



TRANSAT A.T. INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED OCTOBER 31, 2002

**Unless otherwise indicated, the information contained in this
annual information form is given as of October 31, 2002**

March 19, 2003

TRANSAT A.T. INC.

TABLE OF CONTENTS

| | |
|---|-----------|
| ITEM 1. CORPORATE STRUCTURE..... | 1 |
| 1.1 TRANSAT A.T. INC..... | 1 |
| 1.2 INTERCORPORATE RELATIONSHIPS AS AT OCTOBER 31, 2002..... | 1 |
| ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS | 4 |
| 2.1 BUSINESS OF THE CORPORATION..... | 4 |
| 2.1.1 Overview..... | 4 |
| 2.1.2 Business Strategy..... | 4 |
| 2.1.3 Evolution of the Business..... | 4 |
| 2.1.4 Other Events..... | 6 |
| 2.1.5 Debentures..... | 7 |
| 2.1.6 Recent Events..... | 7 |
| 2.2 OVERVIEW OF THE INDUSTRY..... | 7 |
| 2.2.1 Tour Operators..... | 8 |
| 2.2.2 Distribution and Travel Agencies..... | 8 |
| 2.2.3 Air Transportation..... | 8 |
| 2.2.4 Regulatory Environment..... | 9 |
| 2.2.5 Environment..... | 11 |
| 2.2.6 Factors Affecting Demand..... | 11 |
| 2.2.7 Trends..... | 11 |
| ITEM 3. NARRATIVE DESCRIPTION OF THE BUSINESS..... | 11 |
| 3.1 TOUR OPERATORS..... | 11 |
| 3.1.1 Products of Transat Tours..... | 12 |
| 3.1.2 Products of Americanada..... | 12 |
| 3.1.3 Products of Rêvatours..... | 13 |
| 3.1.4 Products of VAT France..... | 13 |
| 3.1.5 Products of Look Voyages..... | 14 |
| 3.1.6 Products of Brok'Air..... | 14 |
| 3.1.7 Products of D.M.C..... | 14 |
| 3.1.8 Products of Jonview..... | 14 |
| 3.1.9 Products of Tourgreece..... | 15 |
| 3.2 DISTRIBUTION AND TRAVEL AGENCIES..... | 15 |
| 3.2.1 Travel Agencies..... | 15 |
| 3.2.2 E-Commerce..... | 15 |
| 3.3 AIR TRANSPORTATION..... | 16 |
| 3.3.1 Distribution and Marketing..... | 16 |
| 3.3.2 Maintenance..... | 17 |
| 3.3.3 Insurance..... | 17 |
| 3.3.4 Fuel Supply..... | 18 |
| 3.3.5 Groundhandling and Airport Services..... | 18 |
| 3.4 POSITIONING WITH REGARDS TO COMPETITION..... | 19 |
| 3.5 EMPLOYEES..... | 21 |
| 3.6 PREMISES..... | 22 |
| 3.7 RISK FACTORS..... | 25 |
| ITEM 4. SELECTED CONSOLIDATED FINANCIAL INFORMATION..... | 29 |
| 4.1 ANNUAL..... | 29 |
| 4.2 GEOGRAPHIC SEGMENTATION OF REVENUES..... | 29 |

| | | |
|----------------|---|-----------|
| 4.3 | STATISTICS OF THE LAST EIGHT QUARTERS | 29 |
| 4.4 | DIVIDENDS | 30 |
| 4.5 | AUDITORS | 30 |
| ITEM 5. | MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS..... | 30 |
| ITEM 6. | SHARE CAPITAL OF THE CORPORATION, MARKET FOR THE NEGOTIATION OF SECURITIES AND PRIOR DISTRIBUTIONS | 30 |
| 6.1 | CAPITAL STRUCTURE | 30 |
| 6.2 | MARKET FOR THE NEGOTIATION OF SECURITIES | 32 |
| 6.3 | PRIOR DISTRIBUTIONS | 32 |
| ITEM 7. | DIRECTORS AND EXECUTIVE OFFICERS | 32 |
| 7.1 | DIRECTORS | 32 |
| 7.2 | OFFICERS | 34 |
| ITEM 8. | ADDITIONAL INFORMATION..... | 35 |

Forward-Looking Statements

This annual information form contains certain “forward-looking statements” which, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the Corporation’s control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Corporation. These risk factors include among others competition, government regulations, fuel prices, the economic environment in general including foreign exchange and interest rates, pricing environment, industry capacity decisions, new entrants, labour negotiations as well as external events such as acts or potential acts of terrorism and war (see “Risk Factors”).

Currency

All dollar amounts referred to in this document are references to Canadian dollars, unless otherwise indicated.

ITEM 1. CORPORATE STRUCTURE

1.1 TRANSAT A.T. INC.

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

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

- on April 27, 1987, a Certificate of Amendment was issued to the Corporation to change its name from 154117 Canada Inc. to Groupe Transat A.T. Inc. and to provide for the creation of an unlimited number of Preferred Shares issuable in series;
- on November 19, 1990, a Certificate of Amendment was issued to provide for the creation of 2,400,000 Series 1 Preferred Shares;
- on April 24, 1991, a Certificate of Amendment was issued to fix the minimum number of directors at nine and the maximum number of directors at fifteen;
- on July 22, 1992, a Certificate of Amendment was issued to provide for the creation of 250,000 Series 2 Preferred Shares;
- on April 22, 1993, a Certificate of Amendment was issued to amend certain provisions relating to the Series 1 Preferred Shares and to change the Corporation’s name to Transat A.T. Inc.;
- on November 25, 1993, a Certificate of Amendment was issued to provide for the creation of an unlimited number of Series 3 Preferred Shares;
- on December 18, 1996, a Certificate of Amendment was issued to subdivide each common share on the basis of three common shares for each issued and outstanding common share;
- on March 26, 1999, a Certificate of Amendment was issued to introduce constraints on issues and transfers of voting shares of the Corporation’s share capital in order for the Corporation to remain a “Canadian” corporation within the meaning of the *Canada Transportation Act*, S.C. (1996) c.10, and also to enable the Board of Directors to appoint directors during a given year.

The principal place of business of the Corporation is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Quebec, H2X 4C2.

In this annual information form, references to Transat are references to Transat itself and references to the “Corporation” include references, as the context may require, to Transat and its subsidiaries collectively, Transat and one or more of its subsidiaries, one or more of Transat’s subsidiaries, or Transat itself.

1.2 INTERCORPORATE RELATIONSHIPS AS AT OCTOBER 31, 2002

Transat has ten wholly-owned subsidiaries, Air Transat A.T. Inc. (“Air Transat”), Handlex Groundhandling Services Inc. (“Handlex”), Transat Tours Canada Inc. (formerly Air Transat Holidays A.T. Inc., World of Vacations Limited, Regent Holidays Limited and Les Voyages Nolitur Inc.) (“Transat Tours”), Rêvateurs Inc. (“Rêvateurs”), Transat A.T. (Barbados) Limited, Gestion C-500 Inc., Consultour Inc. (“Consultour”), Exit Travel Inc. (“Exit Travel”), Americanada International Tours Inc. (“Americanada”) and Cameleon Hotel Management Corporation (“Cameleon”).

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

It also holds a 99.95% interest in Brok’ Air S.A. (“Brok’ Air”) and a 99.99% interest in Vacances A.T. Europe S.A. (“A.T. Europe”).

Brok'Air holds a 99.99% interest in Caïd S.A. operating under the trade name Anyway ("Anyway"), as well as a 99.8% interest in Daily Planet Multimedia S.A.R.L., which in turn holds a 1.88% interest in Look Voyages S.A. ("Look Voyages").

A.T. Europe holds a 97.29% interest in Look Voyages, which in turn owns 100% of the share capital of Vacances Air Transat (France) S.A.S. ("VAT France"). Look Voyages also holds a 44.27% interest in Société de Transport Aérien Régional S.A. which operates under the name STAR ("STAR Airlines"), a 40% interest in Tourgreece S.A. ("Tourgreece") and a 51% interest in Caméléon Palmeraie S.A.

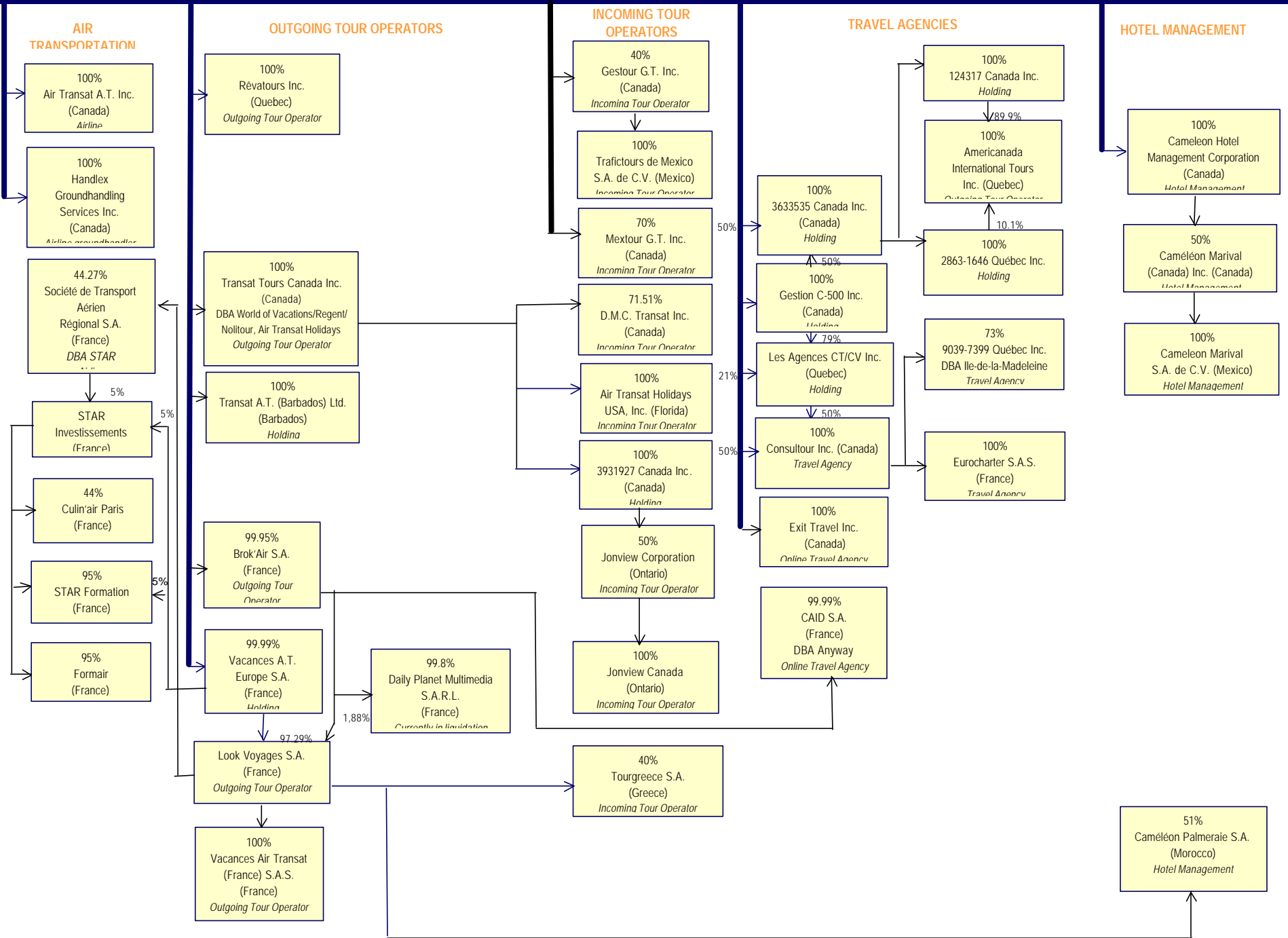
Transat Tours has two principal divisions: Air Transat Holidays and World of Vacations/Nolitour. Transat Tours also owns 100% of the share capital of Air Transat Holidays USA, Inc. ("Air Transat Holidays USA") and 3931927 Canada Inc. and holds a 71.51% interest in D.M.C. Transat Inc. ("D.M.C."). 3931927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

Consultour holds a 100% interest in Eurocharter S.A.S. ("Eurocharter") and a 73% interest in 9039-7399 Québec Inc. operating under the trade name Ile-de-la-Madeleine.

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

The following organization chart sets out the corporate structure of the Corporation as at October 31, 2002, the jurisdiction of incorporation of the principal subsidiaries and associated companies of Transat and the percentage of voting and participating shares held in each of the companies included therein. Certain subsidiaries, each of which represents not more than 10% of the consolidated assets and not more than 10% of the consolidated sales and operating revenues of Transat, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total consolidated sales and operating revenues of Transat at October 31, 2002, have been omitted.

TRANSAT A.T. INC. (Canada)



ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 BUSINESS OF THE CORPORATION

2.1.1 Overview

Transat is an integrated company in the tourism industry, specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of tour operators operating in two geographic segments, specifically Canada and France. Transat is also involved in air transportation and value-added services at travel destinations, as well as in distribution through travel agency networks and e-commerce initiatives.

2.1.2 Business Strategy

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

This strategy has led the Corporation to acquire, or to invest in outgoing tour operators and travel agencies in Canada and in Europe while continuing its air carrier services. This strategy has also led the Corporation to acquire, invest in or create incoming tour operators 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.

2.1.3 Evolution of the Business

Having celebrated its 15th anniversary at the end of fiscal 2002, the Corporation has evolved from its origins in 1987, when it launched its initial public offering in order to create Transat and Air Transat, to an integrated company offering a world-class range of products and ranking comfortably among the ten leading integrated tourism companies in the world. In the process, pursuant to its strategy based on the vertical integration of travel components, the Corporation has established, acquired and integrated various subsidiaries. The key elements, transactions and events in the development of Transat in the three most recent financial years are described below.

Outgoing Tour Operators and Groundhandling

Consistent with its vertical integration strategy and in line with its objective to maintain leadership in Canada in the holiday travel industry, the Corporation has consolidated its position in the Toronto market by completing the acquisition of two tour operators. In October 2000, the Corporation acquired the remaining 50% issued and outstanding voting shares of Regent Holidays Ltd. and, on May 1, 2001, it increased its interest in World of Vacations Ltd. from 35% to 100% of the capital stock, the latter for a consideration of \$1,098,000. On May 1, 2001, the Corporation amalgamated its tour operators Air Transat Holidays, Regent Holidays and World of Vacations into Transat Tours, with a view this time to strengthen its position on the national market. 2001 also saw the integration of the operations of Regent Holidays in Toronto with those of Nolitour in Quebec and with World of Vacations. Transat Tours now operates through two tour-operating divisions, namely Air Transat Holidays and World of Vacations/Nolitour, which are the backbone of the Corporation's business in Canada. In 2002, Air Transat Holidays and World of Vacations/Nolitour, under the umbrella of Transat Tours, pooled their resources by merging their management information systems, combining and integrating their finance and human resources and harmonizing their respective customer service operations.

To complement the product offerings of both Air Transat Holidays and World of Vacations/Nolitour, the Corporation acquired, in April 2000, the balance of the outstanding shares of Americanada, a tour operator specialized in à la carte tourism with its FITs (Foreign Independent Tours), namely the sale of seats along with lodging and car rentals, thereby increasing its interest in this company from 50% to 100%. The total consideration amounted to \$2,564,000.

On March 1, 2001, Transat acquired Rêvatours, a Quebec tour operator specialized in premier-quality guided tours in Asia, Eastern Europe, North Africa, Greece and Turkey, for a cash consideration of \$3,297,000.

In February 2000, the Corporation increased from 50% to 100% its participation in Haycot Services Inc. (now Handlex), a provider of groundhandling services.

In order to increase its presence in France, where the Transat group already owned the tour operator VAT France, Transat completed, in October 1999, the corporate restructuring of its principal French subsidiaries under A.T. Europe when Air Transat Holidays transferred its ownership of VAT France to A.T. Europe. In February 2000, the Corporation increased its interest in Brok' Air to 99.95%. This additional interest in Brok' Air was acquired for a consideration of \$2,005,000. The Corporation is also committed to paying an additional amount based on the average income before income taxes earned by Brok' Air for fiscal 2001, 2002 and 2003. In July 2000, the Corporation increased its interest in Look Voyages to 99.2%.

Incoming Tour Operators and Services at Travel Destinations

In order to complement the activities of its outgoing tour operators, the Corporation also sought to offer travellers a broad range of value-added services by establishing incoming tour operators.

In June 1999, Transat incorporated Cameleon, a subsidiary with the mission to manage a network of hotels at major destinations served by the Transat group of companies.

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

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

On January 22, 2001, Transat acquired a 50% interest in the capital of Jonview, the leading incoming tour operator in Canada, for a cash consideration of \$10,564,000. Transat has a call option and other Jonview shareholders have a put option to acquire the remaining 50% interest in Jonview 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. In September 2001, the Fonds de solidarité des travailleurs du Québec (FTQ) (the "Fonds"), one of Transat's major shareholders, acquired a 14.24% interest in Jonview. The Fonds is now involved in both of Transat's Canadian incoming tour operators, D.M.C. and Jonview, with a 28.49% participation in D.M.C. Pursuant to these transactions, D.M.C. is now a subsidiary that is 71.51% owned by Transat and Jonview is a joint venture in which Transat has a 35.76% interest. Transat has the obligation to redeem the Fonds's participation in D.M.C. in 2009, for a cash consideration or by issuing shares, provided Transat remains a public corporation at such time.

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

Distribution and Travel Agencies

Consistent with its vertical integration strategy, the Corporation also wanted to ensure a presence in the retail travel business. In 2000, the Corporation acquired the remaining 50% interest in Consultour, a travel agency franchisor comprising travel agencies doing business under the Club Voyages, Voyages en Liberté, Inter-Voyage and Vacances Tourbec banners, bringing its interest in this company to 100%.

2001 saw a major expansion of the travel agency network, with the acquisition by Consultour of the assets of Canadian franchisor TravelPlus and its 54 travel agencies operating under the TravelPlus and Goliger's TravelPlus banners. With the integration of the TravelPlus network, the Transat group now has approximately 231 franchised, affiliated, or wholly-owned agencies, including the Tourbec agencies. Consultour is the leading franchisor in Quebec and ranks second in Canada.

During fiscal 2002, Consultour undertook a major reorganization to simplify its structure by combining into Consultour all travel agencies previously owned by or affiliated to it and operating as distinct entities. Thus, the assets of 2868-1468 Québec Inc. were liquidated into Consultour on April 30, 2002, followed by those of Voyages Aena Inc., 9022-8016 Québec Inc. and Inter-Voyage Inc. on May 31, 2002 and by those of Voyages Solaris Inc. and Tourbec (1979) Inc. on June 30, 2002. Furthermore, Corruna Travel Ltd., Jenkins Leaside Travel Ltd., 129133 Ontario Inc., C & R Travel Ltd, 3748502 Canada Inc. doing business as TravelPlus, Voyages Mer et Monde M.C. Ltd. and Voyages Claire Champoux Inc. were amalgamated with Consultour on October 31, 2002. Finally, D & R Travel Ltd. was liquidated into Consultour also on October 31, 2002. All entities liquidated into Consultour during fiscal 2002 will be dissolved during fiscal 2003.

In France, Transat controls more than 60 travel agencies under the Club Voyages banner following certain acquisitions made in 2001.

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

2.1.4 Other Events

The Corporation's 15th anniversary in 2002 followed an exceptionally difficult year in the travel industry, the terrorist attacks of September 11, 2001 having further undermined an already weak economic situation and changed, at least over the short-term, the public's travel plans, thus testing the ability of players in the industry to adapt. As for Transat, added pressure came from having to cope with the September 11, 2001 events immediately after its air carrier Air Transat had experienced its most serious incident to date, when one of its Portugal-bound flights was forced to make an emergency landing in Terceira, in the Azores. Air Transat collaborates to this day in the investigation led by the Portuguese authorities and the Transportation Safety Board of Canada.

In response to the drop in demand following September 11, 2001, the Corporation implemented an emergency plan, primarily in Canada, which resulted in a 25% reduction in Air Transat's capacity for autumn-winter; a reduction of up to 25% in the Corporation's staff; salary reductions and freezes for management and non-unionized employees until November 1, 2002; and a tightening of all other expenditures, including adjustments in commission levels payable to travel agencies and the renegotiation of hotel room costs with hoteliers. The reduction in Air Transat's capacity also had the effect of accelerating the retirement of part of Air Transat's fleet, the unamortized value of which was written off.

In addition to implementing an emergency plan, the Corporation sought additional cash injections to increase cash available for working capital purposes. Thus, on January 10, 2002, the Corporation renewed its revolving credit facility that was to expire in February 2002 for an additional year and concurrently obtained the release of collateral, thereby increasing the Corporation's available cash by \$20 million. Thus, the Corporation, Air Transat and Transat Tours entered into an agreement with their banking syndicate for a revolving term loan in the amount of \$55,000,000 and, with respect to guarantee agreements related to the operations of Air Transat, a special revolving credit in the amount of \$35,000,000.

Overall, these measures proved instrumental in the Corporation registering a profit in 2002 while continuing to provide customers with the quality products they rightfully expect, a result that very few corporations in the leisure travel sector were able to achieve.

2.1.5 Debentures

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

More recently, in response to the financial impact of the September 11, 2001 events, and to complement the emergency measures taken, the Corporation sought additional cash injections in the form of debentures to increase available cash.

Thus, on January 10, 2002, each of the Corporation’s shareholders, CDP through its subsidiary Capital d’Amérique CDPQ Inc., and the Fonds invested \$10 million in non-convertible debentures in the Corporation and its wholly-owned subsidiary Air Transat. Management of the Corporation and its affiliates have also invested \$1,865,000 in a similar form. The debentures bear an annual interest at a rate of 6% and mature in January 2009. The debentures can be redeemed in advance by the Corporation as of January 2005 upon certain stated events, in return for payment of a penalty equal to three months’ interest. The debentures feature a premium, at maturity or when redeemed in advance, which provides an internal rate of return of 15%. The issue of non-convertible debentures was accompanied by warrants allowing for the subscription of 1,421,225 common shares over the next five years at a price of \$6.75 a share. As at October 31, 2002, none of these warrants had been exercised.

Furthermore, on February 19, 2002, the Corporation completed a \$51,105,000 issue of 9% convertible unsecured subordinated debentures maturing in March 2007 to a syndicate of underwriters led by CIBC World Markets Inc. Each debenture is convertible into common shares at the option of the holder at any time before maturity at a conversion price of \$8.75. On or after March 1, 2005, the debentures will be redeemable by the Corporation subject to the fulfilment of certain conditions.

2.1.6 Recent Events

On February 28, 2003, the Corporation completed the renewal of a \$90,000,000 revolving credit facility until August 2004, with its banking syndicate. This agreement, to which Air Transat and Transat Tours are also parties as borrowers, further stipulates for a possibility to extend the maturity date of the revolving term loan for an additional year upon certain conditions being satisfied. Under this bank agreement, the Corporation, its significant Canadian subsidiaries and A.T. Europe maintain in favour of the bankers movable hypothecs on the universality of all their movable property. In addition, the Corporation, A.T. Europe and the significant Canadian subsidiaries maintain in favour of the bankers a movable hypothec on the shares of subsidiaries they hold, and Air Transat continues to grant an immovable hypothec on its hangar and administrative building. Finally, the other active companies within the Transat group that have not granted charges to the lenders maintain their undertaking not to collateralize their property.

Even though the Corporation continues to maintain a sound financial position at the beginning of fiscal 2003 owing to the financings mentioned previously, it still intends to abide by the prudent approach it adopted in September 2001 in order to be ready to face the economic and geopolitical uncertainty prevailing in 2003, particularly that related to the impact of the war in Iraq, to a situation of overcapacity in Canada, principally on the Ontario market, and to concerns over renewed terrorist attacks, especially following the April 2002 attack in Djerba, Tunisia, which had significant consequences on demand for travel services in Europe.

Thus, the Corporation’s focus in fiscal 2003 will be on cost reductions, consolidation of the Corporation’s tour operator and distribution activities in Canada and improvement of profitability for the Corporation’s French operations.

2.2 OVERVIEW OF THE INDUSTRY

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

2.2.1 Tour Operators

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

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

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

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

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

2.2.2 Distribution and Travel Agencies

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

As a result of technological advances, online travel agencies now offer a large range of travel products by way of transactional Web sites on the Internet. In both North America and Europe, online travel sales are mostly made up of air tickets, with only a small proportion of packages (including air and hotel).

2.2.3 Air Transportation

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. However, both types of carriers increasingly compete in the leisure and the so-called "visiting friends and relatives" travel markets.

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

2.2.4 Regulatory Environment

Being a vertically-integrated company, which implies involvement on all levels of operation specific to holiday travel, the Corporation evolves in a highly regulated environment as far as its tour operators, travel agencies and air carriers are concerned.

Tour Operators and Travel Agencies

In all jurisdictions where the Corporation operates, tour operators and travel agencies (collectively referred to in this section as “travel agents”) are governed by legislation providing protection to the travel customer, notably for amounts paid upon purchase of a product. Generally, pursuant to such legislation, travel agents are required to hold licenses, which are granted if certain conditions are met and, in some cases, if a fee is paid. In some jurisdictions, such as Quebec, Ontario and British Columbia, monies received from customers upon purchase of a product must be deposited in a trust account and may be withdrawn, prior to departure, solely to effect payments on behalf of customers. Remaining monies may be withdrawn from the trust account by the tour operator only once the travel services have been rendered. Some legislation also provides that a bond is required as a condition to receiving a travel agent license. To ensure compliance with applicable legislation, control and inspection mechanisms have been put in place. In addition, in some jurisdictions travel agents must contribute to compensation funds used to protect against fraud and bankruptcies.

In November 2001, following the bankruptcy of Canada 3000 Inc. (“Canada 3000”), Ontario’s legislation with respect to travel agents was amended to allow claims on the compensation fund in respect of airline or cruise ship end supplier failures. In such cases, registered travel agents in Ontario are now able to draw directly on the compensation fund and use the money to compensate customers. Prior to this change, travel agents could draw on the compensation fund only in the event that they became bankrupt or insolvent themselves.

Further legislative changes followed on December 13, 2002 when Bill 180 amending several consumer protection laws, among which the *Travel Industry Act* (the “Act”) of Ontario, received royal assent. This new legislation continues the compensation fund and increases fines that may be levied from persons guilty of an offence under the Act. It also gives the Minister of Consumer and Business Services the power to make regulations establishing a code of ethics for the travel industry. Finally, the new legislation provides that the Lieutenant Governor in Council may make regulations dealing with a broad range of matters to regulate the industry, including the administration and management of the compensation fund, the maintenance of trust accounts and the money that shall be held in trust. So far, this legislation has not yet come into force and no regulations have been adopted.

Quebec also enacted new legislation applicable to travel agents. The new *Travel Agents Act* (the “Act”) came into force on December 17, 2002, with the exception of several provisions, which are to come into force by order-in-council. The Act introduces additional powers to the President of the Office de la protection du consommateur, the authority responsible for the application of the Act, to name a provisional administrator to protect customers in certain circumstances. The Act also increases fines and gives to the government a regulatory power to adopt new regulations pertaining to the constitution of the compensation fund. Although no regulations have been adopted to this day, Quebec has amended the current regulations to provide that no license will be granted to a person that caused monies to be paid out of the compensation fund and has not reimbursed said monies and that no travel agent may sell or offer to sell air transportation or package services if the carrier does not hold the required licenses or approvals.

Both in Ontario and Quebec, these legislative changes are intended to increase consumer protection following the demise of air carriers and travel agents in the aftermath of the September 11, 2001 events and the depletion of compensation funds that ensued, by making the conditions for registering as a travel agent and keeping a travel agent’s license more severe.

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

Air Carriers

International Regulation

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

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

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

Canadian Legislation

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

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

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

The conditions mentioned previously do not apply to Canadian domestic operations in that the legislation no longer makes any distinction between scheduled and charter flight services. Furthermore, Air Transat’s scheduled services to the United States, Cuba, France, Germany, the United Kingdom, the Netherlands, Belgium, Ireland, Italy, Portugal and Poland are subject to the rules established under the bilateral agreements entered into between Canada and these countries.

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

Pursuant to the *Canada Transportation Act* (the “Act”), Air Transat must establish, at all times, that it is a “Canadian” within the meaning of such act in order to hold the appropriate license to operate an air service. As Air Transat is wholly-owned by Transat, the Corporation must, in order for Air Transat to qualify as a “Canadian”, itself qualify as a “Canadian”, which means it must ensure that no more than 25% of its outstanding voting shares are held, directly or indirectly, by “non-Canadians” within the meaning of the Act. To the best of the Corporation’s knowledge, approximately 7.5% of the voting shares of the Corporation’s share capital was owned by “non-Canadians” within the meaning of the Act as at December 31, 2002.

Foreign Legislation

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

2.2.5 Environment

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

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

2.2.6 Factors Affecting Demand

In recent years, the vacation package and air industries specializing in charter services have grown as a result of several factors, including: an aging population with more leisure time and financial resources; improved aircraft efficiency reducing the costs of airline travel; the addition of new destinations; the increasing popularity of all-inclusive packages; and recognition that travel requirements for vacationers are distinct from those of business travellers. Another factor affecting demand remains the general state of the economy of the various countries in which tour operators operate. Demand for leisure travel in 2002 was affected by the September 11, 2001 events as well as by the poor economic conditions in both North America and Europe. Overall, indications for 2002 are that demand for packages in the leisure travel sector decreased by 5%, the largest decline since 1950. While demand will be higher in 2003 than in 2002, it will no doubt be lower than 2000-2001, due to the prevailing economic and geopolitical uncertainty, namely concerns over the impact of the war in Iraq, over renewed terrorist attacks following the events of April 2002 in Djerba, Tunisia, and over what the Corporation perceives to be an overcapacity in Canada, principally on the Ontario market.

2.2.7 Trends

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

Although the United Kingdom has experienced similar trends, France is still a largely fragmented market with several large tour operators and a large number of smaller ones. The Corporation believes that France will also be affected by globalization and concentration. While strong consolidation took place in Europe during the period between 1999 and 2001, this trend slowed down in 2002 with the prevailing difficult economic conditions and the task of having to integrate recent major acquisitions.

ITEM 3. NARRATIVE DESCRIPTION OF THE BUSINESS

Some of the following data on competitive positioning and market share of the Transat group of companies has been estimated by management, based on its knowledge of the relevant industry segments. Being a vertically-integrated business, the Corporation has determined that it conducts its activities in a single industry segment and offers one category of service, namely holiday travel. The revenues for this category of service for Transat's two most recently completed financial years were \$2,086,698,000 and \$2,121,886,000 for fiscal 2002 and 2001, respectively.

3.1 TOUR OPERATORS

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

3.1.1 Products of Transat Tours

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

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

For travel to Europe, travellers may also make reservations for short stays (in hotels, studios, apartments, and bed and breakfast), car rentals (based either on the straight car rental formula or with a buy-back option) or train tickets. For destinations in France, Air Transat Holidays sells flights mainly to Paris, Lyon, Marseille, Nantes, Nice and Toulouse. As for destinations in the United Kingdom and Ireland, it sells flights mainly to London (Gatwick), Birmingham, Cardiff, Exeter, Manchester, Newcastle, Edinburgh, Glasgow, Belfast, Dublin and Shannon. Air Transat Holidays also sells flights to Berlin, Brussels, Düsseldorf, Frankfurt, Amsterdam, Prague, and Warsaw. Flights to London and Paris are offered year-round, but fewer flights are available from November to March.

In addition to sunshine and European destinations, Air Transat Holidays offers domestic flights, cruises to the Caribbean, Alaska and to Europe, as well as coach tours mainly in Europe.

For the 12-month period ended October 31, 2002, the Air Transat Holidays division of Transat Tours served approximately 630,000 travellers.

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

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

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

For the 12-month period ended October 31, 2002, the World of Vacations/Nolitour division of Transat Tours served approximately 301,000 travellers.

3.1.2 Products of Americanada

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

Americanada offers customized Florida and island vacations to Barbados, Bermuda, the Bahamas and Aruba. It also offers customized motor coach tours in Quebec, Canada and the United States, as well as the rental of motorhomes. Further, Americanada offers cruises in Alaska, Europe and the Caribbean. In 2002, Americanada expanded its activities to the Ontario and Western Canada markets. Also, in response to the decline of the Florida market following the events of September 11, 2001, it launched an FIT offering to destinations in Western Europe.

3.1.3 *Products of Rêvatours*

A well established outgoing tour operator operating out of Montreal, Rêvatours specializes in premier-quality guided tours in Asia (China, Vietnam, India, and others), Eastern Europe, North Africa (Tunisia, Morocco), Greece and Turkey, with specialized offerings for smaller market segments. Rêvatours served some 4,000 customers in Quebec in 2002.

3.1.4 *Products of VAT France*

The primary objective of VAT France is the distribution, through French travel agencies, of holiday packages to Canada, for which it remains the French leader. VAT France also offers its French clientele various destinations in the Caribbean, such as the Dominican Republic and Cuba (for which destinations it is the leading tour operator in France), Mexico, the French West Indies, and the United States, though the latter declined in popularity as a destination after September 11, 2001. VAT France offers packages and guided tours in many countries in Latin America, namely in Costa Rica, Ecuador, Brazil, Argentina, Chile, Peru, and Bolivia. Its priorities for 2003 include further development offerings, particularly to Asia and the Indian Ocean.

For the 12-month period ended October 31, 2002, VAT France served approximately 82,000 travellers.

3.1.5 Products of Look Voyages

Look Voyages is one of the largest French tour operators and is recognized as a leader in the air-only flight market. It holds a strong position in the market due to its exclusive value-added products in the form of holiday packages in “Club” hotels. “Lookéa” is the trademark used for these all-inclusive hotels situated in choice locations which include group animations and target a youthful family-oriented clientele. There were 14 Lookéa Clubs by the end of fiscal 2002. Lookéa Clubs are managed according to a hybrid formula calling upon partners to manage the resorts while Look Voyages handles activities and site supervision.

Look Voyages’ products are sold year-round, but the summer season, which in France runs from April to October, is by far its busiest. Its most popular destinations are located in the Mediterranean region. Look Voyages’ medium-term strategy is to develop value-added products aimed at increasing its vacation package activities, while remaining a leader in the distribution of air-only tickets.

In 2002, Look Voyages took over Brok’ Air’s consolidation activities with a view to benefit from economies of scale.

For the 12-month period ended October 31, 2002, Look Voyages served approximately 1,400,000 travellers (in legs).

3.1.6 Products of Brok’ Air

Brok’ Air is a French company active in two major fields of the holiday travel industry. First, it markets group guided tours for North America (Canada and the United States), South America, Asia (mostly Thailand) and South Africa. Second, Brok’ Air offers travel services through its subsidiary Anyway, which is now one of the leading online travel agencies in France offering air fares (regular or charter), hotel accommodations, as well as car rentals, stays and guided tours, via its Web site www.anyway.com.

3.1.7 Products of D.M.C.

D.M.C. provides foreign tour operators with a complete range of competitively priced Canadian tourism products, for both groups and individual travellers. Furthermore, D.M.C. offers two major types of products, namely the organization of leisure trips (traditional, discovery and adventure tourism) and business trips (incentive trips, meetings, conferences) which it markets mostly in Europe and in the United States. In 2001, it successfully developed Morocco as a new French speaking market, with a weekly flight to Montreal. D.M.C., which served 36,000 travellers during the 12-month period ended October 31, 2002, primarily targets the French market but continues to promote its products in new markets. It is also seeking to develop new products such as snow-mobile tours, as well as pre- and post-conference tours.

3.1.8 Products of Jonview

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

Jonview offers a full range of Canadian vacation products, including guided bus tours, group travel arrangements, fly and drive holidays, city and activity packages, ski vacations and a wide range of hotel accommodations. Jonview also offers, through its Canadian International Student Services division, a comprehensive range of ESL (English as a second language) products combining language studies with activities. During the 12-month period, Jonview brought 161,000 tourists to Canada.

3.1.9 Products of Tourgreece

Tourgreece is a well established incoming tour operator located in Athens, Greece, having 24 years of existence. It offers a wide range of holiday packages, such as stays, excursions and cruises in Greece and the Greek Islands, as well as transportation from the airport to the hotel. Tourgreece served approximately 120,000 travellers in 2002, of which half were clients of the Transat group, and more particularly of Look Voyages, which owns four Lookéa Clubs in Greece, and of World of Vacations/Nolitour.

3.2 DISTRIBUTION AND TRAVEL AGENCIES

3.2.1 Travel Agencies

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

In the Canadian market, Transat distributes its products in part through its own retail network, corporate or franchised, which has 231 sales outlets managed by Consultour under the banners Club Voyages, Vacances Tourbec, Voyages en Liberté and Inter-Voyage in Quebec and outside Quebec Consultour operates under the TravelPlus banner. Consultour, through Eurocharter, owns and operates more than 60 travel agencies throughout France under the Club Voyages banner.

For the year ended October 31, 2002, Consultour's Canadian agencies earned commission revenues of approximately 6.7 million dollars and its French agencies 8.3 million Euros.

Transat intends to operate its travel agencies network in Canada as one business unit by taking advantage of a common back office system for all its wholly-owned agencies across the country, and by putting together its purchasing power. The Corporation is developing a new branding initiative whereby both Club Voyages and TravelPlus will share a common logo and identity while keeping their distinct names. The know-how acquired by Exit Travel in distribution on the Internet is being passed along to the "brick and mortar" agencies in order to have all the distribution acting in a coordinated fashion.

3.2.2 E-Commerce

www.anyway.com

Information technologies play a major role in the tourism industry. In France, the Corporation penetrated the market in April 1999 with the www.anyway.com site and a call centre, a true online travel agency offering airline tickets, hotel rooms, car rentals, trips and, increasingly, packages. While air-only sales remain an important part of the sales of Anyway, the latter has adopted Exit Travel's technology platform to distribute packages, a promising segment. With recently added charter flights offered by VAT France, Anyway now distributes all of Transat's airline products. It has also adopted a strategy that promotes cross-selling by selecting first-rate search engines for hotel and car reservations.

Since launching its Web site, Anyway has reported sustained growth, a trend that continued in 2002 with 6.4 million Euros in commission revenues compared to 3.9 million Euros in 2001.

Anyway equipped itself with new facilities to be able to handle rapidly increasing reservations. In 2002, it also equipped its call centre with a new system based on a Web platform, that will substantially improve efficiency and reduce costs. It also became the exclusive French fulfiller for the joint venture formed by Société nationale de chemin de fer français (SNCF) and Expedia, the second online travel provider in the world, and entered into agreements with the portals Wanadoo.fr and Expedia.fr.

During fiscal 2002, Anyway and its transactional site grew considerably, in part due to outsourcing services offered to Expedia France and to better airfares, despite unfavourable general market conditions.

www.exit.ca

In Canada, also in 1999, the Corporation developed and launched the www.exit.ca site. The result of a multidisciplinary collaboration, this transactional and readily accessible site offers Transat's and other tour operators' vacation packages and charter flights, as well as scheduled flights and consolidated tickets out of Canada. Despite the events of September 11, 2001, it had up to 700,000 visits a month during fiscal 2002 and surveyed about 60,000 customers. For the year ended October 31, 2002, Exit Travel generated 3.6 million dollars in commission revenues.

The first Web site specializing in vacation packages and charter flights, www.exit.ca offers travellers user-friendly access to thousands of products. Customers can analyze the options, indicate their choices with a few clicks, and then reserve online in complete confidence.

During 2002, Exit Travel became the Canadian vacation partner of Travelocity and Quebecor Media.

3.3 AIR TRANSPORTATION

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

Air Transat offers flights out of its principal bases in Montreal, Toronto, Vancouver, Quebec City, Calgary, Edmonton, Halifax, and St-John's, as well as some flights out of Winnipeg and Saskatoon. Through certain policy changes that came into force at the beginning of 2002, Air Transat was designated to operate scheduled flights between Canada and the following European countries: the Netherlands, Belgium, Ireland, Italy, Portugal and Poland. These scheduled service routes are in addition to those already held by Air Transat for the United States, Cuba, France, the United Kingdom and Germany.

Air Transat flies to some 90 destinations in 27 countries and is the leading air carrier in Canada specializing in charter services. It is the first choice of holiday travellers for France, Belgium, the Netherlands, the United Kingdom, Greece, Germany, Portugal, Cuba, the Dominican Republic, Mexico, Venezuela, Colombia and Costa Rica. Air Transat mainly serves sunshine destinations during the winter season and European destinations during the summer.

Air Transat currently operates a fleet of 17 aircraft, namely: 2 Airbus A330-200 with 363 seats each, 1 Airbus A330-300 with 362 seats, 6 Lockheed L-1011-500s with 309 seats each, 2 Boeing 757-200ERs with 228 seats each and 4 Airbus A310-308 with 259 seats. In April and June 2002, Air Transat has put into operation one additional Airbus A310-308 and one additional Airbus A330-300, respectively. As a result of the drop in demand following the events of September 11, 2001 Air Transat accelerated the planned retirement of its Lockheed L-1011-150s. Obligations under capital leases related to aircraft totalled US\$20,225,000 in 2002 and mature at various dates until 2006. Air Transat is currently studying the review of its aircraft fleet, a project initiated during fiscal 2002, with a view to avail itself from opportunities pertaining to aircraft leasing or purchase conditions having emerged in the aftermath of the September 11, 2001 events.

In April 2002, Aéroports de Montréal ("ADM"), the airport authority managing Montreal-Dorval and Montreal-Mirabel airports, announced its decision to close the Montreal-Mirabel airport to passenger traffic. Air Transat has begun negotiations with ADM to transfer its activities and head office from Mirabel to Dorval in 2004. In this respect, Air Transat intends to avoid any negative impact on its financial position or the quality of its product.

Look Voyages holds a 44.3% interest in STAR Airlines, a French air carrier specialized in charter services. STAR Airlines operates six Airbus A320 aircraft with 180 seats each and one Airbus A330-200 aircraft with 364 seats. STAR Airlines serves the travel market in continental Europe and the Mediterranean, including countries in North Africa and the Caribbean, for the benefit of Look Voyages as well as other tour operators. On another front, STAR Airlines created in 2001 two new affiliated companies: one providing food service aboard its aircraft (Culin' Air Paris) and another providing pilot training (STAR Formation).

In fiscal 2002, approximately 2.9 million passengers travelled with Air Transat, divided amongst the major market segments as follows: international flights (81.2%), transborder flights (12.3%), and domestic flights (6.5%). In fiscal 2002, STAR Airlines carried some 819,000 passengers to numerous destinations, the main destinations being Spain, Italy, Greece, Senegal, Tunisia and Morocco.

3.3.1 Distribution and Marketing

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

Also, Air Transat's seats are available on its Web site, which uses Exit Travel's booking engine, offering content to travellers in terms of vacation spots, package browsing and flight options and enabling online reservations.

Even though the marketing of the flights is primarily in the hands of tour operators, Air Transat's status of scheduled carrier for Cuba and certain countries in Europe, as well as for domestic and transborder flights, allows it to market seats directly to travel agencies through Global Distribution Systems and to transport freight.

Tour operators owned by or affiliated with the Corporation provided a little over 60% of Air Transat's revenues for the year ended on October 31, 2002.

3.3.2 Maintenance

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

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

For nearly three years, Air Transat has been committed to a sweeping re-engineering and improvement of processes involving all aspects of its operations. The purpose of this large scale project, which is progressing in stages, is to improve the quality of service while optimizing resources. It includes a complete review of processes linked to aircraft maintenance, the integration of functions connected with passenger service and crew and aircraft scheduling, as well as the implementation of a new management information system. There have already been tangible results in all of these areas of operation, translating into improved on-time performance. In 2002, Air Transat had approximately 13,700 flights, with 264 flights a week on average.

Following the emergency landing of one of its Airbus A330-200s in the Azores on August 24, 2001, Air Transat is still collaborating with the Portuguese authorities and the Transportation Safety Board of Canada conducting the ongoing investigation into the causes of the fuel leak that caused the emergency landing, which investigation also involves the aircraft and engine manufacturers.

Following this incident, Air Transat implemented further measures, some of which are imposed by Transport Canada while others are voluntary, that added to the extensive effort already undertaken by Air Transat to improve its methods. These measures, based on principles of safety and prevention to which Air Transat subscribes without reserve, focus particularly on certain aspects of crew training, the inspection of maintenance work, as well as the limitation of Air Transat's Extended Range Twin-Engine Operations (ETOPS) pending the completion of training sessions on extended range flights. The latter precaution meant that all Air Transat's twin-engine aircraft must be within 90 minutes flying time of suitable en-route airports between the point of departure and arrival. Previously, Air Transat had the 120-minute ETOPS based on its established track record of air safety over 14 years of operation. Following an extensive audit by Transport Canada of the airline's processes and methods, ETOPS were restored to their previous level of 120 minutes in May 2002, and increased to 150 minutes in December 2002 for Air Transat's Airbus A330s and A310s.

3.3.3 Insurance

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

In this respect, following the emergency landing of an Air Transat aircraft in the Azores on August 24, 2001, four class actions have been instituted against Air Transat. The Corporation believes that Air Transat has adequate liability insurance to cover such actions, should Air Transat be found liable thereunder.

The cost of the September 11, 2001 terrorist attacks continues to be reflected in the war risk and terrorist insurance premiums paid by all air carriers. In an attempt to mitigate the excessive financial burden of these costs to air carriers, ICAO, through its council, is actively promoting a mutual insurance program for excess Third Party War Risk Liability which would be supported by member states' guarantees. This program has yet to obtain the requisite majority support from the member states.

In the interim, Air Transat, together with all Canadian air carriers, continues to be covered by the Canadian government for Third Party War Risk losses in excess of US\$50,000,000, which is the maximum amount available pursuant to the airline's civil liability insurance policy.

3.3.4 Fuel Supply

Fuel costs represent a major component of Air Transat's operating expenses. While an increase in the price of vacation packages and air-only flights (especially in winter) and the tight management of aircraft did in part compensate for the upsurge in fuel costs, Air Transat's margins were nevertheless affected during fiscal 2002. The Corporation has negotiated with national and international oil companies to ensure that aircraft are supplied with fuel at all airports where it operates. Fuel prices are agreed to for each season on the basis of fixed margins over fluctuating world prices. When deemed necessary, the Corporation hedges a portion of its fuel requirements. As at October 31, 2002, fuel purchasing contracts covered approximately 42% of the requirements for fiscal 2003. The tariff filed by Air Transat with the Agency states that charter agreements signed with tour operators may be amended in the event of significant variations in the price paid for fuel.

3.3.5 Groundhandling and Airport Services

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

Handlex is Air Transat's partner on the ground that provides handling services and serves other airlines such as Air France, Egypt Air, Aeroflot, Cubana, Royal Air Maroc, Air St-Pierre, Jetsgo, Bax, Emery and Exp-Air Cargo. Handlex also provides ground equipment maintenance to Northwest, US Airways, Cara and Delta.

3.4 POSITIONING WITH REGARDS TO COMPETITION

Owing to its vertical integration strategy, the Corporation faces many competitors doing business as either tour operators, travel agencies or air carriers.

Tours Operators

On the Canadian Market

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

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

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

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

During fiscal 2002, even though the number of travellers declined by approximately 25% during the winter season, demand gradually increased during the year, and the Canadian market was busier than expected over the summer season. Still influenced by the attacks of September 11, 2001, travellers prefer destinations that are nearer to home. Thus, during the winter season, the farthest destinations, as well as Florida, suffered particularly, while destinations such as the Dominican Republic increased in popularity. Despite challenging circumstances, the Corporation's tour operators were able to achieve a good year by quickly responding to fluctuations in demand and adjusting capacity to match lower demand. This performance was made possible because of the privileged relationship existing between the group's tour operators and Air Transat and the tour operators' long-standing ties with hoteliers.

With its leadership position, its skills in the strategic management of its products, and its market experience, the Transat group consolidated its presence in the Canadian market in 2002, particularly in Western Canada. In terms of its tour operator activities, the group is the best positioned throughout Canada on a regional basis with good market positions in the Quebec, Ontario and Western Canada markets. Geographical diversification involves both departure points and destinations, the purpose being to offer products that best meet customers' expectations in each new market, preferably exclusively. In addition, the Corporation continues to invest in the expansion of its range of products, in keeping with market trends. Among its initiatives are short package trips to Paris and other major European cities, and the upscale "Special Collection" products.

On the French Market

The French market consists of approximately 350 tour operators, the largest of which are Club Med-Jet Tours, Voyages FRAM and Look Voyages.

There is a rising demand for long-haul flights during the winter (primarily to sunshine destinations). Aside from the French West Indies (Guadeloupe and Martinique), the demand for countries such as Cuba, the Dominican Republic, and Mexico is growing, supported by the affluence of French tourists. This situation enables several players in the industry to increase that proportion of their revenues derived from winter operations.

In terms of organizational structure, France experienced an accelerated consolidation of the tourism industry in 2001 with the arrival of foreign companies and the pooling of interests among French players. In particular, Preussag (TUI), a German tour operator and a major player in the industry, acquired a minority participation in Nouvelles Frontières. In contrast to 2001, 2002 saw very limited consolidation activity due to difficult economic conditions in Europe, with the exception of Preussag (TUI), which completed its transaction by acquiring all remaining shares of Nouvelles Frontières.

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

VAT France remains the leader for packages to Canada. Over the years, VAT France has been able to build on this solid base by expanding its product offerings for the entire long-haul market. Taking advantage of synergies with Air Transat Holidays in Canada, the tour operator is the leader in France for travel to the Dominican Republic and Cuba.

The leader for air-only flights, Look Voyages offers its customers some 800 destinations throughout the world, with departures from Paris and several provincial cities. Look Voyages is now the fourth most important tour operator in France. As in Canada, the characteristics of the holiday travel market vary depending on the season: during the winter, the French prefer domestic and long-haul flights, while in the summer they readily opt for the Mediterranean Basin and North Africa. Look Voyages has succeeded in building a solid brand image and ranks first in top of mind surveys with the under-30 age group. In 2002, Look Voyages took over Brok'Air's consolidation activities with a view to benefit from economies of scale.

Distribution and Travel Agencies

According to industry sources, there are about 5,000 travel agencies in Canada and 5,000 in France.

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

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

Consortiums of travel agents, such as Giants and Advantage T-Com, constitute the second third of Canadian travel agents. They mainly offer centralized negotiated commissions with tour operators.

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

French consumers have a number of ways in which they can purchase either a vacation package or airline tickets: through travel agencies or online, company committees, community organizations, group specialists or Minitel. With regards to agencies, the market is all the more fragmented in that large travel agency networks work alongside numerous small, independent, generalized or specialized travel agencies. In France, the Corporation has more than 60 wholly-owned sales outlets under the Club Voyages banner. In keeping with its growth strategy and considering the climate of consolidation that characterizes the market, the Transat group intends to further expand its distribution network in France.

Thanks to Anyway, which operates a call centre and a Web site, the Corporation is one of the leaders in the distribution of products on the Internet. Since its launch in April 1999, www.anyway.com has recorded sustained growth both in terms of visitors and sales. In addition to airline tickets, hotel rooms, car rentals and vacations can be booked. The site's success, which also produces many telephone transactions, has made Anyway a well established online travel agency in France, with sales of approximately 56 million euros in 2002.

There is no doubt that a number of approaches to distribution will continue to coexist. While online travel agencies keep growing, many customers continue to prefer to deal directly with travel advisors, who must demonstrate their added value. Other customers shop on the Internet but insist on finalizing the transaction in person. Even though its short-term plans with regard to distribution focus on the harmonization and deployment of technology platforms, the Corporation is currently looking at hybrid formulas that would enable it to cater to customers' preferences.

Air Carriers

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

Over the last few years, scheduled air carriers have been forced to deal with significant competition from air carriers specializing in charter services in international markets, following the 1984 liberalization and the 1988 deregulation in Canada. Generally speaking, air carriers specializing in charter services are active in the holiday travel market, whereas scheduled carriers rely mainly on the business travel segment. However, both types of carriers increasingly compete in the leisure and the so-called "visiting friends and relatives" travel markets. This is particularly true following certain policy changes enabling air carriers specializing in charter services to operate scheduled flights between certain destinations, as is the case with Air Transat, which has scheduled services for the United States, Cuba and certain European countries.

The competition between air carriers is essentially based on price, which is mainly a function of the level of seat capacity, although there are ways to better manage price and increase yield. Prices therefore vary significantly in accordance with seasonal variations in demand and price wars are often triggered whenever carrier capacity exceeds demand or a competitor seeks to increase its market share. Recent developments in Canada concerning competitors of the Corporation have brought on capacity which exceeds demand. Furthermore, the large number of air carriers specializing in charter services and scheduled airlines flying to U.S. destinations combined with the weakness of the Canadian dollar versus the U.S. dollar has resulted in heavy competition and lower profit margins on flights to these destinations. In addition to price, the image of air carriers and the perception of customers also have an impact on competition.

In November 2001, Canada 3000's demise had a positive impact on Air Transat, which made adjustments to its own operations with a view to meet the needs of tour operators having chartered Canada 3000 seats in order to ensure continued service. Adjustments targeted autumn and winter flights and included added flights or increased capacity out of major Canadian gateways (Toronto, Montreal and Vancouver).

3.5 EMPLOYEES

As at October 31, 2002, Transat, its wholly-owned subsidiaries and its affiliates had a total of 5,707 employees, as follows:

| | | |
|----------------------------|--|-------|
| Holding activities | Transat | 39 |
| Carriers and Groundhandler | Air Transat | 2,199 |
| | STAR Airlines | 318 |
| | Handlex | 792 |
| Outgoing Tour Operators | Air Transat Holidays, a division of Transat Tours | 437 |
| | World of Vacations/Nolitour, a division of Transat Tours | 218 |
| | Rêvatours | 27 |
| | Americanada | 189 |
| | Brok'Air | 26 |
| | Look Voyages | 486 |
| | VAT France | 155 |
| Incoming Tour Operators | D.M.C. | 40 |

| | | |
|------------------------------|--------------------------|-----|
| | Jonview | 141 |
| | Air Transat Holidays USA | 21 |
| | Tourgreece | 29 |
| Distribution/Travel Agencies | Consultour / TravelPlus | 174 |
| | Exit Travel | 78 |
| | Anyway | 111 |
| | Eurocharter | 226 |
| Hotel Management | Cameleon | 1 |

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

Some of Air Transat's employees, mainly the pilots, flight attendants, crew scheduling personnel, passenger service employees and mechanics, belong to employee associations with which Air Transat has negotiated a series of working conditions. Pilots are affiliated with the Airline Pilots Association ("ALPA") while the flight attendants are affiliated with the Canadian Union of Public Employees and the crew scheduling personnel, passenger service employees and mechanics with the International Association of Machinists and Aerospace Workers. Collective bargaining agreements in force with the flight attendants, crew scheduling personnel and mechanics expire on October 31, 2005, July 31, 2003 and April 30, 2003, respectively.

Air Transat's collective agreements with its pilots and passenger service employees, which expired on October 31, 2001 and April 30, 2002, respectively, are currently in a conciliation process with respect to the former and under negotiation with respect to the latter. The Corporation is confident that such collective agreements will be renewed.

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

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

3.6 PREMISES

The Corporation owns the building situated at 11600 Cargo A-1 Street, Montreal International Airport in Mirabel, Quebec, which is the head office and the principal maintenance base of Air Transat. This property, which occupies an area of 15,302 m², is mortgaged in favour of the Corporation's bankers.

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

| <u>Name</u> | <u>Address</u> | <u>Description</u> | <u>Area</u> |
|-------------|---|--------------------------------------|----------------------|
| Transat | 300 Léo-Pariseau Street Suite 600 Montreal, Quebec | Head office and place of business | 1,372 m ² |
| Air Transat | 12655 Commerce A-4 Montreal International Airport Mirabel, Quebec | Place of business | 3,063 m ² |

| <u>Name</u> | <u>Address</u> | <u>Description</u> | <u>Area</u> |
|-----------------------------|---|--------------------------------------|----------------------|
| | 19555 Cargo A-6 D Building Montreal International Airport Mirabel, Quebec | Place of business and warehouse | 7,070 m ² |
| | 11855 Service A-3 Montreal International Airport Mirabel, Quebec | Warehouse | 5,574 m ² |
| | 2450 Derry Road East, Hangar 4 Mississauga, Ontario | Place of business and warehouse | 3,330 m ² |
| | 6380 Northwest Drive Mississauga, Ontario | Warehouse | 2,341 m ² |
| | Vancouver International Airport Domestic Terminal Building Suite 4205 Richmond, British Columbia | Offices | 326 m ² |
| | B103-4851 Miller Road Vancouver International Airport Richmond, British Columbia | Offices and warehouse | 575 m ² |
| Handlex | 12655 Commerce A-4 Suite 544 Montreal International Airport Mirabel, Quebec | Head office and place of business | 1,411 m ² |
| | 6300 Silver Dart Drive Terminal 3 Room G219C Mississauga, Ontario | Place of business | 1,055 m ² |
| Air Transat Holidays | 300 Léo-Pariseau Street Suite 400 Montreal, Quebec | Head office and place of business | 5,063 m ² |
| | 191 The West Mall Suite 800 Mississauga, Ontario | Place of business | 1,468 m ² |
| | 505 Burrard Street Suite 620 Vancouver, British Columbia | Place of business | 1,239 m ² |
| World of Vacations/Nolitour | 191 The West Mall Suite 600 Toronto, Ontario | Head office and place of business | 1,354 m ² |
| | 3751 Shell Road Suite 100 Richmond, British Columbia | Place of business | 278 m ² |

| <u>Name</u> | <u>Address</u> | <u>Description</u> | <u>Area</u> |
|--------------------------|--|--------------------------------------|----------------------|
| | 300 Léo-Pariseau Street Suite 500 Montreal, Quebec | Head office and place of business | 1,374 m ² |
| VAT France | 43 Diderot Blvd. 75012 Paris France | Head office and place of business | 1,350 m ² |
| | 7 Baccaria Street 75012 Paris France | Place of business | 200 m ² |
| D.M.C. | 300 Léo-Pariseau Street Suite 2410 Montreal, Quebec | Head office and place of business | 470 m ² |
| | 8500 Henri-Bourassa Suite 323 Charlesbourg (Quebec) | Place of business | 149 m ² |
| | 1001 Square Dorchester Suite 100 Montreal (Quebec) | Place of business | 9 m ² |
| Rêvatours | 1450 City Councillors Suite 520 Montreal (Quebec) | Head office and place of business | 383 m ² |
| Look Voyages | 12 Truillot Street 94204 Ivry-sur-Seine France | Head office and place of business | 4,262 m ² |
| Air Transat Holidays USA | 140 South Federal Highway 2nd Floor Dania Beach, Florida | Head office and place of business | 2,834 m ² |
| Exit Travel | 300 Léo-Pariseau Street Suite 1500 Montreal, Quebec | Head office and place of business | 1,378 m ² |
| Consultour / TravelPlus | 300 Léo-Pariseau Street Suite 1601 Montreal, Quebec | Head office and place of business | 1,162 m ² |
| | 191 The West Mall Suite 700 Toronto, Ontario | Place of business | 298 m ² |
| Americanada | 300 Léo-Pariseau Street 2 nd Floor Montreal, Quebec | Head office and place of business | 2,064 m ² |
| Jonview | 1300 Yonge Street 8 th Floor | Head office and place of business | 4,116 m ² |

| <u>Name</u> | <u>Address</u> | <u>Description</u> | <u>Area</u> |
|--------------------|---|--------------------------------------|----------------------|
| | Toronto, Ontario | | |
| | 1134 Ste-Catherine Street West 12 th Floor Montreal, Quebec | Place of business | 928 m ² |
| Brok' Air / Anyway | 76, bis Vieille du Temple Street 75003 Paris France | Head office and place of business | 700 m ² |
| | 128-130 Quai de Jemmeps 75010 Paris France | Place of business | 1,092 m ² |
| | 30 Amiral Lemonnier Street 78160 Marly le Roi France | Place of business | 157 m ² |
| Eurocharter | 6 Marbeuf Street 75008 Paris France | Head office and place of business | 180 m ² |
| | Parc d'activités de la Maison Neuve 6 Marcel Dassault Street 44980 Ste-Luce sur Loire France | Place of business | 337 m ² |
| Tourgreece | 80-88 Sygrou Av. 117 41 Athens, Greece | Head office and place of business | 600 m ² |

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

3.7 RISK FACTORS

The Corporation is subject to a number of risks, some of which are related to the travel industry in general, including the ones described below.

Economic and General Factors

Economic factors such as a significant downturn in the economy, a recession or the lowering of the employment rate in Canada, France and key international markets may have a negative impact on the Corporation's business and operating results by affecting demand for its products and services. The Corporation's operating results could also be affected by general factors such as extreme weather conditions, war, political instability or terrorism, or any threat thereof, 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, the Corporation's 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

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

Fluctuation of Currency Exchange Rates and Interest Rates

The Corporation 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 the Corporation's operating costs. Changes in interest rates could also impact its interest income from its cash and cash equivalents and interest expense from variable rate debt instruments, in turn affecting its earnings. The Corporation currently purchases derivative financial instruments to hedge against exchange rate fluctuations as well as interest rates on a portion of its long-term debt, obligations under capital leases and off-balance sheet financing for aircraft.

Fuel Costs and Supply

The Corporation is particularly exposed to fluctuations in the cost of fuel. Due to the competitive pressures in the industry, there can be no assurance that the Corporation would be able to pass on any increase in fuel prices to its 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 the Corporation's operations. The Corporation currently purchases 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, the Corporation's 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 the Corporation and retail travel agents through whom the Corporation receives a substantial portion of its revenues. In order to remain competitive, the Corporation launched an online booking service in Canada, www.exit.ca, and another in France, via its subsidiary Brok' Air's www.anyway.com, allowing consumers to purchase their travel products online.

Additionally, the recent erosion of commissions paid by travel suppliers, particularly airlines, to travel distributors has weakened the financial condition of many travel agents. Because the Corporation currently relies 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 its vertical integration, the Corporation is nonetheless dependent on travel suppliers for the sale of its products and services. Its travel suppliers generally may terminate or modify existing agreements with the Corporation upon relatively short notice. The inability to replace these agreements with others with similar suppliers or to renegotiate agreements with reduced rates could have an adverse effect on the results of the Corporation. 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 the Corporation's reputation. The loss of contracts, changes in the Corporation's pricing agreements, more restricted access to travel suppliers' products and services or less favourable public opinion of certain travel suppliers resulting in low demand for their products and services could have a significant impact on the results of the Corporation.

Dependence on Technology

The business of the Corporation is dependent on its ability to access information, manage reservation systems, including handling a high volume of telephone calls on a daily basis, and distribute its vacation products to retail travel agents and other travel intermediaries. To this end, the Corporation relies 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 on the operating results of the Corporation. Additionally, any failure or outage of these systems could adversely affect the business of the Corporation, its customer relationships and its operating results.

Dependence on Customer Deposits and Advance Payments

The Corporation derives significant interest income from interest on consumer deposits and advance payments. The Corporation's investment policy restricts it 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

The Corporation generates customer deposits and advance payments. If the flow of money from these advance payments were to diminish and the Corporation was required to find an alternative source of capital, there is no assurance that such source will be available at terms and conditions acceptable to the Corporation, which could have a significant effect on its business.

Fluctuation of Financial Results

The travel industry in general and the Corporation's operations in particular are seasonal. As a result, its quarterly operating results are subject to fluctuation. The Corporation therefore believes that quarter-to-quarter comparisons of its 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, the Corporation's operating results in future periods may be below the expectations of securities analysts and investors, thus affecting the market price of the Corporation's shares.

Regulation and Taxation

Future results of the Corporation may vary based upon any actions which government authorities having jurisdiction over the Corporation's operations may take, including the granting and timing of certain governmental approvals or licenses, the adoption of regulations that impact customer service standards, such as new passenger security standards, the adoption of more 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 the Corporation's operations as regards hotel taxes, car rental taxes, airline excise taxes and airport taxes and fees.

Future Capital Requirements

The Corporation 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, which could adversely affect its 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 impact on the business, financial condition and results of the Corporation's operations.

Insurance Coverage

On September 25, 2001 following the terrorist attacks of September 11, 2001, insurance companies worldwide cancelled their coverage with respect to risks resulting from war and terrorist acts. This coverage was subsequently re-established for airlines only upon payment of an expensive premium of US\$1.25 per passenger, but the civil liability coverage for third parties was limited to a maximum of US\$50,000,000.

To fill the gap created by this situation, Canadian and French governments have guaranteed airlines a protection against their civil liability to third parties resulting from war and terrorist acts in excess of US\$50,000,000 as long as adequate insurance coverage against these risks will not be available on commercially reasonable terms. The French government has recently withdrawn its protection, forcing the Corporation's French airline affiliate to obtain insurance on commercial terms. There can be no assurance that the government of Canada will not follow the French government's lead and decide not to continue covering airlines against this risk. ICAO is currently looking for support from governments worldwide in order to establish insurance coverage protecting airlines against their civil liability to third parties resulting from war and terrorist acts in excess of US\$50,000,000, but there is no assurance that such coverage will be in place and, if so, when this will occur.

Casualty Losses

The Corporation believes that its suppliers and itself 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 carrying the Corporation's customers. Although the Corporation has never experienced a liability claim for which it did not have adequate insurance coverage, there can be no assurance that its 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 can be no assurance that the Corporation will be able to obtain insurance coverage at acceptable levels and costs in the future. These uncertainties could adversely affect its business and operations.

Slot and Gate Availability

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

Aircraft Lease Obligations

The Corporation has significant lease obligations relating to its fleet of aircraft which 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 the Corporation's lease agreements could have a substantial impact on its operations.

Key Personnel

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

Uncertainty of Future Collective Bargaining Agreements

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

ITEM 4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.1 ANNUAL

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

| | Years ended October 31 | | | | |
|---|------------------------|-------------|-------------|-------------|-------------|
| | 2002 | 2001 | 2000 | 1999 | 1998 |
| (in thousands of dollars, except per share amounts) | | | | | |
| Revenues | \$2,086,698 | \$2,121,886 | \$1,922,550 | \$1,623,315 | \$1,421,454 |
| Operating income before amortization and goodwill charges | 71,927 | 58,023 | 102,524 | 90,777 | 72,279 |
| Operating income before goodwill charges | 27,068 | 6,748 | 68,646 | 56,224 | 41,686 |
| Goodwill charges | - | 4,442 | 2,862 | 2,542 | 2,613 |
| Net income (net loss) | 7,788 | (98,964) | 36,640 | 30,022 | 19,731 |
| Operating cash flow | 71,781 | 59,357 | 75,226 | 63,391 | 51,127 |
| Capital assets | 169,316 | 185,403 | 180,559 | 131,077 | 129,311 |
| Total assets | 775,075 | 630,086 | 684,119 | 545,346 | 496,567 |
| Long-term debt and obligations under capital leases (including current portion) | 82,702 | 147,496 | 144,135 | 104,343 | 109,376 |
| Debenture | 29,226 | 10,894 | 10,000 | 10,000 | 10,000 |
| Shareholders' equity | 195,350 | 135,867 | 232,464 | 204,149 | 182,668 |
| Net earnings (net loss) per share before goodwill charges | | | | | |
| Earnings (loss) per share | 0.18 | (2.93) | 1.23 | 0.96 | 0.65 |
| Diluted earnings (loss) per share | 0.18 | (2.93) | 1.22 | 0.95 | 0.64 |
| Net earnings (net loss) per share | | | | | |
| Earnings (loss) per share in circulation | 0.18 | (3.07) | 1.14 | 0.89 | 0.58 |
| Diluted earnings (loss) per share | 0.18 | (3.07) | 1.13 | 0.88 | 0.57 |

4.2 GEOGRAPHIC SEGMENTATION OF REVENUES

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

| | <u>Canada</u> | | <u>France and other</u> | | <u>Total</u> | |
|------------------------------------|---------------------------|-----------|-------------------------|---------|--------------|-----------|
| | (in thousands of dollars) | | | | | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | 1,411,142 | 1,447,226 | 675,556 | 674,660 | 2,086,698 | 2,121,886 |
| Capital assets and goodwill | 189,930 | 206,748 | 49,321 | 47,272 | 239,251 | 254,020 |

4.3 STATISTICS OF THE LAST EIGHT QUARTERS

Selected Consolidated Quarterly Financial Data

(in thousands of dollars, except per share amounts)

| Year ended October 31, 2002 | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total revenues | 442,208 | 623,265 | 495,377 | 525,848 |
| Net income (net loss) | (17,535) | 14,234 | 6,305 | 4,784 |
| Earnings (loss) per share | (0.54) | 0.42 | 0.17 | (0.12) |
| Diluted earnings (loss) per share | (0.54) | 0.38 | 0.16 | (0.12) |
| Year ended October 31, 2001 | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
| Total revenues | 509,643 | 689,700 | 521,197 | 401,346 |
| Net income (net loss) | (649) | 16,522 | 5,876 | (120,713) |
| Earnings (loss) per share | (0.02) | 0.51 | 0.18 | (3.74) |
| Diluted earnings (loss) per share | (0.02) | 0.51 | 0.18 | (3.74) |

4.4 DIVIDENDS

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

4.5 AUDITORS

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

ITEM 5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations included on pages 26 to 40 in the Corporation's Annual Report for the fiscal year ended October 31, 2002 is incorporated herein by reference.

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

6.1 CAPITAL STRUCTURE

The share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of Preferred Shares issuable in one or more series, of which 32,718,560 common shares were issued and outstanding as at February 4, 2003. Only the common shares of the Corporation are voting shares, each common share carrying one vote.

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

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

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

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

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

Transat Tours, which held all of the Corporation's Series 3 Preferred Shares outstanding, exercised its right to convert these shares into common shares on November 4, 2002, in accordance with the Articles of the Corporation. For each Series 3 Preferred Share converted, Transat Tours received three common shares of the Corporation corresponding to a total of 155,013 common shares. 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. During the three-month period ended January 31, 2003, all of the common shares held by Transat Tours were sold on the market and immediately reintegrated into the share capital of the Corporation at their original issue price, namely, \$301,000.

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

The only persons or entities holding 10% or more of the voting shares of the share capital of the Corporation are the Fonds which, as at February 4, 2003, held 3,930,373 common shares, namely 12.01% of the issued and outstanding common shares, and CDP which, as at February 4, 2003, held 3,759,133 common shares, namely 11.5% of the issued and outstanding common shares of the Corporation.

6.2 MARKET FOR THE NEGOTIATION OF SECURITIES

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

| <u>Period</u> | <u>The Toronto Stock Exchange</u> | | <u>Trading Volume</u> |
|-------------------------|-----------------------------------|------------|-----------------------|
| | <u>High</u> | <u>Low</u> | |
| <u>2003</u> | | | |
| January | \$6.25 | \$5.25 | 1,338,051 |
| February | \$5.99 | \$5.27 | 891,529 |
| <u>2002</u> | | | |
| 1 st quarter | \$8.00 | \$5.80 | 2,905,883 |
| 2 nd quarter | \$7.96 | \$6.55 | 5,218,638 |
| 3 rd quarter | \$7.70 | \$5.41 | 3,293,826 |
| 4 th quarter | \$7.05 | \$5.25 | 2,085,001 |
| <u>2001</u> | | | |
| 1 st quarter | \$10.00 | \$8.50 | 2,501,352 |
| 2 nd quarter | \$11.50 | \$9.05 | 1,491,205 |
| 3 rd quarter | \$12.55 | \$4.50 | 5,553,120 |
| 4 th quarter | \$10.20 | \$4.60 | 4,589,310 |

On February 28, the closing price of the common shares on the TSE was \$5.70 per share.

6.3 PRIOR DISTRIBUTIONS

During the fiscal year ended October 31, 2002, the Corporation issued 123,690 common shares for a total of \$710,000 under the share purchase plan for the benefit of employees and executives of the Corporation.

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

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

ITEM 7. DIRECTORS AND EXECUTIVE OFFICERS

7.1 DIRECTORS

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

The following table states, as of March 19, 2003, the names of the members of the Board of Directors of Transat and, for each director, the name, municipality of residence, principal occupation, period as of which each director holds his or her office of director and the number of common shares of Transat over which he or she exercises control or direction. Each of these directors shall hold office until the next annual meeting of Transat or until his or her replacement is elected. Pursuant to a resolution of the Board of Directors of Transat, the number of directors of the Corporation has been established at 12 directors.

| Name of Director | Principal Occupation | Director Since | Common Shares Owned or Controlled or Directed⁽⁵⁾ |
|--|--|-----------------------|--|
| Jean-Marc Eustache ^(1, Chairman) <i>Outremont, Quebec</i> | Chairman of the Board, President and Chief Executive Officer of the Corporation and President of Look Voyages S.A. (<i>tour operator</i>) | February 1987 | 884,775 |
| André Bisson, O.C. ^{(1)(2, Chairman)(4)} <i>Baie d'Urfé, Quebec</i> | Chancellor, Université de Montréal | April 1995 | 13,243 |
| Lina De Cesare <i>Montreal, Quebec</i> | Executive Vice-President, Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation (<i>hotel management</i>), and President, Transat Tours Canada Inc. (<i>tour operator</i>) | May 1989 | 216,872 |
| Benoît Deschamps ⁽²⁾⁽⁴⁾ <i>Dorval, Quebec</i> | Director of Corporations and Consultant | April 1997 | 9,043 |
| Marcel Gagnon <i>Ste-Julie, Quebec</i> | Senior Director, Investments, Capital d'Amérique CDPQ Inc. | March 1999 | - |
| Jean Guertin ^{(1)(2)(3, Chairman)} <i>Montreal, Quebec</i> | Corporate Advisor and Honorary Professor, École des Hautes Études Commerciales de Montréal | April 1995 | 6,487 |
| H. Clifford Hatch Jr. ^{(1)(3)(4, Chairman)} <i>Toronto, Ontario</i> | President and Chief Executive Officer, Aurdisyl Management Corporation and Cliffco Investments Limited | March 2001 | 730 |
| Jacques Simoneau <i>St-Bruno de Montarville, Quebec</i> | Senior Vice-President – Industries, Fonds de solidarité (FTQ) | May 2002 | - |
| Helen K. Sinclair ⁽⁴⁾ <i>Toronto, Ontario</i> | President and Chief Executive Officer, BankWorks Trading Inc. | March 2003 | 5,000 |
| Philippe Sureau ⁽¹⁾ <i>Outremont, Quebec</i> | Executive Vice-President of the Corporation | February 1987 | 658,851 |
| John D. Thompson ⁽²⁾⁽³⁾ <i>Town of Mount-Royal, Quebec</i> | Deputy Chairman of the Board, Montreal Trust Company (<i>trust company</i>) | April 1995 | 18,243 |
| Peter G. White <i>Toronto, Ontario</i> | Executive Vice-President, Argus Corporation Limited and The Ravelston Corporation | March 2000 | 853 |

- (1) Current member of the Executive Committee
- (2) Current member of the Audit Committee
- (3) Current member of the Human Resources and Compensation Committee
- (4) Current member of the Corporate Governance and Nominating Committee
- (5) The number of shares indicated are as of February 26, 2003

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

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

Mr. Benoît Deschamps was Vice-President, Financial Planning and Treasurer, Le Groupe Vidéotron Ltd. from August 1997 to November 2000. Mr. Deschamps is a director of corporations and consultant since November 2000.

Just prior to occupying his current position, Mr. Marcel Gagnon held the following positions at Capital d'Amérique CDPQ Inc., a subsidiary of CDP, between 1997 and 2002: he was Portfolio Manager and Investments Director, Manufacturing Sector.

Mr. Jacques Simoneau was President and Chief Executive Officer of the Société Innovatech du Sud du Québec between 1995 and 1999. He was Group Vice-President, Investments, Fonds de solidarité (FTQ) from 1999 to May 2002, just prior to occupying his current position therein.

7.2 OFFICERS

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

| <u>Name and Municipality of Residence</u> | <u>First Year of Service with the Corporation</u> | <u>Position Held with the Corporation</u> |
|---|---|--|
| Jean-Marc Eustache <i>Outremont, Quebec</i> | 1987 | Chairman of the Board, President and Chief Executive Officer |
| Philippe Sureau <i>Outremont, Quebec</i> | 1987 | Executive Vice-President |
| Lina De Cesare <i>Montreal, Quebec</i> | 1989 | Executive Vice-President, Tour Operators |
| Nelson Gentiletti <i>Kirkland, Quebec</i> | 2002 | Vice-President, Finance and Administration and Chief Financial Officer |
| Jean-Marc Bélisle <i>Montreal, Quebec</i> | 1997 | Vice-President and Chief Information Officer |
| André De Montigny <i>Montreal, Quebec</i> | 2000 | Vice-President, Corporate Development |
| Bernard Bussièrès <i>St-Bruno, Quebec</i> | 2001 | Vice-President, General Counsel and Corporate Secretary |
| Louise Piché <i>Montreal, Quebec</i> | 2002 | Corporate Vice-President, Human Resources |

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

Mr. Philippe Sureau was President and Chief Executive Officer of Air Transat from March 1997 to November 2000. He is also President of Exit Travel and Consultour.

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

Mr. Nelson Gentiletti was, from September 1997 to March 2001, Vice-President and Chief Financial Officer at Unican Security Systems Ltd. From April 2001 to July 2002, he was Chief Financial Officer at BCE Emergis Inc., a subsidiary of BCE Inc.

Mr. André de Montigny was, from February 1998 to June 2000, Vice-President, Telecommunications of Capital Communication, a subsidiary of CDP.

Mrs. Louise Piché was Vice-President, Human Resources at the Business Development Bank of Canada from 1998 to August 2002.

Mr. Bernard Bussi eres was, from January 1995 to February 2001, a senior partner of Fasken Martineau DuMoulin LLP.

ITEM 8. ADDITIONAL INFORMATION

- (1) Additional financial data may be found in the Corporation's comparative financial statements as of October 31, 2002. Additional information including directors' and officers' remuneration, principal holders of Transat securities, options to purchase securities, is contained in the Corporation's 2003 Management Proxy Circular.
- (2) Transat shall provide to any person or company, upon request to the Corporate Secretary at Place du Parc, 300 L eo-Pariseau Street, Suite 600, Montreal, Quebec, H2X 4C2:
 - (a) when the securities of Transat are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) this annual information form together with any document, or the pertinent pages thereof, incorporated herein by reference;
 - (ii) the comparative financial statements of Transat for its most recently completed fiscal year together with the accompanying auditors' report thereon included in the 2002 Annual Report and any quarterly financial statements of Transat subsequent to the financial statements for its most recently completed fiscal year;
 - (iii) the Management Proxy Circular of Transat and the Notice of Annual Meeting of Shareholders for 2003; and
 - (iv) any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus and that are not required to be provided under (i) to (iii) above;
 - (b) at any other time, a copy of any other documents referred to (2)(a)(i),(ii), and (iii) above, provided Transat may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of Transat.