

# Transat A.T. Inc. Management Proxy Circular Wednesday, March 17, 2004

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Dear Madam, Sir,

The Annual Meeting of Common Shareholders (the "Meeting") of Transat A.T. Inc. (the "Corporation") will be held at the Fairmont The Queen Elizabeth Hotel, Marquette-Jolliet Room, 900 René-Lévesque Boulevard West, Montreal, Quebec, on Wednesday, March 17, 2004 at 10:00 a.m. (Eastern Time).

At this Meeting, we will be voting on a number of matters. We hope you will take the time to consider the information on these matters set out in this Management Proxy Circular (the "Circular"). It is important that you exercise your vote, either in person at the Meeting or by completing and sending in the proxy form.

We invite you to join us at the Meeting. You will have the opportunity to ask questions and meet with management, the Board of Directors and your fellow shareholders.

Yours sincerely,

Jean-Marc Eustache  
Chairman of the Board  
President and Chief Executive Officer

This Circular is furnished in connection with the solicitation, by the management of the Corporation, of proxies for use at the Meeting. Unless indicated otherwise, the information provided herein is given as of January 30, 2004.

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**WHO IS SOLICITING MY PROXY?**

The management of the Corporation is soliciting your proxy for use at the Meeting.

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**WHAT WILL I BE VOTING ON?**

You will be voting on:

- (a) Election of the Corporation's directors;
- (b) Appointment of Ernst & Young LLP as the Corporation's auditors and authorization for the Board of Directors to fix their remuneration; and
- (c) Any other business submitted at the Meeting.

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**HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?**

A simple majority of the votes cast, by proxy or in person, will constitute approval of each of the matters specified in the Circular.

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**HOW MANY VOTES DO I HAVE?**

Subject to the voting restrictions noted below, you will have one vote for every Common Share of the Corporation that you own on February 16, 2004 at 5:00 p.m. (Eastern Time), the record date for the Meeting.

To vote shares you acquired subsequent to the record date, you must, not later than ten days before the Meeting:

- (a) request that the Corporation add your name to the voting list; and
- (b) produce properly endorsed share certificates or otherwise establish that you own the shares.

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**RESTRICTIONS ON VOTING SHARES**

Pursuant to the *Canada Transportation Act*, Air Transat A.T. Inc. 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 A.T. Inc. is wholly-owned by the Corporation, the Corporation must, in order that Air Transat A.T. Inc. may qualify as "Canadian", itself qualify as "Canadian", which means it must ensure that no more than 25% of its outstanding voting shares are directly or indirectly held by "non-Canadians" within the meaning of such act.

In this respect, the articles of the Corporation provide that the Corporation:

- (a) will not accept any subscription of its voting shares;
- (b) will not issue any of its voting shares; and
- (c) will not register or acknowledge the transfer of any of its voting shares;

If such subscription, issue or transfer causes the Corporation to cease being "Canadian" within the meaning of the *Canada Transportation Act*.

For the foregoing purposes, "voting share" means a share conferring a right to vote in all circumstances or by reason of an event which occurred or is occurring, and includes a security convertible into such a share, as well as an option or a right which may be exercised to acquire such a share or security, and in particular the common shares of the Corporation.

The terms of this heading, which are not defined herein but are defined in the *Canada Business Corporations Act*, shall have the meanings ascribed to them in such act. Any provision of this heading, which could be interpreted in a manner that is inconsistent with such act, will be interpreted so as to be consistent therewith.

To ensure that the constraints contained in the articles of the Corporation are effective, the Corporation and its registrar and transfer agent, Computershare Trust Company of Canada, have put in place guidelines respecting shareholder declarations to assist the Corporation in the monitoring and control of the ownership of its voting shares in accordance with the provisions of its articles and the *Canada Transportation Act*. These guidelines provide for a monitoring mechanism based on shareholder declarations to be provided by registered shareholders upon transfer or registration, and by participants of The Canadian Depository for Securities Limited's book based system for unregistered holders at least four times a year and at any time upon request.

To the best of the Corporation's knowledge, as at December 31, 2003, approximately 9.84% of the voting shares of the Corporation's share capital were owned by "non-Canadians" within the meaning of the *Canada Transportation Act*.

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**HOW MANY SHARES CONFER A VOTING RIGHT?**

As at January 30, 2004, the Corporation had a total of 33,079,587 outstanding common shares. Each common share gives one voting right.

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**WHO ARE OUR PRINCIPAL HOLDERS?**

To the knowledge of the Corporation's directors and officers, as at January 30, 2004, the only person or entity holding 10% or more of the voting shares of the Corporation's share capital is the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (the "Fonds"), which held 3,470,373 common shares, namely 10.49% of the issued and outstanding common shares, and 650,000 warrants entitling the holder to subscribe to the same number of common shares at an exercise price of \$6.75 each.

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**HOW DO I VOTE?**

If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by proxy, as noted below.

If your shares are held in the name of a nominee, please see the instructions below under the headings "How can a Non-Registered Shareholder vote?" and "How can a Non-Registered Shareholder vote in person at the Meeting?".

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**VOTING BY PROXY**

Whether or not you attend the Meeting, you can appoint someone to vote for you as your proxyholder. You can use the enclosed proxy form, or any other proper proxy form, to appoint your proxyholder. The persons named in the enclosed proxy form are directors or officers of the Corporation. **However, you can choose another person to be your proxyholder, including someone who is not a shareholder of the Corporation. You may do so by deleting the names printed on the proxy form and inserting another person's name in the blank space provided, or by completing another proper proxy form.**

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#### HOW WILL MY VOTING RIGHTS BE EXERCISED?

On the proxy form, you can indicate how you want your proxyholder to vote your shares, or you can let your proxyholder decide for you.

If you have specified on the proxy form how you want your shares to be voted on a particular matter, then your proxyholder must vote your shares accordingly.

If you have not specified on the proxy form how you want your shares to be voted on a particular matter, your proxyholder can then vote in accordance with his or her judgment. **Unless contrary instructions are provided, Common Shares represented by proxies received by management will be voted:**

**FOR the election as directors of the proposed nominees whose names are set out on the following pages;**

**FOR the appointment of Ernst & Young LLP as auditors and the authorization for the Board of Directors to fix their remuneration; and**

**FOR management's proposals generally.**

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#### WHAT IF THERE ARE AMENDMENTS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

The enclosed proxy form gives the persons named on it the authority to use their discretion and judgment in voting on amendments or variations to matters identified in the Notice of Meeting.

As of the time of printing of the Circular, management is not aware of any other matter to be presented at the Meeting. However, if other matters properly come before the Meeting, the persons named on the enclosed proxy form will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred by the proxy form with respect to such matters.

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#### WHAT IF I CHANGE MY MIND AND WANT TO REVOKE MY PROXY?

You can revoke your proxy at any time before it is acted upon. You can do this by stating clearly, in writing, that you want to revoke your proxy and by delivering this written statement to the Vice-President, General Counsel and Corporate Secretary at: Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Quebec, H2X 4C2 no later than on the last business day before the Meeting, namely March 16, 2004 at 5:00 p.m. (Eastern Time) or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner prescribed by law.

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#### WHO COUNTS THE VOTES?

Proxies are counted by Computershare Trust Company of Canada.

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#### HOW ARE PROXIES SOLICITED?

The Corporation's management requests that you sign and return the proxy form to ensure that your votes are exercised at the Meeting. The solicitation of proxies will be primarily by mail, or by any other means the management of the Corporation may deem necessary. The Corporation will pay for printing, postage and delivery costs.

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#### HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?

If your Common Shares are not registered in your own name, they are held in the name of a "nominee", which is usually a trust company, securities broker or other financial institution. Your nominee is required to seek your instructions as to how to vote your shares. For that reason, you have received the Circular from your nominee, together with a voting instruction form. Each nominee has its own signing and return instructions, which you should follow carefully to ensure your shares will be voted. If you are a Non-Registered Shareholder who has voted and want to change your mind and vote in person, contact your nominee to obtain information on the procedure to follow, when possible.

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#### HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?

Since the Corporation does not have access to the names of its Non-Registered Shareholders, if you attend the Meeting, the Corporation will have no record of your shareholdings or of your entitlement to vote, unless your nominee has appointed you as proxyholder. Therefore, if you are a Non-Registered Shareholder and wish to vote in person at the Meeting, please insert your own name in the space provided on the voting instruction form sent to you by your nominee. By doing so, you are instructing your nominee to appoint you as proxyholder. Then follow the signing and return instructions provided by your nominee. It is not necessary to otherwise complete the form, as you will be voting at the Meeting.

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#### FINANCIAL STATEMENTS

The management report, the consolidated financial statements and the auditors' report thereon, for the year ended October 31, 2003, are included in the Annual Report that was mailed to the shareholders along with the Circular. 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 must be made up of a minimum of nine and a maximum of fifteen directors. In accordance with a resolution of the Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been established at eleven.

Eleven directors will be put forward at the Meeting as nominees for election to the Corporation's Board of Directors. Each director will remain in office until the next annual meeting of shareholders or until his successor is elected or appointed.

One of the individuals proposed by management as a nominee at the Meeting for election as Director of the Corporation has been proposed by the Fonds in accordance with an agreement entered into between Capital d'Amérique CDPQ Inc. ("CDPQ"), a subsidiary of Caisse de dépôt et placement du Québec, the Fonds, Air Transat A.T. Inc. and the Corporation on January 10, 2002. It is to be noted that CDPQ has decided to waive its contractual right to propose a nominee at the Meeting to be elected as a director of the Corporation.

The persons named in the enclosed proxy form intend to vote for the election of each of the eleven nominees listed below.

**Unless a shareholder indicates his intention to abstain from voting for the nominees, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted in favour of the election of the eleven nominees listed below.**

The following table contains general information on the Corporation's directors, including the nominees up for election. This information is based on the statements made by the persons concerned.

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**JEAN-MARC EUSTACHE**

Common shares owned or controlled: 884,775  
Non-convertible debentures held: \$500,000  
Number of common shares that may be subscribed for by a warrant: 32,500

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**ANDRÉ BISSON, O.C.**

Common shares owned or controlled: 14,033  
Non-convertible debentures held: \$100,000  
Number of common shares that may be subscribed for by a warrant: 6,500

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**LINA DE CESARE**

Common shares owned or controlled: 216,872  
Non-convertible debentures held: \$200,000  
Number of common shares that may be subscribed for by a warrant: 13,000

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**BENOÎT DESCHAMPS**

Common shares owned or controlled: 9,833  
Non-convertible debentures held: \$100,000  
Number of common shares that may be subscribed for by a warrant: 6,500

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**JEAN GUERTIN**

Common shares owned or controlled: 7,277  
Non-convertible debentures held: \$15,000  
Number of common shares that may be subscribed for by a warrant: 975

Jean-Marc Eustache, 56, from Montreal, Quebec, has served on the Corporation's Board of Directors since its inception in February 1987. Mr. Eustache is Chairman of the Board, President and Chief Executive Officer, Chairman of the Corporation's Executive Committee and the principal founder of the Corporation. Mr. Eustache is also President of Look Voyages S.A. and Chairman of the Board of Transat Tours Canada Inc., two subsidiaries of the Corporation, and also sits on the board of directors of many of the Corporation's subsidiaries. Mr. Eustache does not sit on the board of directors of any other profit-making corporation, other than those of the Corporation and its subsidiaries. However, he is a member of the board of directors of several non-profit organizations, such as the Cercle des présidents du Québec, Espace Go Theatre and the Canadian Tourism Commission, on whose executive committee he also sits. Mr. Eustache holds a B.A. in economics.

André Bisson, 74, from Montreal, Quebec, has served on the Corporation's Board of Directors since April 1995. Mr. Bisson chairs the Audit Committee and is a member of the Corporate Governance and Nominating Committee. He is one of the Corporation's three Lead Directors, and sits on the Executive Committee. Mr. Bisson is Chairman of the Board of CIRANO (Centre for Interuniversity Research and Analysis on Organizations) and sits on the Canadian advisory board of the Carlyle Group. Prior to 1988, Mr. Bisson was Vice-President and General Manager, Quebec, for Scotia Bank. Until recently, he was also Chancellor and Chairman of the Board of Université de Montréal, and sat on the boards of AXA Assurances, Power Financial Corporation, Donohue, Julius Baer Canada, Pirelli Cables and Systems North America. He has also worked with a good number of community organizations, including as Chairman of the Board of Notre-Dame Hospital. Mr. Bisson holds a M.B.A., two honorary doctorates and a Fellow *honoris causa*.

Lina De Cesare, 52, from Montreal, Quebec, has served on the Corporation's Board of Directors since May 1989. Ms. De Cesare is the Corporation's Executive Vice-President, Tour Operators and one of its three founding members, along with Messrs. Jean-Marc Eustache and Philippe Sureau. She is also president of two subsidiaries of the Corporation, namely Cameleon Hotel Management Corporation and Transat Tours Canada Inc., the latter comprising two tour operators operating under the banners Vacances Air Transat Holidays and World of Vacations/Nolitour. Ms. De Cesare also sits on the board of directors of several subsidiaries of the Corporation. Ms. De Cesare is also a member of the board of directors of La Fondation du Grand Montréal, a non-profit organization.

Benoît Deschamps, 52, from Montreal, Quebec, has served on the Corporation's Board of Directors since April 1997. Mr. Deschamps is a member of the Corporate Governance and Nominating Committee and the Audit Committee. Mr. Deschamps is a Corporate Director and a Corporate Finance Advisor. Prior to November 2000, he was Vice-President – Financial Planning and Treasurer of Groupe Vidéotron. Mr. Deschamps is also a member of the board of directors of SAS La Tour de Mons and Metcalfe & Mansfield Alternative Investments Corp., which is the trustee of two publicly traded income trusts, namely, Diversified Investment Grade Income Trust and Onyx Trust. Mr. Deschamps holds a M.B.A. and a Ph.D. in finance.

Jean Guertin, 59, from Montreal, Quebec, has served on the Corporation's Board of Directors since April 1995. He chairs the Human Resources and Compensation Committee and is a member of the Audit Committee. He is one of the Corporation's three Lead Directors and sits on the Executive Committee. Mr. Guertin is a Corporate Advisor and Director and Honorary Professor at HEC Montréal. Prior to 1995, he was Director of HEC Montréal and held various senior executive positions in private corporations. Thus, Mr. Guertin was Chairman of the Board of Directors and Chief Executive Officer of Société Gasbeau and Société Télémedia. Mr. Guertin currently sits on several boards of directors, including that of Canadian Helicopters Limited, for which he acts as Chairman of the Board, the Canadian Investor Protection Fund and Vogue Pool Products. He chairs the Portfolio Evaluation Committee of Desjardins Venture Capital and sits on several advisory boards, including that of Agence de Voyages Aller Retour and also of several non-profit organizations. Mr. Guertin holds a M.B.A. and a Ph. D.

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**H. CLIFFORD HATCH JR.**

Common shares owned or controlled: 1,520  
Non-convertible debentures held: \$25,000  
Number of common shares that may be subscribed for by a warrant: 1,625

H. Clifford Hatch Jr., 61, from Toronto, Ontario, has served on the Corporation's Board of Directors since March 2001. He chairs the Corporate Governance and Nominating Committee and is a member of the Human Resources and Compensation Committee. He is one of the Corporation's three Lead Directors and sits on the Executive Committee. Mr. Hatch Jr. is President and Chief Executive Officer of Aurdisyl Management Corporation and Cliffco Investments Limited. Prior to 1992, he was Chief Financial Officer of Allied-Lyons PLC (London, England) and, until 1987, President and Chief Executive Officer of Hiram Walker-Gooderham & Worts Limited. Mr. Hatch Jr. sits on several boards of directors, including that of Consolidated HCI Limited, Brookdale Treeland Nurseries Limited (BTN) and Carrizuelo S.A. (Madrid, Spain), and is also involved with several non-profit organizations, including the foundation of the Federation of Ontario Naturalists, for which he acts as president. Mr. Hatch Jr. holds a B.A. (Honours) in economics and political science, as well as a M.B.A.

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**JACQUES SIMONEAU**

Common shares owned or controlled: 0

Jacques Simoneau, 46, from Saint-Bruno-de-Montarville, Quebec, has served on the Corporation's Board of Directors since November 2000. Mr. Simoneau is Senior Vice-President – Industries and Services of Fonds de solidarité F.T.Q. Prior to taking on this office, he held executive positions at Société Innovatech du sud du Québec, Advanced Scientific Computing and Alcan. Mr. Simoneau currently sits on several boards of directors, including Sonaca North America Inc. and its subsidiaries, Sustainable Development Technology Canada and Société de développement économique Ville-Marie. Mr. Simoneau is a mechanical engineer and holds a M.Sc. and a Ph.D. He is a member of the Ordre des ingénieurs du Québec and the Professional Engineers Ontario.

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**HELEN K. SINCLAIR**

Common shares owned or controlled: 5,461

Helen K. Sinclair, 52, from Toronto, Ontario, has served on the Corporation's Board of Directors since March 2003. Ms. Sinclair is a member of the Corporate Governance and Nominating Committee. Ms. Sinclair is President and Chief Executive Officer of BankWorks Trading Inc., a business that offers consultation services to and meets the technological needs of the financial services industry. Prior to taking on this position, Ms. Sinclair was President of the Canadian Bankers Association. Ms. Sinclair currently sits on several boards of directors, namely that of the Toronto-Dominion Bank, Davis and Henderson, and McCain Capital Corporation, in addition to sitting on the board of directors of several non-profit organizations. Ms. Sinclair holds a M.A. in economics.

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**PHILIPPE SUREAU**

Common shares owned or controlled: 658,851  
Non-convertible debentures held: \$300,000  
Number of common shares that may be subscribed for by a warrant: 19,500

Philippe Sureau, 54, from Montreal, Quebec, has served on the Corporation's Board of Directors since its inception in February 1987, and is also a member of the Executive Committee. Mr. Sureau is the Corporation's Executive Vice-President and one of its three founders, along with Mr. Jean-Marc Eustache and Ms. Lina De Cesare. Mr. Sureau is also President of Consultour Inc. and sits on the board of directors of several of the Corporation's affiliates. Other than those of the Corporation and its subsidiaries, Mr. Sureau is a member of the board of directors of Manoir Richelieu and the Conseil québécois de l'Industrie du Tourisme.

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**JOHN D. THOMPSON**

Common shares owned or controlled: 19,033  
Convertible debentures held: \$25,000  
Non-convertible debentures held: \$50,000  
Number of common shares that may be subscribed for by a warrant: 3,250

John D. Thompson, 69, from Montreal, Quebec, has served on the Corporation's Board of Directors since April 1995. He is a member of the Human Resources and Compensation Committee and the Audit Committee. Mr. Thompson is Deputy Chairman of the Montreal Trust Company of Canada. Prior to 1994, he was President and Chief Executive Officer of Montreal Trust and Chairman of the Board of Directors of RoyNat Inc. Mr. Thompson currently sits on the board of directors of certain corporations of the Scotia Bank Group, including Scotia General Insurance Company, the National Trust Company and The Bank of Nova Scotia Trust Company. He also sits on several boards of directors, including those of Benvest Capital Inc., Shermag Inc., Capital d'Amérique CDPO Inc. and Triton Électronique Inc. Mr. Thompson is also a director of the MacDonald Stewart and Windsor foundations. He holds a Bachelor of Engineering and a M.B.A.

**DENNIS WOOD, O.C.**

Common shares owned or controlled: 0

Dennis Wood, 65, from Magog, Quebec, is being proposed at the Meeting as a new nominee for membership on the Corporation's Board of Directors. Since 1973, Mr. Wood has been President and Chief Executive Officer as well as Chairman of the Board of Dennis Wood Holdings Inc. and, since 2002, Chairman of the Board of Evolved Digital Systems Inc. Prior to 2002, Mr. Wood was President and Chief Executive Officer and Chairman of the Board of C-MAC Industries Inc. Until recently, he was also Chairman of the Board of Electromed Inc. Mr. Wood currently sits on several boards of directors, including those of National Bank, MAAX Inc., Groupe Bocenor Inc. and National Bank Trust. Mr. Wood holds an honorary Doctorate in administration.

The management of the Corporation does not anticipate that any of the nominees among the persons named above 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 the election as director(s) of any other person(s) that the management of the Corporation may, upon the advice of the Corporate Governance and Nominating Committee, recommend in place of such nominee(s) among those named hereinabove, unless a shareholder indicates his intention to abstain from voting for the election of directors.

To be approved, the resolution appointing directors must be passed by a majority of the votes cast by all the shareholders present or represented by proxy at the Meeting.

**MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS COMMITTEES AS WELL AS PARTICIPATION OF THE DIRECTORS**

The information set out below lists the meetings held by the Board of Directors and its Committees as well as the participation of the directors therein during the year ended October 31, 2003.

**Summary of the Meetings of the Board of Directors and its Committees**

Board of Directors and Committees	Number of Meetings Held During the Financial Year
Board of Directors	13
a) Executive Committee	1
b) Audit Committee	8
c) Corporate Governance and Nominating Committee	7
d) Human Resources and Compensation Committee	8
e) Meetings of the Lead Directors	2

**Summary of the Participation of the Directors in the Meetings of the Board of Directors and its Committees**

Name of Director <sup>(1)</sup>	Participation in Meetings of the Board of Directors	Participation in Meetings of the Committees
Jean-Marc Eustache <sup>(Chairman of the Board) (a - Chairman)</sup>	13/13	1/1 <sup>(a)</sup> , 5/8 <sup>(d)(2)</sup>
André Bisson, O.C. <sup>(a, b - Chairman, c and e)</sup>	13/13	1/1 <sup>(a)</sup> , 8/8 <sup>(b)</sup> , 7/7 <sup>(c)</sup> , 2/2 <sup>(e)</sup>
Lina De Cesare	8/13	N.A.
Benoît Deschamps <sup>(b and c)(3)</sup>	13/13	8/8 <sup>(b)</sup> , 7/7 <sup>(c)</sup>
Marcel Gagnon <sup>(4)</sup>	11/13	N.A.
Jean Guertin <sup>(a, b, d - Chairman and e)</sup>	12/13	1/1 <sup>(a)</sup> , 8/8 <sup>(b)</sup> , 8/8 <sup>(d)</sup> , 2/2 <sup>(e)</sup>
H. Clifford Hatch Jr. <sup>(a, c - Chairman, d and e)</sup>	13/13	1/1 <sup>(a)(5)</sup> , 7/7 <sup>(c)</sup> , 8/8 <sup>(d)</sup> , 2/2 <sup>(e)</sup>
Jacques Simoneau	12/13	N.A.
Helen K. Sinclair <sup>(c)</sup>	8/13 <sup>(6)</sup>	2/7 <sup>(c)(7)</sup>
Philippe Sureau <sup>(a)</sup>	12/13	1/1 <sup>(a)</sup>
John D. Thompson <sup>(b and d)</sup>	12/13	8/8 <sup>(b)</sup> , 7/8 <sup>(d)</sup>
Peter G. White <sup>(8)</sup>	12/13	N.A.

N.A.: Not applicable.

(1) Messrs. Michel Lessard and André Lévesque stepped down as directors on March 19, 2003. They attended five of the thirteen Board of Directors meetings.

(2) Mr. Eustache is not a member of the Audit Committee, the Corporate Governance and Nominating Committee or the Human Resources and Compensation Committee, although he is invited to assist to these Committees' meetings. Note that he resigned his seat on the Human Resources and Compensation Committee when his mandate expired March 19, 2003, and was therefore not required to attend the Committee's three last meetings.

(3) Mr. Deschamps ceased being a member of the Executive Committee March 19, 2003 and was therefore unable to attend the Executive Committee meeting.

(4) CDPO announced its intention not to request that Mr. Gagnon be reappointed at the Meeting when his term of office expires (see heading "Election of Directors").

(5) Mr. Hatch Jr. became a member of the Executive Committee March 19, 2003.

(6) Ms. Sinclair was elected March 19, 2003 and was therefore unable to attend the first five meetings of the Board of Directors.

(7) Ms. Sinclair became a member of the Corporate Governance and Nominating Committee March 19, 2003 and was therefore unable to attend the first five meetings of that Committee.

(8) Mr. White announced his intention not to renew his mandate as of the Meeting.

**APPOINTMENT AND REMUNERATION OF AUDITORS**

At the Meeting, shareholders will be called upon to appoint auditors that will hold office until the next annual meeting of shareholders and to authorize the Board of Directors to fix their remuneration. Ernst & Young LLP have been the auditors of the Corporation since its incorporation. They have confirmed their independence with the Audit Committee.

For the year ended October 31, 2003, professional fees charged for auditing and other auditing-related services provided by Ernst & Young LLP to the Corporation and to the Canadian and foreign subsidiaries of its group reached \$1,046,000 (for the year ended October 31, 2002, that amount was \$1,042,000). Professional fees amounting to \$748,000 (for the year ended October 31, 2002, that amount was \$315,000) were charged for other services provided by Ernst & Young LLP, including taxation services and consulting. The Audit Committee has verified the scope and nature of these services and confirms that they are compatible with maintaining the independence of the external auditors.

Unless a shareholder indicates that he intends to abstain from voting, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted in favour of the appointment of Ernst & Young LLP as auditors of the Corporation and to authorize the Board of Directors to fix their remuneration.

To be approved, the resolution appointing Ernst & Young LLP as auditors of the Corporation and authorizing the Board of Directors to fix their remuneration must be passed by a majority of the votes cast at the Meeting by all the shareholders present or represented by proxy at the Meeting.

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## REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

### Composition of the Committee

The Human Resources and Compensation Committee of the Board of Directors (referred to hereinafter in this heading as the "Committee") is responsible for establishing the policies regarding the remuneration of executives and the development and training of their successors, as well as for continuously supervising its implementation. The Committee makes recommendations regarding the remuneration of the executive officers, such recommendations are subject to the approval of the Board of Directors.

The Committee is currently composed of Messrs. Jean Guertin (Chairman of the Committee), H. Clifford Hatch Jr. and John D. Thompson. None of this Committee's members is currently employed by the Corporation or any of its subsidiaries, nor is he a former officer or employee of the Corporation or any of its subsidiaries. None of the Corporation's executive officers is a member of the board of directors of the corporations that employ Messrs. Jean Guertin, H. Clifford Hatch Jr. and John D. Thompson. It is noteworthy to mention that Mr. Eustache resigned his seat at the end of his mandate, which expired March 19, 2003, but he assists these Committee's meetings, upon invitation.

### Executive Compensation Policy

The Corporation's executive compensation policy is intended to align the executive officers' aggregate compensation with the Corporation's values, objectives and business strategy, and to determine the amount of such compensation in accordance with the Corporation's financial performance and the creation of added value for the shareholders. With regards to the Corporation's French subsidiaries, the compensation policy is based on similar principles, but is adjusted to the peculiarities of the French market. The specific goals of the policy are as follows:

- to attract and retain competent executive officers in order to ensure the long-term success of the Corporation and its subsidiaries;
- to motivate executive officers to meet and surpass the targeted performance objectives set by the Corporation; and
- to offer executive officers an aggregate compensation set at the first quartile of the Corporation's own reference market when the performance objectives and the objectives with respect to the creation of added value for the shareholders are all attained.

The policy consists in offering an aggregate compensation to executive officers, which is established by drawing a comparison with a reference market of Canadian public corporations chosen on the basis of criteria such as the nature and complexity of their operations, their market segments and the scope of their operating activities (Canada-wide and International). The Corporation's reference market currently consists of more than thirty corporations selected with the help of an outside advisor, operating in market segments similar to those of the Corporation and posting an average income for their last fiscal year similar to that of the Corporation. With the help of an outside advisor, the Committee annually reviews the composition of the Corporation's own reference market, updates the aggregate compensation data drawn therefrom and reviews, when necessary, the Corporation's positioning within this market to ensure that such reference market remains appropriate.

The aggregate compensation of executive officers is comprised of the following headings:

- a base salary;
- a Short-Term Incentive Program in the form of an annual bonus;
- a Long-Term Incentive Program with two components: a stock option plan, a permanent stock ownership incentive plan and, exceptionally, a share appreciation units plan offered exclusively in 2002;
- a Perquisites Program; and
- a Benefits Package, including a group insurance plan and retirement arrangements for executive officers.

The key elements of the aggregate compensation of executive officers have been developed in accordance with the following principles:

**Base salary:** Executive officer positions in the Corporation and its subsidiaries are compared to other similar executive officer positions in corporations making up the reference market, and the salary data gathered are then analyzed to establish the median salaries\* in the market. Minimum and maximum wage scales are then developed based on the market medians allowing the consideration of performance and experience in office. The salary paid for each executive officer position aims to attain the median of the reference market.

\* "Median salary" means a salary set at the 50th percentile of the reference market.

**Short-Term Incentive Program:** The annual bonus of executive officers is based on the Corporation's performance in relation to a consolidated financial performance measurement applicable to the Corporation as well as the financial objectives applicable to each of its subsidiaries or group of subsidiaries, as the case may be. The annual bonus for each executive officer's position is targeted to fall within the first quartile of the reference market, with a potential to exceed this reference market. The target bonus and maximum bonus will vary depending on the class of the position considered and can reach, respectively, 25% to 33% and 62.5% to 82.5% of the base salary for executive officers, with the exception of the Chairman of the Board, President and Chief Executive Officer (hereinafter the "President and Chief Executive Officer"). Any bonus paid under the Short-Term Incentive Program is meant as a reward for exceeding the earnings before taxes ("EBT") budgeted by the Corporation and the earnings before interest, taxes, depreciation and amortization (the "EBITDA") budgeted for each subsidiary.

The objective sought to be achieved by the application of the compensation principles described above is to provide a cash remuneration (base salary and annual bonus) situated in the first quartile of the reference market when the targeted objectives are exceeded, with a potential to exceed the reference market when maximum objectives are attained.

**Long-Term Incentive Program:** The Long-Term Incentive Program has the following two permanent components and one exceptional component, namely:

- Stock Option Plan:** The objective of the Common Stock Option Plan for directors, officers and employees of the Corporation is to align part of the executive officers' compensation with the creation of added value for shareholders. Subject to the approval of the Board of Directors, the President and Chief Executive Officer shall recommend to the Human Resources and Compensation Committee which other executive officers are to be granted stock options as well as the aggregate number of options that may be granted;\*
- Permanent Stock Ownership Incentive Plan:** The Permanent Stock Ownership Incentive Plan is designed to promote the acquisition and holding by eligible executive officers of a significant block of the Corporation's common shares, in order to motivate them to create added value for shareholders and to help the Corporation retain these executive officers. The goal of this plan is for each participant to hold approximately one time his or her annual salary in the Corporation's common shares after having participated in the plan for five years. Subject to participation in the Share Purchase Plan offered to all the Corporation's employees (by subscribing annually for a number of common shares, the total subscription price of which is equal to the percentage of salary contributable under the plan), the Corporation will annually grant to each eligible executive officer a number of common shares, the total subscription price of which shall be equal to the aforementioned percentage of salary contributed. The common shares thus granted by the Corporation will vest progressively to the eligible executive officer, subject to his retaining, during the vesting period, all the common shares subscribed for under the Corporation's Share Purchase Plan; and \*\*

- (iii) March 2002 Share Appreciation Units Plan: The March 2002 Share Appreciation Units Plan for Canadian executives of the Corporation and its subsidiaries and for the directors of the Corporation whose remuneration decreased in 2001-2002 is an exceptional plan. Its goal is to encourage eligible executives and directors to achieve, over the years ending October 31, 2002 and October 31, 2003, results leading to a substantial increase, from now until January 30, 2004, in the market price per share as compared to its March 26, 2002 level, when the price per share of the Corporation was under pressure due to the events of September 11, 2001. As a result, the executives and directors eligible to the Plan were granted a number of units of appreciation of the Corporation's share price determined by the Committee in accordance with the terms and conditions described at greater length in the said plan. The units thus granted will be redeemable by the Corporation on the redemption date specified in the Plan and will, on such date, entitle the holder thereof to payment by the Corporation of a cash amount equal to the redemption price multiplied by the number of units of appreciation of the Corporation's share price granted to the participants, multiplied by the redeemable fraction of said units in accordance with the terms and conditions of the Plan.\*\*\*

The objective of the Long-Term Incentive Program is to ensure a target compensation value that serves to position the aggregate compensation (base salary, annual bonus, options and stock ownership) in the first quartile of the reference market when all targeted objectives are reached, with the potential to exceed the reference market when all maximum targets are attained.

\* See "Stock Option Plan" for a summary of the terms and conditions of this Plan.

\*\* See "Permanent Stock Ownership Incentive Plan" for a summary of the terms and conditions of this Plan.

\*\*\* See "March 2002 Share Appreciation Units Plan" for a summary of the terms and conditions of this Plan.

**Perquisites Program:** The Perquisites Program is designed to provide a certain degree of flexibility with regard to the personal and financial situation of executive officers. The program provides for the allocation of a dollar value expressed as a percentage of base salary (varying according to the management position held), allowing an executive officer to benefit from certain perquisites chosen among a range of perquisites predetermined by the Corporation.

The objective of the Perquisites Program is to ensure a target compensation value anchored to the median position of the reference market.

**Benefits Package:** The Benefits Package is designed to provide adequate protection to executive officers and their families in the event of death, disability, illness, etc., including the implementation of retirement arrangements that provide for the payment to eligible executive officers of a retirement income based on a percentage of the executive officer's salary at the end of his or her career, determined on the basis of the number of years of service and a percentage of the executive officer's salary per year of service.

The objective in providing a Benefits Package is to ensure a target compensation value positioned at the median of the reference market.

The Committee reviews the executive compensation policy regularly, with the assistance of outside advisors, if necessary, in order to ensure that the Corporation meets the aforementioned objectives efficiently and that the policy remains competitive in relation to the reference market.

#### **Compensation of the President and Chief Executive Officer**

The aggregate compensation of the President and Chief Executive Officer is determined according to the same policy, principles and objectives as those applicable to other executive officers, including as regards base salary, but based on similar positions in the corporations making up the reference market. Moreover, under the Short-Term Incentive Program, the President and Chief Executive Officer is entitled to a bonus representing 45% of his annual base salary, such bonus could reach a maximum of 112.5% of his annual base salary. Under the Long-Term Incentive Program, the President and Chief Executive Officer is also eligible to receive stock options representing 1.0 time his base salary. He is also eligible to participate in the Permanent Stock Ownership Incentive Plan up to maximum of 10% of his base salary. Each component of the aggregate compensation of the President and Chief Executive Officer is reviewed annually by the Committee, without the President and Chief Executive Officer being present, in accordance with the objectives and principles described in "Executive Compensation Policy".

In 2003, Mr. Jean-Marc Eustache received an annual base salary of \$560,000 in his capacity as President and Chief Executive Officer of the Corporation. As regards his aggregate compensation for the year ended October 31, 2003, Mr. Eustache received a bonus of \$126,000 under the Short-Term Incentive Program, namely 22.5% of his 2003 base salary.

The Committee also granted Mr. Eustache 147,368 stock options in accordance with the terms and conditions of the Plan.

The Committee adopts and follows up on the annual performance objectives set by the President and Chief Executive Officer. This evaluation is conducted annually by the Committee, sent to the Board of Directors and discussed once the President and Chief Executive Officer withdraws from the meeting. The Committee believes that the aggregate compensation of the President and Chief Executive Officer of the Corporation takes into account his superior performance, which is evidenced in the Corporation's results following a very difficult year. The Corporation successfully maintained its financial position despite the impact that the War in Iraq and Severe Acute Respiratory Syndrome (SARS) had on the results of the first six months.

While the aggregate compensation of the President and Chief Executive Officer is above the market median, it is slightly below the first quartile of the market, and this despite the Corporation's compensation policy, which aims for the first quartile or better when objectives have been reached or surpassed.

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

JEAN GUERTIN, CHAIRMAN, H. CLIFFORD HATCH JR., JOHN D. THOMPSON



## EXECUTIVE COMPENSATION

The total cash compensation (salary and bonus) paid to executive officers who assume policy-making duties within the Corporation and its subsidiaries in consideration of services rendered during the year ended October 31, 2003 amounts to \$2,722,971.

### Summary Compensation Table

The following table sets forth the aggregate compensation paid by the Corporation during each of the last three financial years to the President and Chief Executive Officer and the four most highly compensated executive officers. The persons appearing in the table are hereinafter referred to as the "Named Executive Officers".

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation ("LTIP")			
		Salary	Bonus <sup>(1)</sup>	Other Annual Compensation	Securities under Options/SAUs Granted <sup>(3)</sup>	Restricted Shares or Restricted Share Units <sup>(4)</sup>	LTIP Payouts	All Other Compensation
		(\$)	(\$)	(\$)	(#)	(\$)	(\$)	(\$)
Jean-Marc Eustache Chairman of the Board, President and Chief Executive Officer of the Corporation and President, Look Voyages S.A. and Chairman of the Board, Transat Tours Canada Inc.	2003	560,000	126,000	(2)	147,368/N.A.	53,994	—	—
	2002	428,000	481,500	(2)	61,230/30,615	39,130	—	—
	2001	535,000	—	(2)	54,040/N.A.	51,437	—	—
Philippe Sureau Executive Vice-President of the Corporation and President Consultour Inc.	2003	312,700	51,596	(2)	55,134/N.A.	30,140	—	—
	2002	259,250	213,881	(2)	24,849/16,690	7,110	—	—
	2001	305,000	—	(2)	20,641/N.A.	29,318	—	—
Lina De Cesare Executive Vice-President, Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation and President, Transat Tours Canada Inc.	2003	312,700	111,596	(2)	55,134/N.A.	30,140	—	—
	2002	243,100	200,558	(2)	23,301/15,650	11,110	—	—
	2001	286,000	—	(2)	19,356/N.A.	27,475	—	—
Allen B. Graham <sup>(5)</sup> President and Chief Executive Officer, Air Transat A.T. Inc.	2003	265,000	99,375	(2)	34,868/N.A.	25,548	—	—
	2002	212,500	159,275	(2)	15,200/10,640	—	—	—
	2001	248,317	—	(2)	30,000	—	—	—
Nelson Gentiletti <sup>(6)</sup> Vice-President, Finance and Administration and Chief Financial Officer of the Corporation	2003	250,000	87,500	(2)	32,974/N.A.	24,101	—	—
	2002	47,115	35,337	(2)	10,000/16,094	N.A.	—	—
	2001	N.A.	N.A.	(2)	N.A.	N.A.	—	—

N.A.: Not applicable.

(1) Short-term incentive bonuses earned in a given year are paid out the following year.

(2) Ancillary benefits and other personal benefits are not included because they did not exceed the minimum thresholds stipulated for disclosure purposes.

(3) "SAU(s)" means the unit(s) of appreciation of the Corporation's share price granted under the Share Appreciation Units Plan of the Corporation only for the 2002 financial year.

(4) The value of the restricted shares or restricted share units granted under the Permanent Stock Ownership Incentive Plan is computed by multiplying the number of shares granted to each Named Executive Officer by the closing price of the Corporation's common shares on the Toronto Stock Exchange on the date of grant, namely \$5.50 for 2003, \$6.40 for 2002 and \$9.55 for 2001.

(5) Mr. Graham was promoted to President and Chief Executive Officer of Air Transat A.T. Inc. in May of 2002. He was Executive Vice-President and Chief Operating Officer of Air Transat A.T. Inc. since May 2000.

(6) Mr. Gentiletti was hired by the Corporation as Vice-President, Finance and Administration and Chief Financial Officer in August 2002.

### Stock Option Plan

On December 5, 1995, the Board of Directors adopted a common stock option plan for directors, officers and employees of the Corporation. This plan was amended on February 27, 1997, May 11, 1999 and April 17, 2002 (the "Option Plan").

The Option Plan enables the Corporation to grant stock options (the "Options") to eligible persons, at a price per share equal to the average weighted market price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the granting of Options. As at October 31, 2003, a balance of 1,237,232 Options remain available for granting. The Corporation's Board of Directors or, as the case may be, its Executive Committee, upon recommendation of the Human Resources and Compensation Committee, may determine, from time to time and in its entire discretion, which directors, officers and employees will be granted Options, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the holders may purchase shares. The Options granted under the Option Plan expire ten years after the grant date or earlier if the option holder ceases to hold a position with the Corporation or any of its subsidiaries or if he or she dies.

Notwithstanding the foregoing, in the event of a successful take-over bid or exchange bid for the shares of the Corporation within the meaning of the *Securities Act* (Quebec) providing for the purchase of shares or securities conferring on the offeror direct or indirect ownership of 20% or more of the votes that may be cast to elect the Corporation's directors, or a take-over (collectively referred to as the "Take-Over"), any Option granted but not yet vested may be exercised. Moreover, in such a case, any Option granted, regardless of whether or not it has vested, may be forced to be exercised by the Corporation's Board of Directors.

Stock Options are granted annually in multiples of the salary according to the class of the position held, the positions of executive officers varying between 0.50 and 0.67 times their salary, with the exception of the President and Chief Executive Officer.

### Option grants during the financial year ended October 31, 2003

The following table indicates the Options granted during the last completed financial year to Named Executive Officers.

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Options Exercise Price <sup>(1)</sup> (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiry Date
Jean-Marc Eustache	147,368	23.41%	3.80	3.90	May 15, 2013
Philippe Sureau	55,134	8.76%	3.80	3.90	May 15, 2013
Lina De Cesare	55,134	8.76%	3.80	3.90	May 15, 2013
Allen B. Graham	34,868	5.54%	3.80	3.90	May 15, 2013
Nelson Gentiletti	32,974	5.24%	3.80	3.90	May 15, 2013

(1) Exercise Price means the average market price over the five day period preceding the date of grant; this explains the difference as opposed to the market price on the date of grant.

As at October 31, 2003, a total of 2,281,666 Options were issued and outstanding. During the financial year ended October 31, 2003, 276,785 Options were granted at \$3.80, 17,210 at \$4.14 and 10,000 at \$5.80 to holders other than the Named Executive Officers; 468,497 Options were cancelled and/or expired during this financial year. No Option was exercised in the last financial year.

### Options exercised during the financial year ended October 31, 2003

The following table sets forth the Options exercised during the last completed financial year by the Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#)		Value of Unexercised in-the-Money Options at Financial Year-End <sup>(1)</sup> (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jean-Marc Eustache	—	—	219,794	175,092	344,910	453,859
Philippe Sureau	—	—	67,956	67,083	104,041	171,107
Lina De Cesare	—	—	80,324	65,194	127,159	170,065
Allen B. Graham	—	—	50,897	71,797	53,932	107,866
Nelson Gentiletti	—	—	14,325	28,649	49,764	99,527

(1) The value of Unexercised in-the-Money Options\* was calculated using the closing price of the Corporation's common shares on the Toronto Stock Exchange on October 31, 2003, (namely, \$8.00), less the exercise price of the in-the-Money Options.

(\*NOTE: An option is regarded as being "in-the-Money" at financial year-end if the market value of the underlying securities on that date is higher than the option exercise price.)

### Share Purchase Plan

On February 12, 1989, the Corporation's Board of Directors implemented a share purchase plan with respect to the common shares of the Corporation for the benefit of its employees and executives as well as the employees and executives of its subsidiaries (the "Share Purchase Plan").

The purpose of the Share Purchase Plan is to enable employees of the Corporation and its subsidiaries to purchase common shares of the Corporation at the then current market price, less a 10% discount, the payment of which may, at the option of the employees, be financed by the Corporation through interest-free loans reimbursed over no more than 52 weeks by means of withholdings made on their salaries. In such a case, the participant's shares are kept by a trustee as security for the full reimbursement of the loan, and the trustee shall be entitled to sell the shares under certain circumstances. Should the participant's employment be terminated, the participant be laid off, become disabled or die, or should certain other events more fully described in the plan occur, the outstanding balance of the loan shall then become immediately due. A participant may not sell all or part of the common shares included in this plan prior to the expiry of a one year period from the date of issue of said shares.

Notwithstanding the foregoing, a participant may sell, upon prior written notice to the Corporation, all of the common shares under the said plan prior to expiry of the one-year period mentioned in the event of a Take-Over of the Corporation, and all amounts due by the participant with respect to the acquisition of the said shares must then be reimbursed to the Corporation.

The number of shares for which each participant may subscribe pursuant to the Share Purchase Plan shall not at any time exceed 5% of the number of issued and outstanding common shares of the Corporation. A participant shall refrain, throughout each subscription period, from subscribing for a number of shares, the aggregate subscription price of which represents more than 10% of his or her gross annual salary in effect upon the subscription date.

The Share Purchase Plan with respect to common shares was amended on May 22, 1992, May 14, 1993, December 5, 1995, and February 6, 2001.

During the financial year, the Corporation issued 144,993 common shares under the Share Purchase Plan, and the remaining number it is authorized to issue as of October 31, 2003 is 717,024 common shares.

### Permanent Stock Ownership Incentive Plan

On June 29, 1999, the Corporation's Board of Directors adopted a permanent stock ownership incentive plan (the "Stock Ownership Incentive Plan"). The Stock Ownership Incentive Plan was in effect for an initial term of five years. On January 14, 2004, the Board of Directors extended the initial term of the plan for an additional five years. During this period, the Board of Directors or the Human Resources and Compensation Committee may determine, from time to time and at its entire discretion, which executive officers are eligible to participate in the Stock Ownership Incentive Plan. Accordingly, subject to participation in the Share Purchase Plan with respect to common shares available to all the Corporation's employees (by subscribing annually for a number of common shares, the aggregate subscription price of which is equal to the percentage of salary contributable under the plan), the Corporation will grant annually to each eligible executive officer, a number of common shares the total purchase price of which is equal to the aforementioned percentage of salary contributed. These shares are bought on the secondary market. A third of the common shares so granted by the Corporation shall vest in the eligible executive officer on each anniversary date of the grant, subject to the executive officer retaining on each such anniversary date all the common shares subscribed for under the Corporation's Share Purchase Plan. In the event that the eligible executive officer ceases to occupy his or her position or in the event that he or she dies, said executive officer or his or her assigns, as the case may be, shall become the owner of the granted common shares that have vested on the date of his or her cessation of employment or on the date of his or her death. The common shares granted by the Corporation do not confer any rights on the eligible executive officer prior to vesting. Notwithstanding the foregoing, in the event of a Take-Over of the Corporation, any eligible executive officer will acquire, ipso facto and in advance, the right to those shares granted but not yet vested on the date of the said Take-Over, provided on such date he still retains the same number of shares subscribed for under the Share Purchase Plan corresponding to each granting.

### Common shares granted during the financial year ended October 31, 2003

The following table indicates the common shares granted during the last financial year to the Named Executive Officers.

Name	Securities, Units or Other Rights <sup>(1)</sup> (#)	Performance Period or Other Period to Maturity or Payment <sup>(2)</sup>
Jean-Marc Eustache	9,817	February 24, 2006
Philippe Sureau	5,480	February 24, 2006
Lina De Cesare	5,480	February 24, 2006
Allen B. Graham	4,645	February 24, 2006
Nelson Gentiletti	4,382	February 24, 2006

(1) Common shares granted on February 24, 2003.

(2) Maturity date on which all granted shares vest, subject to each Named Executive Officer having retained all the common shares subscribed for under the Corporation's Share Purchase Plan with respect to common shares.

### March 2002 Share Appreciation Units Plan

On March 26, 2002, the Board of Directors of the Corporation passed an exceptional Share Appreciation Units Plan reserved for Canadian executives of the Corporation and its subsidiaries and for the directors of the Corporation (the "Will-Share Plan"), which plan took effect on that date.

The Will-Share Plan authorizes the creation of units of appreciation of the Corporation's share price ("SAUs") granted to participants by agreement stipulating, on the one hand, that each unit is granted at the market price of the share of the Corporation upon the granting thereof and, on the other hand, that on February 27, 2004 (the "Redemption Date"), all or a fraction of the SAUs so granted will be redeemed by the Corporation only if the price per share, on the expiry date of the plan, namely January 30, 2004 (the "Date of Reference") or on any other date of reference determined by the Board of Directors, either reaches or exceeds the following price:

Reference Price*	Redeemable Fraction of SAUs Granted
Less than \$8.00	0
Equal to or greater than \$8.00 but less than \$9.00	1/4
Equal to or greater than \$9.00 but less than \$10.00	1/2
Equal to or greater than \$10.00 but less than \$11.00	3/4
Equal to or greater than \$11.00	1

\* The Reference Price is calculated based on the highest average closing price of the Corporation's shares on the Toronto Stock Exchange for five consecutive days during which the stock has traded over a period of five months beginning September 1, 2003 and ending on the Date of Reference.

In such a case, upon written exercise given by the Corporation or the participant on the Redemption Date, the SAUs will entitle their holder to payment in cash by the Corporation of the difference between the Reference Price and the price upon granting (\$6.99), multiplied first by the number of SAUs and then by the redeemable fraction of those SAUs, namely 25%, 50%, 75% or 100%.

The Human Resources and Compensation Committee of the Corporation's Board of Directors is responsible for administrating and interpreting the plan and, specifically, determining the number of SAUs granted to a participant, which number depends on factors such as the participant's annual salary, the percentage applicable to the participant's salary specified by the Human Resources and Compensation Committee depending on the position held by the participant and the price upon granting. The full number of SAUs granted to a participant who is an eligible executive is then computed by multiplying his or her salary by the applicable percentage and dividing the number thus obtained by the price upon granting. The percentage applicable to the salary of an eligible executive for the purposes of determining the number of SAUs granted in the financial year ended October 31, 2002 varied between 35% to 45% for the offices of executive officers, depending on the office held in the Corporation, with the exception of the President and Chief Executive Officer (50% of salary). The number of SAUs granted to a participant who is a director was set at 800.

Should participants resign their office with the Corporation, die, become totally disabled and terminate their employment, retire de facto or be dismissed with or without cause prior to the Date of Reference, the participants or their assigns will lose all rights resulting from the Will-Share Plan as of the date of their notice of termination of employment or on the date of their employment termination, whichever is the earliest, or their notice of dismissal, without any compensation whatsoever.

Under the Will-Share Plan, the Board of Directors has the power to make any adjustment to the elements which determine the amount payable in cash to a plan participant should the Corporation declare share dividends, reorganize its capital or upon the occurrence of any other event more fully described in said plan, in order to maintain the rights of the participant at a level proportionate to the level that existed prior to such events. The plan also contains provisions allowing the Corporation's Board of Directors to accelerate the Date of Reference to the date immediately preceding closing of a Take-Over in accordance with the terms and conditions more fully described in the Plan. The Plan finally provides for compliance with principles as regards outstanding SAUs in the event of an amalgamation or acquisition that may or may not result in a Take-Over.

No new SAUs were granted over the financial year ended October 31, 2003; the plan only provided for a single granting of SAUs in 2002. However, for information purposes, a table representing the granting of SAUs over the financial year ended October 31, 2002 has been included below.

### SAUs granted over the financial year ended October 31, 2002

Name	SAUs granted (#)	% of Total SAUs granted to Employees during the Financial Year	Price upon Granting (\$)	Expiration Date
Jean-Marc Eustache	30,615	7.65%	6.99	January 30, 2004
Philippe Sureau	16,690	4.17%	6.99	January 30, 2004
Lina De Cesare	15,650	3.91%	6.99	January 30, 2004
Allen B. Graham	10,640	2.66%	6.99	January 30, 2004
Nelson Gentiletti	16,094	4.02%	6.99	January 30, 2004

During the financial year ended October 31, 2002, 309,517 SAUs were granted at a price of \$6.99 to participants other than the Named Executive Officers.

### Retirement arrangements

The Corporation has entered into a standard retirement agreement with certain executive officers (the "Participant") regarding a defined benefits retirement plan (the "Retirement Benefits Plan"), in order to provide the Participant with monthly retirement income for life. The standard retirement agreements came into effect on May 1, 1999 and were revised in April 2001.

The monthly retirement allowance to which the Participant is eligible throughout his or her lifetime under the terms of the Retirement Benefits Plan, upon turning 65, is one twelfth of 1.5 % multiplied by the number of eligible years of service\* and by the average eligible earnings\*\*, from which amount is to be subtracted an amount equal to one twelfth of the annual retirement benefit payable upon turning 65, which is the actuarial equivalent value of the amount accrued by the Participant, on the date of his or her retirement, in the Corporation's Pension Plan for non unionized employees (the "Pension Plan") consisting of a group registered retirement savings plan and of a deferred profit sharing plan and an amount equal to one twelfth of the amount representing the maximum annual retirement benefit payable upon turning 65 under the Quebec Pension Plan, as determined on the Participant's retirement date multiplied by the number of eligible years of service and divided by 35.

The eligible earnings include the base salary and the target bonus. The annualized eligible earnings of each Named Executive Officer for 2003 are as follows:

<b>Jean-Marc Eustache</b>	\$714,270
<b>Philippe Sureau</b>	\$385,401
<b>Lina De Cesare</b>	\$358,761
<b>Allen B. Graham</b>	\$344,500
<b>Nelson Gentiletti</b>	\$325,000

\* The number of eligible years of service is the aggregate of the number of calendar years and portions of calendar years of service with the Corporation by the Participant after the date of coming into force of the standard retirement agreement, plus five ninths of the number of calendar years and portions of calendar years of service with the Corporation by the Participant before the date of coming into force of the standard retirement agreement.

\*\* The average eligible earnings are equal to the average of the Participant's five years of eligible service in which the aggregate of his or her base salary and target bonus under the Corporation's short-term incentive plan are the highest.

For the purpose of calculating their retirement allowances, on October 31, 2003, Mr. Jean-Marc Eustache had 15.762 recognized eligible years of service, Mr. Philippe Sureau, 15.762, Ms. Lina de Cesare, 14.586, Mr. Allen B. Graham, 1.000 and Mr. Nelson Gentiletti, 1.181.

The following table indicates the estimated annual retirement allowances payable at retirement upon turning 65, to the Named Executive Officers, in respect of a specific amount of average eligible earnings and eligible years of service pursuant to the standard retirement agreement.

Average Eligible Earnings	Eligible Years of Service				
	15	20	25	30	35
<b>\$300,000</b>	\$67,500	\$90,000	\$112,500	\$135,000	\$157,500
<b>\$400,000</b>	\$90,000	\$120,000	\$150,000	\$180,000	\$210,000
<b>\$500,000</b>	\$112,500	\$150,000	\$187,500	\$225,000	\$262,500
<b>\$600,000</b>	\$135,000	\$180,000	\$225,000	\$270,000	\$315,000
<b>\$700,000</b>	\$157,500	\$210,000	\$262,500	\$315,000	\$367,500
<b>\$800,000</b>	\$180,000	\$240,000	\$300,000	\$360,000	\$420,000

The standard retirement agreement provides that the estimated annual retirement allowances indicated in the table above must be reduced by the following: (i) an amount equal to the annual retirement benefit payable upon reaching 65, which is the actuarial equivalent value of the amount accumulated by the Participant in the Pension Plan at the date of his retirement; and (ii) an amount equal to the maximum annual retirement benefit payable upon turning 65 under the Quebec Pension Plan multiplied by the number of the Participant's eligible years of service divided by 35.

The Retirement Benefits Plan also contains the following terms and conditions:

- (i) unless the Participant gives prior written notice to the Corporation, the retirement allowance is payable on a monthly basis to the Participant throughout his or her lifetime, commencing the first day of the month that coincides with, or immediately follows, the date of his or her retirement and that ends on the first day of the month following the date of his or her death, and, in the event that the Participant dies within the first 120 months following the date of his retirement, monthly payments will continue to be made to the Participant's beneficiary until the 120 monthly payments are exhausted. In the event that the Participant gives such notice to the Corporation prior to the date of his or her retirement, the monthly payments may be made according to any other equivalent form of monthly payment usually available upon retirement and acceptable to the Corporation;
- (ii) the Participant may elect early retirement between the ages of 55 and 65. In the event that early retirement is taken before the Participant turns 60, the retirement allowance is reduced by 5/12% for every full month that the retirement was taken before the participant's 60th birthday. Where early retirement is taken between the ages of 60 and 65, no reduction applies to the retirement allowance;
- (iii) payment to the Participant of a retirement allowance is conditional on his or her continued and uninterrupted participation in the Pension Plan until the date of his or her retirement, at the prescribed contribution level required under the terms thereof; and
- (iv) the cessation of the Participant's employment before the date of his or her retirement shall result in the issue by the Corporation of a certificate or promise of payment, when the Participant turns 65, of the retirement allowance in existence on the date of cessation of employment, except in the case of dismissal for cause or the Participant's interruption of his or her participation in the Pension Plan, which results in the automatic cancellation of the Participant's right to any retirement allowance pursuant to the standard retirement agreement.

On October 31, 2003, the amount of the estimated annual retirement allowances payable at the usual retirement age, namely 65, to the Named Executive Officers under the standard retirement agreements, without taking into account deductions of benefits payable pursuant to the Pension Plan and those payable under the Quebec Pension Plan, is equal to \$168,875 for Mr. Jean-Marc Eustache, \$91,120 for Mr. Philippe Sureau, \$78,493 for Ms. Lina De Cesare, \$5,168 for Mr. Allen B. Graham and \$5,757 for Mr. Nelson Gentiletti.

### Employment Contracts / Change of Control Agreements

Beginning in December 1998, the Corporation entered into a standard agreement with certain of the Named Executive Officers in order to define the terms and conditions of termination of employment of said individuals in the event of an "unsolicited or hostile" take-over of the Corporation, as defined in such agreement. These standard agreements were entered into in order to ensure that such executive officers would continue to adequately see to the best long-term interests of the Corporation. Hence, for a period of two years following a take-over of the Corporation, the standard agreement provides that, if the purchaser terminates the employment of the Named Executive Officer (otherwise than for cause, or in the event of the disability or death of the Named Executive Officer) or if the Named Executive Officer terminates his or her employment for a "sufficient reason" (as defined in the agreement), the Named Executive Officer will be entitled to the payment of a severance package following termination of his employment. The severance package is primarily composed of the following elements, depending on the position held by the Named Executive Officer:

- (i) a lump sum amount equal to the base salary of the Named Executive Officer for a period of 18 or 24 months, plus one or two months for each full year of service, up to a maximum period of 24, 30 or 36 months; and
- (ii) a lump sum amount equal to the target bonus applicable to his or her position for the period set out in (i) above.

The Named Executive Officer cannot draw any benefit from the agreement unless there is a take-over of the Corporation and termination of his or her employment occurs as described in the standard agreement prior to its expiry. The standard agreement also contains non-solicitation and non-competition undertakings that apply following cessation of employment. Accordingly, the Named Executive Officer undertakes to not solicit the Corporation's customers or employees for a period equal to the maximum severance period (24, 30 or 36 months) and to not enter into competition with the Corporation, namely not operate or participate in a business operating in the same sectors of activity, in any jurisdiction where the Corporation or one of its subsidiaries has a place of business, for a period equal to the minimum severance period (18 or 24 months).

The Corporation entered into a standard agreement with certain of the executive officers, the purpose of which is to determine the applicable terms and conditions of employment, specifically in the context of termination of employment in circumstances other than those provided for in the event of an "unsolicited or hostile" take-over of the Corporation. The standard agreements were entered into in exchange for undertakings on the part of the executive officers that they would not solicit the Corporation's customers or employees and that they would not compete with the Corporation, as hereinafter described. The standard agreement stipulates that, should the Corporation terminate the employment of an executive officer (otherwise than for cause or further to his or her disability or death) or should the executive officer terminate his or her employment for a "sufficient reason" (as defined in the agreement), the executive officer would be entitled to the payment of a severance package following the cessation of employment. The severance package consists primarily of the following elements, depending on the position held by the executive officer:

- (i) a lump sum equal to the base salary of the executive officer for a period of 12 or 18 months, plus one or two months per full year of service, up to a maximum of 18, 24 or 30 months; and
- (ii) a lump sum equal to the target bonus applicable to his or her position for the period determined in accordance with paragraph (i) hereinabove.

The executive officer undertakes to not solicit the Corporation's customers or employees for a period equal to the maximum severance period (18, 24 or 30 months) and to not enter into competition with the Corporation, namely not operate or participate in a business operating in the same sectors of activity, in any jurisdiction where the Corporation or one of its subsidiaries has a place of business, for a period equal to the minimum severance period (12 or 18 months).

### COMPENSATION OF DIRECTORS

On March 19, 2003, subsequent to a study conducted by an outside advisor and pursuant to the recommendations of the Human Resources and Compensation Committee, the Board of Directors of the Corporation adopted amendments to the compensation of directors. Annual fees now stand at \$15,000 per annum, \$3,750 of which are payable in shares of the Corporation. Annual fees for each chairman of the Board of Directors Committees stands at \$3,500 per annum\*.

Each director who is not employed by the Corporation or one of its subsidiaries received annual fees of \$12,933 for his or her services in 2003, \$3,104 of which were payable in common shares of the Corporation. Every chairman of the Board of Directors Committees received annual fees of \$3,121 for his or her services. The Corporation also paid attendance fees of \$1,000 to each director who is not employed by the Corporation or one of its subsidiaries for Board or Committee meetings attended by such director, unless the meeting was conducted by conference call, in which case the attendance fee was \$600. Compensation in cash is paid quarterly. Every director who is not employed by the Corporation is entitled annually to a grant of Stock Options in accordance with the terms and conditions of the Corporation's Stock Option Plan. The number of Options granted during a regular annual granting to a director who is not employed by the Corporation is equal to \$15,000, divided by the price\*\* per share at the time of granting. On May 15, 2003, the Corporation granted 3,947 Stock Options at an exercise price of \$3.80 to each director not employed by the Corporation.

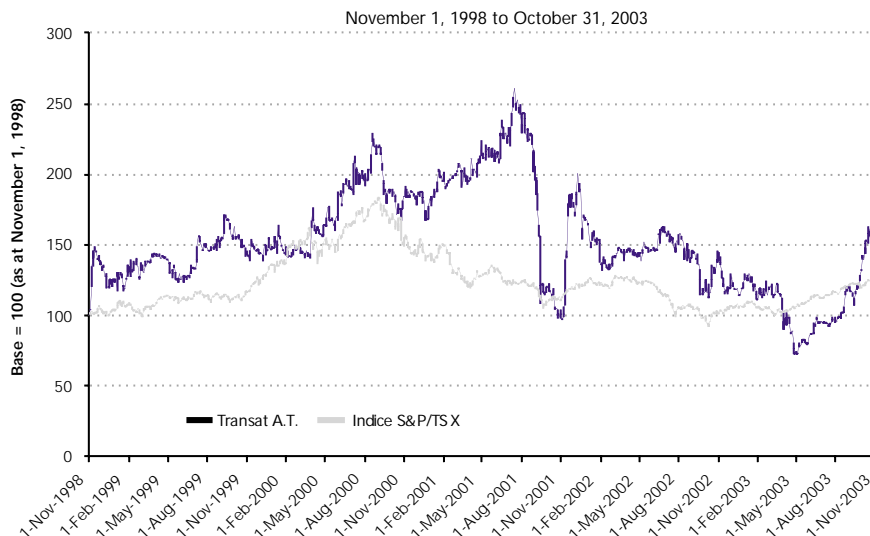
\* For the November 1, 2002 to March 18, 2003 period, annual fees stood at \$10,000, and annual fees paid to each chairman of a Board of Directors Committees stood at \$2,500. Consequently, annual fees received by each director in 2003 were calculated on a pro rata basis.

\*\* The price per share is equal to the weighted average value of the share price upon closing of the Toronto Stock Exchange during the five trading days preceding the date of grant.

### 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 November 1, 1998 to the cumulative total return of the TSX Composite Index of the Toronto Stock Exchange over the last five fiscal years\*.

\* All prices of the Corporation's common shares are taken from the files of the Toronto Stock Exchange, and the results represent those of the last trade carried out on the Corporation's securities on the Toronto Stock Exchange, on October 31 of the year in question.



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## INDEBTEDNESS OF OFFICERS

No director, executive officer or senior officer of the Corporation, or nominee for the position of director of the Corporation, is indebted to the Corporation or its subsidiaries or has contracted any loan that is secured by a security interest, a support agreement, a letter of credit or other similar arrangement on the part of the Corporation or any of its subsidiaries.

Pursuant to the Corporate Governance Manual of the Corporation, it is the Corporation's policy not to grant any loans, whether or not secured by a securities interest, a support agreement, a letter of credit or other similar arrangement on the part of the Corporation or any of its subsidiaries, to its directors, executive officers, senior officers or nominees for the position of director of the Corporation. It is understood, however, that the purchase of shares by an executive officer or senior officer of the Corporation pursuant to the terms and conditions of the Share Purchase Plan of the Corporation is not contemplated by this policy, as such share purchases are governed by the terms and conditions described in the plan in question (see heading "Share Purchase Plan").

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## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation takes out insurance at its own expense covering the liability of its directors and officers, in their capacities as directors and officers. This insurance was 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 has purchased its own insurance.

The Corporation's insurance policy provides a maximum coverage of \$50,000,000 per claim, subject to a deductible of \$100,000 payable by the Corporation. The premium paid under the policy for 12 months coverage was \$215,400 for the year ended October 31, 2003. The insurance policy of Look Voyages S.A. provides a maximum coverage of approximately 16 million Euros per claim, subject to a deductible of approximately 37,500 Euros in certain instances. The premium paid under the policy for 12 months coverage was approximately 17,900 Euros for the year ended October 31, 2003. Neither the insurance premium nor the premiums paid distinguish between insurance covering the liability of the Corporation's directors and the liability of its officers, the coverage being the same for both groups.

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## CORPORATE GOVERNANCE

As explained in last year's Circular, due to major changes in corporate governance over the past few years, the Board of Directors (the "Board") and executive officers of the Corporation follow new trends closely and are of the opinion that proactive corporate governance is a cornerstone of the efficient management of the Corporation. Corporate governance practices must follow the evolution of the business world and regulatory framework. They also believe that it is their responsibility to communicate their corporate governance practices and any improvement made thereto. To achieve this, they have undertaken to review their corporate governance rules regularly, to meet the requirements of regulatory authorities and reflect any related evolution, and then keep shareholders informed of these changes through the Circular.

Despite a well-established system of corporate governance practices, the Corporation has mandated the Corporate Governance and Nominating Committee to oversee the development of the Corporate Governance Manual (the "Manual") that was adopted by the Board on February 4, 2003. The Manual contains, among others, charters that describe the mandate of the Board and its committees. These charters were published in last year's Circular. The Board assumes responsibility for all corporate management and is vested with all powers and authority necessary to manage and control the affairs of the Corporation. The role and mandate of the Board is defined in the Manual, which also provides, among others, that the Board must:

- (1) supervise and contribute to the Corporation's strategic planning process while taking into consideration the identification of the opportunities or risks for the Corporation, its mission and its objectives;
- (2) plan for the hiring, compensation and development of officers as well as planning for their succession;
- (3) evaluate the skills of the President and Chief Executive Officer and of executive officers of the Corporation;
- (4) act in the best interests of all shareholders and provide an adequate and efficient communications policy;
- (5) intervene in management decisions and decide on any issue of importance to the Corporation based on its judgment in order to protect shareholder equity; and
- (6) ensure compliance with legislation and regulatory standards.

As the Manual is an evolving document, the Board will ensure that it meets with constantly evolving regulatory standards.

In addition to the Manual and as indicated in last year's Circular, the Corporation, through its Corporate Governance and Nominating Committee, has provided for certain changes which have been implemented over the last financial year. As it had undertaken to do, the Corporation developed a Code of Ethics that reflects the Corporation's commitment to ethics and is a symbol of the importance the Corporation gives to meeting its objective of maintaining proactive corporate governance practices. The Code of Ethics is attached to this Circular as Schedule A.

The Corporation believes that a good corporate governance system is a precious asset that promotes performance and preserves the value of shareholder equity.

In September 2003, the Toronto Stock Exchange announced its intention to abandon the power to adopt corporate governance standards in favour of the Canadian Securities Administrators ("CSA"), which represent securities commissions throughout Canada. Since the CSA has not yet adopted any such standard (see following Paragraph) and the Corporation believes that its corporate governance practices should stand up to the most stringent standards in effect, the following presentation table describes the Corporation's practices with respect to each of the most recent fourteen corporate governance guidelines of the Toronto Stock Exchange published in November 2002 (the "Guidelines").

However, on January 16, 2004, the Ontario Securities Commission ("OSC") proposed *Multilateral Policy 58-201 – Effective Corporate Governance* and *Multilateral Instrument 58-101 – Disclosure of Corporate Governance Practices* ("Proposed OSC Rules"). These rules propose the best corporate governance practices that reflect recent legislative and regulatory developments, ensuring that corporate governance rules are openly disclosed. Although the Proposed OSC Rules have yet to be adopted, the Corporation believes it complies with most of them already, and has set itself the goal of taking all necessary measures to comply with them fully once they come into force. The adoption and publication of the Code of Ethics is one example of the Corporation's compliance with the Proposed OSC Rules.

Finally, on January 16, 2004, several CSA adopted *Multilateral Instrument 52-110 – Audit Committees* ("CSA Audit Committee Rules"). These new rules set forth requirements regarding the composition and responsibilities of audit committees, as well as information disclosure obligations with respect to matters related to audits. These rules will only apply to the Corporation as of the next financial year. However, since the Corporation has already published a charter for this committee in last year's Circular and adopted leading edge rules and responsibilities for this committee, the Corporation currently complies with virtually all of the CSA Audit Committee Rules. The Corporation is of the opinion that it complies with most of these rules, and has committed itself to taking all necessary measures to comply with the CSA Audit Committee Rules as of the next financial year.

1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically assume responsibility for the following matters:
- a) adoption of a strategic planning process
- The Corporation complies with this guideline. The Board adopted a charter describing its mandate and responsibilities. Among others, the Board supervises and contributes to the strategic planning process and adopts outlines of the Corporation's strategic measures while taking into consideration the identification of the opportunities and risks for the Corporation. In connection with this process, the Board expects the Corporation's management to assume responsibility for preparing and implementing the strategic orientation adopted by the Board. Under corporate policy, the Board analyzes the strategic plan that takes the Corporation's opportunities and risks into consideration. This strategic planning process includes, notably, financial planning of the business, investments, technology and staffing. The Board periodically re-examines and supervises implementation of the strategic plan throughout the year.
- b) identification of the principal risks and implementation of risk management systems
- The Corporation complies with this guideline. The Audit Committee and the Corporate Governance and Nominating Committee regularly meet to analyze reports used to identify and evaluate the principal risk factors related to the Corporation's business, and approves strategies and systems proposed to manage such risks, including those specifically related to the environment, aviation industry, derivatives relating to fuel, foreign currencies and interest rates, as well as any other element deemed pertinent. The Audit Committee also reviews insurance coverages. Under these circumstances, decisions made by the Board seek to establish a balance between the principal risk factors affecting the Corporation's business, and the potential return for shareholders.
- c) succession planning and supervision of senior management
- The Corporation complies with this guideline. Under the supervision of the Human Resources and Compensation Committee, management establishes measures to ensure the development and training of successors. The Board adopts and follows up on the performance objectives set out for the President and Chief Executive Officer and for the executives answering directly to him.
- d) communications policy
- The Corporation complies with this guideline. In this respect, the Audit Committee oversees compliance with a policy respecting the external communication of financial information and ensures that the quality, scope and communications process are in keeping with the said policy. Requests for information from shareholders and the financial community are initially sent to and dealt with by the Vice-President, Finance and Administration and Chief Financial Officer and, when necessary, by the Executive Vice-President overseeing internal communications and the Vice-President, General Counsel and Corporate Secretary of the Corporation. These officers coordinate, with the Audit Committee where applicable, the appropriate solution and monitor communications, thus ensuring the coherence of information disclosed with respect to the Corporation and therefore preventing the Corporation from selectively disclosing information. The Corporation communicates with its public through a series of media, including, but not limited to, its Website. Shareholders can send their comments to the Corporation in several ways, including by email. This manner of proceeding also allows the Corporation to ensure compliance with continuous disclosure requirements. This policy is reviewed annually by the Audit Committee.
- e) integrity of internal control and management information systems
- The Corporation complies with this guideline. Through its Audit Committee, the Board ensures that management adopts and maintains effective internal control and risk management systems for the Corporation.

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2. Unrelated directors

- (a) The majority of directors should be “unrelated” (independent of management and free from conflicts of interest – see Note A)

The Corporation complies with this guideline. To the best of its knowledge, the Corporation considers that, of the eleven directors nominated to sit on the Board, eight are outside directors and seven are unrelated directors within the meaning of the Guidelines; in other words, they are neither members of senior management, employees of the Corporation or one of its subsidiaries nor persons with an interest or business relationship that could, or could be reasonably perceived to materially interfere with their ability to act in the best interests of the Corporation, other than interests or relationships arising from shareholding.

In its Manual, the Corporation adopted the definition of unrelated directors proposed by the Toronto Stock Exchange in November 2002. This definition also excludes any family member, any person who is or was an officer, employee or material service provider of the Corporation or any of its subsidiaries in the past three years, or any person who is a director, employee or significant shareholder of an entity who has a material business relationship with the Corporation. The Corporation complies with the definition it has adopted. Its goal is to ensure that at least 66 2/3% of the members of the Board are outside directors, and that a majority of the directors are unrelated. The Corporation complies with this objective, since it will have eight outside directors and a majority of unrelated directors (see Paragraph 3).

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- (b) If the Corporation has a significant shareholder, as defined in the Guidelines, the Board should include a certain number of directors who do not have interests in, or relationships with, the significant shareholder – see Note B

The Corporation complies with this guideline, since it has no significant shareholder within the meaning of the Guidelines.

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3. Disclose, for each director, whether he or she is “related” or “unrelated”, and how that conclusion was reached

The Corporation complies with this guideline. The Board, through its Corporate Governance and Nominating Committee, is responsible for ensuring the application of the definition of “unrelated” director within the meaning of the definition proposed by the Toronto Stock Exchange in November 2002 and in the Manual. This committee analyzed all of the business relationships and affiliations maintained by the directors with the Corporation and reviewed certain agreements entered into between certain shareholders and the Corporation. A majority of the directors nominated at the Meeting are unrelated to the Corporation. Mr. Jean-Marc Eustache (Chairman of the Board, President and Chief Executive Officer of the Corporation, President of Look Voyages S.A. and Chairman of the Board of Directors of Transat Tours Canada Inc.), Mr. Philippe Sureau (Executive Vice-President of the Corporation and President of Consultour Inc.) and Ms. Lina De Cesare (Executive Vice-President, Tour Operators of the Corporation, President of Cameleon Hotel Management Corporation and President of Transat Tours Canada Inc.), all founding members of the Corporation, are inside and related directors.

Mr. Jacques Simoneau (Senior Vice-President – Industries and Services, Fonds de solidarité FTQ) is an outside and related director. After a review of the January 2002 financing, pursuant to which the Fonds increased its position as creditor of the Corporation (or a subsidiary thereof), in addition to its position as shareholder, the Corporation concluded that the right conferred to the Fonds could be perceived as interfering with the independence of the representative appointed by the Fonds to sit on the Board of the Corporation. Notwithstanding the foregoing, the Corporation wishes to emphasize that the Director appointed by the Fonds is required by law and corporate governance rules of the Corporation to disclose any conflict between the interests of the shareholder that appointed him and those of the Corporation and to abstain from voting – see Note C.

Mr. André Bisson, Chairman of the Board of CIRANO, is an outside and unrelated director.

Mr. Benoît Deschamps, Corporate Director and Corporate Finance Advisor, is an outside and unrelated director.

*(continued on page 20)*



Mr. Jean Guertin, Corporate Advisor and Director and Honorary Professor at HEC Montréal, is an outside and unrelated director.

Mr. H. Clifford Hatch Jr., President and Chief Executive Officer of Aurdisyl Management Corporation and of Clifco Investments Limited, is an outside and unrelated director.

Ms. Helen K. Sinclair, President and Chief Executive Officer of BankWorks Trading Inc., is an outside and unrelated director.

Mr. John D. Thompson, Deputy Chairman of the Board and director of the Montreal Trust Company, is an outside and unrelated director.

Mr. Dennis Wood, President and Chief Executive Officer and Chairman of the Board of Dennis Wood Holdings Inc. will be an outside and unrelated director once elected at the Meeting.

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**4. Nominees of the Board**

**(a) Appointment of a committee responsible for proposing new nominees to the Board**

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee is developing a list of the main criteria to consider when selecting potential nominees to sit on the Board, such as competencies, experience, skills and personal qualities. The main criterias sought out by the Corporate Governance and Nominating Committee in potential nominees to the Board are: bilingualism, an aptitude for strategic thinking, experience in successfully leading a marketing, distribution or manufacturing business, previous experience on a public corporation's board of directors and, finally, foreign nationality or an experience outside Quebec (Canada, United States or International).

The Corporate Governance and Nominating Committee is responsible for the ongoing evaluation of the Board (see Paragraph 5). The Corporation is of the opinion that the composition of the Board provides for a very diversified range of skills and expertise (see heading "Election of Directors" for a short biography of each member) allowing it to perform its duties adequately.

The Corporate Governance and Nominating Committee is mandated to identify potential nominees who are interested in sitting on the Board and recommend nominees for directors of the Corporation to the Board. The Corporate Governance and Nominating Committee examines the qualifications of all nominees, and has the authority to recommend candidates to fill any vacancy on the Board.

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**(b) The committee responsible for nominations is composed solely of non-management directors, a majority of whom are unrelated**

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee is currently composed of four outside and unrelated directors, namely Messrs. André Bisson, Benoit Deschamps, H. Clifford Hatch Jr. and Ms. Helen K. Sinclair. The Committee meets at least three times a year or more, when necessary. It met seven times over the last financial year.

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**5. Implementation of a process for assessing the effectiveness of the Board, its committees and individual directors**

The Corporation complies in part with this guideline. The Corporate Governance and Nominating Committee regularly discusses the Board's efficiency on an informal basis. It has begun to develop a performance evaluation program for the Board in order to assess the overall performance and general operation of the Board and its committees. Next year, the Corporate Governance and Nominating Committee will recommend a more formal performance evaluation program of the Board.

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**6. Providing orientation and education programs for new directors**

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee has developed an orientation and education program for new directors. The Chairman of the Corporate Governance and Nominating Committee oversees the orientation and education of directors and is soliciting the support of certain members of management to this end.

On request, in addition to the Chairman of the Corporate Governance and Nominating Committee, the new directors will meet with the Vice-President, Finance and Administration and Chief Financial Officer and the Vice-President, General Counsel and Corporate Secretary for an initiation session. They will ensure that new directors understand the commitment of time and energy that the Corporation expects of them as members of the Board. The Manual constitutes an integral part of this training. Reports and other documents regarding the business and affairs of the Corporation and its subsidiaries are given to new directors. Directors receive special presentations during regular meetings, more particularly relating to technical and strategic matters. Meetings of the Board are generally held at the Corporation's principal place of business, although, on occasion, they are also held at the head office of some of its subsidiaries, such as in Toronto or in France, where several of the Corporation's activities take place, thereby giving directors a further opportunity to familiarize themselves with the operating activities and personnel of the Corporation and its subsidiaries.

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**7. Consider reducing the size of the Board, with a view to improving effectiveness, where necessary**

The Corporation is of the opinion that the size of its Board is appropriate, affording a diversity of opinions and experience to efficiently perform its duties. The Board provides the Corporation with a diverse pool of knowledge with which to guide its strategy and operations.

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**8. Review of the compensation of directors in light of risks and responsibilities**

The Human Resources and Compensation Committee regularly examines the compensation of directors in order to ensure that it realistically reflects the responsibilities and risks of the position of director. The Committee makes its recommendations on such matters to the Board. Furthermore, the Human Resources and Compensation Committee ensures that the Corporation abides by information disclosure rules enacted by securities authorities in Canada with respect to the compensation of directors. In order to make its recommendation on the compensation of directors, the Human Resources and Compensation Committee takes into account the types of remuneration and amounts paid to directors of similar corporations. On March 19, 2003, subsequent to a study conducted by an outside advisor and pursuant to the recommendations of the Human Resources and Compensation Committee, the Board adopted changes to the compensation of directors. (See heading "Compensation of directors" for more information on the compensation paid to directors in 2003).

The Corporation deems that it is and will be appropriate for a director to hold a minimum of twice the amount of his base salary in shares or debentures of the Corporation and this, on the year following his nomination in the case of new directors, and one year starting February 4, 2003, in the case of directors already in office. This practice does not apply to directors whose employers forbid them to hold shares in the Corporation.

The Human Resources and Compensation Committee is currently composed of three outside and unrelated directors, namely Messrs. Jean Guertin, H. Clifford Hatch Jr. and John D. Thompson. Note that Mr. Eustache, Chairman of the Board and President and Chief Executive Officer of the Corporation, resigned his seat on the Committee at the end of his mandate, which expired March 19, 2003, but he assits these Committee's meetings, upon invitation.

The Human Resources and Compensation Committee meets at least three times a year or more, as needed, and is also responsible for establishing and setting up executive compensation policies. This Committee met eight times over the last financial year.

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9. Composition of committees

- (a) Committees should generally be composed of outside directors

The Corporation complies with this guideline. The Board appointed four committees, which it has charged with specific duties and vested with the necessary powers to help them assume their responsibilities efficiently.

The Executive Committee is currently comprised of five members: the three Lead Directors are outside and unrelated directors, namely Messrs. André Bisson, Jean Guertin and H. Clifford Hatch Jr., and two of the five members are inside and related directors, namely Messrs. Jean-Marc Eustache and Philippe Sureau. The President and Chief Executive Officer coordinates the activities of this Committee. (See the following Subparagraph for the composition of the other committees).

The Executive Committee meets, as needed, in the place and stead of the Board when time constraints make the calling of a meeting impractical. The Executive Committee is vested with all powers of the Board, subject, however, to the provisions of the *Canada Business Corporations Act*.

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- (b) The majority of committee members should be unrelated

The Corporation complies with this guideline. The Audit Committee (see Paragraph 13) is comprised of four outside and unrelated directors, namely Messrs. André Bisson, Benoit Deschamps, Jean Guertin and John D. Thompson, while the Human Resources and Compensation Committee (see Paragraph 8) is currently comprised of three outside and unrelated directors. As for the Corporate Governance and Nominating Committee, it is currently comprised of four outside and unrelated directors, namely Messrs. André Bisson, Benoit Deschamps, H. Clifford Hatch Jr. and Ms. Helen K. Sinclair (see introductory Paragraph and Paragraphs 4 and 10).

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10. Responsibility for the approach to governance issues

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee is charged with developing policies and implementing procedures related to governance issues. This committee, among other things, reviews the mandates of the Board and its committees, and recommends the approval of corporate governance policies. It also recommends Board nominees, and ensures that the Corporation complies with all information disclosure rules enacted by the Toronto Stock Exchange and Canadian securities commissions regarding corporate governance.

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11. Define limits to management's responsibilities and develop corporate objectives which the Chief Executive Officer is responsible for meeting

The Corporation complies with this guideline. The Corporation has entrusted and vested three of its committees (Audit Committee, Human Resources and Compensation Committee and Corporate Governance and Nominating Committee) with specific duties and powers to help the Board assume its responsibilities efficiently. The mandates of the Board and its committees were developed in the Manual and published in last year's Circular. The description of the duties of the Chairman of the Board and the President and Chief Executive Officer also appear in the Manual, which specifies their respective responsibilities.

The Human Resources and Compensation Committee is responsible for assessing the performance of the President and Chief Executive Officer, based on his objectives, and to report thereon to the Board.

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12. Implement structures and procedures to ensure that the Board can function independently of management

The Corporation believes that it complies with this guideline. Outside directors have direct and unlimited access to all executive officers and to the external auditors of the Corporation. The Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee are exclusively comprised of outside and unrelated directors.

Messrs. André Bisson, Jean Guertin and H. Clifford Hatch Jr. are responsible for chairing and coordinating the meetings of the committees over which they preside and report to the members of the Board, to the Chairman of the Board and President and Chief Executive Officer on the substance of these meetings, on their decisions and on their recommendations. Where necessary, they report on the issues and recommendations of the other directors and are treated by the Corporation, as such, to be Lead Directors. Should they so request, after notice to the President and Chief Executive Officer, the directors

may meet with or without the presence of internal directors or executive officers to review any matter deemed necessary. Since March 19, 2003, the Lead Directors have met twice in the absence of the internal directors or executive officers. The role of the Lead Directors is to: (a) ensure that the Board's responsibilities are well understood by the Board and by management and that the distinction made between the mandate of the Board and the duties of management is respected; Lead Directors also ensure that the Board respects its mandate and does not encroach on the role reserved to management; (b) provide the necessary leadership to ensure a certain cohesion within the Board; (c) ensure that information deemed to be important to the Board is adequate and available to the Board in a timely manner; (d) co-ordinate the agenda of the Board with that of the President and Chief Executive Officer; and (e) adopt the procedures necessary to ensure that the business of the Board is dealt with efficiently, especially as regards the structure and composition of committees and the management of meetings. Whenever necessary, committees are fully authorized to retain the services of an independent advisor.

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**13. The Audit Committee should be composed solely of outside directors**

The Corporation complies with this guideline since, as mentioned previously, the Audit Committee is entirely composed of outside and unrelated directors. The Audit Committee meets at least five times a year, more frequently if necessary. It met eight times in the last financial year. The Audit Committee maintains relations with the external auditors of the Corporation, meeting with them annually without management being present. This committee reviews the Corporation's quarterly and annual financial statements, along with any other financial document requiring public disclosure, and ensures that the Corporation disposes of accounting systems that specifically allow it to draw up the financial statements in accordance with generally accepted accounting principles. All members of the Audit Committee are financially literate and at least one member has financial expertise. The Audit Committee adopted the definition of financial literacy and expertise proposed by the Toronto Stock Exchange in November 2002, which definition is included in its charter. This charter can be found in the Manual and was published in last year's Circular. It is reviewed annually.

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**14. Implement a system to enable a director to retain an outside advisor at the expense of the Corporation**

The Corporation complies with this guideline. According to the Manual, the committees are fully authorized to retain, at all times, the services of any outside advisors they may deem necessary or useful to carry out their mandate.

**NOTE A:** Within the meaning of the Guidelines, an "unrelated" director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests or relationships arising from shareholding. An outside director is a director who is neither an officer nor an employee of the Corporation or one of its subsidiaries.

**NOTE B:** The Guidelines define a "significant shareholder" as a shareholder with the ability to exercise a majority of the votes for the election of directors. No shareholder exercises the majority of the votes for the election of directors.

**NOTE C:** Notwithstanding the agreement between the Corporation and CDPQ, the latter has decided to waive its contractual right to propose a nominee at the Meeting (see heading "Election of Directors"). The agreements between the Corporation and the Fonds, on the one hand, and the Corporation and CDPQ (or any of its affiliated corporations) on the other, are described at greater length in the Annual Information Form of the Corporation, updated annually, for its financial year ended October 31, referred to below in "Additional Documents". These agreements deal mainly with: (a) the issuance to CDPQ, in November 1995, of a \$10,000,000 debenture; (b) the issuance to CDPQ, in January 2002, of a \$10,000,000 debenture; and (c) the issuance by Air Transat A.T. Inc., in January 2002, of a \$10,000,000 debenture to the Fonds.

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**ADDITIONAL DOCUMENTS**

The Corporation is a reporting issuer in the various provinces of Canada and is required to file its financial statements and 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 Circular and the financial statements may be obtained upon request made to the Corporate Secretary. 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.

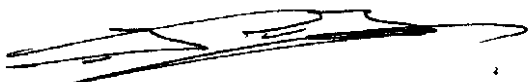
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**APPROVAL OF THE MANAGEMENT PROXY CIRCULAR**

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

Montreal, February 16, 2004.

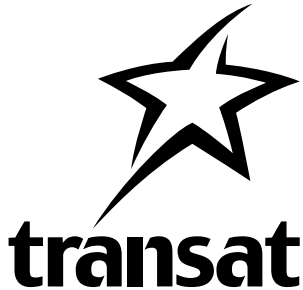
BY ORDER OF THE BOARD OF DIRECTORS



Bernard Bussières  
Vice-President, General Counsel and Corporate Secretary

# Transat A.T. Inc. Schedule "A"

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TITLE:	CODE OF ETHICS
EFFECTIVE DATE:	FEBRUARY 4, 2004
APPROVED BY:	BOARD OF DIRECTORS

## MESSAGE FROM MANAGEMENT

Each organization obeys a body of principles, values and rules that guide its conduct in all circumstances.

Transat A.T. Inc. ("Transat") is a Canadian leader in the holiday travel industry that owes its enviable position in North America and Europe in large part to its management and personnel who have built up the credibility and earned the trust of the corporation's clients throughout the world.

This credibility and trust are based on core values. Here at Transat, clients are our priority. Teamwork, efficiency and a focus on clients are values that guide the organization in the execution of its mission.

To safeguard these values that have contributed to Transat's success and prosperity, the corporation has set out in a code of ethics the principles and rules that govern the way it does business and maintains relationships with clients, partners and regulatory authorities in all the countries in which it operates.

Jean-Marc Eustache  
Chairman of the Board,  
President and Chief Executive Officer

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## 1. PURPOSE

The purpose of this document is to establish the principles guiding the relationships that Transat A.T. Inc. and its subsidiaries (collectively "Transat" or the "Corporation") maintain with their employees, clients and business partners, including governments and regulatory authorities in the countries in which they operate. This document also describes how these principles that guide the conduct and actions of all Transat employees must be applied in the performance of their respective duties.

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## 2. APPLICATION

### 2.1 Scope

The provisions hereof apply to Transat and its employees. All Transat employees, including those related thereto by contract, must comply with these provisions to the extent that the Code of Ethics applies to them.

### 2.2 Interpretation

For the purposes hereof, the name "Transat" and the term "Corporation" will be used interchangeably and refer to all Transat A.T. Inc. operations. In this document, the masculine gender is used for simplification purposes only. No discrimination is intended.

### 2.3 Amendments

Transat reserves the right to repeal, amend or adopt any regulation, standard or procedure it may deem expedient.

Whenever necessary, this document will be periodically updated to reflect changes that may have been made to the policies, guidelines and programs of the Corporation as well as the laws and regulations in effect in the communities in which it operates.

### 2.4 Limitations

The provisions hereof are independent to those set out in the various collective agreements of which Transat is a party and may not be used to replace or amend same.

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## 3. GUIDELINES

### 3.1 Entrepreneurial Spirit

The Corporation owes its success to the increasing accountability and mobilization of its human resources.

Transat applauds its members' initiative, innovation, dynamism and will to improve. The Corporation encourages its employees to pay attention to its clients' needs and take whatever action may be necessary to satisfy these needs more efficiently than the competition.

### 3.2 Continuous Improvement

The vitality of Transat depends on the quality, efficiency and excellence of the products and services made available to its clients. The Corporation's goal is to work on continual improvements that will further its competitive edge, in all sectors in which Transat does business, while increasing its profitability and thus ensure its drive and expansion.

### **3.3 Respecting Individuals**

The Corporation wishes to maintain a healthy and friendly work environment where individuals are treated with dignity and respect and are free of any form of aggression or harassment. The Corporation censures all forms of misconduct, especially harassment such as racial or sexual slurs, acts or gestures that can potentially undermine a person's dignity, integrity, well-being or health.

An employee who is or believes that he is the victim of racial, sexual or other types of harassment, whether an isolated case or a series of incidents repeated to the point of harassment, should notify his Human Resources representative as soon as possible so that the complaint can be dealt with in accordance with the policy in effect at his employer.

An employee who has been the victim of harassment must cooperate fully in any subsequent analysis of the alleged harassment. Any person mandated by management to conduct an investigation must take all necessary means to put an end to the harassment.

The Corporation will neither disclose the name of the employee who reported the incident nor the circumstances giving rise to the complaint unless the investigation or the application of appropriate disciplinary measures under the circumstances so require.

### **3.4 Integrity**

Transat expects honesty, integrity and fairness on the part of all of its employees with regards to the promotion and sale of the Corporation's products and services and, generally speaking, the conduct of its affairs.

### **3.5 Transparency**

Transat shares information internally to allow employees to appreciate the nature, reasons and consequences of the Corporation's actions; the disclosure of such information is carried out in compliance with applicable legislation and taking into consideration the confidential nature of certain information.

### **3.6 Social Commitment**

Transat reaffirms its intent to be and remain a responsible corporate citizen that cares about contributing to the economic and social development of the communities in which it operates.

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## **4. CONDUCT**

### **4.1 Clients**

Clients, the very *raison d'être* of Transat, are entitled to the greatest care and attention. Relationships with its clientele must be imbued with honesty and mutual respect in order to forge durable, fair and mutually beneficial business relations.

### **4.2 Employees**

The skills and experience of Transat employees are the very essence of the Corporation's present and future success; this is why the Corporation emphasizes employee development, commitment and communications within the performance of their respective duties.

Employees must at all times comply with the rules of conduct set out in their respective programs when using the Corporation's air-line services.

### **4.3 Compliance with Laws and Regulations**

Transat is a corporate citizen that abides by the laws and regulations in effect in the countries in which it operates. For this reason, any direct or indirect involvement with bribes, illicit kickbacks, illegal incentives, misappropriated funds or other similar type of payment is strictly prohibited and subject to disciplinary actions that may include dismissal. Employees are required to notify management of the Corporation of any suspicious transaction or activity that may come to their attention.



#### **4.4 Community**

Subject to Section 4.11, Transat invites all employees to play an active role in the community by getting involved in social, educational and cultural organizations. These activities must not conflict with the normal performance of their duties.

However, political or religious activities may only be carried out by employees on their own behalf, not as representatives of the Corporation, in accordance with the conflicts of interest provisions of Section 4.11. Moreover, such activities must not be conducted on the work premises or during regular working hours. Employees should avoid becoming an activist in organizations that promote discriminatory practices.

#### **4.5 Competition**

Transat believes in the value of free competition, a fundamental component of a market economy that emphasizes the globalization of trade.

#### **4.6 Environment**

The manner in which Transat is administered takes into account what impact its activities will have on the environment of the communities in which it operates. The Corporation is committed to taking appropriate action to preserve the health and safety of its employees and the general population.

#### **4.7 Corporation's Property**

It is the responsibility of each Transat employee to safeguard the Corporation's income along with its tangible and intangible assets, which includes, but is not limited to, trademarks. Any conduct that violates this principle, including but not limited to theft, fraud or unlawful use of the Corporation's trademarks, will be subject to strict disciplinary measures that may include dismissal.

#### **4.8 Inventions within the Performance of Duties**

Any invention, including the development of computer software, created by an employee within the performance of his duties, during or outside working hours, belongs to the Corporation.

All employees must disclose to the Corporation any information relating to the invention and cooperate with the registration of a copyright or patent thereon. Whenever necessary, the employee must also assign any right he may have to Transat.

In order to protect the Corporation's property, employees of certain subsidiaries working in certain departments or categories of employment may be required to sign a document entitled *Agreement Regarding Patents, Inventions and Confidential Information*, under which they undertake to comply with all obligations set out therein.

#### **4.9 Electronic Communications Systems**

All employees must use the Electronic Communications Systems with care, restraint and in such a manner that respects the rights of others.

As is the case with the use of telephones, personal use of Electronic Communications Systems is authorized to the extent that it does not affect the work performance of the user or of other employees.

Use of the Electronic Communications Systems is prohibited where it involves the following activities:

- creating or distributing chain mail;
- paying subscriptions fees or access fees using Transat resources;
- creating, owning, downloading, uploading, accessing, forwarding or distributing sexually explicit material; or
- participating in gambling or betting games.

#### **4.10 Confidentiality**

Transat keeps all relationships with its employees, shareholders, suppliers, clients and public authorities confidential. As a result, Transat discloses only that information which is public or required by law, or which it has been authorized to disclose by the individual or legal person at issue.

Confidential or personal information must be protected by all Transat employees, even those who leave the Corporation, willingly or not, in accordance with the *Policy Regarding the Protection of Personal Information and the Right to Privacy* that is in effect at their respective employers.

Moreover, in order to protect the confidentiality of certain elements crucial to the Corporation, employees who work in certain departments or categories of employment will be required to execute a specific confidentiality undertaking.

Where applicable, an employee who has not signed the document referred to in the above Paragraph is not inasmuch released from this obligation, regardless of the reason for which he did not sign said document.

All documents and files that are the property of Transat must be returned by the employee who is voluntarily or involuntarily leaving his employment.

#### **4.11 Conflicts of Interest**

The duty of loyalty all employees owe Transat requires that they avoid placing themselves in any situation likely to place their personal interests in conflict or in apparent conflict with the interests of the Corporation in order to remain impartial in the performance of their duties or responsibilities.

Employees must avoid placing themselves in a situation where they, a person to whom they are related, a dependent or member of their immediate family, could directly or indirectly benefit from a transaction or contract entered into by the Corporation that has not been made in accordance with the usual market terms and conditions and thus is prejudicial to the Corporation.

A "situation likely to give rise to conflicts of interest" might include, but not be limited to, the following:

- devoting too much time and attention to a paid or unpaid activity to the detriment of his obligations to Transat;
- having an obligation, interest or concern that affects or is likely to affect his judgment to the detriment of Transat's interests;
- directly or indirectly participating in activities or acts that adversely affect or are likely to adversely affect Transat's economic interests; or
- giving or receiving any gift, donation, service, benefit or other favour likely to have an effect on the performance of his duties and responsibilities or which are likely to tarnish Transat's credibility.

Before committing himself to any process or activity that could help to trigger the application of the foregoing provisions, employees must consult and obtain their superior's consent.

#### **4.12 Integrity of Accounting Information**

The accounting books and entries of the Corporation are maintained in a strictly honest manner, comply with trade practices and accurately reflect all operations and transactions of the Corporation in a timely manner.

In this respect, Transat employees must notify senior authorities of any suspicious transaction or activity of which they may be aware. Moreover, it is crucial that employees fully cooperate with any inspection and internal or external audit.

#### **4.13 Stock Transactions**

Insiders (directors and officers) contemplated by law are required to disclose any Transat share transactions they may be involved with, in accordance with laws and regulations. These transactions are subject to the privileged information restrictions more thoroughly described in the Insider Trading Guidelines for directors and officers of Transat A.T. Inc. and its subsidiaries.

Any insider and, more generally speaking, any employee who, within the performance of his duties within the Corporation, has access to privileged information must consider that information confidential and refrain from trading the Corporation's shares as long as said information remains privileged.

Any information that could have an influence on the Corporation's share price is deemed privileged information until it is made public.

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## 5. DISSEMINATION OF THE CODE

### 5.1 Employees

In order to ensure that all employees are familiar with the provisions hereof, a copy of the Code of Ethics or any other plain language document dealing with the same values and principles (hereinafter the "Document" or "Code") will be distributed to all employees. A copy will also be given and explained to all new employees upon hiring. It is the responsibility of each employee to familiarize himself with the provisions set out herein and to keep a copy as reference.

### 5.2 Immediate Superiors

It is the responsibility of the immediate superior to make sure that employees answering to him have received a copy and examined and understood the scope of the document. The immediate superior must also ensure compliance with the provisions of this Code.

### 5.3 Officers

It is the responsibility of the Corporation's executive officers and officers to promote the principles and rules of conduct set out herein to their various partners.

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## 6. COMPLIANCE WITH THE CODE

### 6.1 Paramountcy of Code

Various aspects of the principles set out herein appear in the Corporation's various policies, guidelines and programs. The content of these policies, guidelines and programs may be amended as circumstances require, but they may not violate the principles and rules of conduct set out herein.

### 6.2 Information and Breach of Code

Any employee uncertain about the scope of an action he is about to take or who would like more information on how to interpret this Code may turn to his Human Resources representative.

An employee who notes a violation of any provision hereof that is prejudicial to Transat must immediately notify his immediate superior. Where there is no immediate superior, or the immediate superior is directly involved in that Code violation, the employee may then turn to a senior authority. All steps taken by an employee will remain confidential, and measures will be taken to limit any adverse effect these steps could have on the employee. All employees must immediately notify their Human Resources representative of any serious violation of the principles set out herein, and all such communications will be kept confidential.

Any person maintaining business relationships with Transat must notify the Vice-President, General Counsel and Corporate Secretary of any serious breach of the principles set out in this document that is prejudicial to Transat. Any information communicated will remain confidential.

The Vice-President, General Counsel and Corporate Secretary may be contacted by mail, telephone or telecopier as follows:

Transat A.T. Inc.  
Place du Parc  
300 Léo-Pariseau Street, Suite 600  
Montreal, Quebec H2X 4C2

Telephone: (514) 987-1660 ext. 4520  
Telecopier: (514) 987-6239

Management of Transat or its Vice-President, General Counsel and Corporate Secretary will make sure that any notice of violation is carefully examined in order to determine its merits and to take appropriate remedial action.

Any violation of this Code is subject to disciplinary sanctions that may include dismissal.

Montreal, February 4, 2004.

APPROVED BY THE BOARD OF DIRECTORS

Transat A.T. Inc.  
Place du Parc  
300 Léo-Pariseau Street, Suite 600  
Montreal, Quebec H2X 4C2