



TRANSAT A.T. INC.

NOTICE OF THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
AND MANAGEMENT PROXY CIRCULAR
CONCERNING THE

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE *FAIRMOUNT THE QUEEN ELIZABETH, MARQUETTE/JOLLIET ROOM*
900 RENÉ-LÉVESQUE BLVD. WEST, MONTREAL, QUEBEC, CANADA

ON APRIL 27, 2005 AT 10:00 A.M. (EASTERN TIME)

March 23, 2005

NOTICE OF THE 2005 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The annual and special meeting of the holders of Class A Variable Voting Shares and Class B Voting Shares (collectively the “voting shares”) of Transat A.T. Inc. (the “Corporation” or “Transat”) will be held at the *Fairmount Queen Elizabeth*, in the Marquette/Jolliet Room, 900 René-Lévesque Blvd. West, Montréal, Québec, Canada, on April 27, 2005 at 10:00 a.m. (Eastern Time), for the following purposes :

1. To receive the financial statements of the Corporation for the year ended October 31, 2004 and the auditors’ report thereon;
2. To elect the directors;
3. To appoint the auditors for the ensuing year and to authorize the Board of Directors to fix their remuneration;
4. To examine and, if deemed appropriate, adopt a resolution, as set out in Schedule A to this Management Proxy Circular, approving the Shareholder Rights Plan which has been uninterruptedly in force since 1999; and,
5. To transact any other business which may properly come before the meeting or any adjournment thereof.

We hope you will take the time to familiarize yourself with 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 returning the proxy form. We invite you to join us at the meeting, where you will have the opportunity to ask questions and meet with our management and Board of Directors as well as your fellow shareholders. **This Circular is furnished in connection with the solicitation, by the management of Transat, of proxies for use at the meeting of the holders of voting shares of Transat.**

Made at Montreal, on March 23, 2005
BY ORDER OF THE BOARD OF DIRECTORS

(s) Bernard Bussières
Vice-President, General Counsel and Corporate
Secretary
Transat A.T. Inc.

In order that the greatest possible number of voting shares may be represented and voted at the meeting, registered shareholders who are unable to attend the meeting should return their duly completed proxies to our transfer agent, CIBC Mellon Trust Company, before 5:00 p.m. (Eastern Time), April 25, 2005 or, in the event that the meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Time) two business days prior to the day fixed for the adjourned or postponed meeting. Proxies can be sent to our transfer agent: (i) by MAIL by completing, dating, signing and returning the enclosed form of proxy to CIBC Mellon Trust Company in the enclosed prepaid envelope provided for that purpose, before the above-mentioned date and time; or (ii) by FAX at (416) 368-2502. Please refer to the annexed Circular for details. If you are not a registered shareholder (i.e., if your voting shares are held through a bank, trust company, securities broker or other nominee), please refer to the section entitled “How can a Non-registered Shareholder Vote” in the Circular, which explains how to vote your shares.



Management Proxy Circular

INFORMATION REGARDING THE MEETING

To ensure representation of your shares at the annual and special meeting of the holders of Class A Variable Voting Shares (the “Variable Voting Shares”) and Class B Voting Shares (the “Voting Shares”) (collectively the “voting shares”) (the “Meeting”), please select the most convenient way for you to express your voting instructions (by fax or by mail) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of March 23, 2005. In this Circular, any mention of “dollars” or “\$” refers to Canadian dollars, unless otherwise indicated. The following questions and answers provide guidance on how to vote your shares.

WHO IS SOLICITING MY PROXY?

The management of Transat A.T. Inc. (“Transat” or the “Corporation”) is soliciting your proxy for use at the Meeting scheduled to be held at the Fairmount The Queen Elizabeth, Marquette/Jolliet Room, 900 René-Lévesque Blvd West, Montreal, Québec, Canada, on April 27, 2005 at 10:00 a.m. (Eastern Time).

WHAT WILL I BE VOTING ON?

This year, the Meeting being an annual and special meeting, you will be voting on:

1. The election of the directors of Transat;
2. The appointment of Ernst & Young LLP as Transat’s auditors;
3. A resolution (the “Rights Plan Resolution”) for the renewal of the Shareholder Rights Plan.

HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?

The election of the directors, the appointment of the auditors and the Rights Plan Resolution must be approved by a majority of the votes cast by all the shareholders present or represented by proxy at the Meeting.

WHAT ARE THE RESTRICTIONS ON OWNERSHIP ON MY VOTING SHARES

The Articles of the Corporation include restrictions on the ownership and control of voting shares of the Corporation. The following is a summary of the restrictions set forth in the Corporation’s articles.

Pursuant to the *Canada Transportation Act*, S.C. 1996, c. 10, (the “Canada Transportation Act”), Air Transat A.T. Inc. (“Air Transat”) must at all times be in a position to establish that it is “Canadian” within the meaning of such act in order to hold the licences necessary to operate an air service. Because Air Transat is wholly owned by Transat, we must qualify as “Canadian” in order for Air Transat to qualify as “Canadian.” Currently, we must ensure that no more than 25% of voting interests attaching to our shares are owned or controlled by non-Canadians.

In this respect, our Articles provide for Variable Voting Shares and Voting Shares. The Variable Voting Shares can only be owned or controlled by persons who are not Canadian and carry one vote per share unless, notably, the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding Transat voting shares, in which case the vote attached to the Variable Voting Share decreases so that the class of Variable Voting Shares as a whole never carries more than 25% of the voting interests. The Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

Pursuant to its powers under Transat By-law No. 1999-1 and the regulations under the *Canada Business Corporations Act*, and in accordance with the provisions of our Articles and the Canada Transportation Act, Transat’s Board of Directors has implemented a series of administrative measures to ensure that the Voting Shares are owned and controlled by Canadians and Variable Voting Shares are owned or controlled by non-Canadians at all times. These measures are notably reflected in the forms of declaration of ownership and control that have been circulated to holders of Transat voting shares with the form of proxy. If such declaration, or other declarations that Transat will request from time to time and at its sole discretion, disclose that the holder holds the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat, we may take any action that it deems appropriate with a view to ensure compliance with the constrained share provisions in its Articles. Further, if a declaration is not duly completed, executed and delivered to Transat, it has the authority not to tabulate the vote attached to such declarant’s voting shares.

HOW MANY SHARES CARRY VOTING RIGHTS AND HOW MANY VOTES DO I HAVE?

As at March 24, 2005, we had 8,055,662 Variable Voting Shares and 27,062,960 Voting Shares issued and outstanding. You are eligible to receive notice of, and vote at the Meeting or at any adjournment thereof if you were a holder of voting shares on March 24, 2005, the record date for the Meeting.

The Variable Voting Shares may only be owned or controlled by non-Canadians within the meaning of the Canada Transportation Act. The Variable Voting Shares carry one vote per share held, except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act), or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total number of votes that may be cast at such meeting.

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

outstanding voting shares of Transat. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total number of votes that may be cast at said meeting.

The Voting Shares may only be owned or controlled by Canadians within the meaning of the Canada Transportation Act. Each Voting Share carries one vote.

WHO ARE OUR PRINCIPAL HOLDERS?

To the knowledge of our directors and officers, as at March 23, 2005, only the Fonds de Solidarité des travailleurs du Québec (F.T.Q.) beneficially owned or controlled more than 10% of the Class B Voting Shares and no person or entity beneficially owned or controlled 10% or more of the Variable Voting Shares of Transat's share capital.

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. You have two ways of voting by proxy:

- i) by fax, by completing and signing the enclosed proxy form and forwarding it by fax to (416) 368-2502; or
- ii) by mail, by completing and signing the enclosed proxy form and mailing it in the prepaid envelope provided.

Please note that in order for your proxy form to be considered to be duly completed and, therefore, for your shares to be voted, you must duly complete and return the declaration of ownership and control attached to the proxy form.

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?".

CAN I VOTE BY PROXY?

Whether or not you attend the Meeting, you can appoint a proxyholder to vote for you at the Meeting. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxyholder. The persons named in the enclosed proxy form are Directors or Officers of Transat. **However, you can choose another person to be your proxyholder, including someone who is not a shareholder of Transat, by crossing out the names printed on the proxy form and inserting another person's name in the blank space provided, or by completing another proper form of proxy.**

HOW WILL MY PROXY BE VOTED?

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, the shares represented by proxies received by management will be voted i) FOR the election as directors of the nominees listed under the heading "Election of director" of this Circular; ii) FOR the appointment of Ernst & Young LLP as auditors of Transat and iii) FOR the adoption of the proposed Rights Plan Resolution.**

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 in voting on amendments or variations to matters identified in the notice of meeting or any other matter duly brought before the Meeting.

At the time of printing this Circular, management is not aware of any amendments to the matters set out in the notice of meeting or of any other matter to be presented at the Meeting. If, however, any such amendments or 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.

BY WHEN MUST I VOTE?

No later than 5:00 p.m. (Eastern Time) on April 25, 2005 (if you do not attend the Meeting in person). All shares represented by proper proxies accompanied by duly completed declarations received by CIBC Mellon prior to such date and time will be voted in accordance with your instructions as specified in the proxy form, on any ballot that may be called at the Meeting.

CAN I CHANGE MY MIND AND REVOKE MY PROXY?

You can revoke your proxy at any time before it is acted upon. To do this, you must clearly state, in writing, that you want to revoke your proxy and deliver this written statement to the attention of the Vice-President, General Counsel and Corporate Secretary at: Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Québec, H2X 4C2, no later than two business days before the Meeting, namely April 25, 2005 at 5:00 p.m. (Eastern Time), or to the Chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

WHO COUNTS THE VOTES?

Proxies are counted by CIBC Mellon.

HOW ARE PROXIES SOLICITED?

Our management requests that you sign and return the proxy form to ensure your votes are exercised at the Meeting. Proxies will be solicited primarily by mail or by any other means our management may deem necessary. We will pay for all printing, postage and delivery costs.

HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?

If your voting shares are not registered in your 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. Consequently, you will have received this 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 are voted. If you are a non-registered shareholder who has voted by mail or by fax and want to change your mind and vote in person, contact your nominee to discuss whether this is possible and what procedure to follow.

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

Since we do not have access to the names of our non-registered shareholders, if you attend the Meeting, we 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 fill in your 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. Do not otherwise complete the form, as you will be voting at the Meeting.

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

The Corporation's consolidated financial statements for the year ended October 31, 2004 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2004 and 2003, which will be presented to the shareholders at the Meeting, are included in the Corporation's Annual Report that has been mailed to the shareholders. No vote is required on this matter.

ELECTION OF DIRECTORS

Pursuant to the Articles of the Corporation, the Board of Directors must consist of a minimum of nine and a maximum of fifteen directors. In accordance with a resolution of our Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been set 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.

Our management does not anticipate that any of the nominees among the persons named below 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 hereinafter, unless a shareholder indicates his intention to abstain from voting for the election of directors.

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 pages set out the names of proposed nominees for election as directors, together with their age, municipality of residence; year first elected as a director on our Board, current principal occupation and a description of the positions held over the five previous years. Also indicated for each nominee is the number of Voting Shares of the Corporation beneficially owned and controlled as at March 23, 2005; the committees on which he or she serves and the number of committee meetings and Board meetings he or she attended in 2004.

This information is based on the statements made by the persons concerned.

André Bisson, O.C.

Director since April 1995 – 75 years old, Montreal, Québec

André 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 serves on the Executive Committee. Mr. Bisson is Chairman of the Board of CIRANO (Center of Interuniversity Research and Analysis on Organizations) and serves on the Canadian advisory board of *The Carlyle Group* (Washington, D.C.). Prior to 1988, Mr. Bisson was Vice-President and General Manager, Québec, for the Bank of Nova Scotia. Until recently, he was also Chancellor and Chairman of the Board of Université de Montréal. He also served on the boards of many corporations, including AXA Assurances Inc., Power Financial

Corporation, Donohue Inc., Julius Baer Canada Investment Advisory Canada Ltd., Logistec Corporation, and Pirelli Cables and Systems North America. Mr. Bisson is presently a director on the board of the Orchestre Métropolitain du Grand Montréal and Honorary President of Société d'Investissement Jeunesse. Mr. Bisson holds a M.B.A., two honorary doctorates and a Fellow honoris causa.

Voting Shares beneficially owned and controlled 14,262

Jack Cashman

New director proposed – 64 years old, Toronto, Ontario

Mr. Jack Cashman is being proposed at the Meeting as a new nominee for membership on the Corporation's Board. Since November 1996, Mr. Cashman is Chairman of the Board of Vectura Group Plc, U.K. and Advanced Surgical Concepts, Ireland, two corporations operating in the pharmaceutical and medical sector. He also serves on the boards of directors of Phoqus Limited, U.K., Bepak Plc and Amtrol Inc., U.S.A. Prior to November 1996, Mr. Cashman was actively involved in the acquisition and privatization of R.P Scherer Corporation, a large multinational corporation specialized in drug delivery systems manufacturing. Mr. Cashman held the positions of Chairman of the Board and Co-President and Chief Executive Officer for this corporation, which became public in October 1991.

Voting Shares beneficially owned and controlled -

Lina De Cesare

Director since May 1989 – 53 years old, Montréal, Québec

Ms. De Cesare is the Corporation's 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 serves on the boards of several subsidiaries of the Corporation.

Voting Shares beneficially owned and controlled 126,013

Benoît Deschamps

Director since April 1997 - 53 years old, Dorval, Québec

Mr. Deschamps serves on the Corporate Governance and Nominating Committee and the Audit Committee. Mr. Deschamps is currently President of Champré Capital Inc., a corporate financing consulting services company. Prior to November 2000, he was Vice-President - Financial Planning and Treasurer of Groupe Vidéotron. Mr. Deschamps is also a director and Acting Chief Financial Officer of Metcalfe & Mansfield Alternative Investments, which is the trustee of four publicly traded income trusts, namely, Diversified Investment Grade Income Trust, Global Diversified Investment Grade Income Trust, Global Diversified Investment Grade Income Trust II and Onyx Trust and three private-investment trusts, namely, Global Diversified Investment Grade Private Trust, Silverstone Trust and Ironstone Trust. Mr. Deschamps holds a M.B.A. and a Ph.D. in business administration (finance).

Voting Shares beneficially owned and controlled 6,502

Jean-Marc Eustache

Director since February 1987 – 57 years old, Montréal, Québec

M. Eustache is Chairman of the Board, President and Chief Executive Officer, and Chairman of the Executive Committee of the Corporation as well as its principal founder. Mr. Eustache is also President of Look Voyages S.A. and Chairman of Transat Tours Canada Inc., two subsidiaries of the Corporation. He also serves on the board of directors of many subsidiaries of the Corporation. Mr. Eustache does not sit on the board of any other profit-making corporation. He is however a director 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 serves. He is also honorary co-chair of the 2005 fundraising campaign of the International Center for Conflict Resolution and Mediation (ICCRM). Mr. Eustache holds a B.A. in economics.

Voting Shares beneficially owned and controlled

609,710

Jean Guertin

Director since April 1995 – 60 years old, Montréal, Québec

Jean Guertin chairs the Human Resources and Compensation Committee and serves on the Audit Committee. He is one of the Corporation's three Lead Directors and serves on the Executive Committee. Mr. Guertin is a Corporate Advisor and Director, as well as an 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 Télémédia. Mr. Guertin currently serves on the boards of several corporations, including Canadian Helicopters Limited, for which he acts as Chairman, and the Canadian Investor Protection Fund, for which he serves on the investment and nomination committees. He chairs the Portfolio Evaluation Committee of Desjardins Venture Capital and he serves on several advisory boards, including that of Voyages Aller Retour and those of several non-profit organizations. Mr. Guertin holds a M.B.A. and a Ph.D. in finance (Harvard).

Voting Shares beneficially owned and controlled

5,596

H. Clifford Hatch Jr.

Director since March 2001 - 62 years old, Toronto, Ontario

Mr. H. Clifford Hatch Jr. chairs the Corporate Governance and Nominating Committee and serves on the Human Resources and Compensation Committee. He is one of the Corporation's three Lead Directors and serves 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, he was President and Chief Executive Officer of Hiram Walker-Gooderham & Worts Limited. Mr. Hatch Jr. serves on the boards of several corporations, including Consolidated HCI Limited, for which he also chairs the audit committee, Brookdale Treeland Nurseries Limited (BTN) and Carrizuelo S.A. (Madrid, Spain). In addition, he is involved with several non-profit organizations, including the Ontario Nature foundation, for which he acts as President. Mr. Hatch Jr. holds a B.A. (Honours) in economics and political sciences, as well as a M.B.A.

Voting Shares beneficially owned and controlled

3,374

Jacques Simoneau

Director since November 2000 - 47 years old, Saint-Bruno-de-Montarville, Québec

Jacques Simoneau is President and Chief Executive Officer of Hydro-Québec CapiTech Inc., a venture capital corporation specialized in energy and subsidiary of Hydro-Québec. Prior to taking on this office, he was Senior Vice-President of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) from 1999 until November 2004. He also held executive positions at Société Innovatech du sud du Québec, Advanced Scientific Computing and Alcan. Mr. Simoneau presently serves on the boards of several corporations, including Hydro-Québec CapiTech Inc., Sustainable Development Technology Canada and Société de développement économique Ville-Marie. Mr. Simoneau is also a member of the Conseil de la Science et de la Technologie du Québec and serves on the scientific committee of the Centre québécois de recherche et de développement de l'aluminium. 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 of Ontario.

Voting Shares beneficially owned and controlled

-¹

Philippe Sureau

Director since February 1987 - 55 years old, Montréal, Québec

Mr. Sureau is President- Distribution of the Corporation and one of its three founders along with Mr. Jean-Marc Eustache and Ms. De Cesare. Mr. Sureau is also President and Chairman of the Board of Consultour Inc. and serves on the board of directors of several affiliates of the Corporation. Other than those of the Corporation and its subsidiaries, Mr. Sureau serves on the board of Fairmount Le Manoir Richelieu.

Voting Shares beneficially owned and controlled

364,262

John D. Thompson

Director since April 1995 - 70 years old, Montréal, Québec

John D. Thompson serves on the Human Resources and Compensation Committee and the Audit Committee. Mr. Thompson is Deputy Chairman of the Montreal Trust Company of Canada, wholly owned subsidiary of Scotia Bank and marketer of financial and trustee services to individuals, businesses and other types of organizations. Prior to 1994, he was President and Chief Executive Officer of Montreal Trust and Chairman of the Board of RoyNat Inc. Mr. Thompson currently serves on the board of directors of certain corporations of the Scotia Bank Group, including Scotia General Insurance Company, National Trust Company and The Bank of Nova Scotia Trust Company. He also serves on the boards of several corporations, including Mortgage Insurance Company of Canada, Shermag inc. and Triton Électronique Inc. Mr. Thompson is also a director of the MacDonald Stewart and Windsor foundations. Mr. Thompson holds a bachelor's degree in engineering and a M.B.A.

Voting Shares beneficially owned and controlled

15,512

¹ Until November 2004, Mr. Jacques Simoneau served on the Board as designated representative of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) and, as such, was not entitled to remuneration and was not authorized to hold any shares of Transat.

Dennis Wood, O.C.

Director since March 2004 - 66 years old, Magog, Québec

Since 1973, Dennis Wood has been President of DWH Inc., a venture capital corporation which invests in various industries. Prior to 2002, Mr. Wood was Chairman of the Board, President and Chief Executive Officer of C-MAC Industries Inc. Mr. Wood currently serves on the boards of several corporations, including Le Groupe Jean Coutu (PJC) Inc., Blue Mountain Wallcoverings Inc., Groupe Bocenor Inc., for which is also chairs the executive committee, and National Bank Trust Inc., where he also serves on the ethics committee and the audit committee. He also acts as consulting director for Ezefflow Inc and Westwind Partners Inc. Finally, he is a member of the board of the Orchestre Métropolitain du Grand Montréal. Mr. Wood has an honorary Ph.D. in administration.

Voting Shares beneficially owned and controlled

7,413

BOARD COMMITTEES; COMPOSITION AND ATTENDANCE SINCE THE LAST ANNUAL MEETING

Each year, after election of the directors at the annual meeting of shareholders, the Corporate Governance and Nominating Committee makes recommendations to the Board of Directors on the distribution of the Board members between its committees. Since March 17, 2004, the Board Committees are composed of the following members:

	Committee meetings attended	Board meetings attended
AUDIT COMMITTEE		
André Bisson	7/7	13/13
Benoit Deschamps	7/7	13/13
Jean Guertin	6/7	12/13
John D. Thompson	7/7	12/13
CORPORATE GOVERNANCE AND NOMINATING COMMITTEE		
André Bisson	7/7	13/13
Benoît Deschamps	7/7	13/13
H. Clifford Hatch	7/7	13/13
Helen K. Sinclair ¹	7/7	11/13
HUMAN RESOURCES AND COMPENSATION COMMITTEE		
Jean Guertin	8/8	12/13
H. Clifford Hatch	8/8	13/13
John D. Thompson	8/8	13/13
EXECUTIVE COMMITTEE		
André Bisson	1/1	13/13
Jean-Marc Eustache	1/1	13/13
Jean Guertin	1/1	12/13
H. Clifford Hatch	1/1	13/13

OTHER DIRECTORS

Lina De Cesare	N/A	13/13
Jacques Simoneau	N/A	13/13
Philippe Sureau	N/A	13/13
Dennis Wood	N/A	6/6 ²

1. Ms. Sinclair announced that she does not intend to present her nomination for reelection at the Meeting
2. Mr. Dennis Wood is a member of the Board since March 2004.

Report of the Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee closely follows new trends in corporate governance and believes that a proactive governance is essential to the efficient management of the Corporation and that the corporate governance practices must follow the evolution of the business world and the regulatory environment in which the Corporation evolves. The Committee also believes that it is its responsibility to remain informed of the latest trends and the corporate governance practices as well as any amendments thereunder. To this end, the Committee reviews its corporate governance rules on a regular basis in light of the requirements of regulatory authorities and the latest developments in this regard and informs the shareholders thereon through the Management Proxy Circular and the Corporation's Annual Information Form.

The Board is responsible for the global management of the Corporation and is vested with all powers and full authority necessary to manage and control the affairs of the Corporation. The role and mandate of the Board is to:

- 1) oversee and approve the corporate strategy and its implementation;
- 2) review the recommendations of the President and Chief Executive Officer on the appointment of Transat's senior executives;
- 3) set objectives for the President and Chief Executive Officer and review those of senior executives with him, monitor their performance and apply corrective measures as appropriate;
- 4) inform shareholders on the performance of the Corporation; and,
- 5) approve and perform the standard legal obligations.

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

YEAR IN REVIEW

Corporate Governance Initiatives – The Committee has continued the assessment of the Corporation's corporate governance practices. (For a detailed comparison of the Corporation's governance practices with the Toronto Stock Exchange corporate governance guidelines, see Schedule C of this document.) The Board of Directors has mandated the Corporate Governance and Nominating Committee to develop a Corporate Governance Manual (the "Manual"), which was adopted by the Board in 2003. The Manual includes, among others, charters that describe the mandate of the Board and its committees. You will find at Schedules D and E of this Circular the revised charters of the Corporation Governance and Nominating Committee and the Human Resources and Remuneration Committee. Over the last year, the Committee has also developed Complaint Procedures for Accounting and Auditing Matters and a Charter of

expectations for directors, which were presented to and approved by the Board. The Charter of expectation is attached as Schedule G to this Circular while the whistle-blower policy is attached to the Annual Information Form.

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

In addition to the Manual, the Corporation, through its Corporate Governance and Nominating Committee, has developed a Code of Ethics which reflects the Corporation's commitment to ethics and demonstrates the importance of delivering on the Corporation's objective, which is to maintain proactive corporate governance practices. The Code of Ethics can be found at Schedule F of this Circular.

Board/Committee Composition – The Committee assessed the composition and size of the Board, examining its breadth and diversity of experience. The Committee also considered the challenges the Corporation faces. The Committee recommended to the Board the list of nominees to stand for election as directors at the Annual Meeting, as well as the list of members and Committee Chairs for the year.

Assessing Performance – The Committee conducted the annual formal evaluation of the effectiveness of the Board and its committees. The Board reviewed the conclusions drawn and will make the adjustments needed to stay in the lead in that respect.

Director Independence and Attendance – The Committee determined that, based on a questionnaire completed by each member of the Board, all directors, with the exception of Ms. De Cesare and Messrs. Eustache and Sureau (all three being the founding members of the Corporation) were independent in accordance with the independence standards approved by the Board. The Committee monitored director attendance and determined that all directors met the requirement to attend at least 75% of all meetings (Board and Committee) that they are eligible to attend during the year.

Director Compensation – The Committee, in collaboration with the Human Resources and Remuneration Committee and with the assistance of outside advisors, conducted an assessment of the compensation practices of other corporations and recommended to the Board that changes be made to the remuneration of directors commencing with the year starting on November 1, 2004. The annual fees are \$15,000 in cash, plus an additional amount of \$3,000 per year paid at a quarterly rate of \$750 in DSUs valued at the market value of each share at the time that the DSUs are credited. The additional amounts for each Chairman of the Board of Directors Committees or each chief officer are \$5,000 per year while for each Committee member they are \$2,000 per year.

The attendance fee is \$1,200 for each Board or Committee meeting unless it is held by conference call, in which case the attendance fee is \$750. The director also has the right to an annual granting of Stock Options equal to \$15,000. The director can choose to have 0 to 100% of the annual fees and supplements paid in the form of DSUs.

Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs equivalent to three times the base annual fees to which they are entitled after having served three years as director.

Annual Strategy Session – The Committee supervised the strategic planning process of the Corporation that takes into consideration the identification of its opportunities and risks, its mission and its objectives. In connection with this process, the Board expects the Corporation's management to prepare and implement the strategic orientation adopted by the Board. 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.

Annual Reviews and Updates – The Committee supervised the annual review of the approval and oversight guidelines, which clearly define the duties and responsibilities for both the Board and management. The Committee also assessed the effectiveness of the orientation process for new directors and committee members, the Charter of Expectations for Directors, the Board policies, as well as its own Committee charter, and concluded that with minor amendments they continued to accurately reflect best practices.

The Corporation’s comprehensive governance program is consistent with, and in a number of instances goes beyond, the Toronto Stock Exchange corporate governance guidelines.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2004.

Submitted on behalf of the Corporate Governance and Nominating Committee by:

H. Clifford Hatch, André Bisson, Benoît Deschamps and Helen K. Sinclair

APPOINTMENT OF AUDITORS

On the recommendation of the Audit Committee, the Board of Directors proposes that Ernst & Young LLP be reappointed as auditors of the Corporation to hold office until the next annual meeting of shareholders and that their remuneration be determined by the Audit Committee.

Unless a shareholder indicates that he intends to abstain from voting, 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.

Auditors’ fees

In 2004, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately \$0.9 million for audit and audit-related fees, \$0.5 million for tax fees and \$0 for all other non-audit fees; the comparative figures for 2003 were approximately \$1.06 million and \$0.7 million, respectively. “Audit fees” are fees for professional services provided for the audit of the Corporation’s consolidated financial statements, for services that are normally provided by the Corporation’s external auditors in connection with statutory and regulatory filings or engagements and for other services performed by the auditors to comply with generally accepted auditing standards; “audit-related fees” are fees for assurance and related services; “tax fees” are fees for tax compliance, tax advice and tax planning services; and “all other fees” are fees for any services not included in the first three categories.

Auditors’ independence

In addition to the letter issued by the auditors regarding their independence, the Corporation and the Audit Committee of the Board have considered whether the provision of non-audit services performed by the auditors was compatible with maintaining the auditors’ independence and have concluded that it was. In order to better define the limits within which such services are provided to the Corporation, the Board adopted, in addition to the Audit Committee charter, a Policy respecting the Pre-Approval of Audit and Non-Audit Services.

SHAREHOLDER RIGHTS PLAN

Proposal concerning the Shareholder Rights Plan

At the Meeting, the shareholders will examine and, if deemed advisable, approve the resolution set out in Schedule A hereto (the “Rights Plan Resolution”), to adopt the Amended and Restated Shareholder Rights Plan, which was initially approved by the Board of Directors on February 3, 1999 and ratified by the shareholders on March 24, 1999. This plan was renewed by the Board of Directors on February 13, 2002, and ratified by the shareholders on March 27, 2002, and was renewed again by the Board of Directors on March 15, 2005 (the “2005 Rights Plan”). The terms of the 2005 Rights Plan are contained in an Amended and Restated Shareholder Rights Plan Agreement dated April 27, 2005 between the Corporation and CIBC Mellon, as rights agent.

The existing Shareholder Rights Plan effective since 1999 and renewed in 2002 was scheduled to terminate at the close of the Meeting. On March 15, 2005, the Board of Directors restated the 2005 Rights Plan for another three-year period with certain minor modifications which are described hereafter (the “Rights Plan”). To continue the 2005 Rights Plan beyond the termination of the Meeting, the Rights Plan Resolution must be approved by the majority of the votes cast by “Independent Shareholders” (as defined in Schedule B), in person or by proxy, at the Meeting.

Transat has reviewed the 2005 Rights Plan for conformity with current practices of Canadian companies with respect to shareholder protection rights plans and has determined that since the approval by the shareholders of the rights plan in 2002, there have been a small number of changes in those practices. These changes have been made to the 2005 Rights Plan. Transat has also amended the 2005 Rights Plan in order to reflect its new share capital structure composed of the Variable Voting Shares and Voting Shares. Finally, the Corporation has changed the rights agent in order to have the same rights agent that its transfer agent, namely CIBC Mellon. We believe that the 2005 Rights Plan preserves the fair treatment of shareholders, is consistent with current best Canadian corporate practices and addresses institutional investor guidelines.

Unless a shareholder indicates otherwise, the shares represented by the proxy form enclosed herewith will be voted in favour of the Rights Plan Resolution.

Background and Purposes of the Rights Plan

Before deciding to adopt the Rights Plan, the Board of Directors considered the current legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity voting shares of a corporation that, together with shares already owned by the bidder and certain parties related thereto, amount to 20% or more of the outstanding shares of that class. The existing legislative framework for take-over bids in Canada presents the following concerns for shareholders:

Time

Current legislation permits a take-over bid to expire 35 days after it is initiated. The Board of Directors is of the view that this is not sufficient time to permit shareholders to adequately consider a take-over bid and make a reasoned and unhurried decision considering namely that the Corporation activities and competitors are spread out on two continents. Having adequate time to properly assess the merits of a bid is particularly important for the Corporation considering that it must establish, at all times, that it complies with foreign ownership regulations.

Pressure to Tender

A shareholder may feel compelled to tender his shares pursuant to a take-over bid which he considers to be inadequate, out of a concern that in failing to do so, the shareholder may be left with illiquid or minority discounted shares. The Rights Plan provides shareholders with a mechanism which is intended to ensure that they can separate the decision to tender, based on the merits of a bid, from the approval or disapproval of a particular take-over bid.

Unequal Treatment

Shareholders may not be treated equally if, as current securities legislation provides, an important number of shares is acquired pursuant to a private agreement in which a small group of shareholders or a shareholder disposes of its shares at a premium to market price, which premium is not shared with the other shareholders of the Corporation. In addition, a person may gradually accumulate shares through stock exchange acquisitions which results in an acquisition of control of the Corporation, without payment of fair value for control or a fair sharing of a control premium amongst all shareholders. The Rights Plan addresses these concerns by applying to all acquisitions of 20% or more of the Variable Voting Shares or the Voting Shares of the Corporation, ensuring that shareholders receive equal treatment.

Recommendation of the Board of Directors

The Board of Directors has determined that the 2005 Rights Plan is in the interests of the Corporation and its shareholders and recommends that the holders of shares vote in favour of the Rights Plan Resolution.

The purpose of the 2005 Rights Plan is to ensure equal treatment of shareholders and to give adequate time for shareholders to properly assess the merits of a bid without undue pressure, and to allow competing bids to emerge. The 2005 Rights Plan is designed to give the Board of Directors time to consider alternatives, allowing shareholders to receive full and fair value for their shares. The 2005 Rights Plan was not adopted by the Board of Directors in response to any acquisition proposal and is not designed to secure the continuance in office of the current management or the directors of the Corporation. The adoption of the 2005 Rights Plan does not in any way lessen the duties of the directors to fully and fairly examine all bids which may be made to acquire the shares of the Corporation and to exercise such duties with a view to the best interest of the shareholders of the Corporation.

The “Issue of Rights” (as defined in Schedule B) will not in any way adversely alter the financial condition of the Corporation. The issue is not in itself dilutive, will not affect reported earnings per share and will not change the way in which shareholders would otherwise trade their shares. By permitting holders of Rights other than an “Acquiring Person” (as defined in Schedule B) to acquire additional securities of the Corporation at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the outstanding Variable Voting Shares or Voting Shares other than by way of a “Permitted Bid” (as defined in Schedule B).

A potential bidder can avoid the dilutive features of the 2005 Rights Plan by making competing bid structure options that conform to the requirements of a Permitted Bid.

To qualify as a Permitted Bid, a take-over bid must be made by means of a take-over-bid circular to all holders of voting shares and must be open for at least 60 days after the bid is made. If more than 50% in aggregate of the outstanding voting shares held by “Independent Shareholders” (as defined in Schedule A) are deposited or tendered pursuant to the bid and not withdrawn, the bidder may take up and pay for such shares. The bid must then remain open for a further period of at least ten business days.

The requirements of a Permitted Bid enable each shareholder to make two separate decisions. First, a shareholder will decide whether the bid or any competing bid is adequate on its own merits. Thereafter, a shareholder will decide to tender or not his shares. In making this decision, the shareholder should not be influenced by the likelihood that the bid will succeed. If there is sufficient support, for example if more than 50% in aggregate of the outstanding voting shares held by Independent Shareholders have been tendered, a shareholder who has not already tendered to that bid or to a competing bid will have a further ten business days to decide whether to tender or not his shares. In reaching the decision to implement the Rights Plan, the Board of Directors considered its duties and responsibilities to the Corporation and received the advice of its advisors. In addition, the Board of Directors reviewed the recent experiences of other Canadian public companies in adopting shareholders' rights plans and addressed important institutional investors and regulatory concerns with shareholders' rights plans.

Amendments to the Existing Shareholder Right Plan

The amendments made to the existing 2005 Rights Plan aim at maintaining the validity of the Rights Plan as a result of changes in laws or regulations as well as of our Articles.

Summary

The terms of the 2005 Rights Plan are set out in an Amended and Restated Shareholder Rights Plan Agreement dated as of April 27, 2005 between the Corporation and CIBC Mellon as rights agent (the "Rights Agent"). The text of the Rights Plan Agreement is available upon request, free of charge, from the Corporate Secretary or from CIBC Mellon at the following addresses:

TRANSAT A.T. INC.
300 Léo-Pariseau Street
Suite 600
Montréal, Québec
H2W 2P6

CIBC Mellon Trust Company
2001 University Street
Suite 1600
Montréal, Québec
H3A 2A6

A summary of the principal terms of the Rights Plan Agreement is set forth in Schedule "A" to this Circular.

INFORMATION ON TRANSAT

CORPORATE GOVERNANCE

Under the rules of the regulatory authorities, we are required to disclose information relating to our corporate governance practices. The Corporation's disclosure is set out in Schedule C of this Circular under the heading "Corporate Governance Practices".

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee Charter is set out in Schedule E of this Circular. You can also find the report of the Human Resources and Compensation Committee at pages 19 to 22 of the Management Proxy Circular for the special shareholders of the corporation held on February 24, 2005 available on SEDAR at www.sedar.com.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, executive officers or senior officers of Transat are indebted to us or any one of our subsidiaries, nor have contracted any loan that is secured by a security interest, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries.

Pursuant to our Corporate Governance Manual, it is our policy not to grant loans, whether or not secured by a securities interest, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries, to our directors, executive officers, senior officers or nominees for the position of director of Transat.

DOCUMENTS INCORPORATED BY REFERENCE

The information included in the Management Proxy Circular for the special meeting of shareholders held on February 24, 2005 and in the Annual Information Form, in as much as this information is not already attached to this Circular, is expressly incorporated herein by reference to form an integral of this Circular.

ADDITIONAL INFORMATION

You can find more information on us is available on the SEDAR website at www.sedar.com. You can also get copies of our Annual Information Form, Management Proxy Circular regarding the meeting of shareholders held on February 24, 2005, financial statements and MD&As upon request to our Corporate Secretary. We may charge a reasonable fee if the request is made by a person who is not a shareholder of Transat, unless we are in the course of a distribution of our securities pursuant to a short-form prospectus, in which case these documents will be provided free of charge.

The financial information of Transat can be found in the comparative financial statements and MD&A for our last financial year.

Transat is a reporting issuer in the different Canadian provinces, and we must file our financial statements and Management Proxy Circular with each of these provinces' securities commissions. We also file an annual information form with these same commissions.

SHAREHOLDER PROPOSALS

We will examine shareholder proposals to be included in next year's Management Proxy Circular for our annual meeting of shareholders of 2006. Please forward us your proposals before December 15, 2005.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

The contents and the sending of this Circular have been approved by our Board of Directors.

Montréal, March 23, 2005

BY ORDER OF THE BOARD OF DIRECTORS

Bernard Bussières

Vice-President, General Counsel and Corporate Secretary of Transat

SCHEDULE A

RESOLUTION ON THE SHAREHOLDER RIGHTS PLAN

BE IT RESOLVED:

THAT the Amended and Restated Shareholder Rights Plan dated April 27, 2005 between the Corporation and CIBC Mellon, which was initially adopted by the Board of Directors of the Corporation on February 3, 1999 and ratified by the shareholders on March 24, 1999, which was renewed by the Board of Director on February 12, 2002 and ratified by the shareholders on March 27, 2002, and which was adopted again by the Board of Directors on March 15, 2005, the whole as described in the Management Proxy Circular attached hereto, be ratified;

THAT any officer or director of the Corporation be and is hereby authorized to execute and deliver such documents and instruments and to take such other actions as such officer or director may deem necessary or advisable to give effect to this resolution in his entire discretion, his determination being conclusively evidence by the execution and delivery of such documents or instruments and the taking of such actions.

SCHEDULE B

SUMMARY OF THE RIGHTS PLAN

Term

The 2005 Rights Plan will take effect at the time the Meeting terminates and will expire at the close of the annual meeting of shareholders of the Corporation to be held in 2008, unless it is terminated prior to such meeting.

Issue of Rights

In order to implement the 2005 Rights Plan, the Board of Directors authorized the Corporation to issue one right in respect of each Variable Voting Share and in respect of each Voting Share outstanding as of 5:00 p.m. (Montreal time) on April 27, 2005 (the "Effective Date"). One Right will also be issued and attached to each subsequently issued Variable Voting Share and Voting Share.

Rights-Exercise Privilege

The Rights will be separate from the shares to which they are attached and will become exercisable at the time (the "Separation Time") that is ten business days after the earlier of: (i) the first date of public announcement that an "Acquiring Person" (as defined below) has become such; (ii) the date of commencement of, or first public announcement in respect of, a take-over bid which will permit an offeror to hold 20% or more of the Variable Voting Shares or of the Voting Shares of the Corporation, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "Permitted Bid" or a "Competing Permitted Bid", as defined below); (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid; or (iv) such other date as may be determined in good faith by the Board of Directors.

The acquisition permitting a person (an "Acquiring Person"), including others acting jointly or in concert with such person, to hold 20% or more of the outstanding Variable Voting Shares or of the Voting Shares, other than by way of a Permitted Bid or a Competing Permitted Bid, is referred to as a "Flip-in Event." Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement (the "Stock Acquisition Date") by the Corporation or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Stock Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the holder to purchase for the exercise price, that number of shares determined as follows: a value of twice the exercise price divided by the average weighted market price for the last 20 trading days preceding the Stock Acquisition Date. The exercise price is currently \$100 per Right, subject to adjustment in accordance with the 2005 Rights Plan.

To the knowledge of the senior executives of the Corporation, as of March 23, 2005, no natural or legal person owns or owned 20% or more of the Variable Voting Shares or of the Voting Shares of the Corporation.

The Issue of Rights is not initially dilutive. Upon the occurrence of a Flip-in Event and the separation of the Rights from the attached shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Lock-Up Agreements

A bidder may enter into lock-up agreements with the shareholders of the Corporation whereby such shareholders agree to tender their shares to the take-over bid (the “Subject Bid”) without a Flip-in Event occurring. Any such agreement must permit the shareholder to withdraw the shares to tender to another take-over bid or to support another transaction that exceeds the value of the Subject Bid.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Variable Voting Shares and Voting Shares issued after the Effective Date. Rights are also attached to shares outstanding on the Effective Date, although share certificates will not bear such a legend. Prior to the Separation Time, Rights will not be transferable separately from the attached shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the shares.

Permitted-Bid Requirements

A “Permitted Bid” is a take-over bid that does not trigger the exercise of Rights. A “Permitted Bid” is a bid that aims to acquire shares which, together with the other securities beneficially owned by the bidder, represent not less than 20% of the outstanding Variable Voting Shares or Voting Shares, which bid is made by means of a take-over bid circular and satisfies the following requirements:

- (i) The bid must be made to all holders of voting shares;
- (ii) The bid must include a condition without reservation providing that no share tendered pursuant to the bid will be taken up prior to the expiry of a period of not less than 60 days and only if at such date more than 50% in aggregate of the outstanding shares held by the shareholders other than the bidder, its associates and affiliates, and persons acting jointly or in concert with such persons (the “Independent Shareholders”) have been tendered pursuant to the bid and not withdrawn;
- (iii) The bid must include a condition to the effect that the shares may be tendered pursuant to the bid, unless the bid is withdrawn, at all times during the bid period and that all the shares tendered may be withdrawn until they are taken up and paid for; and
- (iv) If more than 50% in aggregate of the shares held by independent Shareholders are tendered to the bid within the 60-day period, the bidder must make a public announcement of that fact and the bid must remain open for deposits of shares for an additional 10 business days from the date of such public announcement.

The 2005 Rights Plan allows a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid is a take-over bid that is initiated while a Permitted Bid is outstanding and that satisfies all the requirements of a Permitted Bid except that it may expire on the latest of the following date; (i) on the same date as the Permitted Bid; or (ii) 35 days after the launch of such Competing Permitted Bid. The reduction of the time allotted for the acceptance of a Competing Permitted Bid is intended to permit, to the extent that is afforded by such reduction, that all take-over bids on which the shareholders of the Corporation must decide may be considered during the same prescribed time.

Waiver and Redemptions

The Board of Directors acting in good faith may, prior to a Flip-in Event, waive the dilutive effects of the 2005 Rights Plan in respect of a particular Flip-in Event that would result from a takeover bid made by way of takeover bid circular to all holders of shares, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event. The Board of Directors may also waive the 2005 Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Variable Voting Shares or Voting Shares within 14 days or any other period that may be specified by the Board of Directors. At any time prior to the occurrence of a Flip-in Event, the Board of Directors may, subject to the prior approval of the holders of shares, elect to redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 per right.

Exemption for Investment Managers

Investment managers (for client accounts), trust companies and pension funds (acting in their capacity as trustees and administrators) acquiring shares permitting them to hold 20% or more of the Variable Voting Shares or Voting Shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Supplements and Amendments

The Corporation is authorized to make amendments to the 2005 Rights Plan to correct any clerical or typographical error or to maintain the validity of the 2005 Rights Plan as a result of changes in laws or regulations. Prior to the Meeting, the Corporation is authorized to amend or supplement the 2005 Rights Plan as the Board of Directors may in good faith deem necessary or advisable. The Corporation will issue a press release relating to any material amendment made to the 2005 Rights Plan prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Material amendments or supplements to the 2005 Rights Plan will require, subject to the regulatory authorities, the prior approval of the shareholders or, after the Separation Time, holders of Rights.

CANADIAN INCOME-TAX CONSEQUENCES OF THE RIGHTS PLAN

Under the *Income Tax Act* (Canada) (the "Tax Act"), while the matter may be debated, the issue of the Rights under the 2005 Rights Plan may be a taxable benefit, the fair market value of which must be included in the income of a recipient. The Corporation considers that the Rights, when issued, will have no or negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The Rights will be considered to have been acquired at no cost. The holder of Rights may realize income or be subject to withholding tax under the Tax Act if the Rights become exercisable, are exercised or are otherwise disposed of.

The information provided above is of a general nature and is not intended to constitute, nor should it be construed as, legal or tax advice to any particular holder of shares. Such holders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial or foreign legislation.

ELIGIBILITY FOR INVESTMENT

Provided that (i) each person who is an annuitant, a beneficiary, an employer or a subscriber under a particular plan deals at arm's length with the Corporation, and (ii) the Corporation remains a "public corporation" for purposes of the Tax Act, the Rights will, based on the law applicable on the date hereof, be qualified investments under the Tax Act for Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plan and Deferred Profit Sharing Plans. The Issue of Rights will not affect the status of the shares as qualified investments under the Tax Act and the regulations thereunder, nor will it affect the eligibility of such securities as investments for investors subject to certain Canadian and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

SCHEDULE C

CORPORATE GOVERNANCE PRACTICES

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (TSX), the Corporation has in place corporate governance practices that are not only consistent with the requirement of the TSX but in many cases go beyond those requirements. The Corporation is also in compliance with applicable rules adopted by the Canadian Securities Administrators (CSA).

We recognize that our governance practices must evolve to respond to changes in the regulatory environment. Many regulatory changes have come into effect in the past year, including rules issued by the CSA relating to audit committees, and further changes are expected as the CSA has published for comment draft rules and policies relating to disclosure of corporate governance practices and draft amendments to its rules relating to audit committees. The Corporation has adjusted its governance practices as regulatory changes have come into effect in recent years and will continue to monitor regulatory changes closely and consider amendments to its governance practices as appropriate.

The TSX rules require shareholder approval of all equity compensation plans, subject to a few limited exceptions; however, this is only when such plans involve newly issued securities. Equity compensation plans that do not provide for a fixed maximum number of securities to be issued must have a rolling maximum number of securities to be issued based on a fixed percentage of the issuer's outstanding securities and must be approved by shareholders every three years. If the plan provides a procedure for its amendment, the TSX rules require shareholder approval of amendments only where the amendment involves a reduction in the exercise price or an extension of the term of options held by insiders.

Guidelines of the TSX

Since the CSA rules relating to disclosure of corporate governance practices are not yet in effect, a comparison of the Corporation's governance practices against the TSX governance guidelines is set out below as required by the TSX guidelines.

TSX Guidelines	Corporation Alignment	The Corporation's Governance Practices
<p>Guideline 1</p> <p>The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically assume responsibility for the following matters:</p>	<p>X</p>	<p>The Board, either directly or through Board committees, is responsible for management or supervision of the management of the business and affairs of the Corporation with the objective of enhancing shareholder value. The roles and responsibilities of the Board, each of its committees and the Chair of each committee are set out in formal written charters, the full text of which can be found in Schedule E and F of this Circular and in the Corporation's Annual Information Form for the year ended October 31, 2004. These charters are reviewed annually to ensure they reflect best practices are in compliance with any applicable regulatory requirements.</p> <p>The Board's approval and oversight guidelines precisely define the roles and responsibilities of the Board and management and explicitly delineate the lines of accountability that exist within the Corporation.</p> <p>The Board has adopted a Code of ethics, which provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work. The Board, through its Corporate Governance and Nominating Committee, reviews the operation of this Code and any waivers and amendments thereunder. The Code of ethics is attached as Schedule F to this Circular.</p>
<p>Guideline 1 a)</p> <p>Adoption of a strategic planning process</p>	<p>X</p>	<p>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.</p> <p>In connection with this process, the Board expects the Corporation's management to prepare and implement 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. The Board reviews and approves the Corporation's strategic plan.</p>

TSX Guidelines	Corporation Alignment	The Corporation's Governance Practices
<p>Guideline 1 b) Identification of the principal risks of the Corporation's business and ensuring implementation of appropriate systems to manage those risks</p>	X	<p>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 to approve 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 coverage. 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.</p>
<p>Guideline 1 c) Succession planning, including appointing, training and monitoring senior management</p>	X	<p>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 monitors the performance objectives set out for the President and Chief Executive Officer and executives answering directly to him.</p>
<p>Guideline 1 d) Communications policy</p>	X	<p>The Board, through its 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.</p> <p>This process also allows the Corporation to ensure compliance with continuous disclosure requirements. This policy is reviewed annually by the Audit Committee.</p>

TSX Guidelines	Corporation Alignment	The Corporation's Governance Practices
<p>Guideline 1 e) Integrity of internal control and management information systems of the Corporation</p>	X	Through its Audit Committee, the Board ensures that management implements and maintains effective internal control and risk management systems.
<p>Guideline 2 A majority of directors should be "unrelated"</p>	X	All nominees standing for election as directors on April 27, 2005, with the exception of the President and Chief Executive Officer, Mr. Jean-Marc Eustache, of the President – Distribution, Mr. Philippe Sureau and of the President – Tour Operators, Ms. Lina DeCesare, are "unrelated" within the meaning of the TSX Guidelines.
<p>Guideline 3 The Board has responsibility for applying the definition of "unrelated director" to each individual director and for disclosing annually the analysis of the application of the principles supporting this definition and whether the Board has a majority of unrelated directors. (Under the TSX guidelines, an "unrelated director" is a director who is independent of management and free from any business or other relationships which could materially interfere or reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation.)</p>	X	In its Corporate Governance Manual, the Board has adopted high standards for determining whether a director is "unrelated" within the meaning of the TSX Guidelines. A director is "unrelated" under these standards if the Board determines that the director has no material relationship with the Corporation or any of its affiliates, either directly or indirectly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition, certain relationships deem a director not to be "unrelated" under these standards. Based on information provided by directors as to their individual circumstances, the Board has determined that 3 out of the 11 nominees proposed for election to the Board for 2005, are not "unrelated", namely, the President and Chief Executive Officer, the President – Distribution and the President – Tour Operators.

TSX Guidelines	Corporation Alignment	The Corporation's Governance Practices
<p>Guideline 4</p> <p>The Board should appoint a committee of directors composed exclusively of outside directors, a majority of whom are “unrelated” directors, with responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis.</p>	X	<p>The Governance and Nominating Committee, composed exclusively of directors who are all “unrelated”, is responsible for identifying and recommending to the Board suitable nominees for election to the Board. To accomplish this duty, the Committee :</p> <ul style="list-style-type: none"> i) assesses the composition and size of the Board and, in doing so, reviews the breadth and diversity of experience of the directors; ii) identifies the challenges facing the Corporation; iii) recommends to the Board a list of nominees for election as directors; and, iv) approaches competent nominees. <p>The Committee also maintains an updated list of potential nominees for election to the Board for future reference.</p> <p>Prior to agreeing to join the Board, new directors are given a clear indication of the workload and time commitment required.</p>
<p>Guideline 5</p> <p>The Board should implement a process, to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the Board, its committees and the contribution of individual directors.</p>	X	<p>Over the last year, the Governance and Nominating Committee has implemented an annual assessment process on the performance and effectiveness of the directors and the Board conducted through a survey on their operations, the adequacy of information provided to directors, Board structure, agenda planning for Board meetings, effectiveness of the Chairman in managing Board meetings, strategic direction and process. A separate survey is conducted for each of the Board committees. The results of the surveys form the basis of recommendations to the Board for change.</p> <p>Each year the Governance and Nominating Committee assesses the performance of the Chairman and reviews the results with him and the Board while the Human Resources and Compensation Committee conducts an annual assessment of the President and Chief Executive Officer and examines the results with him and the Board.</p>
<p>Guideline 6</p> <p>The Board should provide an orientation and education program for new directors.</p>	X	<p>The Corporate Governance and Nominating Committee is responsible for providing an orientation and education program for new directors. As part of this program, the Chairman of the Corporate Governance and Nominating Committee oversees the orientation and education of directors, with the support of certain members of management.</p>

TSX Guidelines	Corporation Alignment	The Corporation's Governance Practices
<p>Guideline 7</p> <p>The Board should examine its size and undertake, where appropriate, a program to reduce the number of directors to a number which facilitates effective decision-making.</p>	X	<p>At the Meeting, 11 directors will stand for election for a one-year term. The matter of Board size is considered formally on an annual basis by the Board and on an ongoing basis by its Governance and Nominating Committee. The Board believes that its current membership has the necessary breadth and diversity of experience, is generally of a size to provide for effective decision-making and staffing of Board committees, and complies with succession planning requirements.</p>
<p>Guideline 8</p> <p>The Board of directors should review the adequacy and form of compensation of directors and ensure the compensation realistically reflects the responsibilities and risks involved in being an effective director.</p>	X	<p>The Human Resources and Compensation Committee of the Board annually reviews the remuneration paid to directors to ensure it is competitive and consistent with the responsibilities and risks involved in being an effective director. Details of directors' compensation are disclosed on page 32 of the Management Proxy Circular for the special meeting of shareholders held on February 24, 2005 available on SEDAR at www.sedar.com. The information included in that circular remains valid at the date of publication of this Circular.</p>
<p>Guideline 9</p> <p>Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated, although some Board committees may include one or more inside directors.</p>	X	<p>All Board committees are composed solely of directors who are "unrelated"</p> <p>The Board has four committees: Audit, Governance and Nominating, Human Resources and Compensation, Executive. The report of the Corporate Governance and Nominating Committee, including the names of the Chair and committee members, can be found commencing on page 12 of this Circular.</p>
<p>Guideline 10</p> <p>The Board should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the approach to governance issues. This committee would, among other things, be responsible for the Corporation's response to these governance guidelines.</p>	X	<p>The Governance and Nominating Committee monitors best practices for governance worldwide and annually reviews the Corporation's governance practices to ensure that the Corporation continues to exemplify high standards of corporate governance. The Committee has completed a comprehensive review of all Board committee charters recently to ensure that they meet all applicable regulatory requirements as well as best practices.</p> <p>The Governance and Nominating Committee is also responsible for the Corporation's response to the TSX governance guidelines.</p>

<p>Guideline 11</p> <p>The Board of directors, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management’s responsibilities. The Board should approve or develop corporate objectives which the CEO is responsible for meeting.</p>	<p>X</p>	<p>As noted in our response to Guideline 1, the Board’s approval and oversight guidelines precisely define the roles and responsibilities of the Board and management and set out those matters requiring Board approval and those of which the Board must be advised following action by management.</p> <p>Following review by the Governance and Nominating Committee, the Board timely revises its charter. The position description of the CEO is developed and approved by the Human Resources and Compensation Committee. The Committee, which is comprised exclusively of “unrelated” directors, reviews and approves corporate objectives that the Chief Executive Officer is responsible for meeting each year. The committee also conducts the annual assessment of the Chief Executive Officer’s performance in relation to those objectives and reports on the results of this assessment to the Board.</p>
<p>Guideline 12</p> <p>The Board should have in place appropriate structures and procedures to ensure it can function independently of management. An appropriate structure would be to (i) appoint a chair of the Board who is not a member of management with responsibility to ensure the Board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the Board or to a director sometimes referred to as the “lead director”. Appropriate procedures may involve the Board meeting on a regular basis without management present and may involve assigning the responsibility for administering the Board’s relationship to management to a committee of the Board.</p>	<p>X</p>	<p>The Board has created an Executive Committee comprised of four members: the three Lead Directors are outside and unrelated directors, namely Messrs. André Bisson, Jean Guertin and H. Clifford Hatch Jr., and the other member, Mr. Jean-Marc Eustache (founder of the Corporation) is an inside director.</p>

<p>Guideline 13</p> <p>The Audit Committee should be composed only of outside directors. The roles and responsibilities of the Audit Committee should be defined to provide appropriate guidance to the Audit Committee members as to their duties. The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The Audit Committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.</p>	<p>X</p>	<p>The Audit Committee is composed solely of outside directors who are "unrelated". In addition, the Board has determined that each member of the committee is "Financially Literate" and that at least one of them is an "Audit Committee Financial Expert" as such terms are defined under Canadian securities laws. The roles and responsibilities of the committee are set out in the committee's charter. The Audit Committee charter is reviewed by the committee and the Board annually, as are all committee charters.</p> <p>At each meeting of the Audit Committee, members of the committee meet with the external auditor and, if they deem it advisable, meet with him separately, to review specific issues without management present</p> <p>The committee pre-approves all non-audit related services provided by the external auditors.</p> <p>You will find additional information relating to the composition of the Audit Committee, the committee charter, the relevant education and experience of its members and the fees paid to the external auditors in the last two fiscal years under the heading "Audit Committee Information" in the Corporation's Annual Information Form dated March 16, 2005. The fees paid to the external auditors in the last two fiscal years can also be found on page 14 of this Circular.</p>
<p>Guideline 14</p> <p>The Board should implement a system which enables an individual director to engage an outside advisor at the expense of the Bank in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.</p>	<p>X</p>	<p>Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Governance and Nominating Committee coordinates such requests. In 2004, the services of an outside consulting firm specialized in remuneration were obtained to assist the Board.</p> <p>In addition, committee members may engage outside advisors to assist them in fulfilling their committee duties and responsibilities as necessary. During the year, the Human Resources and Compensation Committee engaged outside consultants on compensation matters.</p>

SCHEDULE D

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE CHARTER

Corporate Governance and Nominating Committee

Constitution

The Board established a committee to oversee corporate governance and nominations (the “Governance Committee”) composed solely of outside and unrelated directors, whose members and chairperson it designates. The Governance Committee is made up of at least three (3) members.

Mandate

The Governance Committee is responsible for developing, defining and maintaining high standards for good corporate governance in a constantly evolving environment and for periodically reviewing corporate practices in matters relating to corporate governance. Without limiting the scope of its mandate, the Governance Committee, which makes its recommendations to the Board, will perform the following duties in collaboration with the Chairman of the Board, where applicable:

- I. Review the mandates of the Board and its committees, the matters dealt with by the Board and such committees, the quality of the documentation provided and the organization and frequency of meetings, as well as follow up on decisions made by management;
- II. Develop a list of the main criteria to consider when selecting potential nominees to sit on the Board, such as competencies, skills and personal qualities;
- III. Explore whether potential nominees are interested in sitting on the Board;
- IV. Recommend the names of nominees competent to be elected to the Board and propose the number thereof;
- V. Develop and implement an orientation and education program for new directors;
- VI. Develop a list of expectations for directors;
- VII. Recommend the names and number of directors who will sit on the committees of the Board and assume the chairs thereof;
- VIII. Establish the criteria for evaluating the performance of members of the Board, both as individuals and collectively;
- IX. Review, annually, the reports respecting the evaluation of the performance of members of the Board, both as individuals and collectively;
- X. Implement procedures and structures to allow members of the Board or its committees to meet, as needed, with members of management, either together or separately;

- XI. Prepare a program and policies on corporate governance, oversee and update them once they are implemented, and prepare the report that must be published annually in the Management Proxy Circular or Annual Report;
- XII. Develop and update a code of ethics, ensure compliance therewith once it is implemented and make recommendations to the Board whenever an application for a special exemption from compliance therewith is made;
- XIII. Implement and, when in force, monitor a compliance program with the *Competition Act*;
- XIV. Establish a procedure for the resolution of conflicts of interests within management and/or the Board;
- XV. Ensure compliance with and monitor developments in legislation and regulations² as well as in policies and procedures on corporate governance, health, welfare, security and the environment, including flight safety; and
- XVI. Oversee and identify risks to the Corporation and ensure that measures are taken to deal with those risks (in collaboration with the Audit Committee).

Additional Comments

The Governance Committee must question management as to compliance with the requirements of regulations and general standards of ethics.

The Committee may engage, from time to time, the services of outside advisors as it deems necessary and useful in the performance of its mandate.

² *[The Governance Committee must ensure the Corporation's compliance with the Toronto Stock Exchange Guidelines and with the rules of securities commissions (or Canadian Securities Authorities), but it must also take into account the rules of the New York Stock Exchange and standard practices in such matters.]*

SCHEDULE E

HUMAN RESOURCES AND COMPENSATION COMMITTEE CHARTER

Human Resources and Compensation Committee

Constitution

The Board has established a human resources and compensation committee (the “Human Resources Committee”) composed solely of independent directors, that is, who do not have any direct or indirect material relationship with the Corporation and whose members and Chair are appointed by the Board. The Human Resources Committee is made up of a minimum of three (3) members.

Mandate

The Human Resources Committee is responsible for establishing policies on the remuneration of senior executives in salary grades 1 through 6 and on the development and training of their successors. It also reviews and comments the implementation of these policies as needed.

The Human Resources Committee also makes recommendations on the appointment and remuneration of the President and Chief Executive Officer, which are subject to approval by the Board. The Human Resources Committee reviews the recommendations of the President and Chief Executive Officer on the remuneration of senior executives in salary grades 1 through 6 and makes any recommendations deemed necessary to the President and Chief Executive Officer or the Board, as the case may be, on any matter related to the appropriate use of financial incentives, employee benefits and pension plans for senior executives in salary grades 1 through 6.

In particular and without limiting the scope of its mandate, the Human Resources Committee has the following duties and responsibilities:

- I. After reviewing the recommendations from senior management, make recommendations to the Board on the annual general policy on basic remuneration applicable to all employees;
- II. Make recommendations to the Board on the structure of the remuneration programs forming the total remuneration of executives in salary grades 1 through 12;
- III. Review any recommendation on the total remuneration policy and each one of its components, including base salary, short-term and long-term incentive programs, employee benefits and other benefits; and annually ensure that this policy and all programs that support it satisfy the internal equity and outside competitiveness objectives of the Corporation for salary grades 1 through 12 and reflect the evolution of practices in this regard;
- IV. Review the policies established for assessing the performance of executives in salary grades 1 through 12;
- V. In collaboration with the President and Chief Executive Officer, examine the actions taken for ensuring the development and succession of the President and Chief Executive and the senior executives in salary grades 1 through 6, and report thereon to the Board;
- VI. Approve, for each financial year, the objectives of the President and Chief Executive Officer and review the objectives of senior executives in salary grades 1 through 6 with the President and Chief Executive Officer;
- VII. Assess the performance of the President and Chief Executive Officer, report and make any recommendations to the Board on this assessment;

- VIII. In collaboration with the President and Chief Executive Officer, review the performance of senior executives in salary grades 1 through 6 and report thereon to the Board;
- IX. Make recommendations to the Board on the remuneration of the President and Chief Executive Officer;
- X. Review the recommendations of the President and Chief Executive Officer on the lower and upper limits of the salary to be paid to senior executives in salary grades 1 through 6 and on the remuneration to be paid to senior executives;
- XI. Approve the eligibility to and targets of the short-term and long-term incentive plans and the eligibility to the retirement agreements for senior executives in salary grades 1 through 6, recommend any action or allotment of shares or securities under any plan included in these incentive plans and approve the award allocations to be paid to eligible executives;
- XII. Review and make recommendations to the Board on the appointment of the President and Chief Executive Officer;
- XIII. Review the recommendations of the President and Chief Executive Officer on the appointment of senior executives in salary grades 1 through 6 and provide feedback, if any;
- XIV. Conduct an annual assessment of the services and independence of all outside advisors engaged from time to time by the Human Resources Committee;
- XV. Ensure compliance with the hiring policies established by the Audit Committee regarding partners and employees and former partner and employees of the external auditors;
- XVI. Make recommendations to the Board on the remuneration of its members and of the directors serving on the various committees of the Corporation;
- XVII. Oversee the report included in the Management Proxy Circular and the report to the shareholders, as well as any other report prescribed by law or regulatory authorities regarding the remuneration of executives and directors.

SCHEDULE F
CODE OF ETHICS

1. PURPOSE

The purpose of this document is to establish the principles guiding the relationships that Transat A.T. Inc. and its business units (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.

2. APPLICATION

2.1 Scope

The provisions hereof apply to Transat and its employees. All Transat employees, including those bound thereto by contract, must comply with these provisions to the extent that the text 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 Modifications

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

3. GUIDELINES

3.1 Entrepreneurial Spirit

The Corporation owes its success to the increasing accountability and engagement of its human resources. Transat applauds its employees’ 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 discrimination, aggression or harassment. The Corporation censures all forms of misconduct, especially harassment such as racial or sexual slurs, acts or gestures or any other form of psychological harassment that can potentially undermine a person's dignity, integrity, well-being or health. These principles are set out in corporate policies such as the Policy on Human Rights and the Policy on Psychological Harassment in the Workplace applicable to the business units doing business in Quebec under a provincial charter.

*This document may be consulted through the Human Resources Department.

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 affirms 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.

4. CONDUCT

4.1 Clients

Clients, the very "raison d'être" of Transat, are entitled to the greatest care and attention. Transat's 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 communication within the performance of their respective duties.

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 values the active participation of its employees in the community by getting involved in social, educational and cultural organizations. These activities must not conflict with the normal performance of their duties, nor be conducted on the work premises or during regular working hours. Employees must avoid becoming an activist in organisations that promote discriminatory practices. Also, 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.

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 the impact of its activities on the environment of the communities in which it operates. The Corporation is also 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 include, but are 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 by the Corporation 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.

*This document may be consulted through the Human Resources Department.

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 finding themselves in any situation that places or is 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 a 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 is prejudicial to the Corporation.

A “situation giving rise or likely to give rise to conflicts of interest” might include, but is not be limited to, the following:

- devoting too much time and attention to a paid or unpaid activity to the detriment of the employee’s obligations to Transat;
- having an obligation, interest or concern that affects or is likely to affect the employee’s 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 to any process or activity that could potentially 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, the details as well as the complaint management process are set out in a document entitled Complaint Handling Procedures for Accounting and Auditing Matters*.

4.13 Stock Transactions

Insiders (directors and officers) contemplated by law are required to disclose any Transat share transactions they may be involved in, 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, in the course of the performance of his duties within the Corporation, has access to privileged information must consider such 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.

*This document may be consulted through the Human Resources Department.

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 (hereinbefore and 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 with their various partners.

6. COMPLIANCE WITH THE CODE

6.1 Predominance 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 it 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 superior or Human Resources representative.

6.3 Violations, Complaints and Conflict resolution

i) For employees

An employee who notes a violation of any provision hereof that is prejudicial to Transat, or an employee who thinks he is subjected to a breach of a policy or this Code must immediately notify his immediate superior. Where there is no immediate superior, or the immediate superior is directly involved in that Code or policy violation, the employee may then turn to the senior authority identified in the applicable policy.

The Corporation will not disclose the name of the employee making the complaint or the circumstances giving rise to the complaint to any person, except where disclosure is required for the purposes of investigating or taking appropriate disciplinary measures under the circumstances. Any violation of this Code is subject to disciplinary sanctions that may include dismissal.

ii) For business relations

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 if necessary.

Montreal, February 4, 2004.

APPROVED BY THE BOARD OF DIRECTORS

SCHEDULE G

CHARTER OF EXPECTATIONS FOR DIRECTORS

A Charter of Expectations for directors sets out the professional and personal competencies and characteristics expected from directors. These form the basis for the recruitment, selection and evaluation of directors. At Transat, these competencies and characteristics include:

- a) demonstrates high ethical standards;
- b) willing to be accountable for and be bound by board decisions;
- c) attendance – available when needed; is accessible and approachable.
- d) diligently prepares for meetings;
- e) participation – contributes meaningfully and knowledgeably to board discussions; provides valuable input;
- f) willing to and owns shares in Transat;
- g) participates in committees of the Board;
- h) positive, supportive but questioning attitude;
- i) some senior management business experience; ability to think strategically in evaluating Transat direction and operations;
- j) sound judgment;
- k) bilingual;
- l) team player – Respects others and works effectively with fellow-directors;
- m) moderate level of financial literacy;
- n) communicates clearly and effectively and ability to be a good listener;
- o) United States, European or international experience;
- p) independence of judgment – willing to take a stand and defend it;
- q) willing to continue to grow and develop personally - effectively applies his/her knowledge experience and expertise to issues confronting Transat.