatary authorized in writing to such effect. This revocation may be delivered to the secretary of the Corporation, at 300 Léo-Pariseau Street, Suite 400, Montreal, Quebec, H2W 2P6, until the last business day preceding the meeting or any reconvening of the meeting in the case of an adjournment, or deposited with the chairman of the meeting on the date of the meeting or any reconvening thereof in the case of an adjournment, or in any other manner permitted by law.

#### **Exercise of Powers Conferred by Proxy**

The voting rights attached to the shares represented by the annexed proxy form will be voted in accordance with the instructions of the shareholder. The persons designated in the proxy form annexed hereto are directors of the Corporation.

In the absence of instructions by the shareholder, the mandatary will exercise the right to vote in favour of each of the matters indicated in the proxy form, in the notice of meeting or in the Management Proxy Circular.

Management knows of no other matters which will come before the meeting. If, however, other matters were properly put forth at the meeting, the persons named in the enclosed proxy form will vote upon such matters according to their judgment, in accordance with the discretionary power conferred upon them in the proxy form regarding such matters. The shareholder or his representative duly authorized in writing must sign the proxy form.

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### **Voting Securities and Principal Holders Thereof**

The shares of the Corporation granting voting rights at the meeting are the common shares. As at March 13, 1998, the Corporation had a total of 34,320,516 common shares outstanding and each such share entitles its holder to one vote.

As indicated in the notice of meeting, the record date to determine the shareholders entitled to receive notice of the meeting is the close of business on March 13, 1998. Each person who is registered as a holder of common shares at the close of business on March 13, 1998 shall be entitled to vote at the meeting or any reconvening of such meeting if such person is present or represented by proxy. The transferee of common shares, as the case may be, acquired after the record date is entitled to exercise the voting rights pertaining to such shares at the meeting or any reconvening of the meeting if he produces duly endorsed share certificates representing such shares or if he otherwise proves his title to such shares and if he requires, no less than ten days prior to the meeting, that his name be registered on the list of shareholders entitled to receive notice of the meeting.

As of the date hereof, the only person or entity known to the directors and officers of the Corporation holding 10% or more of the voting shares of the share capital of the Corporation is Fonds de solidarité des travailleurs du Québec (F.T.Q.), which holds 3,868,001 common shares, namely 11.3% of the issued and outstanding common shares.

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### **Management Report and Financial Statements**

The management report, the consolidated financial statements and the auditors' report thereon, for the fiscal year ended October 31, 1997, included in the Corporation's 1997 Annual Report, will be presented to the shareholders at the meeting but no vote is required or anticipated in respect thereof.

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### **Election of Directors**

Pursuant to the articles of the Corporation, the Board of Directors shall be composed of a minimum of nine and a maximum of 15 directors. Pursuant to a resolution of the Board of Directors, the number of directors of the Corporation, from the next annual general meeting of its shareholders, has been established at 12.

Twelve directors will be presented as nominees at the meeting. Each director shall remain in office until the next annual meeting of shareholders or until his successor is elected or appointed, in accordance with the by-laws of the Corporation.

Pursuant to a commercial agreement entered into on August 24, 1988 (which was amended on August 31, 1988 and April 28, 1993), the Corporation undertook to ensure that two representatives of Consultour/Club Voyages Inc., namely the Chief Executive Officer and any other officer thereof, would be elected to the Corporation's Board of Directors and be kept thereon. This agreement will remain in effect until August 31, 1998.

Moreover, on November 22, 1990, certain of the then members of the Corporation's management and a group of airline pilots of Air Transat A.T. Inc. entered into a shareholders' agreement with Fonds de solidarité des travailleurs du Québec (F.T.Q.) (the "Fonds"), which was amended on June 11, 1992, October 23, 1992 and October 29, 1993 (the "Agreement"). The Agreement governs certain rights and obligations relating to the common shares contemplated by the Agreement and held by each of the signatories, including representation on the Board of Directors of the Corporation. The signatories undertook to ensure that the Fonds would have a representation on the Board proportionate to the number of shares it holds in the Corporation's share capital. In addition, as long as the Fonds holds at least 400,000 common shares of the Corporation (prior to the share split of the Corporation's common shares of December 1996 on the basis of three common shares for each issued and outstanding common share), a minimum of one seat will be reserved at all times on the Board of Directors for a representative of the Fonds. In return, the Fonds undertook to exercise the voting rights pertaining to the common shares contemplated by the Agreement to elect a minimum of eight directors determined by the other signatories of the Agreement. The Agreement terminates on December 31, 1998.

The persons named in the enclosed proxy form intend to vote for the election of the nominees whose names are set out hereinbelow.

Unless the authorization to vote has been refused, the votes attached to the shares represented by the proxy form enclosed herewith will be voted in favour of the election of the 12 persons listed below, each of whom is a candidate for election to the Board of Directors.

The table below provides certain information concerning the nominees for directorship. The information provided in the table regarding each nominee is based on statements made by the person concerned.

NAME OF THE DIRECTOR	PRINCIPAL OCCUPATION	DIRECTOR SINCE	COMMON SHARES OWNED OR CONTROLLED OR DIRECTED
Jean-Marc Eustache <sup>(1)</sup>	President and Chief Executive Officer of the Corporation and President and Chief Executive Officer of Look Voyages S.A. ( <i>tour operator</i> )	February 1987	895,597
Jean-Paul Bellon <sup>(1)</sup>	President and Chief Executive Officer of Consultour/Club Voyages Inc. ( <i>travel-agency franchisor</i> ) and President of Euro Charter S.A. ( <i>chair of travel agencies</i> )	January 1989	10,000
André Bisson O.C. <sup>(2)</sup>	Corporate Director	April 1995	18,000
Lina De Cesare <sup>(1)</sup>	President and Chief Executive Officer of Air Transat Holidays A.T. Inc. ( <i>tour operator</i> ) and President of Tourbec (1979) Inc. ( <i>chain of travel agencies and franchisor</i> )	May 1989	187,494
Benoît Deschamps <sup>(1)</sup>	Vice-President, Financial Planning and Treasurer of Le Groupe Vidéotron Ltée ( <i>telecommunications</i> )	April 1997	300
Roger Giraldeau <sup>(1)(2)</sup>	Vice-President Investments of Fonds de solidarité des travailleurs du Québec (F.T.Q) ( <i>institutional investor</i> )	September 1997	—
Yves Graton <sup>(1)(3)</sup>	Corporate Director	April 1991	—
Jean Guertin <sup>(1)(3)</sup>	Senior Vice-President of Gasbeau Inc. ( <i>holding company</i> ) and Professor at the École des hautes études commerciales ( <i>university</i> )	April 1995	—
Philippe Lortie	Commander, Air Transat A.T. Inc. ( <i>airline company</i> )	April 1997	51,975
Michel Lessard	President of Club Voyages Air-Mer Inc. ( <i>travel agency</i> )	New candidate	4,000
Philippe Sureau <sup>(1)</sup>	Executive Vice President of the Corporation, President and Chief Executive Officer of Air Transat A.T. Inc. ( <i>airline company</i> ) and President, DMC Transat Inc. ( <i>tour operator</i> )	February 1987	612,026
John D. Thompson <sup>(2)(3)</sup>	Deputy Chairman of the Board, Montreal Trust Company ( <i>trust company</i> )	April 1995	15,000

(1) Current member of the Executive Committee

(2) Current member of the Audit Committee

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

Mr. Roger Giraldeau has been Vice-President, Investments, of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) since November 1992.

Mr. Benoît Deschamps has been Vice-President, Financial Planning and Treasurer, Le Groupe Vidéotron Ltée since August 1997. In addition, from August 1992 to August 1997, he successively held the following positions at the Caisse de Dépôt et Placement du Québec, namely Director, International Participations, Director, Participations of Industrial Companies and Services, and Director, and was subsequently Vice-President of Capital d'Amérique CDPQ Inc.

For the past five years, Mr. Michel Lessard has acted on an ongoing basis, as President of Club Voyages Air-Mer Inc.

The Corporation's management does not anticipate that any of the nominees will be unable or no longer willing to act as a director; but if such should be the case prior to the election, the persons named in the enclosed proxy form will vote in favour of electing as directors any other person(s) that the Corporation's management may recommend in place of such nominee(s) hereinabove, unless the authorization to vote has been withheld.

## Corporate Governance

The Board of Directors of the Corporation is of the opinion that the quality of corporate governance improves the performance of the Corporation as a whole and benefits all shareholders. In reference to the corporate governance rules adopted by the Montreal and Toronto stock exchanges, the following statement constitutes a summary of the Corporation's corporate governance practices.

### The Board of Directors

The objective and the role of the Board of Directors are to supervise the management of the business activities of the Corporation as well as the direction of the Corporation. The principal goal of the Board is the long-term maintenance and increase of shareholders' equity, taking into account the interests of the Corporation's clients, shareholders, employees and suppliers. The Board also ensures that the Corporation fulfils its obligations on an ongoing basis.

The Board of Directors meets at least five times a year, or more often if necessary, in order to discuss internal management of the Corporation, the Corporation's relationship with third parties and other strategic matters. In particular, the directors are responsible for supervising the way in which the Corporation is managed, supervising and providing support to management as well as planning for the succession of management, and approving the guiding principles regarding the strategic planning which the Corporation must adopt in order to ensure, on an ongoing basis, that the Corporation's resources are managed so that shareholders and other interested parties may benefit from added value and so that the Corporation may continue to carry on its business, the whole in accordance with the law and taking into account the ethical and social responsibility issues which the Corporation must consider.

In addition to all the powers conferred upon them by the *Canada Business Corporations Act*, the directors approve budgets, discuss any discrepancies, approve the quarterly financial statements, the annual financial statements as well as the annual report and the contents of the proxy circular; review the activities of subsidiaries and approve the Corporation's major acquisitions. Through the Audit Committee, they also ensure the smooth operation of the Corporation's communications and information management policy at all levels and the adoption and continued existence of effective internal control systems. In addition, the Board has the responsibility of evaluating the principal risk factors of the Corporation's business, ensuring that there is a balance between the risk factors and the potential return on investment of shareholders, and ensuring that appropriate systems are implemented in order to supervise and manage these risk factors.

These functions are in compliance with the rules of the Montreal and Toronto stock exchanges and may be performed by the Board of Directors.

Following the resignation of Mr. André Lemire in February 1998, the Board of Directors is currently composed of 12 directors, five of whom are "inside" and "related" directors, and seven of whom are "outside" and "unrelated" directors within the meaning of the rules of the Montreal and Toronto stock exchanges. The inside and related directors are either senior executives or employees of the Corporation, its subsidiaries or important companies subject to significant influence. The composition of the Board affords the Corporation a wide range of knowledge and experience to guide its strategic planning and operations.

Given that Mr. Jean-Marc Eustache is the founder of the Corporation and is involved in the management of its day-to-day operations, he currently holds the positions of Chairman of the Board and President and Chief Executive Officer of the Corporation. The Board of Directors does not believe that it is necessary to add any structures or to use any other means other than those currently in place in order to ensure that the Board can function independently of management. In certain circumstances, the outside directors meet without management or the inside directors. The Corporation expects directors to take a critical approach in exercising their functions. Moreover, the outside directors have unlimited direct access to management of the Corporation as well as to its external auditors.

The Board of Directors has established certain limits on the powers of management on the basis of the nature and scope of the transactions in question. The Board believes that management should be responsible for the expansion of the Corporation's divisions and for its global strategy. The role of the Board is to establish an acceptable strategic planning process and then to analyze, reconsider, confirm, in order to finally approve the Corporation's strategies.

The Board of Directors is aware of the concerns of shareholders of the Corporation and is always on the lookout for suggestions to improve communications with them. However, the Board is of the opinion that management has the ultimate duty of speaking on behalf of the Corporation in its communications with shareholders. Thus, all requests for information from shareholders and from the financial community are first directed to the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation, who deals with them. When a follow-up is required, the latter coordinates the appropriate solution and supervises its communication in order to ensure that there is a coherent approach to the release of information regarding the Corporation. The Corporation believes that its communications are effective and well-suited to the requests for information. However, if a shareholder is not satisfied with the answers or solutions offered, he should not hesitate to contact the Chairman of the Board and President and Chief Executive Officer of the Corporation, who will make a point to listen to the shareholder's concerns.

In general, the Board of Directors expects that management of the Corporation will use the resources available to it in an effective manner in order to reach the goals established through the strategic orientations set by the Board. In this respect, management must participate in planning, organizing, implementing and supervising strategic and operating plans. Management must always act in strict compliance with the law and with business ethics and, in general, it must set an example for all the Corporation's employees to emulate.

The Board of Directors has created three committees to which it has given specific mandates and the necessary powers to assist it in effectively fulfilling its duties.

#### **The Executive Committee**

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The Executive Committee is currently composed of eight members, four of whom are inside and related directors and four of whom are outside and unrelated directors.

The Corporation believes that the four inside and related directors who are members of the Executive Committee are able to act, and do in fact act in the best interests of the Corporation and its shareholders, regardless of any relationship which these members may have with the Corporation. The specific nature of the Corporation's business is such that it is appropriate for the Executive Committee to be composed of members who are involved in the various sectors of the travel industry (travel agents, tour operators and airline carriers), thus explaining why the Corporation's subsidiaries and important companies subject to significant influence are represented on the Executive Committee.

The Executive Committee meets at least three times a year, or more often if necessary. Its role is to act in the place and stead of the Board of Directors between meetings of the Board, with all the powers of the Board, subject to the provisions of the Canada Business Corporations Act. In particular, members of the Executive Committee ensure that the strategic goals set by the Corporation are respected, they review the monthly financial statements and discuss any discrepancies with respect to the budgets. Decisions made by the Executive Committee must be confirmed by the Board of Directors at its next meeting.

The Executive Committee also acts as an internal management committee which supervises the adoption of policies and the implementation of measures intended to improve the internal management of the Corporation, carries out periodic evaluations regarding the foregoing and keeps the Board of Directors abreast of new developments regarding such matters.

In addition, the Executive Committee recommends persons who will be presented as directors of the Corporation at the annual meeting of shareholders, and, with the Chairman of the Board, it has the ongoing responsibility of evaluating the performance of the directors and committees.

#### **The Audit Committee**

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The Audit Committee is responsible for dealing with the Corporation's auditors and for ensuring that the Corporation always has in place an accounting system enabling it to produce its financial statements in accordance with generally accepted accounting principles. It also supervises the adoption and continued existence of effective internal control and risk management systems.

It reviews the annual financial statements of the Corporation and its quarterly financial statements, the annual report and every other document of a financial nature required in accordance with the laws and regulations governing the Corporation. The Committee is composed of three outside and unrelated directors and meets at least four times a year, or more often if necessary.

#### **The Human Resources and Compensation Committee**

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The Human Resources and Compensation Committee is responsible for evaluating the performance of the President and Chief Executive Officer as well as that of the senior executives who report directly to the latter. The Committee recommends to the Board of Directors the adoption and maintenance of policies enabling the Corporation to attract, retain and motivate the human resources it needs in order to reach the strategic goals established by the Board of Directors. The Committee also reviews the succession plans submitted by the President and Chief Executive Officer. Moreover, the Committee is responsible for examining policies in connection with remuneration, fringe benefits and bonuses offered to management of the Corporation and its subsidiaries, as well as the stock options granted to them. In addition, the Committee reviews the adequacy and form of compensation of directors in order to ensure that it realistically reflects the responsibilities assumed by directors, and it makes recommendations to the Board of Directors in that regard. Finally, it ensures that the Corporation complies with the disclosure requirements set by the various Canadian securities commissions regarding remuneration of management.

This Committee is composed of three outside and unrelated directors and meets at least twice a year, or more often if necessary.

## Report of the Human Resources and Compensation Committee

### Composition of the Committee

The Human Resources and Compensation Committee of the Board of Directors is responsible for establishing the overall strategy regarding the remuneration of the senior executives and the organizational development of the Corporation and for supervising its ongoing implementation. The Committee makes recommendations regarding the remuneration of the senior executives, which recommendations are subject to approval by the Board of Directors.

The Committee is composed of Jean Guertin (Chairman of the Committee), Yves Graton and John D. Thompson. None of the members of the Committee is currently employed by the Corporation or a former senior executive or employee of the Corporation.

### Report on Remuneration of Senior Executives

The compensation program for senior executives of the Corporation is intended to reward those senior executives whose performance is in line with the Corporation's values and objectives, its business strategy and its financial performance. It aims to increase the return on of shareholders' equity. The goals of the program are the following:

- to attract and keep senior executives who are essential for the long-term success of the Corporation and its subsidiaries;
- to encourage the initiative and performance of senior executives who meet the objectives set by the Corporation and surpass the level of performance in the industry; and
- to reward senior executives for their long-term strategic efforts and their contribution to the increase in the Corporation's economic value.

The key elements of the compensation program for senior executives are the payment of a base salary, a short term incentive in the form of an annual bonus based on performance and a long term incentive in the form of stock options. The Committee regularly evaluates the compensation program for senior executives in order to ensure that it continues to attain the above-mentioned objectives. The Committee may call upon independent advisors in order to assist it in evaluating the competitiveness of the program.

The Corporation has made every effort to establish the overall compensation of its senior executives on the basis of the median compensation established for similar positions in Canadian companies of comparable size and complexity.

The various elements included in the compensation are in compliance with the following principles:

- the base salaries reflect the regularity and reliability of the senior executive's contribution to the Corporation's success, within a bracket based on the market median;
- the annual bonuses are established on the basis of the return on shareholders' equity of the Corporation; for executives of subsidiaries, the bonus calculation also takes into account measurable operational results compared to objectives established at the beginning of the year;
- stock options are granted regularly in accordance with a grant policy adopted pursuant to the overall compensation policy of the Corporation, taking into account the performance of senior executives.

### Remuneration of the President and Chief Executive Officer

The remuneration of the President and Chief Executive Officer is determined according to the same principles as those applicable to other members of the senior management. The base salary of the President and Chief Executive Officer is reviewed each year by the Human Resources and Compensation Committee according to the contribution of the incumbent, within a salary scale whose mid-point is anchored to the market median.

The annual bonus of the President and Chief Executive Officer is determined by the return on shareholders' equity. For the year ended October 31, 1997 the Corporation realized a return on shareholders' equity which corresponded to the maximum amount of bonus for the President and Chief Executive Officer, as provided in the bonus plan.

On February 27, 1997, the President and Chief Executive Officer was granted stock options determined based on the financial performance of the Corporation for fiscal 1996. Details appear in the table on page 10. These options were granted for a period of 2 to 3 years and no options were granted for fiscal 1997

Submitted on behalf of the Human Resources and Compensation Committee by:

Jean Guertin, President  
Yves Graton  
John D. Thompson

## Remuneration of Senior Executives

### Summary Compensation Table

The following table sets forth the aggregate compensation paid by the Corporation during each of the last three fiscal years to the President and Chief Executive Officer of the Corporation as well as to the four highest-paid members of Management.

Name and principal occupation	Year	Annual Compensation			Long-Term Compensation			
		Salary	Bonus <sup>(1)</sup>	Other annual compensation	Securities under options granted <sup>(2)</sup>	Restricted Shares or restricted share units	LTIP payouts <sup>(3)</sup>	All other compensation
		(\$)	(\$)	(\$)	(#)	(\$)	(\$)	(\$)
<b>Jean-Marc Eustache</b>								
President and Chief Executive Officer of the Corporation and	1997	275,000	288,750	20,187	—	—	—	—
President and Chief Executive Officer of Look Voyages S.A.	1996	275,000	288,750	18,577	90,000	—	—	—
	1995	195,000	167,212	5,166	135,000 <sup>(4)</sup>	—	—	—
<b>Philippe Sureau</b>								
Executive Vice-President of the Corporation, President and	1997	195,000	146,250	12,576	—	—	—	—
Chief Executive Officer of Air Transat A.T. Inc. and	1996	195,000	146,250	10,908	60,000	—	—	—
President of DMC Transat Inc.	1995	150,000	91,875	11,292	90,000 <sup>(4)</sup>	—	—	—
<b>François Legault<sup>(5)</sup></b>								
Executive Vice-President of the Corporation, President and	1997	90,000	—	5,350	—	—	—	—
Chief Executive Officer of Air Transat A.T. Inc.	1996	195,000	146,250	11,720	60,000	—	—	—
	1995	150,000	91,875	10,360	90,000 <sup>(4)</sup>	—	—	—
<b>Lina De Cesare</b>								
President and Chief Executive Officer of Air Transat	1997	175,000	130,000	10,918	—	—	—	—
Holidays A.T. Inc., and	1996	160,000	120,000	13,048	60,000	—	—	—
President of Tourbec (1979) Inc.	1995	140,000	85,750	12,298	90,000 <sup>(4)</sup>	—	—	—
<b>Jean-Paul Bellon</b>								
President and Chief Executive Officer of	1997	125,000	107,918	5,495	—	—	—	—
Consultour/Club Voyages Inc. and President of	1996	125,000	60,315	12,000	20,000	—	—	—
Euro Charter S.A.	1995	110,000	46,000	13,000	18,000 <sup>(4)</sup>	—	—	—
<b>Sam Ghorayeb</b>								
President of	1997	154,648	50,000	9,278	—	—	—	—
Les Voyages Nolitoir Inc.	1996	154,648	25,000	9,054	20,000	—	—	—
	1995	154,648	—	8,401	15,000 <sup>(4)</sup>	—	—	—

(1) The performance bonus for 1997 was granted on February 11, 1998, with respect to the fiscal year ended October 31, 1997.

The performance bonus for 1996 was granted on February 27, 1997 with respect to the fiscal year ended October 31, 1996.

The performance bonus for 1995 was granted on February 9, 1996 with respect to the fiscal year ended October 31, 1995.

(2) Stock options for 1996 were granted on February 27, 1997 with respect to the performance of senior executives during to the fiscal year ended October 31, 1996.

Stock options for 1995 were granted on January 23, 1996 with respect to the performance of senior executives during the fiscal year ended October 31, 1995.

(3) Long-term incentive plan.

(4) Taking into account the share split of the common shares of the Corporation of December 1996 on the basis of three common shares for each issued and outstanding common share.

(5) Mr. Legault ceased to hold office with the Corporation on March 6, 1997.



## Stock Option Plan

The Corporation has adopted a stock option plan for directors, officers and employees of the Corporation and its subsidiaries (the "Option Plan"). The objective of the Option Plan is to encourage, keep and motivate the directors, officers and employees of the Corporation or of any of its subsidiaries by providing them with the opportunity to acquire an interest in the Corporation through stock options.

The Option Plan enables the Corporation to grant options to eligible person up to a maximum of 7,715,847 common shares (taking into account the share split of the common shares of the Corporation of December 1996 on the basis of three common shares for each issued and outstanding common share) at a price per share corresponding to the average weighted market price of the Corporation's common shares on The Montreal Exchange for the five trading days preceding the granting of options. A total of 1,057,450 options are currently issued and outstanding. The options granted under the Option Plan expire five years after the grant date or earlier if the option holder ceases to hold a position in the Company or any of its subsidiaries or if he dies. During the annual meeting held on April 23, 1997, a resolution was adopted to ratify the resolution of the Corporation's Board of Directors, dated February 27, 1997, to increase the maximum number of common shares issuable under the Option Plan from 4,715,847 to 7,715,847 common shares.

During the last fiscal year, 540,000 options were granted to beneficiaries other than the senior executives mentioned in "Remuneration of Senior Executives", at the exercise price of \$12.32 per share. Stock options representing 222,000 common shares at the exercise price of \$1.76 per share, 19,500 common shares at the exercise price of \$0.83 per share and 183,350 common shares at the exercise price of \$1.83 per share were exercised during the last fiscal year. Since the end of the last fiscal year, the Board of Directors of the Corporation granted 45,000 options, of which 20,000 options were granted to an officer of the Corporation and 25,000 options to an officer of a subsidiary. The exercise price of these options is respectively of \$12.83 and \$12.32 per share.

The following table indicates the number of options issued and outstanding for each of the years 1993, 1995, 1996, 1997 and 1998, as at March 13, 1998 (taking into account the share split of the Corporation's shares of December 1996 on the basis of three common shares for each issued and outstanding common share).

	1993 <sup>(1)</sup>	1995 <sup>(2)</sup>	1996 <sup>(3)</sup>	1997 <sup>(4)</sup>	1998
Directors of the Corporation	—	—	2,000	234,500	—
Officers of the Corporation	—	—	—	60,000	20,000 <sup>(6)</sup>
Employees of the Corporation	—	—	10,500 <sup>(5)</sup>	49,000	—
Officers of the Subsidiaries	52,500	22,500	51,000 <sup>(5)</sup>	240,000	25,000 <sup>(4)</sup>
Employees of the Subsidiaries	45,000	19,500	32,950	193,000	—
<b>TOTAL:</b>	<b>97,500</b>	<b>42,000</b>	<b>96,450</b>	<b>776,500</b>	<b>45,000</b>

(1) The exercise price of these options is \$1.76.

(2) The exercise price of these options is \$0.83.

(3) The exercise price of these options is \$1.83.

(4) The exercise price of these options is \$12.32.

(5) One of the beneficiary of the options was an officer of a subsidiary in 1996 and is now an employee of the Corporation.

(6) The exercise price of these options is \$12.83.



#### Options granted during the fiscal year ended October 31, 1997

The following table sets forth the options granted during the last fiscal year to the President and Chief Executive Officer of the Corporation as well as to the four highest-paid members of Management. These options were granted on February 27, 1997 with respect to the performance of senior executives during the fiscal year ended October 31, 1996, at an exercise price representing the average weighted market price of the Corporation's common shares quoted on The Montreal Exchange for the five trading days preceding the grant of such options, namely \$12.32.

Name	Shares covered by options (#)	Percentage of total options granted during the fiscal year (%)	Exercise price (\$)	Average weighted market price of shares covered by options on the grant date (\$)	Expiry date
Jean-Marc Eustache	90,000	10.6	12.32	12.32	February 27, 2002
Philippe Sureau	60,000	7.1	12.32	12.32	February 27, 2002
François Legault <sup>(1)</sup>	60,000	7.1	12.32	12.32	June 6, 1997
Lina De Cesare	60,000	7.1	12.32	12.32	February 27, 2002
Jean-Paul Bellon	20,000	2.4	12.32	12.32	February 27, 2002
Sam Ghorayeb	20,000	2.4	12.32	12.32	February 27, 2002

(1) These stock options became null and void following termination of his position with the Corporation.

#### Options exercised during the fiscal year ended October 31, 1997

The following table sets forth the options exercised by the President and Chief Executive Officer of the Corporation as well as the four highest-paid members of Management.

Name	Securities Acquired on exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at fiscal year end (#)	Value of Unexercised in-the-money Option at fiscal year end <sup>(1)</sup> (\$)
Jean-Marc Eustache	—	—	90,000	0
Philippe Sureau	—	—	60,000	0
François Legault	—	—	0	—
Lina De Cesare	180,000	1,764,900	60,000	0
Jean-Paul Bellon	—	—	20,000	0
Sam Ghorayeb	—	—	20,000	0

(1) Exercisable

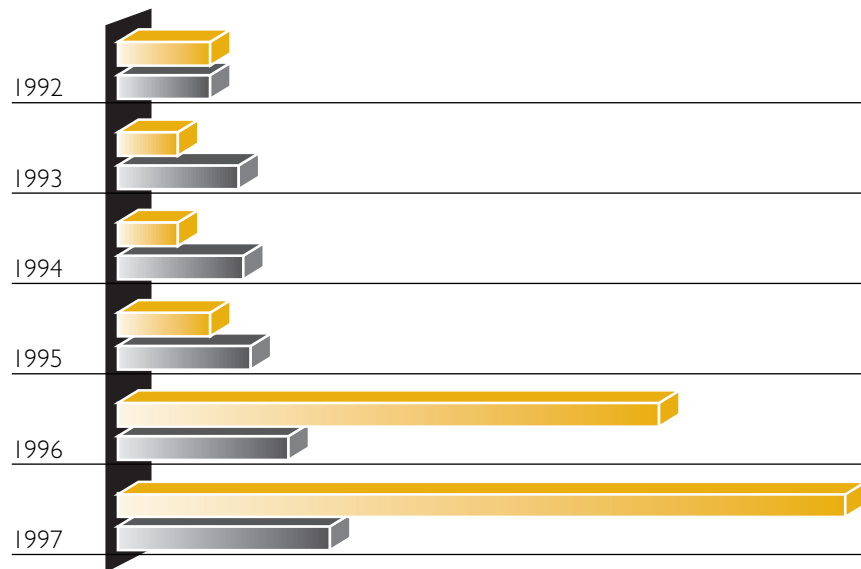
#### Remuneration of Directors

Since February 1998, the annual fee paid by the Corporation to the Directors, for the services rendered by them to the Corporation, has been increased from \$5,000 to \$7,500 and the chairman of each committee of the Board of Directors receives an annual fee of \$2,500. In addition, since February 1998, the directors' fees paid to each director who is not employed by the Corporation or any of its subsidiaries have been increased from \$750 to \$850 for each meeting of the Board of Directors or of any of its committees. Finally, on February 27, 1997, the Corporation granted 750 stock options to each director of the Corporation then in office, with the exception of Jean-Marc Eustache, François Legault, Philippe Sureau, Jean-Paul Bellon and Lina De Cesare.

## Return on the Shares

The following graph compares the cumulative total return obtained on an investment of \$100 in the common shares of the Corporation made on October 31, 1992 to the cumulative total return of the TSE 300 Index of the Toronto Stock Exchange over the last six fiscal years.\*

	1992	1993	1994	1995	1996	1997
<b>Transat</b>	100	65	65	100	587	789
<b>TSE 300 Index</b>	100	131	136	144	185	230



\* All prices of the Corporation's common shares are taken from the files of the Montreal and Toronto stock exchanges and the results represent those of the last transaction effected on the Corporation's securities on The Montreal Exchange or the Toronto Stock Exchange, as the case may be, on October 31 of each year.

Since February 21, 1997, the Corporation has been added to the TSE 300 Composite Index (Transportation and Environmental Sub-Group) and the TSE 200 Index.

## Directors' and Officers' Liability Insurance

The Corporation has purchased insurance at its own expense covering the liability of its directors and officers, in their capacities as directors and officers. This insurance has been obtained pursuant to a policy which also covers the directors and officers of the Corporation's subsidiaries, with the exception of Look Voyages S.A., which purchased its own insurance.

For the fiscal year ended October 31, 1997, the Corporation's insurance policy provided a maximum coverage of \$10,000,000 per event, subject to a deductible of \$35,000 payable by the Corporation. The policy premium paid for 12 months' coverage was \$49,880. The insurance policy of Look Voyages S.A. provided a maximum coverage of 30,000,000 FF per event, subject to a deductible of 25,000 FF. The premium paid regarding the policy for 12 months of coverage amounted to 55,085 FF. Neither the insurance premium nor the premiums paid distinguish between insurance covering the liability of the directors of the Corporation and the liability of its officers, the coverage being the same for both groups.

### Appointment and Remuneration of Auditors

At the meeting, shareholders will be called upon to appoint the auditor; to hold office until the next annual meeting of shareholders, and to authorize the directors to fix their remuneration.

Caron Bélanger Ernst & Young have been the auditors of the Corporation since its incorporation. Unless the authorization to vote is refused, the voting rights attached to the shares represented by the proxy form annexed hereto will be voted in favour of the appointment of Caron Bélanger Ernst & Young as auditors of the Corporation and to authorize the directors to fix their remuneration.

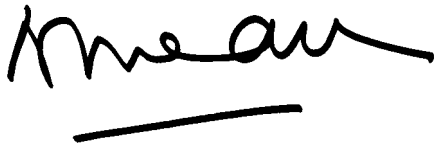
To be approved, the resolution authorizing the directors to fix the remuneration must be approved by a simple majority of the votes cast.

### Additional Documents

The Corporation is a reporting issuer in the various provinces of Canada and is required to file its financial statements and Management Proxy Circular with each of the securities commissions of these provinces. The Corporation also files an annual information form yearly with the same commissions. Copies of the annual information form, the proxy circular and the financial statements may be obtained upon request made to the Secretary of the Corporation. The Corporation may charge a reasonable fee if the request is made by a person who is not a shareholder of the Corporation, unless the Corporation is in the course of a distribution of its securities pursuant to a short form prospectus, in which case these documents will be provided free of charge.

The content and the sending of this Management Proxy Circular have been approved by the directors of the Corporation.

Montreal, March 16, 1998



Philippe Sureau, Secretary