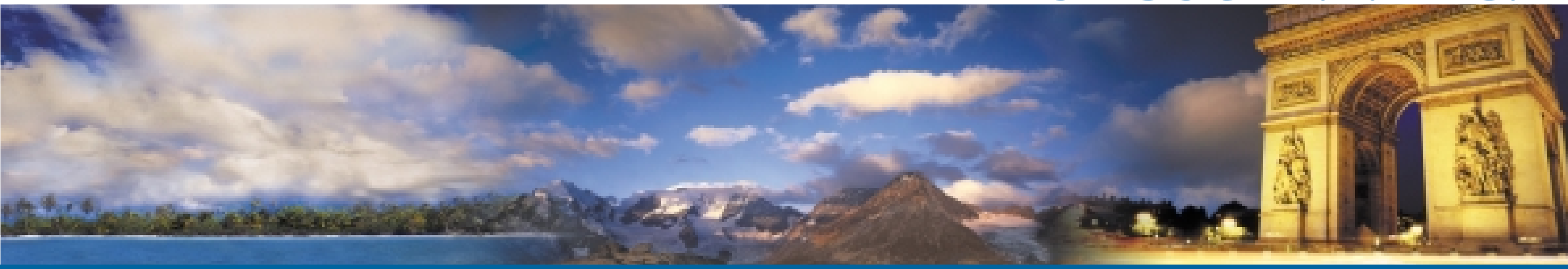
Transat A.T. Inc.



Annual Report 2003

Transat A.T. Inc. is an integrated company specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of tour operators in Canada and France. Transat is also involved in air transportation and value-added services at travel destinations. Finally, Transat has secured a dynamic presence in distribution through travel agency networks.

Above all, Transat has a dedicated team of thorough and efficient people who deliver quality vacation travel services at affordable prices to a broad clientele. Already recognized as a leader in Canada, Transat seeks to maintain its position as a major player in the holiday travel industry in North America and Europe by continuing to make travellers its number one priority.

Highlights

- Implementation of measures to mitigate the negative impact of the SARS outbreak that disrupted the summer season.
- Revenue growth despite a decrease in the number of travellers.
- Restructuring of tour operator activities in Canada completed: greater efficiency and lower fixed costs.
- Launching of a new identity platform and strengthening of branding.
- Successful sale of Anyway for proceeds of over $80 million.
- Implementation of a plan to renew Air Transat's fleet, which will consist of 13 Airbus aircraft in 2004.
- Sound financial position and a clear strategic vision as the Corporation prepares for growth.

Our organization

North America and Europe

Travel agencies and distribution

North America

- Club Voyages
- exitnow.ca
- TravelPlus
- Voyages en Liberté

Europe

- Club Voyages (France)

Outgoing tour operators

North America

- Auratour
- Kilomètre Voyages
- Rêvatours
- Vacances Air Transat Holidays
- World of Vacations/ Nolitour

Europe

- Brok'Air
- Look Voyages
- Vacances Air Transat (France)

Air transportation

North America	Europe
Air Transat	Star Airlines
Handlex	

Incoming tour operators and services at travel destinations

North America	Europe
Air Transat Holidays USA	Tourgreece
Cameleon	
DMC Transat	
Jonview Canada	
Trafic Tours	

Message to shareholders

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

Transformed and ready for growth

As in 2002, the international tourism industry faced major challenges in 2003. But we had the stamina and the will to overcome these challenges, exceed our objectives and transform our organization. Furthermore, we accomplished this with great success, as we recorded satisfactory results and achieved most of our objectives.

Beyond the difficulties of the prevailing conditions, the main trends remain favourable. According to the World Tourism Organization (WTO), there will be over one billion tourists in the world by 2010, compared with 700 million at present, and these figures exclude domestic tourism. Several fundamentals can explain such a forecast: the general standard of living is improving; people have more leisure time, enjoy better health and are living longer, some of whose are retiring younger. As well, former totalitarian regimes are now freer, much to the benefit of tourism.

Transat ranks comfortably among the 10 largest tour operators in the world. Solidly established on both sides of the Atlantic, benefiting from a sound financial position, having a structure which is better adapted and better prepared than ever to manage the risks inherent in our industry, we are now able to focus on growth after two years marred by exceptional events. Our objectives remain the same: maintain our leadership in Canada and our position as a major player in North America and Europe.

Over the past two years, and especially in 2003, we transformed our organization and built a solid foundation to support its growth. We designed, planned and implemented changes that are undoubtedly the most extensive since the group was created in 1987. Efficiency was of course improved—one of our objectives indeed—but more importantly, we capitalized on the experience acquired in all areas to revamp our way of doing things based on our market strategies and growth objectives.

In the spirit of transformation, we also accomplished much in terms of distribution. We began by simplifying our brand portfolio and consolidating our visual identity. We then clarified the hybrid aspect of our long-term distribution strategy, which will draw on both travel agents and the Internet, not in parallel, but in a highly integrated manner. Our consolidation and strengthening efforts resulted in the creation of a new entity, Transat Distribution Canada, which will oversee the integration of distribution operations and the fulfillment of our long-term strategy.

Of the four objectives set last year, three have been achieved or will be soon. We have significantly reduced our operating costs, finalized our fleet renewal plan, the execution of which will be completed within the next few months, and consolidated our tour operator and distribution activities. However, Look Voyages, our main French tour operator, again showed a loss in 2003, and a turnaround remains a priority. We expect to achieve this by the end of 2005. Look Voyages is still a major recognized player in the French market, and a potential driving force behind our operations in Europe.

The winter of 2002-2003 generated growth and better results than the two previous years, but spring brought the war in Iraq and, in particular, the outbreak of Severe Acute Respiratory Syndrome (SARS) which ruined the summer season, frightened tourists and disrupted operations to such an extent that load factors and performance were seriously affected. Thus, the number of travellers was down in 2003, but thanks to a highly aggressive supply management strategy, our financial results were satisfactory. We ended the year with revenues of $2.1 billion, i.e. an increase of 1.1% over last year. Net income stood at $44.9 million ($1.27 per share), compared with $9.8 million ($0.24 per share) in 2002. Included in this net income in 2003 is an after-tax charge of $31.3 million related to our restructuring efforts due mainly to the write-off of a large portion of the Air Transat fleet. As explained later, we are making some major, very beneficial changes that entail the withdrawal of all our remaining Lockheed L-1011s, paving the way for a smaller, homogeneous fleet.

Transat A.T. Inc.
Board Committee Chairmen

H. Clifford Hatch Jr.
Chairman
Corporate Governance
and Nominating Committee

André Bisson, O.C.
Chairman
Audit Committee

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

Jean Guertin
Chairman
Human Ressources
and Compensation Committee

Maximizing shareholder value is clearly the fundamental objective at the base of the strategic framework we have adopted. We believe this goal goes hand in hand with a corporate vision that focuses on customers, teamwork and discipline. These are the values we uphold and they are essential if we are to reduce costs, become more efficient, penetrate new markets and grow. In this manner, we will be able to meet shareholders' expectations in terms of financial performance as well as those of our employees, who also benefit from performance enhancement.

In terms of creating value, shareholders will note the year-end sale of Anyway, our French online agency, to IAC/InterActiveCorp, a world leader in online commerce that operates in particular in the travel industry under the Expedia brand. The value of this timely transaction amounted to about 53.8 million euros ($83.2 million).

Our financial position at the beginning of 2004 is sound; we are more efficiently organized and are focusing more than ever on our customers' needs. Furthermore, market conditions for the winter season seem promising. With this backdrop, we decided to revamp our strategic plan. In Canada, we intend to bolster our presence in the Ontario market; in Europe, our priority will be to solidify our position as the main vendor targeting Canada; and finally we will again look to the U.S. in order to become a truly North American player.

Shareholders will note that, in accordance with the recommendations of the Canadian Institute of Chartered Accountants, the structure of our Management's Discussion and Analysis has changed in order to ensure greater transparency.

Where restructuring is involved, disruptions will occur. In this regard, I would like to thank our staff and management team for their enthusiasm and openness. Together, we succeeded in transforming our organization, while continuing to ensure daily operations during what, because of the SARS outbreak, was one of the most challenging years ever. Overall, we had a very good year. I would also like to thank our dedicated directors who, as always, performed their duties to shareholders most diligently.

Jean-Marc Eustache

Chairman of the Board,
President and Chief Executive Officer
February 4, 2004

The Board of Directors of Transat A.T. Inc.

(from left to right)

Philippe Sureau
Helen K. Sinclair
Jacques Simoneau
Peter G. White
Benoît Deschamps
Jean-Marc Eustache
John D. Thompson
Jean Guertin
Marcel Gagnon
Lina De Cesare
André Bisson, O.C.
H. Clifford Hatch Jr.

Review of our operations

North America

Travel agencies
and distribution

Outgoing tour operators

Air transportation

Incoming tour operators
and services
at travel destinations

Unified and converging strategy

In Canada, the structure defining the relationship between our main tour operators and Air Transat was completely revamped. Our strategy changed from one based on coordinating several profit centres to an organic, truly integrated approach that focuses on improving business performance and reducing costs throughout the organization. In concrete terms, a new structure, Transat Tours Canada, emerged in 2002, and helped centralize a number of support functions and significantly improve efficiency. Transat Tours Canada primarily plays a strategic role, since a single management team is now responsible for positioning our various brands and carrying out a large part of the marketing activities of our main tour operators and Air Transat. Soon after all these changes, we also reorganized the operations of our tour operator, Americanada, some of which have been combined with other divisions.

This structural reform resulted in some very substantial changes in our way of doing business. It can even be said that it paved the way for an important shift in our organizational culture. Also, and above all, it aims at quickly and substantially improving our profit margins. The tangible results of these efforts were immediately obvious. Fixed costs dropped by an estimated $3 million annually, and efficiency improved significantly. Our new structure allows for much more effective inventory management, whether in terms of hotel rooms or airline seats, and we believe that lower fixed costs are just the tip of the iceberg. Transat Tours Canada has surpassed its financial objectives for 2003.

Transat remains well-positioned in all major regions of Canada and continues to expand its presence with a more extensive product offering. In hopes of introducing their products to new markets, both our main tour operators, Air Transat Holidays and World of Vacations/Nolitour, signed a two-year agreement with WestJet Airlines at the end of 2003. It provides for the chartering of Boeing 737s from medium-size Canadian cities to southern destinations. Air Transat's fleet, which consists of wide-body aircraft, cannot effectively tend to the 26 Canadian cities currently served by WestJet. The agreement, which involves about 120,000 seats, represents a winning formula for both organizations and, above all, for our clientele.

Stronger brand

Our street presence and our various points of contact with the traveller, whether in Canada or in France, is a key reflection of our vertical integration strategy, which is now more pronounced than ever. In 2003, our brands and our identity platform were standardized to capitalize on this important asset. Through standardization, our marketing and communications investments will be channelled toward the same objective, i.e. the creation of a strong image that is recognizable in a number of markets.

As a determining factor in our growth strategy, our new corporate signature will gradually be extended to travel agencies, tour operators and Air Transat. Our travel agencies are now united under the TravelPlus and Club Voyages brands, and most signs already feature our new signature. Certain entities in the group will retain a separate identity for strategic reasons.

Clear distribution strategy

Transat plans to pursue a hybrid distribution strategy that combines traditional travel agencies and the Internet. Although online transactions are gaining in popularity around the world and our industry is on the cutting edge in this regard, many customers prefer dealing directly with a travel agent and using the Internet for information only. That being said, the Internet can play an extremely useful role in initiating and maintaining relations between travel agents and customers. It can also offer a wide range of business-related applications and management tools that can add value for travel agents.

Not only are these solutions flexible in meeting the expectations of both customers and travel agents, they can also reduce transaction costs significantly and be profitable and efficient for everyone, including the customer.

This is why our distribution strategy includes two interdependent objectives: increase the number of travel agencies under our control, particularly in the major cities, while franchising is preferred elsewhere, and pursue online solutions. Because we became involved early in the online distribution market, the experience we acquired has paid off as shown in exitnow.ca's technological platform, which is the cornerstone of our online operations.

exitnow.ca

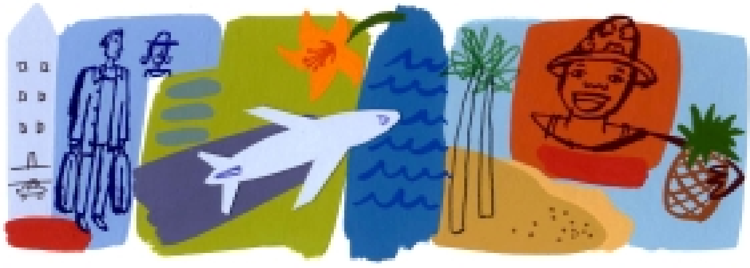
All-Airbus fleet

Air Transat remained the leading charter carrier in Canada in 2003, carrying close to approximately 2.5 million passengers to some 90 destinations in 25 countries. During the winter season, the airline served over 50 destinations in 25 countries, flying primarily to southern or other sunshine destinations. In the summer, Air Transat shifts most of its capacity to Europe, while maintaining flights to southern destinations. In 2003, Air Transat offered direct flights to some 30 cities in over 20 countries in Europe.

Beginning in the 2004 summer season, Air Transat will have 13 aircraft. Its six Lockheed L-1011-500s will be retired by the spring of 2004 and replaced by four Airbus A310s. The fleet will then consist only of wide-bodied long-haul Airbus aircraft (four A330s and nine A310s) and will be one of the youngest in Canada. These changes will mean that capacity is better adjusted to the size and nature of the market. But more importantly, they will reduce operating costs substantially.

Our operations will be transferred to Montréal-Pierre Elliott Trudeau International Airport, in November 2004, so that we can be fully operational there for the beginning of the 2005 winter season. We reached a satisfactory agreement with Aéroports de Montréal (ADM), and facilities suited to our needs will be built in 2004. Many of our customers will be pleased about the move to a more accessible airport where Air Transat will rank second in terms of the number of flights, and first in terms of the number of international destinations.

Air Transat's priorities for 2004 are very clear: continue to reduce costs, ensure the orderly transition to an all-Airbus fleet and prepare to transfer operations to Montréal-Pierre Elliott Trudeau International Airport. The Corporation will also focus on customer service training and is currently looking into various adjustments to in-flight service.



The past year was an eventful one for Air Transat due mainly to the SARS crisis. Special security measures had to be implemented to prevent the virus from spreading, such as disinfecting aircraft daily, special training for the flight crews and the provision of special health kits on board. In addition, the impact of SARS on aircraft load factors had to be actively managed. Despite the relatively tumultuous environment, Air Transat had a remarkable year particularly in terms of costs, on-time performance and customer service.

During the 2003 winter season, Star Airlines and Air Transat will exchange aircraft under a mutually beneficial agreement: Star Airlines will add a wide-bodied aircraft (Airbus A330) to its fleet and Air Transat will operate two Airbus A320s, which are smaller aircraft with a range that is perfectly suited to the airline's winter destinations.

Air Transat was designated as a scheduled carrier in Mexico, a status that it holds in 12 other countries. This designation allows us to market seats directly to travel agencies through Global Distribution Systems, to sell seats on the Internet and to enter into agreements with other carriers to offer connecting flights. In short, because of this status, the airline has flexibility in terms of distribution and can also transport freight between Europe and Canada.

Airbus A330

Airbus A310

Creating value through vertical integration

Incoming tour operators offer products at travel destinations, such as coach tours, and subsequently market them abroad. In Canada, Transat ranks first among incoming tour operators thanks to Jonview Canada and DMC Transat. The SARS outbreak made 2003 a difficult year for these tour operators as Canada became temporarily less attractive as a destination, particularly for its traditional clientele from Europe. However, immediate action was taken to limit the damage and remain profitable in 2003. Jonview Canada's clientele is mainly European, from France, the United Kingdom, Germany, Italy, Switzerland, the Netherlands and Belgium, as well as Japanese. DMC Transat, whose coach tour sales also declined, continues to promote its products in new markets. It is also developing new products, such as snowmobile tours, a market segment with good growth potential, as well as pre- and post-convention tours.

We still firmly believe that incoming tour operations, hotel management and services at travel destinations are important factors that can contribute to growth and improve profit margins. They are an integral part of our long-term strategy. In 2004, we expect to complete to 100% our acquisition of Jonview Canada, by exercising a call option in this regard. We also intend to take advantage of opportunities in other countries where transactions could further grow and expand our market presence.

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A changing product offering

In France, Vacances Air Transat (France) was severely affected by the SARS crisis. While a record year appeared to be taking shape, the organization had to move into crisis management mode in just a few weeks. For a long time now, Vacances Air Transat (France) has successfully been expanding its product offering, and this cushioned the effects of the SARS crisis. Always major long-haul destinations for the French and Transat, Canada and North America generally have less and less impact on our sales as Vacances Air Transat (France) launches new products.

Consequently, we are now well established as a long-haul carrier to other destinations such as the Caribbean, Mexico, Cuba, Latin America and Asia. Global tourist figures indicate that Asian destinations are increasingly competitive and are expected to take on even more strategic importance, at least in Europe. Vacances Air Transat (France) is thus successfully becoming a long-haul specialist in the French market, in cooperation with numerous other airlines. For example, while Vacances Air Transat (France) met 80% of its seat requirements through Air Transat six or seven years ago, that number has tumbled to about 30% today.

Look Voyages continues to be a dependable tour operator and brand in the French market. It had a difficult year due to intense competition and less than optimal economic conditions. However, a turnaround has begun primarily with a major change in its offering.

We first repositioned its flagship product, the Lookéa Clubs, that had lost ground as a result of prices being too high.

A new hotel product, called Lookéko, was also launched. Lookéko is based on individual agreements with various hotels, and calls for a very aggressive pricing strategy, as price remains the most important criterion for tourists in France as well as elsewhere.

Look Voyages, a recognized tour operator to some 800 destinations, made some major changes in this regard. Look Voyages will focus on destinations where it holds substantial volumes; it will concentrate on packages and air-only on charter flights; it will significantly reduce its exposure to air-only on regular flights, which had represented roughly half its business recently.

Look Voyages eliminated a number of jobs and changed its management team in 2003. Although much still has to be accomplished in order to return to profitability, it has already made considerable progress in this regard.

The accomplishments in France and Canada in 2003 reflect our spirit of transformation and our eagerness to acquire what it takes to be the industry benchmark. Some changes are tangible from outside, but most are not. However, they all have one thing in common—they are all, without exception, designed to improve our performance to meet the expectations of customers and shareholders alike.

Canada

Outgoing tour operators

		2003	2002
Tour operators under the Transat Tours Canada* banner and the airline company Air Transat	Revenues ($)	1,433,000,000	1,402,000,000
	Employees	2,608	2,854
	Passengers[1]	2,571,000	2,845,000
	Travellers[2]	905,000	931,000
Americanada	Revenues ($)	20,000,000	37,000,000
	Employees	—	189
Rêvatours	Revenues ($)	14,000,000	12,000,000
	Employees	25	27
	Travellers	5,000	4,000

* *Air Transat Holidays and World of Vacations/Nolitour*

Travel agencies and distribution

		2003	2002
Consultour / Exit Travel	Revenues ($)	20,200,000	10,300,000
	Outlets owned	27	30
	Employees	225	252
	Outlets franchised	182	201

Other airline services

		2003	2002
Handlex	Revenues ($)	25,000,000	23,000,000
	Employees	861	792

Incoming tour operators and services at travel destinations

		2003	2002
Jonview Canada	Revenues ($)	77,000,000	79,000,000
	Employees	121	141
	Travellers	265,000	161,000
DMC Transat	Revenues ($)	21,000,000	20,000,000
	Employees	38	40
	Travellers	31,000	36,000
Air Transat Holidays USA	Revenues ($)	6,100,000	6,200,000
	Employees	19	21

France

Outgoing tour operators

		2003	2002
Vacances Air Transat (France)	Revenues (€)	102,000,000	97,000,000
	Employees	160	155
	Travellers	77,000	82,000
Look Voyages	Revenues (€)	235,000,000	292,000,000
	Employees	409	486
	Passengers	740,000	1,030,000
	Travellers	140,000	160,000
Brok'Air	Revenues (€)	38,000,000	31,000,000
	Employees	14	26

Travel agencies and distribution

		2003	2002
Anyway	Revenues (€)	8,300,000	6,400,000
	Employees	—	111
Club Voyages (France)	Revenues (€)	8,600,000	8,300,000
	Employees	178	226
	Outlets	63	63

1 *Airlines record flight segments in terms of passengers.*
2 *Tour operators record round-trip travellers.*

Management's discussion and analysis

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars)	2003 $	2002 $	Variance $	Variance %
Consolidated statements of income				
Revenues	2,096,649	2,073,508	23,141	1.1
Restructuring charge	47,972	—	N/A	N/A
Gain on disposal of Anyway, net of related taxes of $18,775	53,101	—	N/A	N/A
Margin[1]	74,962	74,148	814	1.1
Net income (loss) (continuing operations)	(9,147)	11,678	(20,825)	(178.3)
EPS (LPS) – Basic (continuing operations)	(0.38)	0.30	(0.68)	(226.7)
EPS (LPS) – Diluted (continuing operations)	(0.38)	0.30	(0.68)	(226.7)
Consolidated balance sheets				
Cash and cash equivalents	349,125	260,123	89,002	34.2
Debt (short term and long term)	65,331	130,546	(65,215)	(50.0)
Total debt[2]	595,249	757,646	(162,397)	(21.4)
Net debt[3]	352,297	598,823	(246,526)	(41.2)
Consolidated statements of cash flows				
Operating activities (continuing operations)	71,697	183,234	(111,537)	(60.9)

[1] *Revenues less operating expenses (non-GAAP financial measure used by management as an indicator to evaluate ongoing and recurring operational performance).*

[2] *Debt plus off-balance sheet arrangements presented on p. 37 (non-GAAP financial measure used by management to assess the Corporation's future liquidity requirements).*

[3] *Total debt less cash and cash equivalents not in trust or otherwise reserved (see note 4 of the audited consolidated financial statements) (non-GAAP financial measure used by management to assess its liquidity position).*

This Management's Discussion and Analysis ("MD&A") has been restructured and is guided by the guidelines introduced by the Canadian Institute of Chartered Accountants ("CICA"). The MD&A provides a review of Transat A.T. Inc.'s operations, performance and financial condition for the year ended October 31, 2003 compared with October 31, 2002 and should be read in conjunction with the audited consolidated financial statements and notes thereto beginning on page 45. This MD&A also contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. You will find elsewhere in our MD&A certain risks and uncertainties affecting us. The information contained herein is dated as of February 4, 2004.

We prepare our financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). We will occasionally refer to non-GAAP financial measures in the MD&A. These non-GAAP financial measures do not have any meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. All dollar figures are in Canadian dollars unless otherwise indicated. Where we say "Transat," "we," "us," "our" or the "Corporation," we mean Transat A.T. Inc. and its subsidiaries, unless otherwise indicated.

The MD&A is divided into the following sections:

- **OVERVIEW** describes the holiday travel industry in general as well as our business, our strategies and objectives along with the performance drivers and resources required to successfully implement these strategies and achieve our objectives.
- **CONSOLIDATED OPERATIONS** provides information and analysis about our performance in 2003 compared with our 2003 objectives and with actual 2002 results.
- **LIQUIDITY AND CAPITAL RESOURCES** describes the source and use of our funds in 2003 compared with 2002 and how we manage our financial condition and capital resources.
- **ACCOUNTING CHANGES** and **FUTURE ACCOUNTING CHANGES** discusses the changes made to our accounting policies in 2003 and the changes required in 2004.
- **RISKS AND UNCERTAINTIES** provides an overview of the key risks and uncertainties that could affect us.
- **OUTLOOK** provides a discussion of the future prospects for Transat in fiscal 2004.

OVERVIEW

Industry

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

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. Certain tour operators specialize as incoming tour operators, making arrangements for foreign tourists at their destinations.

Travel agencies are the intermediary between the tour operator and the consumer. Travel agents meet with, advise and sell to the consumer. Travel agencies sell travel packages and plane tickets offered by tour operators, plane tickets sold directly by airline carriers and other travel products and services. Online travel agencies now offer a large range of travel products by way of transactional Web sites on the Internet. Currently in both North America and Europe, online travel sales are mostly made up of air-only tickets, with just a small proportion made up of packages (including air and hotel). Sales of online packages, however, are expected to grow.

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, air carriers specialized in charter services are active in the holiday travel market, whereas scheduled carriers rely mainly on the business travel segment.

Business

Transat is one of the largest fully integrated holiday package and travel service providers of international scope in North America. We conduct our activities in a single industry segment, namely holiday travel, and we operate in two geographic areas, specifically Canada and France.

Transat's core business is based on holiday travel packages and charter flights. We operate as both an outgoing and incoming tour operator by bundling products and services bought in Canada and abroad for resale in Canada, France and elsewhere principally through travel agencies, some of which we own. We operate one charter airline company in Canada and own a participation of 44.3% in another charter airline company in France and we also provide destination and hotel management services.

Strategy

Transat's objectives are to maintain its leadership in Canada and to maintain its position as a major player in the holiday travel industry in North America and Europe. We have based our development strategy on the vertical integration of the major components of holiday travel. The Corporation's tour operators and travel agencies 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. This also allows us more flexibility to adjust prices, products and services offered by the different levels of operations, thereby enhancing our 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 France while continuing its air carrier services, as well as acquire, invest in or create incoming tour operators and travel services at destination and to create a hotel management subsidiary with the mission to manage hotels based on the needs of the Corporation's tour operators.

The Corporation's long-term growth strategy involves focusing on its core business: holiday travel and its related products. We also plan to expand geographically into new and existing markets with high profitability potential and continue to leverage vertical integration.

Our strategy is focused on maximizing shareholder value.

2004 Objectives

The actions taken in fiscal 2003 have set the stage for us to deliver cost reductions, operational efficiencies and profitable products and services. To continue to build on this momentum, we have set the following objectives for fiscal 2004:

- **Return Look Voyages to profitability in 2005.** As a result, we expect to reduce the losses at Look Voyages in 2004. Significant changes took place at Look Voyages in 2003, including a change in the management team. In 2004, a focus on fewer air-only destinations and the introduction of more packaged products for sale are expected to reduce our losses in 2004, thus beginning a turnaround that is anticipated to return Look Voyages to profitability in 2005.
- **Pursue Internet technology integration into our business model.** Effective yield management and the integration of B2B platforms are expected to boost revenues and generate savings for our tour operators and distribution channels, thereby increasing our operating margins.
- **Leverage flexibility gains and continue to lower costs at the airline company.** The consolidation of our Canadian tour operators and distribution activities is expected to result in better yield management, i.e. better management of our inventory of products such as airline seats and hotel rooms resulting in increased operating margins. These higher margins, coupled with a continued focus on reducing airline-related costs with our smaller reduced fleet, are expected to enhance our profitability.
- **Reposition our brand in the marketplace to support our vertical integration strategy.** The launch of the Corporation's new corporate logo will facilitate recognition of the various companies by our customers and employees.
- **Identify growth opportunities in North America and France.** We will develop a list of potential growth opportunities for 2004 and beyond.

Key performance drivers

The following key performance drivers are essential to the successful implementation of our strategy and achievement of the objectives we set out for ourselves.

Market share	Be the leader in Canada in all provinces and increase market share in holiday travel packages in France.
Cost reduction	Reduce costs by $12.0 million to $14.0 million in 2004 and $20.0 million in 2005.
Margin	Produce margins between 3.8% and 4.4% in 2004.

Capability to deliver results

Our ability to deliver on the objectives we set out for ourselves is dependent on our financial and non-financial resources, both of which have contributed to the success of our strategies and the attainment of our objectives in the past.

Our financial resources include:

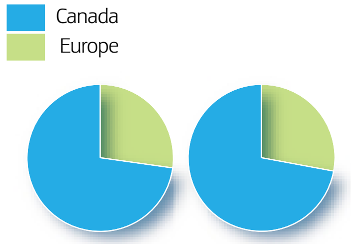
Cash	Our cash balances that are not held in trust or otherwise reserved totalling $243.0 million as at October 31, 2003 are strong, and our continued focus on expense reductions is expected to maintain these cash balances at healthy levels.
Lines of credit	Our existing lines of credit will enable us to access up to $73.5 million in 2004.

Our non-financial resources include:

Corporate identity	We recently announced our new corporate logo with the intention of creating a strong, visible and easily recognizable link between the various companies that form our Corporation.
Structure	Our vertically integrated structure enables us to ensure better quality control of our products and services.
Relationship with suppliers	We have exclusive access to certain hotels in the Caribbean as well as over 15 years of privileged relationships with many hotels in Europe and in the Caribbean.
Employees	Our employees are committed to working together as a team to ensure overall customer satisfaction. The founders of our Corporation are still part of this team of committed employees.

Transat has the resources required to meet the objectives it set out for itself in 2004 and to continue to build on its long-term strategies.

Geographic segmentation of revenues
(continuing operations)



	2003	2002
Canada	72.8%	72.1%
Europe	27.2%	27.9%

CONSOLIDATED OPERATIONS

Comparison of 2003 objectives with 2003 performance

In 2003, Transat set itself various objectives. Listed below are our 2003 objectives along with the 2003 performance, which we will discuss in more detail along with our analysis of the 2003 fiscal year throughout the MD&A.

Focus on cost reductions

- Reorganized our activities in Canada and France, resulting in the elimination of over 700 positions.
- Approved a plan to phase out the use of the six Lockheed L-1011-500s, thereby reducing operating expenses.

Improve profitability in our French operations

- French operations were negatively affected by Look Voyages, whose losses continued to rise in 2003. Although this objective was not achieved in 2003, we initiated an action plan and we remain committed to returning Look Voyages to profitability. We anticipate that this will only occur in 2005, however.

Undertake a review of our aircraft fleet

- Reviewed the fleet, resulting in a plan to phase out the remaining six Lockheed L-1011s by April 30, 2004 and add four Airbus A310s by June 2004.

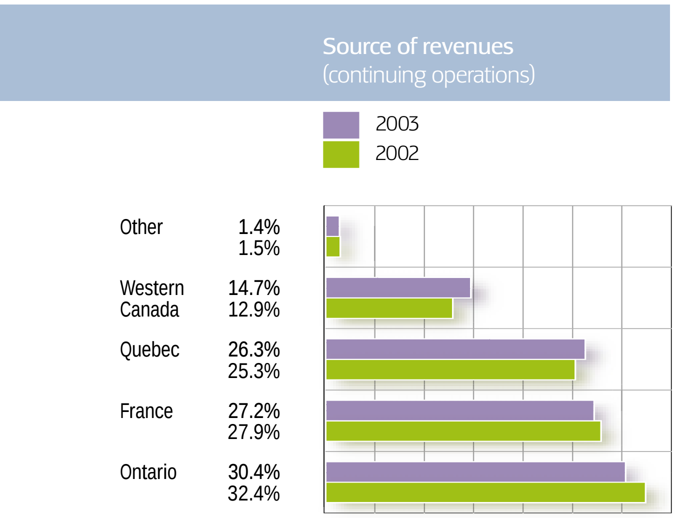
Consolidate our tour operator and distribution activities in Canada

- Consolidated the management of our back office (including the management of airline seats and hotel rooms) and administrative functions for all brands, resulting in multiple brands being administered by one management team focused on better yield management, resulting in better operating margins.

Geographic Business Areas

Revenues

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Canada	1,525,846	1,494,976	30,870	2.1
France and other	570,803	578,532	(7,729)	(1.3)
Total	2,096,649	2,073,508	23,141	1.1



We derive our revenues from outgoing tour operators, air transportation, travel agencies and distribution, incoming tour operators and services at travel destinations.

The overall increase in revenues is due to growth of 2.1% in revenues in Canada, partially offset by a 1.3% decrease in revenues in our French operations. Despite this overall increase in revenues, however, the total number of travellers declined by 4.4% compared with 2002. This 4.4% decline is the result of a 2.6% decrease in the number of travellers in Canada and an 11.3% decrease in the number of travellers in France. The overall revenue growth is therefore mostly due to price increases and the effect of foreign exchange on our French operations.

We expect the overall number of travellers to climb in 2004, resulting in an increase in revenues compared with 2003.

Operating expenses

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Canada	1,435,190	1,416,686	18,504	1.3
France and other	586,497	582,674	3,823	0.7
Total	2,021,687	1,999,360	22,327	1.1

Our operating expenses consist mainly of direct costs, payroll, commissions, fuel, maintenance, handling costs and aircraft rental.

Direct costs include the cost of the various components of a trip to be sold to the consumer through travel agencies and incurred by our tour operators. They include the costs of blocks of seats or complete flights mainly from third-party air carriers as well as the cost of hotel rooms. In 2003, these costs made up approximately 50% of our total direct costs, up from approximately 48% in 2002.

Commissions include the cost paid by tour operators to travel agencies for their services as intermediaries between them and the consumer.

Maintenance costs relate mainly to the engine and airframe overhaul expenses incurred by Air Transat.

Aircraft rental made up approximately 3.3% of our total expenses, compared with 3.6% in 2002.

The overall growth in our operating expenses is due to a 1.3% increase in expenses in Canada, and a slight increase in expenses in our French operations. This overall growth was primarily due to higher direct costs and the effect of foreign exchange on our French operations.

Approximately 30% to 35% of our operating expenses are payable in U.S. dollars. We did not fully benefit from the strengthening Canadian dollar, however, due to our hedging program.

As a result of our restructuring efforts, we expect our total operating expenses to fall by $12.0 million to $14.0 million in 2004.

Canada

Canada — *Winter season*

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Revenues	976,336	819,108	157,228	19.2
Operating expenses	921,857	781,191	140,666	18.0
Margin	54,479	37,917	16,562	43.7
Margin (%)	5.6%	4.6%	1.0 ppt*	21.7

** ppt: percentage point*

In Canada, revenues rose in the winter season due mostly to an 11.6% increase in the number of travellers as well as to higher prices compared with 2002.

Operating expenses were up mostly due to increases in direct costs as a result of business activity.

For the current winter season, our margins stood at 5.6%, up from 4.6% in 2002. This growth is due to the first half of our winter season which witnessed increases in both travellers and prices being offset by the second half of our winter season which had more last-minute bookings as a result of the uncertainty created by the war in Iraq and to the overcapacity in the marketplace.

If current trends are maintained, the 2004 winter season is expected to be better than 2003. Bookings are up and there appears to be a desire to travel despite the continued terrorist threats.

Canada — *Summer season*

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Revenues	549,510	675,868	(126,358)	(18.7)
Operating expenses	513,333	635,495	(122,162)	(19.2)
Margin	36,177	40,373	(4,196)	(10.4)
Margin (%)	6.6%	6.0%	0.6 ppt	10.0

During the summer season in Canada, the number of travellers dropped by over 19% resulting in a 18.7% decrease in revenues. This decrease is attributable to the effects of SARS, which had a significantly negative impact at a very crucial time. The second half of the summer season saw prices rise, partially offsetting decreased revenues. Our cost reduction efforts began to materialize as well during the second half of the summer season.

It is too early to tell what the 2004 summer season will be like, but we expect to see more travellers than in 2003.

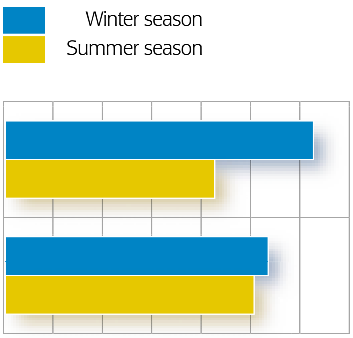
In fiscal 2003, we reviewed our tour operator and distribution activities as well as the aircraft fleet in Canada in order to identify operational efficiencies and other cost-saving opportunities. These reviews led to the implementation of a variety of initiatives.

On April 7, 2003, we announced the reorganization of the operations of one of our Canadian tour operators for the purpose of placing its product lines in a business setting that provides it with an opportunity for profitable development. This resulted in the termination of some 150 employees.

On May 5, 2003, we announced further staff reductions of approximately 500 employees at our airline subsidiary and other Canadian tour operators. The slowdown in demand in the tourism industry as a whole due to the war in Iraq, continued terrorist threats and the negative impact of SARS as well as the overcapacity in the marketplace led us to continue to reorganize our operations and reduce costs. This resulted in a significant reduction of our capacity. Two of the aircraft leases in our fleet were not renewed in April 2003, resulting in a 10% reduction in capacity. Additionally, we reduced another 15% of our capacity primarily as a result of the SARS crisis.

Revenues by season
(continuing operations)

(in millions of dollars)



Moreover, we announced a two-year partnership agreement with WestJet Airlines Ltd. ("WestJet") on August 20, 2003 to charter WestJet's aircraft to southern vacation destinations. During the first season of fiscal 2004 (November to April), the contract is worth an estimated $29.0 million and represents approximately 8% of our total winter capacity. With this partnership agreement, we will be able to broaden our service offerings in new markets and better serve our existing customers.

Finally, on September 11, 2003, we announced the implementation of a plan to phase out the use of our six Lockheed L-1011-500s by April 30, 2004. This plan, which originated with our commitment to review our fleet earlier in the year, was significantly affected by the events discussed above. Three of these aircraft ceased operations by October 31, 2003, with the remaining three ceasing operations by April 30, 2004. As a result, we will add an Airbus A310 in each of the months of February, May and June of 2004, along with an additional Airbus during fiscal 2004 as backup. This will harmonize our fleet and reduce our operating expenses, since we will be left with only two types of aircraft. This plan resulted in a charge of $33.7 million before taxes related to the aircraft being phased out as part of our restructuring charge. There will also be accelerated depreciation on the remaining Lockheed L-1011-500 aircraft that will be used until April 30, 2004, in the amount of approximately $6.0 million before taxes.

The result of these events is the development of a restructuring program, which will be discussed elsewhere in the MD&A.

On January 26, 2004, we announced that Transat and Aéroports de Montréal ("ADM") reached an agreement that paves the way for our airline's move to Montréal-Pierre Elliott Trudeau International Airport beginning next November. The move will not affect the airline's cost structure.

In 2004, we will acquire the balance of the shares of Jonview Canada at a price to be determined based on the average earnings realized during two of the three best years prior to the acquisition.

France

France — *Winter season*

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Revenues	271,562	246,365	25,197	10.2
Operating expenses	280,796	254,326	26,470	10.4
Margin	(9,234)	(7,961)	(1,273)	(16.0)
Margin (%)	(3.4%)	(3.2%)	(0.2) ppt	(6.3)

In Europe, foreign exchange had a significant impact on our operations.

In Canadian dollars, we saw increases in both revenues and operating expenses in the 2003 winter season compared with 2002.

However, denominated in euros, revenues and expenses remained relatively flat or decreased slightly when the two years are compared, resulting in negative margins for the winter season. The overall loss in Europe was due to Look Voyages. The number of travellers remained relatively flat when both years are compared, however. The overall variance therefore in Canadian dollars is due to the impact of exchange rates.

In Europe, the 2004 outlook is mixed. We expect long-haul travel from Europe to Caribbean destinations (travel packages) to do well but air-only travel will not fare as well due to overcapacity in the marketplace.

France — *Summer season*

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Revenues	299,241	332,167	(32,926)	(9.9)
Operating expenses	305,701	328,348	(22,647)	(6.9)
Margin	(6,460)	3,819	(10,279)	(269.2)
Margin (%)	(2.2%)	1.1%	(3.3) ppt	(300,0)

In France, the summer season was particularly bad. An already difficult situation became worse with the effects of SARS, particularly for Vacances Air Transat (France), whose focus is on outbound traffic to Canada.

The number of travellers fell by almost 18% resulting in a $32.9 million decrease in revenues.

Our revenues dropped in a higher proportion than our expenses due to the inclusion of fixed-cost components in our operating expenses, resulting in negative margins.

It is too early to tell what the 2004 summer season will be like in France but we expect the number of travellers from France to Canada to grow compared with 2003. We also expect travel packages to the Caribbean and the Mediterranean Basin to increase. Air-only sales, however, are expected to continue to struggle.

Our review of our tour operator activities also had an impact on our French operations. On February 10, 2003, we announced the reorganization of the management of certain French operations that we felt would enable us to better meet new challenges and seize new opportunities in France, as well as improve profitability in our French operations. This reorganization led to the announcement, on May 5, 2003, of the redundancy plan (required under French law) which resulted in the layoff of some 90 employees in France. As a result, we accrued an amount of $5.1 million as part of our restructuring charge related to this reorganization, mainly for employee termination benefits. As part of our commitment to this reorganization, we also invested an additional $15.0 million in our French operations. We began to realize savings as a result of the reorganization toward the end of fiscal 2003.

On October 31, 2003, we also announced that we had completed the sale of our online travel agency, Caïd S.A. (carrying out business under the name Anyway.com ("Anyway")) for $83.2 million. See *Discontinued operations.*

In 2004, we expect to exercise our call option related to the acquisition of our tour operator Tourgreece S.A., which shall result at least in a majority ownership position, up from 40%. The final percentage remains to be determined.

Amortization

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Amortization	42,138	43,189	(1,051)	(2.4)

Amortization expense relates to capital assets, other assets that consist mostly of long-term financing costs and development costs.

Amortization expenses remained relatively stable, with a 2.4% decrease compared with 2002.

We expect amortization expense to decrease in fiscal 2004 by approximately $10.0 million, due mainly to the elimination of our Lockheed aircraft. The Airbus A310s, which will gradually come into service in 2004, will be leased and not owned, resulting in operating expenses and not amortization expense.

Restructuring charge

In line with the objectives we set out in our 2002 Annual Report, we focused our efforts on reducing our costs, worked on operational efficiencies and ensured that all products and services not generating targeted returns are remedied. As a result, we developed a restructuring program during the second quarter of the current fiscal year. This program included a change in the management structure and a reorganization that affected both the nature and focus of our operations in France and Canada. The war in Iraq and SARS, which contributed to a slowdown in demand, accelerated the need for a restructuring program. These events also significantly affected our fleet composition.

During the year, we recorded a restructuring charge in the amount of $48 million before taxes. Of this amount, $33.7 million relates to the restructuring of our fleet.

In accordance with our fleet review, we announced the implementation of a plan to phase out the use of our six Lockheed-L-1011-500s (which are capitalized on our balance sheet) by April 30, 2004. Three of these aircraft ceased operations by October 31, 2003 and resulted in a write-down in the amount of $21.5 million. We wrote down the three remaining aircraft that are still operating to their fair values, resulting in an impairment charge in the amount of $12.2 million.

The amount recorded for the year includes cash charges totalling $13.5 million and asset write-downs in the amount of $34.5 million. The cash charges include mostly employee termination benefits and contract termination costs.

We have substantially completed our restructuring program.

The following table highlights the activity and balance of the restructuring provision for the year ended October 31, 2003.

(in thousands of dollars)	Amount incurred during the year	Cumulative drawdowns Cash	Cumulative drawdowns Non-cash	Balance as at October 31
Employee termination benefits	11,663	6,049	—	5,614
Contract termination costs	767	717	—	50
Write-off of property, plant and equipment and other assets	34,483	—	34,483	—
Other costs	1,059	619	—	440
Total	47,972	7,385	34,483	6,104

Interest

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $	Variance %
Interest on long-term debt, obligations under capital leases and debentures	9,771	12,418	(2,647)	(21.3)
Other interest and financial expenses	3,071	4,563	(1,492)	(32.7)
Interest income	(9,530)	(5,628)	3,902	69.3

Interest on long-term debt, obligations under capital leases and debentures

The decrease over 2002 is due to a decline in total debt obligations, the favourable impact of exchange rates and lower interest rates. The decline in total debt obligations is the result of $40.1 million of debt being repaid in 2003. We expect this expense to decrease in 2004 due to our greater focus on paying down the total debt.

Other interest and financial expenses

The decrease over 2002 relates to a variety of immaterial amounts and is not expected to change dramatically in 2004.

Interest income

The increase in interest income is due to higher balances in average cash and cash equivalents during the year. We expect interest income to grow slightly in 2004.

Foreign exchange gain on long-term monetary items

As a result of the adoption of the amendments introduced by CICA Handbook Section 1650, “Foreign Currency Translation,” all translation gains and losses on long-term monetary items, which were previously deferred and amortized, are now included in earnings for the year. The effect on the current year is a $3.6 million improvement in our results compared with a $2.0 million improvement in our 2002 results.

Share of net income of companies subject to significant influence

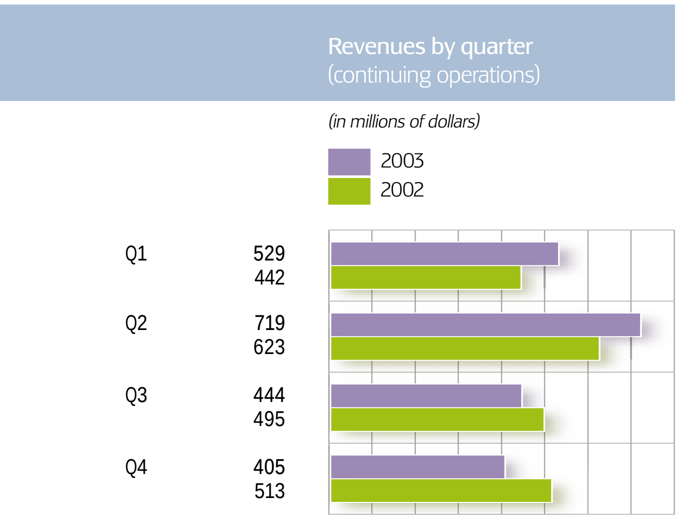
The reduction in net income of companies subject to significant influence in 2003 compared with 2002 is mainly due to our share in the results of our French airline company for the reasons discussed under *France*.

Income taxes

Our income tax recovery amounted to $5.5 million for the year compared with an expense of $9.6 million in 2002. This increase is due mainly to the effect of the restructuring charge incurred during the year and the losses in our French operations. Excluding the share of net income of companies subject to significant influence, the effective tax rates were 37.9% for the year ended October 31, 2003, and 46.9% for the year ended October 31, 2002. (See note 17 of the audited consolidated financial statements.)

Net loss from continuing operations

As a result of the items discussed in our *Consolidated operations*, our net loss from continuing operations was $9.2 million or $0.38 per share for the year ended October 31, 2003 compared with a net income from continuing operations of $11.7 million or $0.30 per share in 2002. Excluding the after-tax effect of our restructuring charge, our net income from continuing operations would have been $22.2 million or $0.58 per share. The weighted average number of common shares outstanding used to establish the per share amounts was 32,796,000 for the current year and 32,418,000 for 2002.



Discontinued operations

On October 31, 2003, Transat completed its sale of its online agency in France, Anyway, to IAC/InterActiveCorp for a cash consideration of 53.8 million euros ($83.2 million) resulting in a net gain of $53.1 million. (See note 15 of the audited consolidated financial statements.)

The sale of Anyway is not expected to have an effect on our 2004 continuing operations results due to the fact that the amounts of revenues and expenses are not significant compared with our consolidated results.

Selected quarterly unaudited financial information

(in thousands of dollars, except per share data)

	Q1		Q2		Q3		Q4	
	2003	2002	2003	2002	2003	2002	2003	2002
Revenues	529,076	442,208	718,822	623,265	444,121	495,377	404,630	512,658
Margin	4,799	(9,937)	40,446	39,893	2,531	17,690	27,186	26,502
Net income (loss) from continuing operations	(6,974)	(16,950)	15,376	15,493	(10,088)	5,742	(7,461)	7,393
Earnings (loss) per share from continuing operations	(0.24)	(0.52)	0.45	0.46	(0.33)	0.15	(0.25)	0.20
Diluted earnings (loss) per share from continuing operations	(0.24)	(0.52)	0.39	0.41	(0.33)	0.15	(0.25)	0.19
Net income (loss)	(6,974)	(16,950)	15,376	15,493	(10,088)	5,742	46,622	5,540
Earnings (loss) per share	(0.24)	(0.52)	0.45	0.46	(0.33)	0.15	1.40	0.14
Diluted earnings (loss) per share	(0.24)	(0.52)	0.39	0.41	(0.33)	0.15	1.40	0.14

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Years ended October 31 (in thousands of dollars)	2003 $	2002 $	Variance $
Cash flows relating to operating activities	71,697	183,234	(111,537)
Cash flows relating to investing activities	(4,275)	(25,864)	21,589
Cash flows relating to financing activities	(56,278)	17,700	(73,978)
Net change in cash and cash equivalents	11,144	175,070	163,926

The above table sets forth a summary of cash flow activity from continuing operations and should be read in conjunction with our audited consolidated statements of cash flows.

As at October 31, 2003, we held $349.1 million in cash and cash equivalents, (including $106.2 million in trust or otherwise reserved), compared with $260.1 million (including $101.3 million in trust or otherwise reserved) in 2002. Our balance sheet reflects a current ratio of 1.4 and working capital of $144.5 million compared with a current ratio of 1.1 and a working capital of $41.8 million in 2002. We also have access to unused lines of credit totalling $53.2 million.

Total assets decreased by $58.7 million (7.6%) to $714.8 million from $773.5 million as at October 31, 2003. Shareholders' equity increased by $47.6 million to $241.3 million from $193.7 million as at October 31, 2003 due mainly to $44.9 million in net income for the current year.

Operating activities (continuing operations)

During the year, cash flows of $71.7 million were generated from operating activities, a decrease of $111.5 million compared with 2002. This decrease is due mainly to the net change in both the working capital balances related to operations and in the net change in deposits, expenses and provision for engine and airframe overhaul.

The net change in the working capital balances is due mainly to customer deposits and a reduction in maintenance expense accruals related to our aircraft. The variance in customer deposits is lower in the current year compared with 2002. The variance was more pronounced in 2002 because the comparison was made with 2001, the period following the events of September 11, 2001 when customer deposits were extremely low. The lower maintenance accruals related to our aircraft are the result of aircraft leases that were not renewed in April 2003, resulting in a 10% reduction in capacity.

The net change in deposits, expenses and provision for engine and airframe overhaul is due mainly to lower deposits with the aircraft lessor as well as higher provisions for aircraft based on an estimate of future expenses.

Investing activities (continuing operations)

During the year, cash flows of $4.3 million were used for investing activities, a decrease of $21.6 million compared with 2002. This decrease is basically due to a $10 million decrease in capital asset acquisitions compared with 2002 and a decrease in other assets.

We expect that capital asset acquisitions will total between $15.0 million and $20.0 million in 2004.

Financing activities (continuing operations)

During the year, cash flows of $56.3 million were used from financing activities, a $74 million decrease compared with 2002. This decrease is primarily due to the issuance of debentures in the amount of $71.0 million in 2002. Cash in 2003 was mainly used for the repayment of long-term debt and obligations under capital leases.

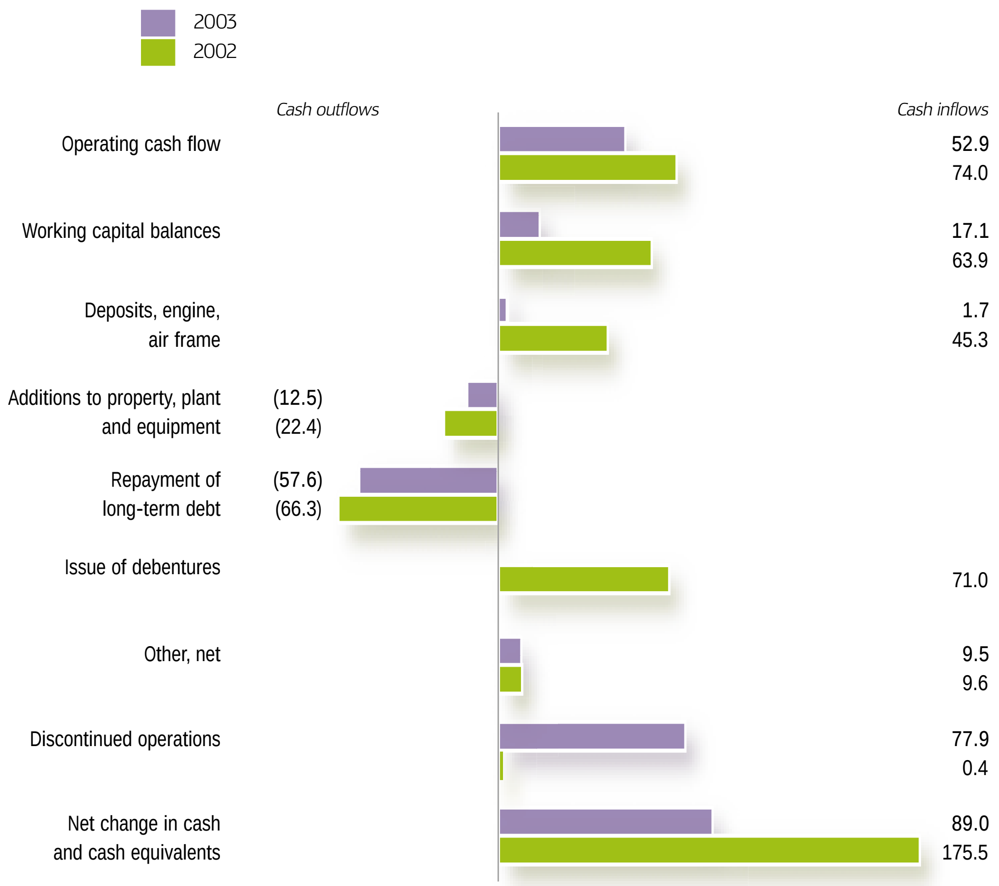
On February 28, 2003, we announced the renewal of our revolving credit facility, which matured in February 2003. The renewed credit facility amounts to $90.0 million and is due in August 2004.

Cash flows from discontinued operations

Cash flows from discontinued operations in the amount of $77.9 million relate mainly to the cash proceeds received from the sale of Anyway.

Change in cash
and cash equivalents

(in millions of dollars)



Off-balance sheet arrangements

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and liquidity, some of which are reflected as liabilities in the Consolidated Financial Statements at year-end. Total debt obligations amounted to $65.3 million as at October 31, 2003 ($130.5 million in 2002). Obligations that are not reflected as liabilities are considered off-balance sheet arrangements. These contractual arrangements are entered into with entities that are not consolidated with the Corporation and are made up of:

- Guarantees (see notes 9 and 21 of the audited consolidated financial statements)
- Operating leases (including any guaranteed residual values) (see note 20 of the audited consolidated financial statements)

The total amount of off-balance sheet debt that can be estimated was approximately $529.9 million as at October 31, 2003 ($627.1 million in 2002) and can be reconciled as follows:

(in thousands of dollars)	2003 $	2002 $
Guarantees		
Irrevocable letters of credit (note 9)	20,256	14,814
Irrevocable letters of credit (note 21)	22,468	24,200
Security contracts (note 21)	1,420	2,000
Operating leases		
Commitments under operating leases (note 20)	411,188	497,901
Guaranteed residual value (note 20)	74,586	88,185
	529,918	627,100

Guarantees are required in the normal course of operations in the travel industry to provide indemnification and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and security contracts. Historically, Transat has not made any significant payments under such guarantees. Operating leases are entered into to enable the Corporation to lease certain items rather than acquire them.

We believe that the Corporation will be able to meet its anticipated cash requirements with current funds, internally generated funds from operations as well as through borrowings under existing credit facilities.

ACCOUNTING CHANGES and FUTURE ACCOUNTING CHANGES

Accounting changes

During fiscal 2003, we adopted the CICA amendments introduced by CICA Handbook Section 1650, "Foreign Currency Translation," new Handbook Sections 3870, "Stock-Based Compensation and Other Stock-Based Payments," 3063, "Impairment of Long-Lived Assets," and 3475, "Disposal of Long-Lived Assets and Discontinued Operations," and the new CICA Accounting Guideline 14 (AcG-14), "Disclosure of Guarantees."

Effective November 1, 2002, the standards in Section 1650 require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt and obligations under capital leases, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. These amendments were applied retroactively with restatements of prior periods. As a result, we recorded a cumulative charge to opening retained earnings in the amount of $1.6 million to write off the unamortized foreign exchange loss on long-term monetary items. This charge is non-cash in nature and did not affect our financial position or cash flows.

The new Handbook Section 3870 is also effective for the fiscal year beginning November 1, 2002. Under this new standard, the CICA recommends, however does not require, the fair value-based method of accounting for stock options granted to employees but allows the disclosure, in a note to the financial statements, of the pro forma values of net income and earnings per share obtained by calculating the cost of the stock-based compensation in accordance with the fair value-based accounting method. The recommendations of the Section apply to awards granted on or after the date of adoption. We have chosen to present in a note to the financial statements the impact of the application of the fair value-based method to disclose the pro forma net income and the pro forma earnings per share as if we applied the fair value method. Consequently, the adoption of this standard did not have any effect on our results, financial position or cash flows.

The new Handbook Section 3063 was adopted effective May 1, 2003. This Section provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. The standards require the recognition of an impairment loss for a long-lived asset when events or changes in circumstances indicate that the carrying value may not be recoverable and exceeds its fair value. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. The adoption of this Section had an impact on our results and financial position due to the phase-out of a portion of our aircraft fleet. (See note 16 of the audited consolidated financial statements).

The new Handbook Section 3475 was effective May 1, 2003. The new standard applies to disposal activities initiated by an enterprise's commitment to a plan on or after the date of adoption. These new recommendations establish standards for the recognition, measurement, presentation and disclosure of the disposal of long-lived assets by sale or otherwise. The Section in particular specifies the criteria that must be met for a long-lived asset to be classified as held for sale and specifies that such an asset is measured at the lower of its carrying amount or fair value less selling cost. The new recommendations also establish standards for the presentation and disclosure of discontinued operations. In accordance with the provisions of this Section, the Corporation presented the operating results and cash flows of the subsidiary it sold. The adoption of this Section also impacted our results and financial position due to the phase-out of a portion of our aircraft fleet. (See note 16 of the audited consolidated financial statements).

AcG-14 was effective February 1, 2003. The Guideline requires a guarantor to disclose significant information about guarantees it has provided without regard to whether it will have to make any payments under the guarantees. The purpose of the Guideline is to improve the transparency of a guarantor's disclosures about the obligations and risks arising from issuing guarantees. The adoption of this Guideline did not have any effect on our results, financial position or cash flows.

Future accounting changes

In November 2001, the CICA issued Accounting Guideline 13 (AcG-13), "Hedging Relationships," which will be effective beginning on or after July 1, 2003, although earlier application is encouraged. AcG-13 addresses the identification, designation, documentation and effectiveness of hedging relationships for hedge accounting purposes. In addition, it deals with the discontinuance of hedge accounting and establishes conditions for applying hedge accounting. Under the new Guideline, an enterprise is required to document its hedging relationships and explicitly demonstrate that the hedges are sufficiently effective in order to continue accrual accounting for positions hedged with derivatives. The adoption of this Guideline will not have any effect on our results, financial position, or cash flows. At Transat, this Guideline came into effect on November 1, 2003.

In June 2003, the CICA issued Accounting Guideline 15 (AcG-15), "Consolidation of Variable Interest Entities." This new Guideline presents clarification on the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. Therefore, AcG-15 provides guidance for determining when an enterprise includes the assets, the liabilities and the results of activities of a variable interest entity in its consolidated financial statements. As a general principle set out in AcG-15, an enterprise should consolidate a variable interest entity when that enterprise has a variable interest, or combination of variable interest, that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both (the "primary beneficiary"). Transat has conducted certain aircraft financing transactions whereby it guaranteed a portion of the residual value at the end of the lease term under structures involving special purpose entities. These structures are considered variable interest entities and the Corporation is considered to be the primary beneficiary. We are currently evaluating the impact of adopting this Guideline on our results, financial position and cash flows. At Transat, this Guideline will come into effect on November 1, 2004, although certain disclosure requirements will be effective as of February 1, 2004.

In September and November of 2003, amendments were introduced by Handbook Section 3870 to require that the fair value-based method be applied to awards granted to employees, which previously had not been accounted for at fair value. Enterprises will therefore be required to account for the effect of such awards in their financial statements for fiscal years beginning on or after January 1, 2004. Retroactive or prospective application is allowed. However, prospective application is only available to enterprises that elect to apply the fair value-based method of accounting for fiscal years beginning before January 1, 2004. Thus all other enterprises that adopt the fair value-based method in a fiscal year beginning on or after January 1, 2004 will be required to adopt a retroactive application, with or without restating prior periods. Transat's adoption of the amendments were effective November 1, 2003.

RISKS AND UNCERTAINTIES

Economic and general factors

Economic factors such as a significant downturn in the economy, a recession or a decline in the employment rate in Canada, France and key international markets may have a negative impact on our business and operating results by affecting demand for our products and services. Our operating results could also be affected by general factors such as extreme weather conditions, war, political instability or terrorism, or any threat thereof, epidemics or disease outbreaks, consumer preferences and spending patterns, consumer perception of airline safety, demographic trends, disruptions to the air traffic control system, and costs of safety, security and environmental measures. Furthermore, our revenues are sensitive to events affecting domestic and international air travel as well as the level of car rentals and hotel and cruise reservations.

Competition

We face many competitors in the holiday travel industry, some of which are larger in size, have strong brand name recognition and presence in specific geographic areas, substantial financial resources and preferred relationships with travel suppliers. We also face competition from travel suppliers selling directly to individual travellers at preferential prices. These pressures may adversely impact our revenues and margins since we would likely have to match competitors' prices.

Fluctuation of currency exchange rates and interest rates

Transat is exposed, by reason of its many arrangements with foreign-based suppliers, to fluctuations in exchange rates as regards the U.S. dollar against the Canadian dollar and the euro. These fluctuations could increase our costs of operations. Changes in interest rates could also impact our interest income from our cash and cash equivalents and interest expense from variable rate debt instruments, in turn affecting our earnings. We currently purchase derivative financial instruments to hedge against exchange-rate fluctuations as well as interest rates on a portion of our long-term debt, obligations under capital leases and off-balance sheet financing for aircraft.

Fuel costs and supply

Transat is exposed in particular to fluctuations in the cost of fuel. Due to the competitive pressures in the industry, there can be no assurance that we would be able to pass on any increase in fuel prices to our customers by increasing fares and that any fare increase would offset increased fuel costs, which could in turn adversely impact the business, financial condition or results of our operations. We currently purchase futures contracts to hedge against the risk of fluctuations in the cost of fuel. Furthermore, to the extent that there would be a reduction in the supply of fuel, our operations could be adversely impacted.

Changing industry dynamics: new methods of distribution

The widespread adoption of the Internet has resulted in travellers being able to access information about travel products and services and to purchase such products and services directly from suppliers, thereby bypassing both vacation providers such as Transat and retail travel agents through whom we receive a substantial portion of our revenues. In order to remain competitive, we have launched an online booking service in Canada, www.exitnow.ca, allowing consumers to purchase their travel products on line.

Additionally, the recent erosion of commissions paid to travel distributors by travel suppliers, particularly airlines, has weakened the financial condition of many travel agents. Because we currently rely to some extent on retail travel agencies for access to travellers and revenues, a shift in consumer purchasing away from travel agencies and toward direct purchasing from travel suppliers could have an impact on the Corporation.

Reliance on contracting travel suppliers

Despite being well positioned by reason of our vertical integration, we are nonetheless dependent on travel suppliers for the sale of our products and services. Furthermore, we increasingly rely on airlines that are not part of our group to transport our passengers to their vacation destination. Our travel suppliers may generally terminate or modify existing agreements with us upon relatively short notice. The inability to replace these agreements with similar suppliers or to renegotiate agreements at reduced rates could have an adverse effect on our results. Furthermore, any decline in the quality of travel products and services provided by these suppliers, or a perception by travellers of such a decline, could adversely affect our reputation. The loss of contracts, changes in our pricing agreements, more restricted access to travel suppliers' products and services or less favourable public opinion about certain travel suppliers resulting in low demand for their products and services could have a significant effect on our results.

Dependence on technology

Our business is dependent on our ability to access information, manage reservation systems, including handling a high volume of telephone calls on a daily basis, and distribute our vacation products to retail travel agents and other travel intermediaries. To this end, we rely on different information and telecommunications technologies. Rapid changes in these technologies may require greater-than-anticipated capital expenditures to improve or upgrade the level of customer service, which could impact our operating results. Additionally, any failure or outage of these systems could adversely affect our business, customer relationships and operating results.

Dependence on customer deposits and advance payments

Transat derives significant interest income from consumer deposits and advance payments. Our investment policy restricts us to investing these deposits and advance payments only in investment-grade securities. A failure of these investment securities to perform at their historical levels could reduce the interest income realized by the Corporation.

Negative working capital

Our activities generate customer deposits and advance payments. If the flow of money from these advance payments were to diminish and Transat were required to find an alternative source of capital, there is no assurance that such source would be available at terms and conditions acceptable to the Corporation and this could have a significant effect on our business.

Fluctuation of financial results

The travel industry in general and our operations in particular are seasonal. As a result, our quarterly operating results are subject to fluctuation. We therefore believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as an indication of future performance. Furthermore, due to all of the economic and general factors described above, our operating results in future periods may fall below the expectations of securities analysts and investors, thus affecting the market price of our shares.

Government regulation and taxation

Future results of Transat may vary based upon any actions which governmental authorities with jurisdiction over the Corporation's operations may take, including the granting and timing of certain governmental approvals or licences, the adoption of regulations that impact customer service standards, such as new passenger security standards, the adoption of more restrictive noise restrictions or curfews and the adoption of provincial regulations that impact operations of retail and wholesale travel agencies. Additionally, new or different regulatory schemes or changes with respect to tax policy could have an effect on our operations as regards hotel taxes, car rental taxes, airline excise taxes as well as airport taxes and fees.

Future capital requirements

Transat may need to raise additional funds in the future in order to take advantage of growth opportunities or to respond to competitive pressures. There can be no assurance that additional financing will be available on terms and conditions acceptable to the Corporation, and this could adversely affect our business.

Interruption in operations

Should operations be interrupted for any reason, including unavailability of aircraft due to mechanical reasons, loss of revenues associated with the utilization of aircraft could have an impact on the business, financial condition and results of our operations.

Insurance coverage

Following the terrorist attacks of September 11, 2001, the airline insurance market gave notice to cancel all aircraft hull and liability coverage with respect to risks resulting from war and terrorist acts. This notice was subsequently rescinded, but the limit of liability applicable to civil liability to third parties for bodily injury and property damage was reduced to US$50,000,000.

There being no commercial market immediately available to insure airlines worldwide for their civil liability to third parties resulting from war and terrorist acts in excess of US$50,000,000, it was necessary for individual governments to cover their airlines against this risk until commercial insurance became available at commercially reasonable terms. Both France and Canada covered their air carriers accordingly.

Over the last eighteen months, a commercial market has become available to insure this risk, but it is a subject of some discussion as to whether the terms are reasonable. Moreover, some market players are not licensed to transact business in Canada. Nevertheless, the French government has withdrawn its protection, forcing the Corporation's French airline affiliate, Star Airlines, to revert to the commercial insurance market. The Canadian Government continues to afford protection to its air carriers, prompted by the licensing situation and the fact that the US government continues to provide protection to its own carriers for such risk. However, there can be no assurance that the Canadian government will not withdraw its protection, particularly if the US government should change its position.

In the meantime, the International Civil Aviation Organization ("ICAO") continues to lobby for support from all governments to achieve an industry solution financially aided by each government that would provide the requisite protection at reasonable cost. Thus far, ICAO has failed to obtain majority support for such a plan from its member governments. There is no assurance that such a solution will be found or if found, how long it will take to be implemented.

Casualty losses

We believe that our suppliers and the Corporation have adequate liability insurance to cover risks arising in the normal course of business, such as claims for serious injury or death arising from accidents involving aircraft or other vehicles carrying our customers. Although we have never experienced a liability claim for which we did not have adequate insurance coverage, there is no assurance that our insurance coverage will be sufficient to cover larger claims or that the insurer concerned will be solvent at the time of any covered loss. Additionally, there is no assurance that we will be able to obtain insurance coverage at acceptable levels and cost in the future. These uncertainties could adversely affect our business and operations.

Slot and gate availability

Access to landing and departure runway slots, airport gates and facilities are critical to our operations and our strategy for future growth. The availability or cost of these facilities in the future could have a negative effect on our operations.

Aircraft lease obligations

Transat has significant lease obligations relating to its fleet of aircraft, which obligations may not be cancelled. To the extent that the revenues derived from the operation of aircraft decrease in the future, payments to be made on our lease agreements could have a substantial impact on the Corporation's operations.

Key personnel

Transat's future success will depend on our ability to attract and retain qualified personnel. The loss of key individuals could adversely affect our business and operating results.

Uncertainty of future collective bargaining agreements

Transat's operations could be adversely affected by our inability to reach an agreement with any labour union representing employees, such as pilots.

Our Annual Information Form filed with Canadian securities commissions also contains information on risks and uncertainties.

OUTLOOK

Transat ended fiscal 2003 with a strong balance sheet and its restructuring efforts substantially completed.

In fiscal 2004 we expect a strong winter season in Canada and an improvement to our summer season following the devastating effects of the SARS outbreak on the 2003 summer season. We also expect Transat to continue to benefit from the strengthening Canadian dollar.

In France, we will continue to concentrate on reducing the losses at Look Voyages, with the objective of returning it to profitability in fiscal 2005.

Overall bookings for the winter season are good, and the Corporation is well positioned for growth opportunities in 2004 and beyond.

The long-term outlook is equally positive. The tourism industry is expected to grow, and an aging population will have more time for travel.

Our continued focus will be on our core business, a focus that is in line with our strategies and with maximizing shareholder value.

Management's report

The consolidated financial statements are the responsibility of management and have been approved by the Board of Directors. Management's responsibility in this respect includes the selection of appropriate accounting principles as well as the exercise of sound judgment in establishing reasonable and fair estimates in accordance with Canadian generally accepted accounting principles which are adequate in the circumstances. The financial information presented throughout this annual report is consistent with that appearing in the financial statements.

The Corporation and its affiliated companies have set up accounting and internal control systems designed to provide reasonable assurance that the Corporation's assets are safeguarded against loss or unauthorized use and that its books of account may be relied upon for the preparation of financial statements.

The Board of Directors is responsible for the consolidated financial statements through its Audit Committee. The Audit Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee is also responsible for analyzing, on an ongoing basis, the results of the audits by the external auditors of the accounting methods and policies used as well as of the internal control systems set up by the Corporation. These financial statements have been audited by Ernst & Young LLP, the external auditors. Their report on the consolidated financial statements appears opposite.

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

Nelson Gentiletti
Vice-President, Finance and Administration
and Chief Financial Officer

Auditors' report

To the Shareholders of Transat A.T. Inc.

We have audited the consolidated balance sheets of Transat A.T. Inc. as at October 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Montreal, Canada
December 23, 2003

Consolidated balance sheets

As at October 31 [In thousands of dollars]

	2003 $	2002 $
		[restated – note 3]
ASSETS		
Current assets		
Cash and cash equivalents *[note 4]*	**349,125**	260,123
Accounts receivable	**72,929**	101,613
Income taxes recoverable	**—**	15,139
Future income tax assets	**959**	1,352
Inventories	**7,829**	10,124
Prepaid expenses	**40,379**	48,389
Current portion of deposits	**24,053**	33,850
Total current assets	**495,274**	470,590
Deposits *[note 5]*	**14,172**	17,707
Future income tax assets *[note 17]*	**13,371**	18,028
Property, plant and equipment *[notes 6 and 16]*	**101,741**	169,316
Goodwill	**69,682**	69,935
Other assets *[note 7]*	**20,517**	27,892
	714,757	773,468
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans *[note 8]*	**—**	18,618
Accounts payable and accrued liabilities	**181,971**	249,852
Income taxes payable	**2,699**	—
Customer deposits and deferred income	**146,025**	136,078
Current portion of long-term debt and obligations under capital leases	**20,102**	24,257
Total current liabilities	**350,797**	428,805
Long-term debt *[note 9]*	**4,811**	21,455
Obligations under capital leases *[note 10]*	**10,437**	36,990
Debentures *[note 11]*	**29,981**	29,226
Provision for engine and airframe overhaul in excess of deposits	**43,495**	35,614
Non-controlling interest and other liabilities	**22,474**	15,925
Future income tax liabilities *[note 17]*	**11,416**	11,710
	473,411	579,725
Shareholders' equity		
Share capital *[note 12]*	**111,247**	110,200
Convertible debentures and equity component of a debenture *[notes 11 and 13]*	**52,855**	52,786
Retained earnings	**70,336**	28,636
Warrants *[notes 11 and 12]*	**4,122**	4,122
Deferred translation adjustments	**2,786**	(2,001)
	241,346	193,743
	714,757	773,468

On behalf of the Board:
Jean-Marc Eustache, Director
André Bisson, O.C., Director

Commitments and contingencies *[note 20]*

See accompanying notes to consolidated financial statements.

Consolidated statements of income

Years ended October 31 [In thousands of dollars, except per share amounts]

	2003 $	2002 $ [restated – notes 3 and 15]
Revenues	**2,096,649**	2,073,508
Operating expenses	**2,021,687**	1,999,360
	74,962	74,148
Amortization *[note 14]*	**42,138**	43,189
Restructuring charge *[note 16]*	**47,972**	—
Interest on long-term debt, obligations under capital leases and debentures	**9,771**	12,418
Other interest and financial expenses	**3,071**	4,563
Interest income	**(9,530)**	(5,628)
Foreign exchange gain on long-term monetary items	**(3,873)**	(984)
Share of net income of companies subject to significant influence	**(673)**	(919)
	88,876	52,639
Income (loss) before the following items	**(13,914)**	21,509
Income taxes (recovery) *[note 17]*		
Current	**6,122**	(10,556)
Future	**(11,655)**	20,205
	(5,533)	9,649
Income (loss) before non-controlling interest in subsidiaries' results	**(8,381)**	11,860
Non-controlling interest in subsidiaries' results	**(766)**	(182)
Income (loss) from continuing operations	**(9,147)**	11,678
Income (loss) from discontinued operations, net of related income taxes of $18,775 [$998 in 2002] *[note 15]*	**54,083**	(1,853)
Net income for the year	**44,936**	9,825
Basic net earnings (loss) per share *[note 12]*		
Continuing operations	**(0.38)**	0.30
Discontinued operations	**1.65**	(0.06)
	1.27	0.24
Diluted earnings (loss) per share *[note 12]*		
Continuing operations	**(0.38)**	0.30
Discontinued operations	**1.65**	(0.06)
	1.27	0.24

Consolidated statements of retained earnings

Years ended October 31 [In thousands of dollars]

	2003 $	2002 $ [restated – note 3]
Retained earnings, beginning of year, as previously reported	**30,243**	25,879
Change in accounting policy *[note 3]*	**(1,607)**	(3,644)
Retained earnings, beginning of year	**28,636**	22,235
Net income for the year	**44,936**	9,825
Convertible debentures issue expenses, net of related future income taxes of $703	**—**	(1,278)
Interest on equity component of debentures, net of related income taxes of $1,431 [$1,141 in 2002]	**(3,236)**	(2,146)
Retained earnings, end of year	**70,336**	28,636

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

Years ended October 31 [In thousands of dollars]

	2003 $	2002 $ [restated – notes 3 and 15]
OPERATING ACTIVITIES		
Net income (loss) from continuing operations	**(9,147)**	11,678
Operating items not involving an outlay (receipt) of cash		
Amortization	**42,138**	43,189
Write-off of property, plant and equipment and other assets *[note 16]*	**34,483**	—
Foreign exchange gain on long-term monetary items	**(3,873)**	(984)
Share of net income of companies subject to significant influence	**(673)**	(919)
Non-controlling interest in subsidiaries' results	**766**	182
Future income taxes	**(11,655)**	20,205
Interest on debentures	**824**	664
Operating cash flow	**52,863**	74,015
Net change in non-cash working capital balances related to operations	**17,101**	63,915
Net change in deposits, expenses and provision for engine and airframe overhaul	**1,733**	45,304
Cash flows relating to operating activities	**71,697**	183,234
INVESTING ACTIVITIES		
Repayment of deposits	**5,595**	5,373
Increase in deposits	**(1,791)**	(3,641)
Additions to property, plant and equipment	**(12,513)**	(22,426)
Other assets	**4,434**	(5,170)
Cash flows relating to investing activities	**(4,275)**	(25,864)
FINANCING ACTIVITIES		
Change in bank loans	**(17,536)**	8,806
Repayment of revolving term loan	**—**	(45,020)
Increase in other long-term debt	**136**	2,205
Repayment of other long-term debt and obligations under capital leases	**(40,112)**	(21,264)
Proceeds from issue of common shares	**744**	798
Proceeds from issue of debentures, net of issue expenses	**—**	70,989
Interest on convertible debentures	**(4,600)**	(2,445)
Other liabilities	**5,090**	3,631
Cash flows relating to financing activities	**(56,278)**	17,700
Cash flows relating to continuing operations	**11,144**	175,070
Cash flows relating to discontinued operations *[note 15]*	**77,858**	434
Net change in cash and cash equivalents	**89,002**	175,504
Cash and cash equivalents, beginning of year	**260,123**	84,619
Cash and cash equivalents, end of year[1]	**349,125**	260,123
[1] Consists of the following:		
Cash and cash equivalents related to:		
Continuing operations	**349,125**	259,485
Discontinued operations	**—**	638
Supplementary information		
Income taxes paid	**1,178**	355
Interest paid	**11,348**	13,942

See accompanying notes to consolidated financial statements.

1 INCORPORATION AND NATURE OF BUSINESS

Transat A.T. Inc. [the "Corporation"], incorporated under the *Canada Business Corporations Act*, is an integrated company specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of tour operators based in Canada and France. The Corporation is also involved in air transportation and value-added services at travel destinations. Finally, the Corporation has secured a dynamic presence in distribution through travel agency networks.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and a joint venture.

Cash equivalents

Cash equivalents consist primarily of term deposits, bankers' acceptances and commercial paper that are readily convertible into known amounts of cash with initial maturities of less than three months. These investments are recorded at cost plus accrued interest and their carrying value approximates their fair market value.

Inventories

Inventories are valued at the lower of cost, determined according to the first-in, first-out method, and replacement cost.

Capital leases

Capital leases which transfer substantially all the benefits and inherent risks related to the ownership of the property leased to the Corporation are capitalized and liabilities are recorded for the present value of the payments under the leases. The leased property is amortized over its estimated useful life. Rental payments are recorded partly against the amount of the obligation and partly as interest.

Property, plant and equipment

Property, plant and equipment is recorded at cost and is amortized, taking into account its residual value, on a straight-line basis over its estimated useful life as follows:

Property under capital leases	
Aircraft	7 to 10 years
Aircraft engines	Cycles used
Other property	Lease term
Owned property, plant and equipment	
Hangar and administrative buildings	35 years
Aircraft	7 to 10 years
Improvements to aircraft under operating leases	Lease term
Aircraft equipment	5 to 10 years
Computer equipment and software	3 to 7 years
Aircraft engines	Cycles used
Office furniture and equipment	4 to 10 years
Leasehold improvements and other	Lease term
Rotable aircraft spare parts	Use

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to income in the year in which the loss is recognized. The Corporation uses the discounted cash flows method to assess the fair value of its reporting units.

Other assets

Other assets consist in particular of long-term financing costs, development costs and long-term investments.

Deferred long-term financing costs are amortized over the financing period of the related debts and development costs are amortized over periods not exceeding five years. Long-term investments over which the Corporation has the ability to exercise significant influence are accounted for using the equity method.

Impairment of long-lived assets

Long-lived assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value [net recoverable value]. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the net recoverable value.

Deposits, expenses and provision for engine and airframe overhaul

The Corporation provides for engine and airframe overhaul expenses for each aircraft based on an estimate of all such future expenses until the expiry of the leases for these aircraft, or for their remaining useful lives while held, amortized over the total number of engine cycles and the total number of flying hours anticipated for the airframe over the same periods.

These expenses are charged to income according to the number of cycles used or the number of flying hours recorded during the year, by the amortization of the capitalized overhaul costs or by a provision for future costs, as the case may be. Actual results could differ from those estimates and differences could be significant.

The Corporation makes deposits representing a portion of engine and airframe overhaul expenses to certain aircraft lessors. These deposits are usually recoverable upon presentation of claims for eligible overhaul expenses. Amounts so claimed are included under “Accounts receivable”. The excess of the provision for future overhaul expenses over deposits made and unclaimed is included in liabilities as “Provision for engine and airframe overhaul in excess of deposits”. The unamortized balance related to engine and airframe overhaul expenses is included, if any, in assets as “Deposits”.

2 SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Foreign currency translation

[a] Self-sustaining foreign operations

The Corporation translates the accounts of its self-sustaining foreign subsidiaries using the current rate method. All assets and liabilities of self-sustaining foreign operations are translated at the exchange rates in effect at year-end. Revenues and expenses are translated at average rates of exchange during the period. Net gains or losses resulting from the translation of assets and liabilities are shown in shareholders' equity.

[b] Accounts and transactions in foreign currencies

The accounts and transactions of the Corporation denominated in foreign currencies are translated using the temporal method. Under this method, monetary items on the balance sheet are translated at the exchange rates in effect at year-end, while non-monetary items are translated at the historical rates of exchange. Revenues and expenses are translated at the rates of exchange on the transaction date or at the average exchange rates for the period. Gains or losses resulting from the translation are included in the consolidated statement of income.

Stock-based compensation plans

The Corporation accounts for its stock option plan for directors, management and employees as capital transactions. Accordingly, the issuance of options does not give rise to compensation expenses. The Corporation discloses the impact of applying the fair value-based method on pro forma net income and earnings per share by way of a note to the consolidated financial statements

The Corporation's contributions to the permanent stock ownership incentive plan for senior executives are recognized in income when the shares are awarded. No compensation expense is recognized for the other plans when shares are issued to directors, management and employees. Any consideration paid by directors, management and employees upon purchasing shares is credited to share capital.

A description of the stock-based compensation plans offered by the Corporation is included in note 12.

Revenues

Revenues earned from passenger transportation are recorded upon each return flight. Revenues of tour operators and the related costs are recorded at the time of the departure of the passengers. Commission revenues of travel agencies are recorded at the time of reservation. Amounts received for services not yet rendered are included in current liabilities as "Customer deposits and deferred income".

Financial instruments

The Corporation uses foreign exchange forward contracts to hedge against future currency exchange rate variations related to long-term debt and lease payments denominated in other currencies, aircraft operating lease payments, receipt of revenue from certain tour operators and disbursements pertaining to certain operating expenses in other currencies. The gains or losses on these contracts resulting from exchange rate variations are recorded in income when the related hedging transactions are realized.

In addition, the Corporation has entered into interest-rate and currency swap agreements related to certain operating leases. The amounts charged to income are based on the rates provided in the contracts.

To protect itself against variations in fuel costs, the Corporation has entered into fuel price hedging contracts. The resulting gains or losses are recorded in fuel costs as purchases of fuel are made.

It is the Corporation's policy not to speculate on financial instruments; thus, these instruments are normally maintained until maturity according to the primary objective of hedging risks.

Income taxes

The Corporation provides for income taxes using the liability method. Under this method, future income tax assets and liabilities are calculated based on differences between the carrying value and tax bases of assets and liabilities and measured using substantively enacted tax rates and laws expected to be in effect when the differences reverse. A valuation allowance has been recorded to the extent that it is more likely than not that future income taxes will not be realized.

Employee future benefits

The Corporation offers defined benefit plans to certain members of senior management. The cost of pension benefits earned by employees is determined from actuarial calculations using the projected benefit method prorated on services and management's most likely estimate of expected plan investment performance, salary escalation and the retirement age of employees. Plan obligations are discounted using current market interest rates and included in "Other liabilities."

2 SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Earnings per share

Earnings per share is calculated based on the weighted average number of common shares outstanding during the year. The diluted earnings per share is calculated using the treasury stock method and takes into account all the elements that have a dilutive effect.

3 CHANGES IN ACCOUNTING POLICIES

Foreign currency translation

On November 1, 2002, the Corporation adopted, on a retroactive basis with restatement, the amended Canadian Institute of Chartered Accountants Handbook ["CICA"], Section 1650, "Foreign Currency Translation". The standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies, including gains and losses on long-term monetary assets and liabilities, such as long-term debt and obligations under capital leases, previously deferred and amortized on a straight-line basis over the remaining lives of the related items, be included in income for the year. As a result of the adoption of these amendments on November 1, 2001, deferred foreign exchange losses in the amount of $3,644 [$1,607 as at October 31, 2002] included in other assets, were written off and charged to retained earnings. An additional effect of the adoption of the amendments was an increase in net income and earnings per share of $2,037 and $0.06 respectively for the year ended October 31, 2002. The adoption of these amendments also resulted in an increase in net income and earnings per share of $3,624 and $0.11 for the year ended October 31, 2003.

Stock-based compensation and other stock-based payments

On November 1, 2002, the Corporation adopted, on a prospective basis, the new accounting standard, Section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this new standard, the CICA recommends, but does not require, the use of the fair value-based method to account for the stock options granted to employees, but permits the disclosure in a note to the financial statements of the pro forma values of net income and earnings per share obtained by calculating the cost of the stock-based compensation in accordance with the fair value-based method. The recommendations of the section apply to awards granted on or after the date of adoption. The Corporation has chosen to present the impact of the application of the fair value-based method in a note to the consolidated financial statements by disclosing the pro forma net earnings and the pro forma earnings per share as if the Corporation had applied the fair value-based method for awards granted on or after the date of adoption. Consequently, the adoption by the Corporation of this standard did not have any effect on its results, financial position or cash flows.

Disposal of long-lived assets and discontinued operations

On May 1, 2003, the Corporation adopted the new accounting standard, Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations." The new standard applies to disposal activities initiated by an enterprise's commitment to a plan on or after the date of adoption. These new recommendations establish standards for the recognition, measurement, presentation and disclosure of the disposal of long-lived assets held for disposal by sale or other than by sale. The section in particular specifies the criteria that must be met for a long-lived asset to be classified as held for sale and specifies that such an asset is measured at the lower of its carrying amount or fair value less cost to sell. The new recommendations also establish standards for the presentation and disclosure of discontinued operations. On October 31, 2003, the Corporation sold one of its subsidiaries. In accordance with the provisions of this new section, the Corporation presented the operating results and the cash flows of the subsidiary it sold in note 15 to the consolidated financial statements. The adoption of these standards also resulted in a write-off of property, plant and equipment totalling $21,462, as described in note 16.

Impairment of long-lived assets

In addition, on May 1, 2003, the Corporation early adopted the new standards in the CICA Handbook Section 3063 "Impairment of Long-Lived Assets." The section establishes standards for recognition, measurement and disclosure of the impairment of long-lived assets. It requires recognition of an impairment loss when the carrying value of a long-lived asset is not recoverable and exceeds its fair value. The section specifies that the impairment loss is measured as the amount by which the long-lived asset's carrying value exceeds its fair value. The adoption of these standards resulted in an impairment write-down of property, plant and equipment totalling $12,253 as described in note 16.

4 CASH AND CASH EQUIVALENTS

	2003 $	2002 $
Cash and cash equivalents	**242,952**	158,823
Cash in trust or otherwise reserved	**106,173**	101,300
	349,125	260,123

Cash in trust or otherwise reserved represent funds received from customers for services not yet rendered.

As at October 31, 2003, no cash or term deposits were pledged as collateral security against letters of guarantee issued by financial institutions [$1,627 as at October 31, 2002].

5 DEPOSITS

	2003 $	2002 $
Deposits on leased aircraft and engines	**11,344**	15,725
Deposits with suppliers	**26,881**	35,832
	38,225	51,557
Less current portion	**24,053**	33,850
	14,172	17,707

6 PROPERTY, PLANT AND EQUIPMENT

	2003		2002	
	Cost $	Accumulated amortization $	Cost $	Accumulated Amortization $
Property under capital leases				
Aircraft	**17,781**	**14,017**	56,249	24,446
Aircraft engines	**20,358**	**3,819**	26,234	9,334
Other property	**1,347**	**677**	8,170	4,499
	39,486	**18,513**	90,653	38,279
Owned property, plant and equipment				
Hangar and administrative buildings	**7,485**	**2,056**	7,682	1,836
Aircraft	**8,754**	**7,540**	25,444	7,838
Improvements to aircraft under operating leases	**12,674**	**5,291**	10,223	3,519
Aircraft equipment	**29,941**	**22,245**	28,701	19,154
Computer equipment and software	**70,581**	**43,934**	78,676	41,569
Aircraft engines	**—**	**—**	3,027	327
Office furniture and equipment	**21,845**	**16,611**	21,141	13,468
Leasehold improvements and other	**17,540**	**8,807**	19,927	9,713
Rotable aircraft spare parts	**23,784**	**5,352**	23,651	4,106
	192,604	**111,836**	218,472	101,530
	232,090	**130,349**	309,125	139,809
Accumulated amortization	**130,349**		139,809	
Net book value	**101,741**		169,316	

7 OTHER ASSETS

	2003 $	2002 $ [restated – note 3]
Deferred costs, unamortized balance	**6,870**	12,602
Investments in companies subject to significant influence and other investments	**6,788**	8,101
Miscellaneous	**6,859**	7,189
	20,517	27,892

8 BANK LOANS

Operating lines of credit totalling €12,094 [$18,465] [€25,800 [$39,783] in 2002] have been authorized for certain French subsidiaries. These operating lines of credit are renewable annually and were unused as at October 31, 2003 [€12,073 [$18,618] was used as at October 31, 2002]. For the year ended October 31, 2003, operating lines of credit bore interest at an average rate of 3.3% [4.1% for the year ended October 31, 2002].

9 LONG-TERM DEBT

	2003 $	2002 $
Term loan in the amount of US$3,532 [US$5,279 in 2002], bearing interest at Libor plus 2.5%, or 3.64% as at October 31, 2003 [4.23% as at October 31, 2002], repayable in instalments of varying amounts, maturing in 2004 and collateralized by a movable hypothec on an aircraft	**4,661**	8,237
Term loan in the amount of US$1,842 [US$2,205 in 2002], bearing interest at 8%, repayable in monthly instalments of capital and interest totalling US$44, maturing in June 2004 and collateralized by a movable hypothec on rotable aircraft spare parts	**2,431**	3,441
Loans of €1,732 [€2,319 in 2002], bearing interest at rates ranging from 5.4% to 5.9% [5.40% to 6.75% in 2002] and maturing in 2006	**2,644**	3,576
Term loans in the amount of €2,509 [€6,098 in 2002], bearing interest at Euribor plus 0.7%, or 2.8% as at October 31, 2003 [3.83% as at October 31, 2002], and maturing at various dates through 2007	**3,831**	9,415
Other, maturing at various dates through 2007	**3,464**	6,176
	17,031	30,845
Less current portion	**12,220**	9,390
	4,811	21,455

The Corporation and its subsidiaries Air Transat A.T. Inc. [“Air Transat”] and Transat Tours Canada Inc. [“Transat Tours”] have a revolving line of credit amounting to $55,000 under a banking syndicate agreement.

Under the terms of this agreement, drawings can be made by way of bankers’ acceptances and bank loans, as well as through the issuance of letters of credit denominated in Canadian or US dollars. The interest rate is determined based on a grid of rates that vary based on the level of certain financial ratios calculated on a consolidated basis.

As at October 31, 2003, letters of credit had been issued for a total of $20,256, thus reducing by the same amount the balance available on the revolving term loan [$14,814 as at October 31, 2002].

For the purpose of guarantee agreements related to its operations, the subsidiary, Air Transat, also benefits from a special revolving term loan in the amount of $35,000, subject to the same terms and conditions as the revolving term loan. As at October 31, 2003, letters of guarantee had been issued for a total of $31,768 under this special revolving term loan [$32,778 as at October 31, 2002].

Under these agreements, the Corporation has granted its lenders most of the assets as collateral on its long-term debt.

Principal instalments payable during the next four years are as follows: 2004 – $12,220; 2005 – $2,893; 2006 – $1,383 and 2007 – $535.

10 OBLIGATIONS UNDER CAPITAL LEASES

	2003 $	2002 $
Obligations totalling US$3,204 [US$20,225 in 2002] related to aircraft, maturing at various dates until 2004	**4,228**	31,558
Obligations totalling US$8,088 [US$8,570 in 2002] related to an aircraft engine, maturing in 2009	**10,675**	13,371
Obligations totalling US$1,528 [US$2,695 in 2002] related to an aircraft engine, maturing in 2005	**2,017**	4,205
Other obligations, maturing at various dates until 2005	**1,399**	2,723
	18,319	51,857
Less current portion	**7,882**	14,867
	10,437	36,990

Obligations under capital leases related to aircraft, aircraft engines and other obligations were determined based on interest rates ranging from 3.2% to 9.5% [from 3.8% to 9.5% in 2002].

Minimum lease payments payable under these leases amounting to approximately $20,135, of which $1,816 is interest, are as follows for the next five years: 2004 – $8,405; 2005 – $1,594; 2006 – $1,188; 2007 – $1,234 and 2008 – $1,285.

11 DEBENTURES

[a] The $10,000 debenture of Transat Tours bears interest at 17.5% and matures on November 1, 2005. The debenture is repayable at the option of Transat Tours at a price such that the holder earns a compound annual return of 20.5% from its issuance on November 1, 1995, taking into consideration annual interest already paid and recorded at a rate of 17.5%. The debenture, if not redeemed, is convertible into 25% of the common shares of Transat Tours.

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, the lender has the option to acquire all of the outstanding shares of Transat Tours at a price determined under an agreed formula.

[b] In September 2001, D.M.C. Transat Inc. ["DMC"] issued a debenture in the amount of $2,500 bearing interest at a rate of 8.25%. The debenture is repayable in one instalment in September 2009 in cash or shares of the Corporation at the Corporation's option. The debenture is also repayable in advance at DMC's option as of September 2004 in return for a premium whereby the holder will earn a return of 11.25% from its issuance taking into consideration annual interest already paid and recorded at the rate of 8.25%.

As at October 31, 2003, the liability and equity components of the debenture totalled $750 [$819 as at October 31, 2002] and $1,750 [$1,681 as at October 31, 2002] respectively.

[c] On January 10, 2002, the Corporation and Air Transat issued debentures to certain shareholders and management members of the Corporation for an amount of $21,865, bearing interest at a rate of 6% and maturing in January 2009. The debentures are redeemable in advance as of January 2005 in return for payment of a penalty equal to three months' interest. The Corporation and Air Transat must also pay the holders a premium at maturity, upon advance redemption or at conversion, such that the holders earn a compound annual return of 15%, taking into consideration interest already paid at a rate of 6%.

In the course of this 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.

On January 10, 2002, the initial liability component of the debentures totalled $17,743, and an amount of $4,122 was allocated to warrants *[note 12]*. As at October 31, 2003, the liability component of the debentures amounted to $19,231 [$18,407 as at October 31, 2002].

12 SHARE CAPITAL

Authorized

An unlimited number of common shares.

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

Issued and outstanding

	2003 **$**	2002 $
32,863,553 common shares [32,460,353 in 2002]	**111,247**	110,200

Due to the *Canada Transportation Act*, the proportion of the Corporation's common shares that can be held by non-residents is limited to 25%.

Following a transaction carried out in March 1997, a total of 51,671 preferred shares, series 3, became the property of Transat Tours. These shares were excluded from the balance of issued and outstanding shares, and were the only preferred shares, series 3, outstanding. The preferred shares, series 3, were non-voting and were entitled to a dividend equal to any dividend declared on the common shares. They were convertible at the rate of one preferred share, series 3, for three common shares and redeemable at the holder's option at their issue price.

On October 31, 2000, as part of the completion of the acquisition of Regent Holidays Limited, now merged into Transat Tours, 123,800 preferred shares, series 3, were converted into 371,400 common shares. A total of 103,194 of these common shares became the property of Regent Holidays Limited and were excluded from the number of issued and outstanding shares.

On November 8, 2002, the 51,671 preferred shares, series 3, held by Transat Tours were converted into 155,013 common shares of the Corporation. Subsequent to the conversion, the number of common shares held by Transat Tours and excluded from the share capital of the Corporation totalled 258,207. On the same date, all of the common shares held by Transat Tours were then sold on the market and immediately reintegrated into the share capital of the Corporation at their original issue price, namely $303. The transaction had no impact on the results of the Corporation.

Subscription rights plan

At the annual meeting held on March 27, 2002, the shareholders ratified the renewal, by the Corporation, of a shareholders' subscription rights plan ["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 is designed to give the Board of Directors time to consider offers, thus allowing shareholders to receive full and fair value for their shares. The rights plan will terminate at the annual shareholders' meeting in 2005, unless it is terminated earlier by the Corporation's Board of Directors.

Share purchase plan

A share purchase plan is available to eligible employees and management of the Corporation and its subsidiaries. Under the plan, as at October 31, 2003, the Corporation was authorized to issue up to 717,024 common shares. The plan allows each eligible employee to purchase shares for a subscription limit up to 10% of their annual salary in effect at the time of the subscription. The purchase price of the shares under the plan is equal to the weighted average price of the common shares during the five trading days prior to the issue of the shares, less 10%.

During the year, the Corporation issued 144,993 common shares [123,690 in 2002] for a total of $744 [$710 in 2002] under the share purchase plan.

Permanent stock ownership incentive plan

Subject to participation in the share purchase plan offered to all eligible employees of the Corporation, the Corporation attributes annually to each eligible senior executive a number of common shares, the aggregate subscription price of which is equal to the maximum percentage of salary contributed, which may not exceed 10% thereof. Common shares so attributed by the Corporation will vest progressively to the eligible senior executive, subject to the senior executive's retaining, during the vesting period, all the common shares subscribed for under the Corporation's share purchase plan.

12 SHARE CAPITAL [Cont'd]

Stock option plan

Options on common shares are granted under a stock option plan for directors, management and employees. Under the plan, as at October 31, 2003, the Corporation may grant 1,237,232 additional common shares to eligible persons at a share price equal to the weighted average price of the common shares during the five trading days prior to the granting of the options. Options granted prior to 1999 may be exercised during a five-year period after the grant date, whereas those granted as of 1999 may be exercised during a ten-year period but subject to a maximum of one-third during the first two years after the grant date, an additional third in the third year and a final third after the start of the fourth year. The tables below summarize all outstanding options:

	2003		2002	
	Number of options	**Weighted average price $**	Number of options	Weighted average price $
Beginning of the year	**2,120,690**	**7.91**	2,368,050	9.31
Granted	**629,473**	**3.84**	474,266	6.99
Exercised	**—**	**—**	(13,104)	6.86
Expired	**(45,000)**	**12.55**	(640,000)	12.32
Cancelled	**(423,497)**	**7.63**	(68,522)	8.70
End of the year	**2,281,666**	**6.75**	2,120,690	7.91
Options exercisable at the end of the year	**1,408,675**	**7.17**	1,258,823	7.59

	Outstanding options			Exercisable options	
Range of exercise prices $	Number of outstanding options as at October 31, 2003	Weighted average remaining life	Weighted average price $	Number of options exercisable as at October 31, 2003	Weighted average price $
3.00 to 4.50	619,473	9.5 years	3.81	189,768	3.81
4.51 to 6.00	10,000	9.0 years	5.80	—	—
6.01 to 7.50	863,527	7.0 years	6.84	582,720	6.77
7.51 to 9.00	397,896	6.5 years	8.05	387,896	8.03
9.01 to 11.50	390,770	7.4 years	9.90	248,291	9.33
	2,281,666		6.75	1,408,675	7.17

During the year ended October 31, 2003, the Corporation granted 629,473 common stock options to certain key employees, and to its directors. The average fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used and the weighted average fair value of the options on the date of grant for the year ended October 31, 2003 are as follows:

Risk-free interest rate	4.73%
Expected life	6 years
Expected volatility	55%
Dividend yield	—
Weighted average grant-date fair value	$2.09

The following table presents the effect on the financial statements of the Corporation if the awards granted had been recorded using the fair value-based method:

	$
Loss from continuing operations	(9,147)
Adjustment – Stock-based compensation	(149)
Pro forma loss from continuing operations	(9,296)
Pro forma loss per share from continuing operations	(0.38)
Pro forma diluted loss per share from continuing operations	(0.38)

12 SHARE CAPITAL [Cont'd]

Warrants

On January 10, 2002, the Corporation granted 1,421,225 warrants *[note 11 [c]]*. As at October 31, 2003, none of these warrants had been exercised.

Net earnings (loss) per share

Basic earnings (loss) per share and diluted earnings (loss) per share were computed as follows:

[In thousands, except per share amounts]	**2003** **$**	2002 $
NUMERATOR		
Income (loss) from continuing operations	**(9,147)**	11,678
Interest on convertible debentures	**(3,245)**	(2,071)
Income (loss) from continuing operations attributable to common shareholders and used in calculating diluted earnings (loss) per share	**(12,392)**	9,607
Income (loss) from discontinued operations attributable to common shareholders and used in calculating diluted earnings (loss) per share	**54,083**	(1,853)
Income attributable to common shareholders and used in calculating diluted earnings (loss) per share	**41,691**	7,754
DENOMINATOR		
Weighted average number of outstanding shares	**32,796**	32,418
Effect of dilutive securities		
Stock options	**—**	30
Warrants	**—**	49
	—	79
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	**32,796**	32,497
Basic earnings (loss) per share		
Continuing operations	**(0.38)**	0.30
Discontinued operations	**1.65**	(0.06)
	1.27	0.24
Diluted earnings (loss) per share		
Continuing operations	**(0.38)**	0.30
Discontinued operations	**1.65**	(0.06)
	1.27	0.24

12 SHARE CAPITAL [Cont'd]

Convertible debentures and debentures that may be settled in common shares were excluded from the computation of diluted earnings (loss) per share from continuing operations for the years ended October 31, 2003 and 2002 as a result of their antidilutive effect. The potential effect of these securities on the denominator is 6,307,387 shares for the year ended October 31, 2003 [4,418,816 for the year ended October 31, 2002].

In computing diluted loss per share from continuing operations for the year ended October 31, 2003, a total of 2,281,666 common stock options were excluded from the computation as a result of their antidilutive effect. For the year ended October 31, 2002, a total of 984,512 common stock options were excluded from the computation of diluted earnings per share from continuing operations because the exercise price on these options exceeded the average price of the Corporation's shares.

In addition, for the year ended October 31, 2003, the warrants were not taken into consideration in the computation of the diluted loss from continuing operations as a result of their antidilutive effect. The potential effect of these securities on the denominator is 1,421,225 shares for the year ended October 31, 2003.

13 CONVERTIBLE DEBENTURES

On February 19, 2002, the Corporation issued $51,105 of convertible unsecured subordinated debentures maturing on March 1, 2007. The debentures bear interest at 9%, payable semi-annually in cash or in common shares of the Corporation, at its option. The debentures are convertible into common shares of the Corporation, at a conversion price of $8.75 per share, at the holder's option at any time.

On and after March 1, 2005 and prior to March 1, 2006, the debentures could be redeemed at par by the Corporation provided its common shares are traded at a price of $10.94 or more for 20 consecutive trading days before the notice of redemption. After March 1, 2006, the debentures could be redeemed at par. The Corporation will have the option to repay the debentures, in whole or in part, in cash or by delivering a number of common shares obtained by dividing the principal amount of the debentures by 95% of the market price of the Corporation's shares at the redemption date or at maturity.

14 AMORTIZATION

	2003 **$**	2002 $ [restated – note 3]
Property, plant and equipment	**36,654**	39,322
Other assets	**5,484**	3,867
	42,138	43,189

15 DISCONTINUED OPERATIONS

On October 31, 2003, the Corporation completed the sale of its online travel agency in France, Caïd S.A. [carrying out business under the name Anyway.com], for a cash consideration of €53,824 [$83,163] resulting in a gain on disposal of €34,356 [$53,101] net of related income taxes and selling expenses totalling €12,151 [$18,775] and €3,991 [$6,166] respectively.

The results from the discontinued operations presented on the statement of income are detailed as follows:

	2003 **$**	2002 $
Revenues	**12,860**	13,190
Operating expenses	**10,611**	15,411
	2,249	(2,221)
Amortization	**946**	617
Other interest and financial expenses	**340**	13
Interest income	**(19)**	—
	1,267	630
Income before income taxes and gain on disposal	**982**	(2,851)
Income taxes (recovery)		
Current	**345**	—
Future	**(345)**	(998)
	—	(998)
Income (loss) before gain on disposal	**982**	(1,853)
Gain on disposal, net of related income taxes of $18,775	**53,101**	—
Income (loss) from discontinued operations	**54,083**	(1,853)

Net cash flows relating to the discontinued operations presented on the statement of cash flows is detailed as follows:

	2003 **$**	2002 $
Operating activities	**9,466**	780
Investing activities	**69,277**	(919)
Financing activities	**(885)**	573
Cash flows relating to discontinued operations	**77,858**	434

At the time of the disposal of the assets and liabilities related to the discontinued operations, the carrying amount was detailed as follows:

	$
Cash and cash equivalents	**6,620**
Accounts receivable	**19,437**
Property, plant and equipment	**2,817**
Other assets	**5,291**
Total assets	**34,165**
Accounts payable and accrued liabilities	**25,876**
Other liabilities	**3,168**
Total liabilities	**29,044**
Net assets related to discontinued operations	**5,121**

16 RESTRUCTURING CHARGE

During the year, the Corporation recorded a restructuring charge totalling $47,972 before income taxes. This program included a change in the management structure and a reorganization that affected both the nature and focus of its operations in France and Canada.

The amount recorded includes cash charges amounting to $13,489 and a write-off of property, plant and equipment and other assets totalling $34,483. Cash charges consist mainly of employment termination benefits and contract termination costs.

The write-off of property, plant and equipment and other assets arises primarily from the gradual phase out of the use of the six Lockheed L-1011-500 aircraft of the Corporation through April 30, 2004. This amount includes $21,462 in the form of a write-off for the three aircraft that ceased operations in September 2003, as well as $12,253 for an impairment write-down corresponding to the excess of the carrying amount, at the time recoverability is assessed, over the fair value of long-lived assets calculated using the estimated future cash flows directly related to the three remaining aircraft to be phased out by April 30, 2004.

The following table highlights the activity and balance of the restructuring provision for the year ended October 31, 2003.

	Amounts incurred during the year	Cumulative drawdowns		Balance as at October 31, 2003
	$	Cash $	Non-cash $	$
Employment termination benefits	11,663	6,049	—	5,614
Contract termination costs	767	717	—	50
Write-off of property, plant and equipment and other assets	34,483	—	34,483	—
Other costs	1,059	619	—	440
	47,972	7,385	34,483	6,104

17 INCOME TAXES

Income taxes on income (loss) from continuing operations as presented differs from the amount calculated by applying the statutory income tax rate to income (loss) before income taxes, non-controlling interest in subsidiaries' results and income (loss) from discontinued operations.

The reasons for this difference and the effect on income tax expense are as follows:

	2003		2002	
	$	**%**	$	%
Income taxes at the Canadian statutory rate	**(4,745)**	**34.1**	8,130	37.8
Change in income taxes arising from the following:				
Non-deductible items	**1,811**	**(13.0)**	2,310	10.7
Recognition of previously unrecorded tax benefits	**(5,321)**	**38.2**	(1,127)	(5.2)
Unrecorded tax benefits	**957**	**(6.9)**	—	—
Large corporations tax	**386**	**(2.8)**	205	1.0
Other	**1,379**	**(9.9)**	131	0.6
	(5,533)	**39.7**	9,649	44.9

17 INCOME TAXES [Cont'd]

The tax effects of temporary differences giving rise to future income tax assets and liabilities are as follows:

	2003 **$**	2002 $
Future income taxes		
Net operating loss carry-forwards and other tax deductions	**24,685**	39,407
Carrying amount of capital assets over tax basis	**(12,410)**	(16,898)
Other	**3,624**	2,288
Total future income taxes	**15,899**	24,797
Valuation allowance	**(12,985)**	(17,127)
Net future income tax assets	**2,914**	7,670
Current future income tax assets	**959**	1,352
Long-term future income tax assets	**13,371**	18,028
Long-term future income tax liabilities	**(11,416)**	(11,710)
Net future income tax assets	**2,914**	7,670

Losses carried forward and other temporary differences, which are available to reduce future taxable income of certain subsidiaries, for which no related income tax benefits have been recognized amounted to €22,829 [$35,157] as at October 31, 2003 [€31,121 [$47,989] as at October 31, 2002]; of these losses and differences, approximately €20,695 [$31,870] have expiry dates of three to seven years, whereas the balance has no specific expiry date.

Undistributed earnings of the Corporation's foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no provision for income taxes has been provided thereon. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to withholding taxes.

18 RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of its operations, the Corporation entered into transactions with related companies. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. Significant transactions between related companies are as follows:

	2003 **$**	2002 $
Revenues from companies subject to significant influence	**2,157**	2,669
Operating expenses incurred from companies subject to significant influence	**120,729**	85,163

Operating expenses consist primarily in the purchase of airplane seats.

The balances receivable from and payable to related companies included in accounts receivable and accounts payable and accrued liabilities are as follows:

	2003 **$**	2002 $
Accounts receivable from companies subject to significant influence	**2,028**	4,389
Accounts payable and accrued liabilities due to companies subject to significant influence	**2,129**	1,449

19 EMPLOYEE FUTURE BENEFITS

As at October 31, 2003, obligations under accrued pension benefits and the actuarial deficit amounted to $3,360 [$2,147 as at October 31, 2002]. For the year ended October 31, 2003, the net pension expense totalled $627 [$476 for the year ended October 31, 2002].

20 COMMITMENTS AND CONTINGENCIES

[a] The Corporation's commitments under operating leases relating to aircraft, land, automotive equipment, telephone systems, maintenance contracts and office premises amounted to $411,888 broken down as follows: $42,104, US$274,848 and €4,683. In addition, as part of certain aircraft financings maturing through 2008, the Corporation guaranteed a portion of the residual value amounting to US$56,518 [$74,586].

The residual values guaranteed by the Corporation and the annual instalments to be made under these leases and related derivative financial instruments during the next five years are as follows:

	Residual value $	Instalment $
2004	—	74,152
2005	—	72,823
2006	—	69,735
2007	18,052	60,349
2008	56,534	55,014

[b] In 2009, the minority shareholder in DMC may require the Corporation to buy the shares of DMC which it holds at a price equal to the fair market value. The price paid may be settled, at the Corporation's option, in cash or by a share issue.

[c] On January 22, 2001, the Corporation acquired a 50% interest in the common shares of incoming tour operator Jonview Corporation ["Jonview"]. Under the agreement, the Corporation has a call option and other Jonview shareholders have a put option related to the acquisition of the balance of the shares in 2004 at a price to be determined based on the average earnings realized during two of the three best years prior to the acquisition. The Corporation expects to exercise its option in 2004.

[d] On March 5, 2001, the subsidiary, Look Voyages S.A., acquired a 40% interest in incoming tour operator Tourgreece S.A. Under the agreement, the Corporation has a call option related to the acquisition of the balance of shares in 2004. The Corporation expects to exercise its option in 2004 in order to increase its interest in this company.

[e] In the normal course of its operations, the Corporation is exposed to various claims and legal proceedings. These disputes often involve numerous uncertainties and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial situation.

21 GUARANTEES

In the normal course of business, the Corporation has entered into agreements that contain features which meet the definition of a guarantee. These agreements provide for indemnification and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit, and security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 9 ,10, 11, 13 and 20 to the financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

Operating leases

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases mature at various dates through 2028. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance protecting them for the obligations undertaken.

21 GUARANTEES [Cont'd]

Irrevocable letters of credit

The Corporation has entered into irrevocable letters of credit with some of its suppliers. The Corporation guarantees the payment of certain tourist services such as hotel rooms that it has undertaken to pay for whether it sells the services or not. These agreements, which are entered into for significant blocks of tourist services, typically cover a one year period and are renewable. The Corporation has also issued letters of credit to provincial regulatory agencies in Ontario and British Columbia guaranteeing amounts to the Corporation's clients for the performance of its obligations. As at October 31, 2003, the amount guaranteed totalled $22,468. Historically, the Corporation has not made any significant payments under such letters of credit.

Security contracts

The Corporation has entered into security contracts whereby it has guaranteed a prescribed amount to its clients at the request of regulatory agencies for the performance of the obligations given in mandates by its clients during the term of the licenses granted to the Corporation for its travel agent and wholesaler activities in the province of Québec. These agreements typically cover a one-year period and are renewable annually. As at October 31, 2003, the amount guaranteed totals $1,420. Historically, the Corporation has not made any significant payments under such agreements.

As at October 31, 2003, no amounts have been accrued with respect to the above-mentioned agreements.

22 FINANCIAL INSTRUMENTS

In the normal course of its operations, the Corporation is exposed to risks related to exchange rate variations for certain currencies, interest-rate variations and fuel cost variations. The Corporation manages these risks by entering into various financial instruments. The Corporation's management is responsible for determining the acceptable level of risk and only uses financial instruments to hedge existing commitments or obligations and not to realize a profit on trading operations.

Credit risk related to financial instruments

The theoretical risk to which the Corporation is exposed in relation to financial instruments is limited to the replacement cost of contracts at market rates in effect in the event of default by one of the parties. Management is of the opinion that the credit risk related to financial instruments is well controlled because the Corporation only enters into agreements with large financial institutions and multinational companies.

Management of fuel price, foreign exchange and interest-rate risks

The Corporation has entered into fuel purchasing contracts to manage fuel price fluctuation risks. As at October 31, 2003, 45% of the requirements for fiscal 2004 were covered by fuel purchasing contracts [as at October 31, 2002, 42% of the requirements for fiscal 2003 were covered].

The Corporation has also entered into foreign exchange forward contracts for the purchase and sale of foreign currencies, expiring in less than one year, to manage foreign exchange risks. As at October 31, 2003, the face value of these contracts to purchase foreign currencies amounted to $267,370. As at October 31, 2002, the face value of these contracts to purchase and sell foreign currencies totalled $328,271 and $24,783 respectively.

The Corporation has entered into interest-rate and foreign currency swap agreements related to certain commitments maturing at various dates until 2008. These swaps modify the foreign currency and interest rate characteristics of these commitments. As at October 31, 2003, these interest-rate and foreign currency swap agreements each have a face value of $40,358 [$48,444 as at October 31, 2002].

The fair value of financial instruments generally reflects the estimated amounts that the Corporation would receive from settlements of favourable contracts or that it would be required to pay to cancel unfavourable contracts at year-end. These estimated fair values are based on the rates obtained from large financial institutions and multinational companies. As at October 31, 2003 and 2002, the fair values in the event of a settlement were as follows:

	2003		2002	
	Favourable $	**Unfavourable $**	Favourable $	Unfavourable $
Foreign exchange forward contracts	**152**	**19,113**	955	2,389
Fuel purchase contracts	**3,145**	**686**	1,126	807
Interest-rate swap agreements	**13,064**	**—**	15,627	—
Foreign currency swap agreements	**10,526**	**—**	—	653
	26,887	**19,799**	17,708	3,849

22 FINANCIAL INSTRUMENTS [Cont'd]

Credit, interest-rate and foreign currency risks

The Corporation believes it is not exposed to a significant concentration of credit risk. Cash and cash equivalents are invested on a diversified basis in corporations benefiting from an excellent credit rating. Accounts receivable generally arise from the sale of vacation packages to individuals through retail travel agencies and the sale of seats to tour operators which are dispersed over a wide geographic area. As at October 31, 2003 and 2002, no debtor represented more than 10% of the total accounts receivable.

The Corporation is exposed to interest-rate fluctuations and to risks in the exchange rate fluctuations of certain currencies since certain long-term debts and certain leasing contracts bear interest at floating rates and are mainly denominated in US dollars.

Fair value of financial instruments presented on the balance sheets

Due to their short-term nature, the carrying amount of current financial assets and liabilities reflected on the consolidated balance sheets approximates their fair value.

The fair value of long-term debt and obligations under capital leases, including the current portion, is based on the rates in effect for financial instruments with similar terms and maturities. As at October 31, 2003 and 2002, the carrying amount and fair value of long-term financial instruments are as follows:

	2003		2002	
	Carrying value $	**Fair value $**	Carrying value $	Fair value $
Long-term debt	**17,031**	**17,121**	30,845	31,021
Obligations under capital leases	**18,319**	**18,367**	51,857	52,344

The fair value of the liability component of the debentures could not be determined with sufficient reliability due to their specific nature.

23 SEGMENT DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the statements of income include all the required information. With respect to geographic areas, the Corporation operates mainly in Canada and in Europe. Geographic intersegment sales are accounted for at prices that take into account market conditions and other considerations.

	Canada $	France and other $	Total $
2003			
Revenues from third parties	**1,525,846**	**570,803**	**2,096,649**
Operating expenses	**1,435,190**	**586,497**	**2,021,687**
	90,656	**(15,694)**	**74,962**
Amortization	**36,514**	**5,624**	**42,138**
Restructuring costs	**42,214**	**5,758**	**47,972**
Additions to property, plant and equipment	**7,807**	**4,706**	**12,513**
Property, plant and equipment and goodwill	**128,816**	**42,607**	**171,423**
2002			
Revenues from third parties	1,494,976	578,532	2,073,508
Operating expenses	1,416,686	582,674	1,999,360
	78,290	(4,142)	74,148
Amortization	38,804	4,385	43,189
Additions to property, plant and equipment	18,965	3,461	22,426
Property, plant and equipment and goodwill	189,930	49,321	239,251

24 COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform to the presentation adopted in the current year.

Supplementary financial data

[in thousands of Canadian dollars except per share data]

	2003	2002	2001	2000	1999
Consolidated statements of income					
Revenues	**2,096,649**	2,073,508	2,121,886	1,922,550	1,623,315
Operating expenses	**2,021,687**	1,999,360	2,063,863	1,820,026	1,532,538
	74,962	74,148	58,023	102,524	90,777
Expenses and other income					
Amortization	**42,138**	43,189	49,659	33,252	32,905
Restructuring charge	**47,972**	—	116,972	—	—
Interest on long-term debt, obligations under capital leases and debentures	**9,771**	12,418	11,310	10,524	9,720
Other interest and financial expenses	**3,071**	4,563	3,762	2,417	2,608
Interest income	**(9,530)**	(5,628)	(10,043)	(10,296)	(8,584)
Foreign exchange (gain) loss on long-term monetary items	**(3,873)**	(984)	2,303	2,021	(2,527)
Share of net income of companies subject to significant influence	**(673)**	(919)	(939)	(1,023)	(2,918)
	88,876	52,639	173,024	36,895	31,204
Income (loss) before the following items	**(13,914)**	21,509	(115,001)	65,629	59,573
Income taxes (recovery)	**(5,533)**	9,649	(19,909)	27,522	22,834
Non-controlling interest in subsidiaries' results	**(766)**	(182)	(117)	—	—
Income (loss) before goodwill charges	**(9,147)**	11,678	(95,209)	38,107	36,739
Goodwill charges	**—**	—	4,442	2,862	2,542
Income (loss) from continuing operations for the year	**(9,147)**	11,678	(99,651)	35,245	34,197
Income (loss) from discontinued operations for the year	**54,083**	(1,853)	—	—	—
Net income (loss) for the year	**44,936**	9,825	(99,651)	35,245	34,197
Basic earnings (loss) per share					
Before goodwill charges	**(0.38)**	(0.30)	(2.95)	1.18	1.09
Continuing operations	**(0.38)**	0.30	(3.09)	1.09	1.01
Discontinued operations	**1.65**	(0.06)	—	—	—
	1.27	0.24	(3.09)	1.09	1.01
Diluted earnings (loss) per share[2]					
Before goodwill charges	**(0.38)**	0.30	(2.95)	1.17	1.08
Continuing operations	**(0.38)**	0.30	(3.09)	1.08	1.00
Discontinued operations	**1.65**	(0.06)	—	—	—
	1.27	0.24	(3.09)	1.08	1.00
Cash flows relating to:					
Operating activities (continuing operations)	**71,697**	183,234	(12,001)	52,585	88,908
Investing activities (continuing operations)	**(4,275)**	(25,864)	(59,441)	(88,048)	(28,430)
Financing activities (continuing operations)	**(56,278)**	17,700	8,660	8,996	(42,330)
Net change in cash and cash equivalents from continuing operations	**11,144**	175,070	(62,782)	(26,467)	18,148
Net change in cash and cash equivalents from discontinued operations	**77,858**	434	—	—	—
Net change in cash and cash equivalents	**89,002**	175,504	(67,782)	(26,467)	18,148
Cash and cash equivalents, end of year	**349,125**	260,123	84,619	147,401	173,868
Operating cash flow	**52,863**	74,015	59,357	75,226	63,391
Total assets	**714,757**	773,468	626,442	681,162	543,784
Long-term debt and obligations under capital leases (including current portion)	**35,350**	82,702	147,496	144,135	104,343
Debentures	**29,981**	29,226	10,894	10,000	10,000
Shareholders' equity	**241,346**	193,743	132,223	229,507	202,587
Debt ratio[1]	**0.66**	0.75	0.78	0.66	0.63
Book value per share	**7.34**	5.97	4.09	7.14	6.14
Return on weighted average shareholders' equity	**20.66%**	6.03%	-55.17%	16.31%	18.02%
Shareholding statistics (in thousands)					
Common shares outstanding, end of year	**32,864**	32,460	32,324	32,144	32,968
Weighted average number of common shares outstanding (before dilution)	**32,796**	32,418	32,248	32,158	33,899
Weighted average number of common shares outstanding (after dilution)[2]	**32,796**	32,497	32,248	34,353	34,084

[1] *Represents liabilities over liabilities plus shareholders' equity.*
[2] *See note 12 of the audited consolidated financial statements.*

Board of Directors

Jean-Marc Eustache
Chairman of the Board,
President and Chief Executive Officer,
Transat A.T. Inc.

André Bisson, O.C.
Chairman of the Board,
CIRANO

Lina De Cesare
Executive Vice-President,
Tour Operators, Transat A.T. Inc.

Benoît Deschamps
Corporate Director and
Corporate Finance Advisor

Marcel Gagnon
Director, Investments
Manufacturing Sector
CDP Capital, Americas

Jean Guertin
Corporate Advisor and Director,
Honorary Professor, HEC Montréal

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Cliffco Investments Limited, and
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Senior Vice-President,
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John D. Thompson
Deputy Chairman,
Montreal Trust Company of Canada

Peter G. White
Co-Chief Operating Officer
and Secretary of Hollinger Inc.
and Executive Vice-President,
Ravelston Corporation and Argus
Corporation Limited

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Philippe Sureau
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Lina De Cesare
Executive Vice-President,
Tour Operators

Jean-Marc Bélisle
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General Counsel
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André De Montigny
Vice-President,
Corporate Development

Nelson Gentiletti
Vice-President,
Finance and Administration
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Daniel Godbout
President and Chief Executive Officer

Brok'Air
Dorian Massieux
Director, Group Services

Cameleon
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Patricia Chastel
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Philippe Sureau
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President and Chief Executive Officer

Tourgreece
Vassilis P. Sakellaris
President

Trafic Tours
Lina De Cesare
President

Vacances Air Transat (France)
Patrice Caradec
General Manager

World of Vacations/Nolitour
Sam Ghorayeb
President and Chief Executive Officer

Information for shareholders and investors

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Information

For additional information on the Corporation, investors and analysts are invited to contact, in writing, the Vice-President, Finance and Administration and Chief Financial Officer.

Vous pouvez obtenir un exemplaire de ce rapport annuel en français en écrivant au vice-président, finances et administration et chef de la direction financière.

Stock Exchange

The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol TRZ.

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Ernst & Young LLP
Montreal, Quebec

The annual meeting
of shareholders
will be held
on March 17, 2004,
10:00 a.m.
at:

Fairmont The Queen Elizabeth
Marquette-Jolliet Room
900 René-Lévesque Blvd. West
Montreal, Quebec

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