



REVISED ANNUAL INFORMATION FORM

PERIOD ENDED ON OCTOBER 31, 2001

June 3, 2002

TRANSAT A.T. INC.

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ITEM 1. INCORPORATION

1.1 TRANSAT A.T. INC.

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

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

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

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

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

1.2 CORPORATE STRUCTURE AS AT OCTOBER 31, 2001

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

Transat also holds a 70% interest in Mextour G.T. Inc. and a 40% interest in Gestour G.T. Inc., which in turn owns 100% of Trafictours de Mexico S.A. de C.V. (“Trafictours”).

A.T. Europe holds a 99.2% interest in Look Voyages S.A. (“Look Voyages”), which in turn owns 100% of the share capital of Vacances Air Transat (France) S.A.S. (“VAT France”). Look Voyages also holds a 44.3% interest in Société de Transport Aérien Régional S.A. which operates under the name STAR Airlines S.A. (“STAR”), a 95% interest in Look Viagens L.D.A., a 40% interest in Tourgreece S.A. (“Tourgreece”) and a 51% interest in Caméléon Palmeraie S.A.

Transat Tours has two principal divisions: Air Transat Holidays and World of Vacations/Nolitour. Transat Tours also owns 100% of the share capital of Air Transat Holidays USA, Inc. ("ATH USA"), 3931927 Canada Inc. and D & R Travel Inc. and holds a 71.51% interest in DMC Transat Inc. ("DMC"). 3931927 Canada Inc. holds a 50% in Jonview Corporation ("Jonview").

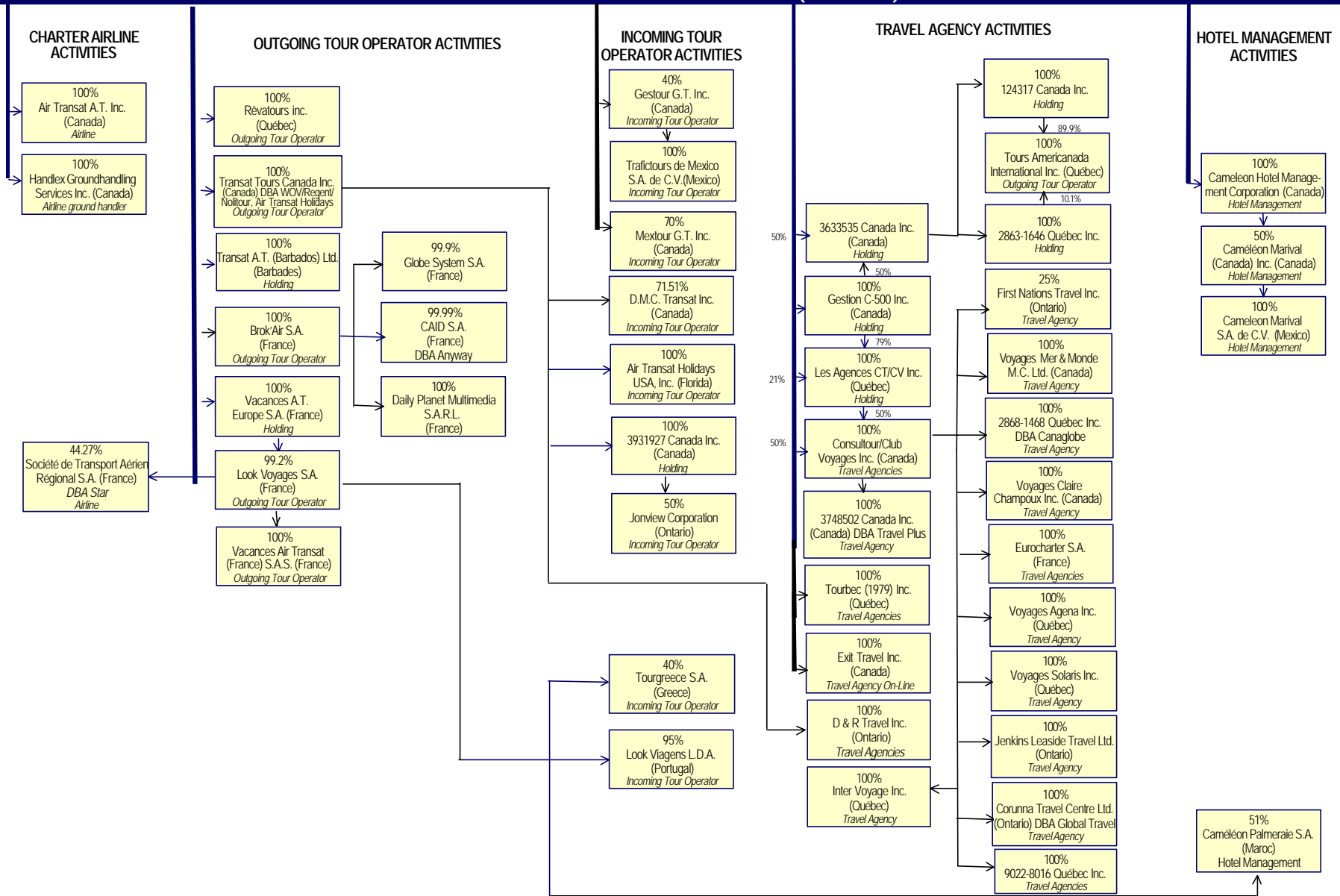
Consultour holds a 100% interest in each of Voyages Mer et Monde M.C. Ltd., 2868-1468 Quebec Inc. operating as Canaglobe, Voyages Claire Champoux Inc., Voyages Agena Inc., Voyages Solaris Inc., Jenkins Leaside Travel Ltd., Corunna Travel Centre Ltd. operating as Global Travel, Inter Voyage Inc., 3748502 Canada Inc. operating as TravelPlus and 9022-8016 Québec Inc. Consultour also holds a 100% interest in Euro Charter S.A ("Euro Charter") and a 25% interest in First Nations Travel Inc.

Brok'Air holds a 99.9% interest in each of Globe System S.A. ("Globe System") and Caïd S.A. operating under the trade name Anyway ("Anyway"), as well as a 100% interest in Daily Planet Multimedia S.A.R.L ("Daily Planet").

Cameleon holds a 50% interest in Caméléon Marival (Canada) Inc., which in turn owns 100% of Cameleon Marival S.A. de C.V.

The following organization chart sets out the corporate structure of the Corporation as at October 31, 2001, the jurisdiction of incorporation of the principal subsidiaries and associated companies of Transat and the percentage of voting and participating shares held in each of the companies included therein:

TRANSAT A.T. INC. (Canada)



ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 BUSINESS OF THE CORPORATION

2.1.1 Overview

Transat is an integrated company in the tourism industry, specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of tour operators offering holiday travel with transportation provided in part by commercial charter flights operated by Transat's member companies. Transat is also involved in hotel management, and value-added services offered at travel destinations, as well as in distribution through both travel agency networks and e-commerce initiatives. The Corporation operates mainly in two geographic segments, specifically Canada and France.

2.1.2 Business Strategy

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

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

2.1.3 General Development of the Business

Charter Air Carriers, Groundhandler and Outgoing Tour Operators

1987 was a turning point for Transat since it completed its financing through a public offering of the Corporation's securities and founded Air Transat as part of a vertical integration strategy, to support Transat's already existing tour operator activities. Capitalizing on the quality image Air Transat had acquired in the travel market, Air Transat Holidays was born in 1991 out of the merger between Traffic Voyages, which targeted the French market principally between April and October, and Multitour, which specialized in sunshine destinations during the winter months. Air Transat Holidays later became the leading tour operator in Canada and one of the few ones to have balanced its winter and summer sales volumes.

To consolidate its position in the Toronto market, the Corporation acquired in 1992 a 50% interest in the tour operator Regent Holidays. During the 1997 fiscal year, the Corporation acquired the balance of the issued and outstanding participating shares of Regent Holidays' capital stock, thereby increasing its interest to 100% of participating shares and 50% of the outstanding voting shares. In October 2000, the Corporation acquired the remaining 50% issued and outstanding voting shares of Regent Holidays.

In May 2001, to further consolidate its position in the Toronto market, Transat increased its interest in World of Vacations Ltd. from 35% to 100% of the capital stock for a consideration of \$1,098,000.

Also in May 2001, the Corporation amalgamated its tour operators Air Transat Holidays, Regent Holidays and World of Vacations into Transat Tours, with a view to strengthen its position on the national market. 2001 saw the integration of the operations of Regent Holidays in Toronto as well as those of Nolitour in Quebec, a tour operator which the Corporation had acquired in 1994, into World of Vacations. Transat Tours now operates through two tour-operating divisions, namely Air Transat Holidays and World of Vacations/Nolitour.

To enhance the product offerings of both Air Transat Holidays and World of Vacations/Nolitour, the Corporation acquired in November 1999 a 50% interest in the tour operator Americanada, a specialist in à-la-carte tourism with its FITs (Foreign Independent Tours), namely the sale of seats along with lodging and car rentals. In April 2000, the Corporation acquired the balance

of the outstanding shares of Americanada, thereby bringing its interest in this company to 100%. The total consideration amounted to \$2,564,000, including \$1,545,000 in cash and \$1,019,000 payable in three instalments maturing at various dates until November 1, 2002.

In March 2001, Transat acquired Rêvatours, a Quebec tour operator specialized in premier-quality guided tours in Asia, Eastern Europe, North Africa, Greece and Turkey, for a cash consideration of \$3,297,000.

In February 2000, the Corporation increased to 100% its participation in Haycot Services Inc. (now Handlex), a provider of groundhandling services, of which it had acquired 50% of the shares in October 1988.

In order to increase its presence in France, where the Transat group already owned the tour operator VAT France since 1987, Transat increased its indirect interest in the tour operator Look Voyages to approximately 98% of the company's capital stock, following several transactions (including an increase in the capital of Look Voyages) that took place in 1997 and 1998. In October 1999, Transat completed the corporate restructuring of its principal French subsidiaries under A.T. Europe when Air Transat Holidays transferred its ownership of VAT France to A.T. Europe. In July 2000, the Corporation increased its interest in Look Voyages to 99.2%.

In December 1995, Look Voyages participated in the establishment of an air carrier, STAR, of which it now holds a 44.3% interest.

The Corporation also acquired, in 1996, a 34.4% interest in Brok'Air. In December 1996, the Corporation increased said interest to 39% and, since February 2000, owns 100% of Brok'Air. The Corporation acquired this additional 61% interest in Brok'Air in consideration of \$ 2,005,000. The Corporation is also committed to paying an additional amount based on the average income before income taxes earned by Brok'Air for fiscal 2001, 2002, and 2003.

Incoming Tour Operators

In addition to its outgoing tour operator activities referred to above, the Corporation also sought to strengthen its incoming tour operator activities. Thus, ATH USA was formed in December 1993 to offer representation services to customers of Air Transat Holidays at their destinations in Florida.

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

The Corporation created in October 1999 a company under the name of Trafictours that offers services at destination in Mexico and could develop a presence in other markets.

In January 2001, Transat acquired a 50% interest in the capital of Jonview, the leading incoming tour operator in Canada, for a cash consideration of \$10,564,000. Transat has the option (call option) to acquire the remaining 50% interest in Jonview for a consideration based on the fiscal 2001, 2002, and 2003 results. The vendors have the option (put option) to require Transat to purchase the remaining 50% interest in Jonview. The aforesaid put and call options may be exercised after October 30, 2003. In September 2001, the Fonds, one of Transat's major shareholders, acquired a 14.25% interest in Jonview. The Fonds is now involved in both of Transat's Canadian incoming tour operators, DMC and Jonview, with a 28.49% participation in DMC. Transat has the obligation to redeem the Fond's participation in DMC in 2009, for a cash consideration or by issuing shares, provided Transat remains a public corporation at such time.

In March 2001, Look Voyages acquired, for a cash consideration of \$1,629,000, a 40% interest in the incoming tour operator Tourgreece, a long-standing partner located in Athens, Greece. Look Voyages has the option to acquire the remaining 60% interest after March 5, 2004.

Travel Agencies

While seeking to expand its tour operator activities, both outgoing and incoming, the Corporation also wanted to ensure a presence in the retail travel business that was consistent with its vertical integration strategy. In 2000, the Corporation acquired the remaining 50% interest in Consultour, a travel agency franchisor comprising travel agencies doing business under the Club Voyages, Voyages en Liberté, Inter Voyage and Vacances Tourbec banners, bringing its interest in this company to 100%.

2001 saw a major expansion of the travel agency network, with the acquisition by Consultour of Canadian franchisor TravelPlus and its 61 travel agencies operating under the TravelPlus and Goliger's banners. With this acquisition, the Transat group now has 246 franchised, affiliated, or wholly-owned agencies, including the Tourbec agencies. Consultour is the leading franchisor in Quebec and now ranks second in Canada.

In France, Transat's products are distributed to approximately 63 wholly-owned sales outlets under the Club Voyages banner, out of which 15 agencies were acquired during the last fiscal year.

While Consultour builds a solid traditional travel agency network, Exit, Transat's wholly-owned subsidiary incorporated since June 1999, focuses on its mission to develop the Corporation's business in retail e-commerce.

Hotel Management

Also in June 1999, Transat incorporated Cameleon, a subsidiary with the mission to manage a network of superior accommodations at major destinations served by the Transat group of companies.

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

Debenture

In November 1995, Air Transat Holidays (now Transat Tours) issued a debenture to the Caisse de dépôt et placement du Québec ("CDP") in an aggregate principal amount of \$10 million. This debenture bears interest at 17.5% per annum and matures on November 1, 2005. It is redeemable at Transat Tours' option on or after November 1, 2000 and convertible into 25% of Transat Tours' common shares at CDP's option on or after November 1, 2000. In the event the debenture is redeemed, the redemption price will be equal to the amount paid plus a premium that is sufficient to enable the holder to obtain a compound annual return of 20.5% on the amount paid, calculated from November 1, 1995, taking into consideration annual interest paid on the debenture during the period. The debenture is collateralized by certain intercorporate guarantees and by a movable hypothec on the shares of a number of the Corporation's subsidiaries and on all of the tangible assets of Air Transat and of Transat Tours. Should the Corporation be subject to a takeover bid, CDP has the option to acquire all of the outstanding shares of Transat Tours at a price determined under an agreed formula.

Other Events

In addition to the events described above, two other events marked the last fiscal year.

On August 24, 2001, Transat's flagship air carrier Air Transat experienced the most serious incident in 15 years of existence when one of its Portugal-bound flights was forced to make an emergency landing in Terceira, in the Azores. Air Transat handled this exceptional occurrence with diligence, deploying all necessary resources to provide support and assistance to the passengers aboard the flight, focusing on their well-being.

Fiscal 2001 will undoubtedly be remembered for the unprecedented September 11 terrorist attacks on the United States, which were carried out using civil commercial aircraft to destroy important governmental and commercial buildings. These tragic events further undermined an already weak economic situation, especially with regard to the travel industry, paralyzing air traffic for the following few days and resulting in an immediate and dramatic drop in demand. Even though tourists gradually began to travel again in the fall, Transat swiftly responded to the September 11 events by implementing a plan with a view to reduce both its activities and operating costs. On September 24, 2001, Transat took measures, primarily in Canada, including a 25% reduction in Air Transat's capacity for autumn-

winter; a reduction of up to 25% in the Corporation's staff; salary reductions and freezes for management and non-unionized employees; and a tightening of all other expenditures, including adjustments in commission levels payable to travel agencies and the renegotiation of hotel room costs with hoteliers. The reduction in Air Transat's capacity also had the effect of accelerating the retirement of part of Air Transat's fleet, the unamortized value of which was written off.

2.1.4 Recent Developments

In response to the events of September 11, the Corporation sought additional cash injections to increase the cash available for working capital purposes. Thus, on January 10, 2002, the Corporation completed the closing of agreements with shareholders, the Fonds and CDP, through its subsidiary CDP Capital d'Amérique, and with its bankers in order to increase its available cash by more than \$40 million.

Each of CDP, Capital d'Amérique and the Fonds invested \$10 million in non-convertible debentures in the Corporation and its wholly-owned subsidiary Air Transat. Management of the Corporation and its affiliates have also invested \$1,865,000 in a similar form. The debentures bear an annual interest at a rate of 6% and mature in January 2009. The debentures can be redeemed in advance by the Corporation as of January 2005 upon certain stated events, in return for payment of a penalty equal to three months' interest. The debentures feature a premium, at maturity or when redeemed in advance, which provides an internal rate of return of 15%. The issue of non-convertible debentures is accompanied by warrants allowing for the subscription of 1,421,225 common shares over the next five years at a price of \$6.75 a share.

Furthermore, also on January 10, 2002, the Corporation has renewed its revolving credit facility that was to expire in February 2002 for an additional year and has concurrently obtained the release of collateral that will increase the Corporation's available cash by \$20 million.

Thus, the Corporation, Air Transat and Transat Tours entered into an agreement with a banking syndicate for a revolving term loan in the amount of \$55,000,000 and, with respect to guarantee agreements related to the operations of Air Transat, a special revolving credit in the amount of \$35,000,000. Under the bank agreement, the Corporation, its significant Canadian subsidiaries and A.T. Europe granted their bankers movable hypothecs on the universality of all their movable property. In addition, the Corporation, A.T. Europe and the significant Canadian subsidiaries granted a movable hypothec on the shares of subsidiaries they hold, and Air Transat granted an immovable hypothec on its hangar and administrative building. Finally, the other active companies within the Transat group that have not granted charges to the lenders agreed not to collateralize their property.

The revolving term loan matures on February 28, 2003. Under this agreement, amounts can be drawn by way of bankers' acceptances, loans in Canadian or U.S. dollars or letters of credit. The interest rate will be based on a rate scale that varies in accordance with the level of certain financial ratios calculated on a consolidated basis.

Finally, on February 19, 2002, the Corporation completed the closing of a bought deal agreement to sell \$51,105,000 principal amount of 9.00% convertible unsecured subordinated debentures maturing in March 2007 to a syndicate of underwriters led by CIBC World Markets Inc. Each debenture will be convertible into common shares at the option of the holder at any time before maturity at a conversion price of \$8.75. On or after March 1, 2005, the debentures will be redeemable by the Corporation subject to the fulfilment of certain conditions. The net proceeds to Transat from this public offering will be used for general corporate purposes and for debt reduction.

2.2 OVERVIEW OF THE INDUSTRY

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

2.2.1 Tour Operators

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

The market for sunshine destinations is mainly a package market, whereas Europe is a market of aircraft seats, car rentals and hotel rooms booked on a nightly basis. On the Canadian market, outgoing tour operators finalize agreements with suppliers six to eight months prior to the beginning of each season. The summer season runs essentially from May 1 to October 31 and packages are prepared in the preceding fall. The winter season runs mainly from November 1 to April 30 and packages are prepared in the preceding spring. As part of these preparations, tour operators undertake negotiations with air carriers, hotel and cruise ship operators, and car rental agencies. When such negotiations are completed, brochures illustrating the various destinations and describing the various packages and services offered are prepared and distributed to travel agencies before the beginning of each season and sales presentations are made to travel agents in the main cities of the markets covered.

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

Factors required to be a successful tour operator include: a good understanding of the tastes and requirements of the vacationer; a solid reputation with hotel suppliers; sufficient travel volume to achieve competitive air and accommodation costs; and a solid relationship with travel agents based upon the tour operator's reputation for value and customer satisfaction.

Certain tour operators round out the range of services offered to travel agencies with the FIT formula (Foreign Independent Tour), namely the sale of seats along with lodging and car rentals.

2.2.2 Distribution and Travel Agencies

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

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

2.2.3 Charter Air Carriers

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

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

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

2.2.4 Factors Affecting Demand

In recent years, the vacation package and air charter industries have grown as a result of several factors, including: an aging population with more leisure time and financial resources; improved aircraft efficiency reducing the costs of airline travel; the addition of new destinations; the increasing popularity of all-inclusive packages; and recognition that travel requirements for vacationers are distinct from those of business travellers. Another factor affecting demand remains the general state of the economy of the various countries in which tour operators operate. Fiscal 2001 was marked by an excellent winter season, followed by a more difficult summer, due mainly to the slowing-down in the economy and an obvious oversupply in Canada. Then, the tragic events of September 11 further undermined demand.

2.2.5 Trends

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

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

ITEM 3. DESCRIPTION OF THE BUSINESS

Some of the following data on competitive positioning and market share of the Transat group of companies has been estimated by Management, based on its knowledge of the relevant industry segments. Being a vertically integrated business, the Corporation has determined that it conducts its activities in a single industry segment and offers one category of service, namely holiday travel. The revenues for this category of service for Transat's two most recently completed financial years were \$2,121,886,000 and \$1,922,550,000 for 2001 and 2000, respectively.

3.1 TOUR OPERATOR ACTIVITIES

The Corporation acts as an outgoing tour operator through Air Transat Holidays and World of Vacations/Nolitour (both divisions of Transat Tours), Americanada (an à-la-carte tour operator and consolidator), Rêvateurs (acquired in March 2001) as well as through its French subsidiaries VAT France, Look Voyages and Brok'Air. DMC, ATH USA, Jonview (acquired in January 2001), Tourgreece (acquired in March 2001) and Trafictours (created in October 1999) operate as incoming tour operators in Quebec, Florida, Canada, Greece and Mexico, respectively. Each of them operates independently in its own market by developing and marketing its individual product lines, while benefiting from the considerable purchasing power and other advantages generated by the Corporation's strategy of vertical integration.

3.1.1 Products of Transat Tours

Transat Tours, through its divisions Air Transat Holidays and World of Vacations/Nolitour, offers its clientele quality travel at good prices. It has developed two principal types of products: travel packages for sunshine destinations, mainly during the winter season, and charter flights with complementary products and services for travel to Europe, mainly during the summer season. Transat Tours is the leading Canadian-owned tour operator.

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

For travel to Europe, travellers may also make reservations for short stays (in hotels, studios, apartments, and bed and breakfast), car rentals (based either on the straight car rental formula or with a buy-back option) or train tickets. For destinations in France, Air Transat Holidays sells flights mainly to Paris, Nice, Bordeaux, Marseille, Lyon, Bâle-Mulhouse, Toulouse and Nantes, and for destinations in the United Kingdom and Ireland, it sells flights mainly to London, Manchester, Glasgow, Newcastle, Exeter, Cardiff, Birmingham, Edinburgh, Aberdeen, Belfast, Shannon, and Dublin. Air Transat Holidays also sells flights to Berlin, Brussels,

Düsseldorf, Frankfurt, Amsterdam, Prague, and Warsaw. Flights to London and Paris are offered year-round, but fewer flights are available from November to March.

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

For the 12-month period ended October 31, 2001, the Air Transat Holidays division of Transat Tours served approximately 780,000 travellers.

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

Nolitour offers to clients residing in the province of Quebec products which are similar to those of Air Transat Holidays. It specializes in southern destinations and sells packages to clients seeking value and comfort. Several years ago, Nolitour undertook to develop new products in order to balance its revenues from one season to the next. Hence, in the spring of 1997, it acquired certain assets of Auratours, a specialist in travel products to Italy. Since the 1998 summer season, Nolitour started to market Air Transat flights to Greece.

In 2001, Transat integrated the operations of World of Vacations with those of Regent Holidays in Ontario and those of Nolitour in Quebec, which consolidation resulted in major gains and efficiency. World of Vacations/Nolitour is very active in holiday packages and is very well known for its exclusive destinations, its cruises, and for the development of its presence in the Mediterranean basin, especially in Greece. World of Vacations/Nolitour serves, among others, many of the country's independent travel agencies.

For the 12-month period ended October 31, 2001, the World of Vacations/Nolitour division of Transat Tours served approximately 496,000 travellers.

3.1.2 Products of VAT France

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

For the 12-month period ended October 31, 2001, VAT France served approximately 119,000 travellers.

3.1.3 Products of Americanada

The tour operator Americanada is an à-la-carte specialist with its FITs (Foreign Independent Tour), namely, the sale of seats along with lodging and car rentals, and as of 2001, a consolidator for negotiated fares with various airlines. This tour operator complements the wide range of products offered to the travel agencies by the Transat group.

Americanada offers customized Florida and islands vacations to Barbados, Bermuda, the Bahamas and Aruba. It also offers customized motor coach tours in Quebec, Canada and the United States, as well as the rental of motorhomes. Further, Americanada offers cruises in Alaska, Europe and the Caribbean. Americanada opened an office in Toronto in 2001 and expects to open one in Vancouver in 2002.

3.1.4 Products of Look Voyages

Look Voyages is one of the largest French tour operators and is recognized as a leader in the air-only flight market. It holds a strong position in the market due to its exclusive value-added products in the form of holiday packages in "Club" hotels. "Lookéa" is the trademark used for these all-inclusive hotels situated in choice locations which include group animations and target a youthful family-oriented clientele. There were 14 Lookéa Clubs by the end of fiscal 2001 and there are plans for 22 such clubs by 2003, and some 30 clubs by 2005. Grand openings are planned for 2002 in Mexico, Kenya, Sicily, Spain, and the French Alps. Lookéa Clubs

are managed according to a hybrid formula calling upon partners to manage the resorts while Look Voyages handles activities and site supervision. During the last fiscal year, Look Voyages made new investments to ensure that facilities continue to meet the standards of quality sought by customers.

Look Voyages' products are sold year-round, but the summer season, which in France runs from April to October, is by far its busiest. Its most popular destinations are located in the Mediterranean region. Look Voyages' medium-term strategy is to develop value-added products aimed at increasing its vacation package activities, while remaining a leader in the distribution of air-only tickets. In accordance with its strategic objectives, Look Voyages increased in fiscal 2001 the proportion of packages sold in relation to air-only flights.

For the 12-month period ended October 31, 2001, Look Voyages served approximately 1,400,000 travellers (in legs).

3.1.5 Products of Brok'Air

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

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

3.1.6 Products of DMC

DMC provides foreign tour operators with a complete range of competitively priced Canadian tourism products, for both groups and individual travellers. In addition, DMC offers two major types of products, namely the organization of leisure trips (traditional, discovery and adventure tourism) and business trips (incentive trips, meetings, conferences) which it markets mostly in Europe and in the United States. In 2001, it successfully developed Morocco as a new French speaking market, with a weekly flight to Montreal. DMC, which served 38,000 travellers during the 12-month period ended October 31, 2001, is one of the largest incoming tour operators in Canada.

3.1.7 Products of Jonview

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

Jonview offers a full range of Canadian vacation products, including guided bus tours, group travel arrangements, fly and drive holidays, city and activity packages, ski vacations and a wide range of hotel accommodations. Jonview also offers, through its Canadian International Student Services division, a comprehensive range of ESL (English as a second language) products combining language studies with activities. Jonview brings approximately 165,000 tourists each year to Canada.

3.1.8 Products of Rêvatours

Rêvatours is a well established outgoing tour operator, located in Montreal, having 15 years of existence. It specializes in premier-quality guided tours in Asia (China, Vietnam, India, and others), Eastern Europe, North Africa (Tunisia, Morocco), Greece and Turkey, with specialized offerings for smaller market segments. Rêvatours served some 7,000 customers in Quebec in 2001 and can distribute its products throughout Canada now that it is part of the Transat group.

3.1.9 Products of Tourgreece

Tourgreece is a well established incoming tour operator located in Athens, Greece, having 23 years of existence. It offers a wide range of holiday packages, such as stays, excursions and cruises in Greece and the Greek Islands, as well as transportation from the airport to the hotel. Tourgreece served approximately 100,000 travellers in 2001, of which half were clients of the Transat group, and more particularly of Look Voyages who owns three Lookéa Clubs in Greece.

3.1.10 Positioning with Regards to Competition

On the Canadian Market

The Corporation is the largest tour operator in the Quebec market, where it is in competition with smaller tour operators, such as Tours Mont-Royal/Nouvelles Frontières, Signature Vacations and several others.

The Ontario market is the largest in Canada. Besides the Corporation, a few large tour operators play leading roles in the Ontario market, including North American Leisure Group (which includes Sunquest and Alba Tours), Signature Vacations and Conquest. Transat Tours, through its divisions Air Transat Holidays and World of Vacations/Nolitour, has succeeded in establishing a significant market share in the European travel segment (mainly to the United Kingdom) during the summer season, as well for the sunshine destinations segment during the winter season.

The Corporation has also established itself in Western Canada over the last few years. Air Transat Holidays and World of Vacations are working to strengthen the Transat group's presence in that region. For the rest of the industry, which is composed of small and medium size players, the scope is either regional or limited to a specific type of destination or travel.

Although quality is an important factor, competition between tour operators on the Canadian and French markets is mainly based on price, with consumers looking for the most affordable way to travel to their destinations. Reduced profit margins in recent years have caused tour operators to seek higher volumes and larger market shares. Another important factor relative to competition is exclusive access to certain hotels in sunshine destinations, which may enable a few major tour operators to improve their position on the market.

Globally, market conditions are stringent, with supply generally outstripping demand. During fiscal 2001, even though demand was excellent in the winter, it declined in the summer, due mainly to the slowing-down of the economy, and further dropped after the events of September 11. Over 18.7 million passengers had crossed Canadian borders in 2001, of which over 4.9 million were on their way to destinations other than the United States. Influenced by the climate, travellers prefer sunshine destinations in the winter and European destinations in the summer. By order of importance, Mexico, the Dominican Republic and Cuba are the most popular sunshine destinations.

With its leadership position, its skill in the strategic management of its products, and its market experience, the Transat group considerably strengthened its presence in the Canadian market in 2001. The result is that the number of travellers opting for its products increased. More precisely, in terms of its tour operator activities, the group is the best positioned throughout Canada on a regional basis. Geographical diversification involves both departure points and destinations, the purpose being to offer products that best meet customers' expectations in each new market, preferably exclusively. In addition, Transat continues to invest in the expansion of its range of products, in keeping with market trends. Among its initiatives are short package trips to Paris, and the upscale "Special Collection" products.

On the French Market

The French market consists of approximately 350 tour operators with total revenues estimated at \$13 billion, the largest of which are Club Med–Jet Tours, Nouvelles Frontières, Voyages FRAM and Look Voyages. The trend towards consolidation that has characterized the tour operator industry in Canada is well underway in France. Thus, the French vacation travel market continues to evolve on two levels: consumption patterns and organizational structure.

There is a rising demand for long-haul flights during the winter (primarily to sunshine destinations). Aside from the French West Indies (Guadeloupe and Martinique), the demand for countries such as Cuba, the Dominican Republic, and Mexico is growing, supported by the affluence of French tourists. This situation enables several players in the industry to increase that proportion of their revenues derived from winter operations. On an operational level, it is a welcome change because it results in greater use of equipment and infrastructures over longer periods of time.

In terms of organizational structure, France experienced an accelerated consolidation of the tourism industry in 2001; this was the combined result of the arrival of foreign companies and of the pooling of interests among French players. In particular, Preussag, a German tour operator and a major player in the industry, acquired a minority participation in Nouvelles Frontières and will become Nouvelles Frontières' majority shareholder by 2002-2003. An increasing number of market participants are looking at various forms of partnership with other organizations in order to spur their own development. This trend can in part be explained by the market's strong potential for growth: the French, who have historically travelled abroad much less than other Europeans, now seem to be increasingly drawn to travel outside their borders. Some 26 million trips outside the country were recorded in 2000, a growth of 8.2% compared to 1999.

As for Transat, it is firmly established in France, where its tour operator activities rely on VAT (France), Look Voyages, and the consolidator Brok'Air.

VAT(France), which now ranks among the 10 leading tour operators in France, is the leader for packages to Canada, a product purchased by more than 77,000 travellers each year. In fact, Canada is one of the country's most popular transatlantic destinations, having attracted some 400,000 French tourists in 2000. Over the years, VAT (France) has been able to build on this solid base by enriching its product offerings. Taking advantage of synergies with Air Transat Holidays in Canada, the tour operator is the leader in France for the Dominican Republic and ranks second for Cuba.

The leader for air-only flights, Look Voyages offers its customers some 800 destinations on five continents, with departures from Paris and seven other cities. Look Voyages is now the fourth most important tour operator in France. As in Canada, the characteristics of the holiday travel market vary depending on the season: during the winter, the French prefer domestic and long-haul flights, while in the summer they readily opt for the Mediterranean Basin and North Africa. Look Voyages has succeeded in building a solid brand image and ranks first in top of mind surveys with the under-30 age group.

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

3.2 DISTRIBUTION BUSINESS

3.2.1 Travel Agencies

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

In the Canadian market, Transat distributes its products in part through its own retail network, corporate or franchised, which has 246 sales outlets managed by Consultour under the banners Club Voyages, Voyages en Liberté, Vacances Tourbec and Inter Voyage in Quebec and in Eastern Canada. Consultour, through Euro Charter, owns and operates 63 travel agencies throughout France.

In 2001, Consultour has expanded its network in Canada through the acquisition of TravelPlus, a network of 61 independently owned travel agencies and of 11 new corporately owned travel agencies.

For the year ended October 31, 2001, the traditional Canadian agencies had commission revenues of approximately 2.6 million dollars and the traditional French agencies of 12 million dollars.

3.2.2 E-Commerce

www.anyway.com

Information technologies play a major role in the tourism industry. Therefore, it has become increasingly clear that marketing our products on the Internet holds great promise. In France, we penetrated the market in April 1999 with the www.anyway.com site and a call centre, a true online travel agency offering airline tickets, hotel rooms, car rentals, trips and, increasingly, packages. With recently added charter flights offered by VAT France, Anyway now distributes all of Transat's airline products and will keep expanding its range of products in 2002.

Since launching www.anyway.com, Anyway has reported sustained growth, a trend that continued in 2001 with a growth rate of nearly 60% and 3.9 million Euros in commission revenues.

During 2001, Anyway equipped itself with new facilities to be able to handle rapidly increasing reservations. It also became the exclusive French subcontractor for Expedia, the second online travel provider in the world, and entered into agreements with other portals, namely Wanadoo and Voilà (France Télécom), and Yahoo!France.

The strategic plan of Anyway is to make it a key tool in the penetration of new geographical markets, especially in Southern Europe.

www.exit.ca

In Canada, also in 1999, we developed and launched the www.exit.ca site. The result of a multidisciplinary collaboration, this transactional and readily accessible site offers Transat's and several competitors' vacation packages and charter flights, as well as scheduled flights and consolidated tickets out of Canada. It is the only portal of its kind in Canada, and, in our view, one of the best sites in its category in the world. Immediately embraced by the general public, the site generated several hundred transactions during its initial weeks of existence. Despite September 11, it had more than 450,000 visits a month during fiscal 2001 and surveyed about 50,000 customers. For the year ended October 31, 2001, Exit generated 2.7 million dollars in commission revenues.

The first Web site specializing in vacation packages and charter flights, www.exit.ca offers travellers user-friendly access to thousands of products, based on the city of departure, chosen destination and desired dates of travel. Net surfers can analyze the options, indicate their choices with a few clicks, and then reserve online in complete security. They readily carry out their transactions directly or through a call centre after choosing the product they want on the Internet. They have access to aircraft seats, packages, promotions and various last-minute discounts. During 2001, Exit became the Canadian vacation partner of AOL (America Online), Sympatico, Travelocity and Quebecor Media.

Behind the scenes of www.exit.ca is a unique technological platform and a highly sophisticated product management system; these allow for advanced automation with content real time updates every 12 hours. Therefore, consumers have round-the-clock access to their travel agency. Exit is in the process of introducing a higher performance interface that will, for instance, reduce the number of clicks needed for searches and reservations, and offer new search engines for travel packages.

3.2.3 Positioning with Regards to Competition

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

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

Retail chains constitute one third of all travel agents in Canada. The major chains are Consultour/TravelPlus, Thomas Cook/Marlin, Advantage and Carlson. Retail chains, operating under a common brand, provide a range of services to their members, in the form of centralized negotiated commission levels with major tour operators, as well as training, marketing and information services support.

Consortiums of travel agents, such as Giants and GEM, constitute the second third of Canadian travel agents. They only offer centralized negotiated commissions with tour operators.

Finally, the other third is made up of independent travel agents. Vertical integration between travel agent networks and tour operators is experienced in Canada, as is the case in Europe. All major Canadian tour operators acquired travel agencies in 2001.

French consumers have a number of ways in which they can purchase either a vacation package or airline tickets: traditional or online travel agencies, company committees, community organizations, group specialists or Minitel. With regards to agencies, the market is all the more fragmented in that large travel agency networks work alongside numerous small, independent, generalized or specialized travel agencies. In France, Transat has 63 wholly-owned sales outlets under the Club Voyages banner, out of which 34 are in the metropolitan Paris area. During the past fiscal year, some 15 other agencies were acquired, mostly around Paris. In keeping with its growth strategy and considering the climate of consolidation that characterizes the market, the Transat group intends to further expand its distribution network in France.

Thanks to Anyway, which operates a call centre and the www.anyway.com Web site, Transat is ahead of the game in the distribution of products on the Internet. Since its launch in April 1999, www.anyway.com has recorded sustained growth in the number of visitors, and its look-to-book ratio is among the best in Europe for sites of this kind. In addition to airline tickets, hotel rooms, car rentals and vacations can be booked with Brok'Air, and charter flights with Look Voyages. The site's success, which also produces many telephone transactions, has made Anyway the third leading online travel agency in France, with sales of approximately 35 million euros in 2001. Anyway now ranks thirtieth among all travel retail networks.

3.3 CHARTER AIRLINE BUSINESS

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

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

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

Having carried close to 3.3 million passengers in the last fiscal year, Air Transat is the leading charter carrier in Canada. The leader for holiday flights to France, Belgium, the Netherlands, the United Kingdom, Greece, Germany, Portugal, Switzerland, Cuba, the Dominican Republic, Mexico, Venezuela, Colombia and Costa Rica, Air Transat flies to some 90 destinations in 27 countries. Air Transat mainly serves sunshine destinations during the winter season and European destinations during the summer. In Canada, Air Transat now flies from 10 major cities, with the recent addition of Winnipeg, Saskatoon and St. John's.

Air Transat currently operates a fleet of 2 Airbus A330-200 with 363 seats each, 1 Airbus A330-300 with 362 seats, 6 Lockheed L-1011-500s with 309 seats each, 4 Boeing 757-200ERs with 228 seats each and 4 Airbus A310 with 259 seats. The latter aircraft were delivered in 2001 as part of Air Transat's fleet renewal program.

As planned, Air Transat will put into operation one additional Airbus A330-300 in May 2002, the last aircraft of a series of five added for fleet renewal. Combining reliability and comfort, Airbus 310s enable Air Transat to provide non-stop flights to all its destinations. As a result of the drop in demand following the events of September 11, Air Transat accelerated the planned retirement of its Lockheed L-1011-150s, but will add a fourth Airbus A330 to its fleet for the next summer season to make up for the retired Lockheed L-1011-150s. Obligations under capital leases related to aircraft totalled US\$27,385,000 in 2001 and mature at various dates until 2005.

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

Look Voyages co-founded and holds a 44.3% interest in STAR, a French charter air transportation company. STAR operates five Airbus A320 aircraft with 180 seats each. After an attempt to penetrate the long-haul market, STAR reverted to its original mission for which an aircraft like the Airbus A320 is well adapted: to serve the travel market in continental Europe and the Mediterranean, including certain countries in North Africa and the Caribbean, for the benefit of Look Voyages as well as other tour operators. On another front, STAR created two new affiliated companies during the fiscal year: one providing food service aboard its aircraft and another providing pilot training.

In 2001, close to 3.3 million passengers travelled with Air Transat, divided amongst the following important destinations: international flights (72.9%), flights towards the United States (21.2%), and domestic flights (5.7%). In 2001, STAR carried some 805,000 passengers to numerous destinations, which is about as many as in the previous year, the main destinations being Spain, Italy, Greece, Senegal, Tunisia and Morocco.

3.3.1 Distribution and Marketing

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

During the past fiscal year, Air Transat launched, in collaboration with Exit, Transat's online travel agency, a web site offering content to travellers in terms of vacation spots, package browsing and flight options and enabling online reservations.

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

Tour operators owned by or affiliated with the Corporation provided about two-thirds of Air Transat's revenues for the 12-month period ended on October 31, 2001.

3.3.2 Maintenance

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

Air Transat carries a large inventory of spare parts for its Airbus A330 and A310, Lockheed L-1011 and Boeing 757 aircraft. Air Transat's aircraft maintenance procedures and standards exceed Transport Canada's requirements and equal those set by well-known scheduled airlines having a reputation for high maintenance standards.

For nearly two years, Air Transat has been committed to a sweeping re-engineering and improvement of processes involving all aspects of its operations. The purpose of this large scale project, which is progressing in stages, is to improve the quality of service while optimizing resources. It includes a complete review of processes linked to aircraft maintenance, the integration of functions connected with passenger service and crew and aircraft scheduling, as well as the implementation of a new management information system. There have already been tangible results in all of these areas of operation, translating into improved on-time performance. In 2001, Air Transat had about 15,000 flights, with 300 flights a week on average.

Following the emergency landing of one of its Airbus A330-200 in the Azores on August 24, 2001, Air Transat was imposed a fine relating to an improper installation of a hydraulic pump on the engine of the aircraft and subsequent use of the aircraft. Air Transat is fully collaborating with the Portuguese authorities and the Transportation Safety Board of Canada conducting the ongoing investigation

into the causes of the fuel leak that caused the emergency landing, which investigation also involves the aircraft and engine manufacturers.

Following this incident, Air Transat implemented further measures, some of which are imposed by Transport Canada while others are voluntary, that added to the extensive effort already undertaken by Air Transat to improve its methods. These measures, based on a principle of precaution to which Air Transat subscribes without reserve, focus particularly on certain aspects of crew training, the inspection of maintenance work, as well as the limitation of Air Transat's Extended Range Twin-Engine Operations (ETOPS) pending the completion of training sessions on extended range flights. The latter precaution means that all Air Transat's twin-engine aircraft must be within 90 minutes flying time of suitable en-route airports between the point of departure and arrival. Previously, Air Transat had the 120-minute ETOPS based on its established track record of air safety over 14 years of operation.

3.3.3 Insurance

Air Transat carries insurance in amounts in accordance with industry standards and in compliance with applicable statutory requirements and the covenants in its aircraft lease agreements. The Corporation's liability insurance for airline operations covers liability related to damages resulting from injury or death of passengers, as well as to damage suffered by third parties. The coverage limit for any single event is US\$1 billion.

In this respect, following the emergency landing of an Air Transat aircraft in the Azores on August 24, 2001, three class actions have been instituted against Air Transat. If and when any such class action is certified by a competent tribunal, the plaintiffs will still have to obtain a favourable decision by the courts. The Corporation believes that Air Transat has adequate liability insurance to cover any such actions, should Air Transat be found liable thereunder.

As a result of the September 11 terrorist attacks, insurance companies around the world cancelled their coverage with respect to risks resulting from war and terrorist acts. This coverage was subsequently re-established for airlines only upon payment of an expensive premium of US\$1.25 per passenger, but the civil liability coverage towards third parties was limited to a maximum of US\$50,000,000.

To fill the gap created by this situation, Canadian and French governments have guaranteed airlines a protection against their civil liability towards third parties resulting from war and terrorist acts which exceeds US\$50,000,000 as long as adequate insurance coverage against these risks will not be available on commercially reasonable terms. There can be no assurance that the governments of Canada and France will continue to provide such insurance coverage.

3.3.4 Fuel Supply

Fuel costs represent a major component of Air Transat's operating expenses. While an increase in the price of vacation packages and air-only flights (especially in winter) and the tight management of aircraft did in part compensate for the upsurge in fuel costs, Air Transat's margins were nevertheless affected during fiscal 2001. The Corporation has negotiated with national and international oil companies to ensure that aircraft are supplied with fuel at all airports where it operates. Fuel prices are agreed to for each season on the basis of fixed margins over fluctuating world prices. When deemed necessary, the Corporation hedges a portion of its fuel requirements. The tariff filed by Air Transat with the Canadian Transportation Agency states that charter agreements signed with tour operators may be amended in the event of significant variations in the price paid for fuel.

3.3.5 Groundhandling and Airport Services

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

Handlex is Air Transat's partner on the ground that provides representation and handling services. It also serves other airlines such as Air France, Egypt Air, Virgin Atlantic and Exp-Air Cargo.

3.3.6 Positioning with Regards to Competition

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

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

The competition between charter air carriers is essentially based on price, which is mainly a function of the level of seat capacity. Prices therefore vary significantly in accordance with seasonal variations in demand and price wars are often triggered whenever carrier capacity exceeds demand or a competitor seeks to increase its market share. Recent developments in Canada concerning competitors of Transat have brought on capacity which exceeds demand, generating a certain duplication of seats offered by different charter air carriers. Furthermore, the large number of charter air carriers and scheduled airlines flying to U.S. destinations combined with the weakness of the Canadian dollar versus the U.S. dollar has resulted in heavy competition and lower profit margins on flights to these destinations.

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

In November 2001, Canada 3000 Inc. ("Canada 3000"), Air Transat's main competitor, interrupted its activities and went bankrupt, only a few months following an announcement that it was regrouping with Royal Aviation Inc., with a view to create a new air carrier offering low-rate services to national and international destinations. Canada 3000's demise had a positive impact on Air Transat. Transat's flagship air carrier immediately made adjustments to its own operations with a view to meet the needs of tour operators who had chartered Canada 3000 seats in order to ensure continued service. Adjustments targeted autumn flights and included added flights or increased capacity out of Toronto and Montreal, as well as preferential rates on Air Transat's scheduled routes to assist Canada 3000 passengers remaining on location.

3.4 REGULATORY ENVIRONMENT

3.4.1 *Tour Operators and Travel Agencies*

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

Some legislation also provides that a bond is required as a condition to receiving a travel agent license. To ensure compliance with applicable legislation, control and inspection mechanisms have been put in place. In addition, in some jurisdictions travel agents must contribute to compensation funds used to protect against fraud and bankruptcies. Recently, a legislative change in Ontario brought upon by the bankruptcy of Canada 3000 resulted in increased protection to consumers who have not received their travel services due to the bankruptcy or insolvency of an airline or a cruise line. Ontario's legislation with respect to travel agents now allows claims on the compensation fund in respect of airline or cruise ship end supplier failures. In such cases, registered travel agents in Ontario will be able to draw directly on the compensation fund and use the money to repay travellers stranded by the carrier's failure. Prior to this change, travel agents could draw on the compensation fund to compensate consumers only in the event that they became bankrupt or insolvent themselves.

The Corporation believes it holds all licenses necessary for its operations and is in compliance with the requirements of applicable legislation.

3.4.2 *Air Carriers*

International Regulation

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

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

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

Canadian Legislation

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

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

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

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

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

Pursuant to the *Canada Transportation Act* (the “Act”), Air Transat must establish, at all times, that it is a “Canadian” within the meaning of such act in order to hold the appropriate license to operate an air service. As Air Transat is wholly-owned by Transat, the Corporation must, in order for Air Transat to qualify as a “Canadian”, itself qualify as a “Canadian”, which means it must ensure that no more than 25 % of its outstanding voting shares are held, directly or indirectly, by “non-Canadians” within the meaning of the Act. To the best of the Corporation’s knowledge, approximately 7.6% of the voting shares of the Corporation’s share capital was owned by “non-Canadians” within the meaning of the Act as at December 31, 2001.

Foreign Legislation

In respect of each jurisdiction other than Canada in which Air Transat operates, the latter must comply with applicable laws and, when necessary, obtain the required licenses, permits and authorizations. Such permits and authorizations are generally issued to Air Transat provided it meets the applicable criteria, which may vary from country to country. STAR must also comply with applicable French and European laws and obtain various licenses, permits and authorizations, when necessary. Air Transat and STAR believe they hold all licenses, permits and authorizations necessary for their operations and are in compliance with the requirements of applicable foreign legislation.

3.5 EMPLOYEES

As at October 31, 2001, the Corporation, its wholly-owned subsidiaries and its affiliates had a total of 5,370 employees, as follows:

Holding activities	Transat	44
Carriers and Groundhandler	Air Transat	2,029
	STAR	301
	Handlex	751
Outgoing Tour Operators	Air Transat Holidays division	448
	World of Vacations/Nolitour division	266
	Rêvateurs	25
	Americanada	185
	Brok' Air (including Globe System, Anyway and Daily Planet)	169
	Look Voyages	381
	VAT France	156
Incoming Tour Operators	DMC	48
	Jonview	150
	ATH USA	25
	Tourgreece	40
Distribution/Travel Agencies	Consultour	33
	Tourbec	16
	Exit	70
	Euro Charter	232
Hotel Management	Cameleon	1

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

Some of Air Transat's employees, mainly the pilots, flight attendants, crew scheduling personnel, passenger service employees and mechanics, belong to employee associations with which Air Transat has negotiated a series of working conditions. Pilots are affiliated with the Airline Pilots Association ("ALPA") while the flight attendants are affiliated with the Canadian Union of Public Employees and the crew scheduling personnel, passenger service employees and mechanics with the International Association of Machinists and Aerospace Workers. Collective bargaining agreements in force with the pilots and flight attendants, crew scheduling personnel, passenger service employees and mechanics, expire on October 31, 2001, December 31, 2001, July 31, 2003, April 30, 2002, and April 30, 2003, respectively.

Air Transat's collective agreements with its pilots and flight attendants are currently under negotiation and the Corporation is confident that such collective agreements will be renewed.

Some of Handlex's employees, mainly the mechanics and station attendants, the cabin service attendants and the passenger service agents belong to employee associations with which Handlex has negotiated working conditions. Mechanics and station attendants are, as is the case at Air Transat, affiliated with the International Association of Machinists and Aerospace Workers while the passenger service agents are with the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW-Canada"). Cabin service attendants affected to Montreal are represented by the Union of Local Transport and Various Industries Workers while those affected in Toronto are represented by CAW-Canada. Collective bargaining agreements with the mechanics and station attendants, passenger service agents, and cabin service attendants affected in Montreal are in force until July 16, 2003, September 5, 2003 and March 8, 2004, respectively. The collective agreement with the cabin service attendants affected to Toronto expired on May 23, 2001 and was renewed on December 6, 2001 for the period between May 23, 2001 and May 23, 2004.

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

3.6 GEOGRAPHIC BUSINESS SEGMENTS

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

	<u>Canada</u>		<u>France and others</u> (in thousands of dollars)		<u>Total</u>	
	2001 \$	2000 \$	2001 \$	2000 \$	2001 \$	2000 \$
Revenues from third parties	1,447,226	1,163,007	674,660	759,543	2,121,886	1,922,550
Geographic intersegment sales	42,773	61,889	3,845	-	-	-
Total revenues	1,489,999	1,224,896	678,505	759,543	2,121,886	<u>1,922,550</u>
Capital assets and goodwill	206,748	190,947	47,272	38,687	254,020	<u>229,634</u>

3.7 PREMISES

The Corporation owns the building situated at 11,600 Cargo A-1 Street, Montreal International Airport in Mirabel, Quebec, which is the head office and the principal maintenance base of Air Transat. This property, which occupies an area of 15,302 m², is mortgaged in favour of the Corporation's bankers.

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

<u>Name</u>	<u>Address</u>	<u>Description</u>	<u>Area</u>
Transat	300 Léo-Pariseau Street Suite 600 Montreal, Quebec	Head office and place of business	1,372 m ²
Air Transat	12655 Commerce A-4 Montreal International Airport Mirabel, Quebec	Place of business	2,592 m ²
	19555 Cargo A-6 D Building Montreal International Airport Mirabel, Quebec	Place of business and warehouse	7,059 m ²
	11855 Service A-3 Montreal International Airport Mirabel, Quebec	Warehouse	5,574 m ²
	3400 American Drive Mississauga, Ontario	Place of business and warehouse	1,869 m ²
	6380 Northwest Drive Mississauga, Ontario	Warehouse	2,341 m ²
	Vancouver International Airport Domestic Terminal Building Suite 4205 Richmond, British Columbia	Offices	407 m ²
	B103-4851 Miller Road Vancouver International Airport Richmond, British Columbia	Offices and warehouse	575 m ²
Handlex	12655 Commerce A-4 Suite 544 Montreal International Airport Mirabel, Quebec	Head office and place of business	1,411 m ²
	6300 Silver Dart Drive Terminal 3 Room G219C Mississauga, Ontario	Place of business	1,055 m ²
Air Transat Holidays	300 Léo-Pariseau Street Suite 400 Montreal, Quebec	Head office and place of business	5,063 m ²
	191 The West Mall Suite 800 Mississauga, Ontario	Place of business	1,468 m ²
	505 Burrard Street Suite 620 Vancouver, British Columbia	Place of business	1,151 m ²

<u>Name</u>	<u>Address</u>	<u>Description</u>	<u>Area</u>
World of Vacations/Nolitour	191 The West Mall Suite 600 Toronto, Ontario	Head office and place of business	2,065 m ²
	1200 73 rd Avenue West Suite 500 Vancouver, British Columbia	Place of business	438 m ²
	300 Léo-Pariseau Street Suite 500 Montreal, Quebec	Head office and place of business	1,374 m ²
VAT France	43 Diderot Blvd. 75012 Paris France	Head office and place of business	1,350 m ²
	7 Baccaria Street 75012 Paris France	Place of business	200 m ²
DMC	300 Leo-Pariseau Street Suite 2410 Montreal, Quebec	Head office and place of business	697 m ²
	8500 Henri-Bourassa Suite 323 Charlesbourg (Quebec)	Place of business	149 m ²
	1001 Square Dorchester Suite 100 Montreal (Quebec)	Place of business	9 m ²
Rêvatours	1450 City Councillors Suite 520 Montreal (Quebec)	Head office and place of business	383 m ²
Look Voyages	12 Truillot Street 94204 Ivry-sur-Seine France	Head office and place of business	6,200 m ²
ATH USA	140 South Federal Highway 2nd Floor Dania Beach, Florida	Head office and place of business	2,834 m ²
Exit	300 Léo-Pariseau Street Suite 1500 Montreal, Quebec	Head office and place of business	1,378 m ²
Consultour	300 Léo-Pariseau Street Suite 1601 Montreal, Quebec	Head office and place of business	1,162 m ²
Americanada	300 Léo-Pariseau Street 2 nd Floor Montreal, Quebec	Head office and place of business	2,064 m ²

Jonview	1300 Yonge Street 8 th Floor Toronto, Ontario	Head office and place of business	4,116 m ²
Brok' Air	76, bis Vieille du Temple Street 75003 Paris France	Head office and place of business	210 m ²
	128-130 Quai de Jemmeps 75010 Paris France	Place of business	40 m ²
	30 Amiral Lemonnier Street 78160 Marly le Roi France	Place of business	157 m ²
Euro Charter	6 Marbeuf Street 75008 Paris France	Head office and place of business	180 m ²
	Parc d'activités de la Maison Neuve 6 Marcel Dassault Street 44980 Ste-Luce sur Loire France	Place of business	337 m ²
Tourgreece	80-88 Sygrou Av. 117 41 Athens, Greece	Head office and place of business	600 m ²

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

3.8 ENVIRONMENT

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

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

ITEM 4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.1 ANNUAL

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

	Years ended October 31				
	2001	2000	1999	1998	1997
	(in thousands of dollars, except per share amounts)				
Revenues	\$2,121,886	\$1,922,550	\$1,623,315	\$1,421,454	\$1,316,740
Operating income before amortization and goodwill charges	58,023	102,524	90,777	72,279	72,457
Operating income before goodwill charges	6,748	68,646	56,224	41,686	49,656
Goodwill charges	4,442	2,862	2,542	2,613	2,714
Net income (net loss)	(98,964)	36,640	30,022	19,731	25,364
Operating cash flow	59,357	75,226	63,391	51,127	46,117
Capital assets (including rotatable aircraft spare parts)	185,403	180,559	131,077	129,311	130,083
Total assets	614,371	684,119	545,346	496,567	467,476
Long-term debt and obligations under capital leases (including current portion)	147,496	144,135	104,343	109,376	115,760
Debenture	10,894	10,000	10,000	10,000	10,000
Shareholders' equity	135,867	232,464	204,149	182,668	164,420
Net earnings (net loss) per share before goodwill charges					
Earnings (loss) per share	(2.93)	1.23	0.96	0.65	0.86
Diluted earnings (loss) per share	(2.93)	1.22	0.95	0.64	0.85
Net earnings (net loss) per share					
Earnings (loss) per share in circulation	(3.07)	1.14	0.89	0.58	0.78
Diluted earnings (loss) per share	(3.07)	1.13	0.88	0.57	0.77

4.2 STATISTICS OF THE LAST EIGHT QUARTERS

Selected Consolidated Quarterly Financial Data

(in thousands of dollars, except per share amounts)

Year ended October 31, 2001	1st quarter	2nd quarter	3rd quarter	4th quarter
Total revenues	509,643	689,700	521,197	401,346
Net income (net loss)	(649)	16,522	5,876	(120,713)
Earnings (loss) per share	(0.02)	0.51	0.18	(3.74)
Diluted earnings (loss) per share	(0.02)	0.51	0.18	(3.74)
Year ended October 31, 2000	1st quarter	2nd quarter	3rd quarter	4th quarter
Total revenues	397,361	594,582	463,284	467,323
Net income (net loss)	(552)	13,292	9,819	14,081
Earnings (loss) per share	(0.02)	0.41	0.31	0.44
Diluted earnings (loss) per share	(0.02)	0.41	0.31	0.43

4.3 DIVIDENDS

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

4.4 AUDITORS

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

ITEM 5. MANAGEMENT'S DISCUSSION AND ANALYSIS

5.1 RESULTS FOR FISCAL 2001

For the year ended October 31, 2001, Transat reported revenues of \$2.1 billion compared with \$1.9 billion in 2000, an increase of 10.4%. This increase is mainly attributable to acquisitions made during the year as well as to the general increase in prices, especially during the winter season. Revenues were unfavourably affected by fierce competition during the summer season and by a decline in demand, especially in September and October, subsequent to the attacks on the United States on September 11, 2001.

5.2 WINTER SEASON

The results of the winter season, during which the Corporation primarily sells travel to sunshine destinations, were excellent. For the six-month period ended April 30, 2001, Transat reported revenues of \$1.2 billion and income before taxes of \$30.6 million compared with revenues of \$991.9 million and income before taxes of \$25.8 million for the same period last year. While growth was in part attributable to business acquisitions, it came primarily from price increases and higher sales volumes.

5.3 SUMMER SEASON

The second half of the fiscal year was more difficult than anticipated, due to a slowing economy, fierce competition, overcapacity in air transportation in Canada and the resulting pressure on prices. Demand slumped in certain markets, especially after September 11, adding pressure on sales prices. Finally, the continuing strength of the U.S. dollar (airlines pay a major part of their expenses in U.S. dollars) and an increase in costs including aircraft maintenance expenditures had an unfavourable effect on margins. Economic uncertainty and later events of September 11 certainly had a negative impact on demand. For the six-month period ended October 31, 2001, Transat reported revenues of \$922.5 million and a loss of \$32.5 million before unusual items and taxes, compared with revenues of \$930.6 million and income before taxes of \$38.3 million for the same period the previous year.

5.4 UNUSUAL ITEMS

The September 11 attacks resulted in a significant decrease in demand. Confronted with this situation, Transat quickly moved to reduce its capacity and the size of its organization. The measures taken by Transat in September resulted in the write-off of certain tangible and intangible assets, as well as the incurrence of unusual charges and non-recurring expenses connected to the restructuring. The unusual items (listed in note 16 to the consolidated financial statements) resulted in a charge of \$117.0 million before taxes (\$94.8 million after taxes) in the fourth quarter. The assets written off included, in particular, the seven L-1011-150s from the fleet of Air Transat (whose retirement had previously been planned for within the next three years), being airframe, engines and spare parts for these aircraft, totalling \$74.8 million. Layoff and restructuring costs of \$7.1 million, charges connected to an incident in the Azores in August 2001 of \$5.3 million and other write-offs of \$29.8 million represent the balance of the \$117.0 million pre-tax unusual items, \$100.8 million of which did not involve any cash outflows.

5.5 OTHER CHARGES

Amortization expense increased 51.4% to reach \$51.3 million in 2001, compared with \$33.9 million in 2000. This increase is mainly attributable to additions to capital assets (\$54.7 million and \$60.1 million respectively for fiscal 2001 and 2000) and additions to other assets (\$17.8 million and \$15.0 million respectively for fiscal 2001 and 2000).

Interest expenses rose from \$12.9 million in 2000 to \$15.1 million in 2001 due to an increase in average indebtedness, which was partly offset by lower interest rates. Interest revenues declined by \$0.3 million.

Goodwill charges increased to \$4.4 million in 2001 compared with \$2.9 million in 2000 as a result of business acquisitions made in fiscal 2000 and 2001.

5.6 RESULTS

For the year ended October 31, 2001, the Corporation recorded an income of \$2.7 million before unusual items, income taxes, goodwill charges and minority interests, compared with \$67.0 million the previous year. The Corporation recorded a net loss of \$99.0 million (\$3.07 per share) compared with net income of \$36.6 million (\$1.14 per share) in 2000. Results per share are calculated based on a weighted average number of shares outstanding of 32,248,437 for fiscal 2001, compared with 32,158,026 for fiscal 2000.

Revenues per season	2001	2000	Variation	Change in %
Winter season	1,199,343	991,943	207,400	+20.9%
Summer Season	922,543	930,607	(8,064)	-0.9%
Total	2,121,886	1,922,550	199,336	+10.4%

(in thousands of dollars)

Sources of Revenues	2001
Ontario	33.8%
France	31.8%
Quebec	22.6%
Western Canada	7.1%
United Kingdom	2.2%
Other	2.5%

5.7 ACQUISITIONS

Pursuant to its strategy of vertical integration, Transat completed several acquisitions in fiscal 2001, details of which are listed in note 15 to the consolidated financial statements. The Corporation acquired on January 22, 2001 a 50% interest in Jonview, the leading Canadian incoming tour operator, for a cash consideration of \$10.6 million. Through a series of transaction with a minority shareholder of DMC (the leading incoming tour operator in Québec), Transat subsequently reduced its participating interest in Jonview to 35.8% and increased its investment in DMC to 71.5%. On March 1, 2001, Transat acquired a 100% interest in the outgoing tour operator Rêvatours for a cash consideration of \$3.3 million. Through Look Voyages, Transat acquired on March 5, 2001 a 40% interest in Tourgreece, a Greek incoming tour operator for a cash consideration of \$1.6 million. On May 1, 2001, Transat acquired the remaining 65% of the shares of World of Vacations Ltd. for a cash consideration of \$1.1 million. Finally, through its subsidiary Consultour, Transat acquired a number of travel agencies in Canada and in France as well as a Canadian franchisor of travel agencies for a total amount of \$9.6 million.

5.8 FINANCIAL POSITION

The Corporation's cash and cash equivalents, including cash held in trust, totalled \$84.6 million as at October 31, 2001.

For fiscal 2001, the Corporation generated an operating cash flow of \$59.4 million. Operating activities used \$12.0 million

of cash, considering the negative net change of \$71.4 million in non-cash working capital balances net of deposit and engine and airframe overhaul expenses. The Corporation spent a net amount of \$59.4 million on investing activities, mostly for additions to capital assets and other assets and for the acquisition of businesses. For the year ended October 31, 2001, financing activities generated \$8.7 million, through increased borrowings under existing bank credit facilities as well as long-term debt, net of debt repayments.

				Revenues		
				for the years ended	2001	2,121,886
				October 31	2000	1,922,550
					1999	1,623,315
					1998	1,421,454
				(in thousands of dollars)	1997	1,316,470
Net income (net loss)				Operating cash flow		
For the years ended	2001	(98,964)		for the years ended	2001	59,357
October 31	2000	36,640		October 31	2000	75,226
	1999	30,022			1999	63,391
	1998	19,731			1998	51,127
(in thousands of dollars)	1997	25,364		(in thousands of dollars)	1997	46,117
Earnings (loss) per share				Operating cash flow per share		
For the years ended	2001	(3.07)		for the years ended	2001	1.84
October 31	2000	1.14		October 31	2000	2.34
	1999	0.89			1999	1.87
	1998	0.58			1998	1.49
(in dollars)	1997	0.78		(in dollars)	1997	1.41

Accounts receivable increased from \$67.6 million as at October 31, 2000 to \$85.5 million as at October 31, 2001, an increase resulting mostly from activities related to current operations and acquisitions of businesses.

Income taxes recoverable as at October 31, 2001 totalled \$35.4 million and are connected to the carry back of tax losses incurred by certain subsidiaries in 2001 allowing for recovery of income taxes paid in previous fiscal years. The Corporation received \$29.6 million of the income taxes recoverable in the first quarter of 2002.

Deposits with suppliers declined by \$13.9 million, or 26.6%, from \$52.2 million as at October 31, 2000, to \$38.3 million as at October 31, 2001. This item consists mainly of deposits with hoteliers for the winter 2001-2002 season. The reduced level of these deposits for the winter 2001-2002 season is a direct consequence of the expected decrease in activity compared with the previous winter season.

Future income tax assets increased \$8.7 million due to the consolidation of World of Vacations Ltd. in May 2001, and the recording of future income tax benefits related to losses incurred by certain subsidiaries in 2001, offset by the realized portion of future income tax assets and a valuation allowance of \$18.3 million.

Deposits and other expenses decreased from \$86.0 million as at October 31, 2000 to \$19.7 million as at October 31, 2001 due mainly to the write-off of deposits and engine and airframe overhaul expenses related to the Lockheed L-1011-150 aircraft mentioned in note 16 to the consolidated financial statements.

The decrease in investments from \$19.2 million as at October 31, 2000 to \$8.4 million as at October 2001 is mainly related to the acquisition and subsequent consolidation of World of Vacations Ltd. as of May 1, 2001.

Capital assets totalled \$185.4 million as at October 31, 2001, compared with \$180.6 million as at October 31, 2000. Additions to capital assets totalled \$54.7 million in fiscal 2001 but depreciation combined with asset write-offs reduced the year-end balance.

Goodwill as at October 31, 2001 was \$68.6 million, compared with \$49.1 million as at October 31, 2000. This increase is the result of business acquisitions completed during the fiscal year, net of goodwill charges and write-down.

Accounts payable and accrued liabilities increased by \$32.3 million, or 16.2%, mainly as a result of business acquisitions during the year and tighter cash management by the Corporation.

Customer deposits and deferred income decreased by \$29.5 million, or 30.6% due to the decline in reservations for the winter 2001-2002 season, compared with the previous winter season.

Long-term debt, obligations under capital leases, and debentures increased from \$154.1 million as at October 31, 2000, to \$158.4 million as at October 31, 2001. This increase is the result of financing related to additions to capital assets made during fiscal 2001, net of debt repayments.

5.9 CASH INJECTION

On January 10, 2002, the Corporation completed the closing of transactions with certain shareholders and with its bankers in order to increase its available cash by \$41.9 million. CDP Capital d'Amérique, a subsidiary of the Caisse de dépôt et placement du Québec, and the Solidarity Fund QFL – two of Transat's major shareholders – invested \$10.0 million each, in the form of non-convertible debentures in the Corporation and its wholly-owned subsidiary, Air Transat. Management of Transat and its subsidiaries also committed to invest \$1.9 million in debentures having identical financial terms. The debentures carry an annual interest rate of 6% and feature a premium which, combined, provide at maturity an internal rate of return of 15%. The debentures mature in seven years, but can be redeemed at the option of the Corporation after three years and upon certain stated events. These debentures carry a total of 1,421,225 warrants to purchase an equal number of common shares at a price of \$6.75 per share for a period of five years and are more fully described in note 23 to the consolidated financial statements. In addition, the Corporation renewed its bank revolving credit facilities for an additional year, and obtained from its bankers the release of collateral that increased the cash available for working capital purposes by \$20.0 million. Finally, the Corporation completed on February 19, 2002 the closing of a bought deal agreement to sell, to a syndicate of underwriters led by CIBC World Markets Inc., \$51,105,000 principal amount of 9.00% subordinated unsecured convertible debentures due March 1, 2007, the net proceeds of which will be used for general corporate purposes and to the reduction of the debt. Each debenture will be convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of \$8.75 per share. On or after March 1, 2005, the debentures will be redeemable by the Corporation subject to the fulfilment of certain conditions.

5.10 INCIDENT IN THE AZORES

On August 24, 2001, an Air Transat Airbus A330-200 was forced to make an emergency landing in the Azores after running out of fuel. Assistance in addition to any necessary or desirable support services were given or offered to passengers. The investigation (involving the airplane manufacturer, the engine manufacturer and Air Transat) into the causes of the incident is being conducted by the Portuguese authorities and the Transportation Safety Board of Canada. Subsequent to this incident, Transport Canada conducted a special audit of Air Transat's operations and maintenance activities, requested that Air Transat implement certain measures (some of which were already planned) in order to improve processes, and imposed a fine. Air Transat estimates having to assume \$5.3 million for this incident, an amount not covered by insurance which has been included in unusual items and for which appropriate provisions were made in 2001. Management considers that this event has had and will continue to have little negative impact on Transat's business.

5.11 RISKS AND UNCERTAINTIES

The holiday travel industry must deal with demand that is volatile and price sensitive. Furthermore, as observed in 2001, aviation security and customer confidence regarding security measures taken by the industry are factors that have a major impact on demand. It is not known how quickly demand will resume, but important measures have been taken by Transat to adjust to these new market conditions.

The Canadian airline industry, afflicted by an excess capacity, is in full transition. Despite the well-established position of the Corporation, it could be affected by price pressures resulting from the overcapacity in air transportation in Canada.

Fuel is one of the Corporation's significant expenditures exposing it to price fluctuations in the cost of oil. The Corporation purchases futures contracts to hedge against this risk. The Corporation is also exposed to fluctuations in exchange rates, especially with regard to the U.S. dollar against the Canadian dollar and the Euro. The Corporation purchases derivative financial instruments to hedge against exchange rate fluctuations as well as interest rates regarding a portion of its long-term debt, obligations under capital leases and off-balance-sheet financing for aircraft.

5.12 OUTLOOK

The September 11 attacks had an immediate, significant and negative impact on the travel industry in general, especially in North America. The air transportation industry was paralyzed for a few days causing the Canadian government to provide financial assistance to all air carriers affected, including Air Transat, which received \$4.2 million.

The impact of September 11 on the results of Transat for fiscal 2001 was considerable but was tempered by the fact that the ensuing two months normally constitute the Corporation's slowest months. Nevertheless, demand for the winter 2001-2002 season was seriously affected by these events, initially plummeting before recovering. Management estimates that from a low of 50% below prior year levels in September and October 2001, bookings improved to an average of approximately 15% below throughout the month of January 2002. The Corporation believes that the cumulative effect on the Canadian operations for the winter season could be a decline in volume of 20% to 25% compared with the previous year. In France, the decline in volume is less pronounced. The Corporation expects that prices will continue to be under considerable pressure, resulting mainly from fierce competition between tour operators when supply exceeds demand. As for the 2002 summer season, management believes it is too soon to measure the impact on volume and prices.

As a consequence of the significant decrease in demand, Transat reacted quickly, announcing a decrease in capacity on September 24, 2001. The measures carried out in the ensuing weeks included: a 25% reduction in Air Transat's capacity (number of flights and seats), a 25% reduction in the number of employees of all Canadian divisions, wage freezes or cuts for non-unionized employees and management, and tightening of all other expenditures.

The events of September 11 also led governments to tighten security in air transportation, while insurers took measures intended to reduce their exposure to risks associated with terrorism. In Canada, the government's actions to increase airport security will be financed primarily through new taxes charged to passengers. These additional costs could have a negative impact on Transat's business to the extent that the Corporation operates in an industry – holiday travel – where demand is very price-sensitive. As for insurers, additional premiums have already been imposed because of the terrorist threat. Insurers have also limited their coverage of damages caused by terrorist acts, and the Canadian Government has, in the interim, taken on the coverage of such damages to enable Canadian carriers to continue to function normally. The situation continues to evolve, and will probably result in additional expenditures for carriers and passengers.

Despite the major challenges arising from this exceptional situation, Transat is in a strategic position that suggests reasonable optimism, as a result of its integrated operations, its presence on two continents, its quick adjustment of capacity, and the additional liquidity injected at the beginning of fiscal 2002.

5.13 REQUIRED QUARTERLY UNAUDITED FINANCIAL INFORMATION

See section 4.2.

5.14 OTHER

The Canadian Institute of Chartered Accountants issued new sections on business combinations and goodwill and other intangible assets. These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life created by business combinations accounted for using the purchase method of accounting. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual impairment test. The new standards will be effective for

Transat in the first quarter of 2002 and were implemented for business combinations consummated after June 30, 2001.

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

6.1 CAPITAL STRUCTURE

The share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of Preferred Shares issuable in one or more series, of which 32,437,487 common shares were issued and outstanding as at February 4, 2002. Only the common shares of the Corporation are voting shares, each common share carrying one vote.

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

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

The Series 3 Preferred Shares do not carry any voting rights and entitle the holders thereof to a dividend equal to any dividend declared on the common shares. Each Series 3 Preferred Shares is convertible by the holder into three common shares and redeemable by the holders at their issue price. The conversion rate is subject to adjustments upon certain circumstances affecting the share capital of the Corporation.

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

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

All the Series 3 Preferred Shares currently outstanding are held by Transat Tours.

On March 24, 1999, the shareholders of the Corporation ratified the adoption of a shareholders' subscription rights plan (the "Rights Plan"). The Rights Plan entitles holders of common shares to acquire, under certain conditions, additional common shares at a price equal to 50% of their market value at the time the rights are exercised. The Rights Plan, which was set to terminate at the annual meeting of shareholders for the financial year ended October 31, 2001 held on March 27, 2002, was renewed for another three-year period at the aforementioned annual meeting.

The only persons or entities holding 10% or more of the voting shares of the share capital of the Corporation are the Fonds which, as at February 4, 2002, held 3,930,086 common shares, namely 12.11% of the issued and outstanding common shares, and CDP which, as at February 4, 2002, held 3,819,575 common shares, namely 11% of the issued and outstanding common shares of the Corporation. As at February 4, 2002, Fidelity Management & Research Company and Fidelity Management Trust Company had control over 3,450,900 shares of Transat's outstanding common stock, namely 10.65% of the issued and outstanding common shares.

6.2 MARKET FOR THE NEGOTIATION OF SECURITIES

The common shares of Transat are solely listed on The Toronto Stock Exchange (“TSE”), under the symbol TRZ. The following table sets out the reported high and low prices and trading volume of the common shares on the TSE, for the periods indicated.

<u>Period</u>	<u>The Toronto Stock Exchange</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<u>2002</u>			
January	\$7.91	\$6.55	675,187
February 1 to February 12	\$6.79	\$6.30	264,461
<u>2001</u>			
1 st quarter	\$10.00	\$8.50	2,501,352
2 nd quarter	\$11.50	\$9.05	1,491,205
3 rd quarter	\$12.55	\$4.50	5,553,120
4 th quarter	\$10.20	\$4.60	4,589,310
<u>2000</u>			
1 st quarter	\$8.15	\$6.60	5,383,156
2 nd quarter	\$9.65	\$7.50	3,275,020
3 rd quarter	\$11.25	\$8.40	3,670,945
4 th quarter	\$9.30	\$7.95	2,550,102

On February 12, the closing price of the common shares on the TSE was \$6.55 per share.

6.3 PRIOR DISTRIBUTIONS

During the fiscal year ended October 31, 2001, the Corporation issued 89,578 common shares for a total of \$765,000 under the share purchase plan for the benefit of employees and executives of the Corporation.

In the course of its January 10, 2002 financing, the Corporation issued 1,421,225 warrants entitling the holders to subscribe to the same number of common shares of the Corporation at an exercise price of \$6.75 each. These warrants expire on January 10, 2007.

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

ITEM 7. DIRECTORS AND EXECUTIVE OFFICERS

7.1 DIRECTORS

The Board of Directors of Transat has created four committees, to which it has given specific mandates and the necessary powers to assist it in effectively fulfilling its duties. They are: the Executive Committee, the Audit Committee, the Human Resources and Remuneration Committee and the Corporate Governance Committee.

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

Name of Director	Principal Occupation	Director Since	Common Shares Owned or Controlled or Directed
Jean-Marc Eustache ⁽¹⁾⁽³⁾ <i>Outremont, Quebec</i>	Chairman of the Board, President and Chief Executive Officer of the Corporation and President of Look Voyages S.A. (<i>tour operator</i>)	February 1987	853,949
André Bisson O.C. ⁽²⁾⁽⁴⁾ <i>Baie d'Urfé, Quebec</i>	Chancellor, Université de Montréal	April 1995	12,956
Lina De Cesare <i>Montreal, Quebec</i>	Executive Vice-President, Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation (<i>hotel management</i>), and President, Tourbec (1979) Inc. (<i>travel agency franchisor</i>)	May 1989	202,466
Benoît Deschamps ⁽¹⁾⁽²⁾⁽⁴⁾ <i>Dorval, Quebec</i>	Director of Corporations	April 1997	8,756
Marcel Gagnon <i>Ste-Julie, Quebec</i>	Investments Director, Manufacturing Sector, CDP Capital d'Amérique, Caisse de dépôt et placement du Québec (CDP) (<i>institutional investor</i>)	March 1999	-
Jean Guertin ⁽¹⁾⁽³⁾ <i>Montreal, Quebec</i>	Corporate Advisor and Honorary Professor, École des Hautes Études Commerciales de Montréal (<i>University</i>)	April 1995	6,200
H. Clifford Hatch Jr. ⁽³⁾ <i>Toronto, Ontario</i>	President and Chief Executive Officer, Aurdisyl Management Corporation, Cliffco Investments Limited and Equity Link Management Limited	March 2001	443
Michel Lessard ⁽⁴⁾ <i>Sorel, Quebec</i>	President, Placement-Voyages Inc. (<i>travel agency</i>) and President, Club Voyages Air-Mer Inc. (<i>travel agency</i>)	April 1998	5,316
André Lévesque <i>Lorraine, Quebec</i>	Captain and Check Pilot, Airbus A330, Air Transat A.T. Inc. (<i>airline company</i>)	March 2000	55,116
Jacques Simoneau <i>St-Bruno de Montarville, Quebec</i>	Group Vice-President, Investments, Fonds de solidarité (FTQ) (<i>institutional investor</i>)	November 2000	-

Name of Director	Principal Occupation	Director Since	Common Shares Owned or Controlled or Directed
Philippe Sureau ⁽¹⁾ <i>Westmount, Quebec</i>	Executive Vice President of the Corporation	February 1987	644,867
John D. Thompson ⁽²⁾⁽³⁾ <i>Town of Mount-Royal, Quebec</i>	Deputy Chairman of the Board, Montreal Trust Company (<i>trust company</i>)	April 1995	17,956
Peter G. White <i>Toronto, Ontario</i>	Executive Vice-President, Argus Corporation Limited	March 2000	566

- (1) Current member of the Executive Committee
(2) Current member of the Audit Committee
(3) Current member of the Human Resources and Compensation Committee
(4) Current member of the Corporate Governance Committee

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

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

Mr. Benoît Deschamps was Vice President, Financial Planning and Treasurer, Le Groupe Vidéotron Ltd. from August 1997 to November 2000. Mr. Deschamps has been a corporate director since November 2000.

Mr. Marcel Gagnon was Portfolio Manager at CDP Capital d'Amérique, a subsidiary of Caisse de dépôt et placement du Québec from October 1997 to December 2000. Mr. Gagnon is a director of CDP Capital d'Amérique, since January 2000.

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

7.2 OFFICERS

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

Name and Municipality of Residence	First Year of Service with the Corporation	Position Held with the Corporation
Jean-Marc Eustache <i>Outremont, Quebec</i>	1987	Chairman of the Board, President and Chief Executive Officer
Philippe Sureau <i>Westmount, Quebec</i>	1987	Executive Vice-President
Lina De Cesare <i>Montreal, Quebec</i>	1989	Executive Vice President, Tour Operators
Lorraine Maheu <i>Brossard, Quebec</i>	1997	Vice-President, Finance and Administration and Chief Financial Officer
Jean-Marc Bélisle <i>Montreal, Quebec</i>	1997	Vice-President and Chief Information Officer
Odette Thomas <i>Montreal, Quebec</i>	2000	Executive Vice-President, Distribution

André De Montigny <i>Montreal, Quebec</i>	2000	Vice President, Corporate Development
Bernard Bussières <i>St-Bruno, Quebec</i>	2001	Vice President, General Counsel and Corporate Secretary

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

Mr. Philippe Sureau was President and Chief Executive Officer of Air Transat from March 1997 to November 2000. From June 1999 to January 2002, he was President of Exit.

Mrs. Lina De Cesare was President of Air Transat Holidays from February 1994 to December 2000. She is also President of Cameleon, Tourbec and Transat Tours.

Mrs. Odette Thomas is President of Consultour since 1997.

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

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

ITEM 8. ADDITIONAL INFORMATION

- (1) Additional financial data may be found in the Corporation's comparative financial statements as of October 31, 2001. Additional information including directors' and officers' remuneration, principal holders of Transat securities, options to purchase securities, is contained in the Corporation's 2002 Management Proxy Circular.
- (2) Transat shall provide to any person or company, upon request to the Corporate Secretary at 300 Leo-Pariseau Street, 6th Floor, Montreal, Quebec, H2W 2P6:
 - (A) when the securities of Transat are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) one copy of this annual information form of Transat together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein,
 - (ii) one copy of the comparative financial statements of Transat for its most recently completed fiscal year together with the accompanying auditors' report thereon which are included in the 2001 Annual Report and one copy of any quarterly financial statements of Transat subsequent to the financial statements for its most recently completed fiscal year,
 - (iii) one copy of the Management Proxy Circular of Transat and of the notice of annual meeting of Transat for 2002; and
 - (iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus and that are not required to be provided under (i) to (iii) above;
 - (B) At any other time, one copy of any other documents referred to (2)(a)(i),(ii), and (iii) above, provided Transat may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of Transat.