



Notice of Annual
and Special Meeting
of Shareholders
and Management
Proxy Circular

Transat A.T. Inc. Annual and Special Meeting of Shareholders 2003



Notice is hereby given that the annual and special meeting (the "Meeting") of the shareholders of Transat A.T. Inc. (the "Corporation") will be held at the Royal Meridien King Edward Hotel, 37 King Street East, Toronto, Ontario in the Vanity Fair Ballroom, on Wednesday, March 19, 2003 at 10:30 a.m., for the following purposes:

1. to receive the annual report of the Corporation as well as the consolidated financial statements of the Corporation and its subsidiaries for the year ended October 31, 2002 and the auditors' report thereon;
2. to elect the directors;
3. to appoint the auditors and to authorize the Board of Directors to fix their remuneration;
4. to examine and, if deemed appropriate, adopt a resolution confirming the repeal of the general by-laws of the Corporation, as adopted on February 13, 1987 and amended April 23, 1991 by By-Law No. 1991-1 (the "General By-Laws"), and the adoption of By-Law No. 2003-1 containing the new by-laws of the Corporation, which adoption was authorized and approved by the Board of Directors of the Corporation on February 4, 2003 in replacement of the General By-Laws, taking effect on such date, the whole as described in the Management Proxy Circular attached hereto; and
5. to transact any other business which may properly come before the Meeting or any adjournment thereof.

Shareholders of record at the close of business on February 17, 2003 will be entitled to receive notice of the Meeting.

Montreal, February 18, 2003

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read 'Bernard Bussières', is written over a horizontal line.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

It is important that your shares be represented at the Meeting. If you are unable to attend and vote in person, kindly complete and sign the enclosed proxy form and return it as soon as possible in the self-addressed stamped envelope provided for such purpose. To be valid, your proxy must be received by, or be delivered to, Computershare Trust Company of Canada, 1500 University Street, Suite 700, Montreal, Quebec, H3A 3S8 no later than 5:00 p.m. on March 18, 2003 in order to register your voting rights.

Transat A.T. Inc. Management Proxy Circular 2003

This Management Proxy Circular is furnished in connection with the solicitation by the management of Transat A.T. Inc. (the "Corporation") of proxies for use at the annual and special meeting (the "Meeting") of the shareholders of the Corporation to be held on March 19, 2003 at the place and time and for the purposes set forth in the notice of Meeting as well as any adjournment thereof. The information provided herein is given as of February 4, 2003, unless otherwise indicated.

SOLICITATION OF PROXIES

The proxies contained in the enclosed form are being solicited on behalf of the management of the Corporation. The cost of printing, postage and sending will be borne by the Corporation. The solicitation will be conducted primarily by mail or by any other means deemed necessary by the management of the Corporation.

If a shareholder wishes to appoint a proxy other than the person mentioned in the proxy form, the shareholder need only enter the person's name in the space provided for in the enclosed proxy form. The nominee need not be a shareholder of the Corporation.

To be valid, the duly completed proxy form must be received by or be delivered to Computershare Trust Company of Canada, 1500 University Street, Suite 700, Montreal, Quebec, H3A 3S8 to the attention of the Corporation, no later than 5:00 p.m. on March 18, 2003.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it by a written instrument, signed by him or his representative authorized in writing to such effect. The revocation may be delivered to the Secretary of the Corporation at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Quebec, H2X 4C2, until the last business day preceding the Meeting or any reconvening of the Meeting in case of adjournment, or deposited with the chairman of the Meeting on the date of the Meeting or any reconvening thereof in case of adjournment, or in any other manner permitted by law.

EXERCISE OF POWERS CONFERRED BY THE PROXY

The voting rights attached to the shares represented by the enclosed proxy form will be exercised in accordance with the instructions of the shareholder. The persons designated as representatives in the proxy form enclosed herewith are executive officers of the Corporation.

In the absence of contrary instructions by the shareholder, the representative will exercise the right to vote in favour of each of the matters indicated on the proxy form, in the notice of Meeting or in the Management Proxy Circular.

Management knows of no other matter that may be brought before the Meeting. If, however, other matters are properly submitted to the Meeting, the persons named in the enclosed proxy form will vote on such matters as they see fit, in accordance with the discretionary power conferred upon them in the proxy form regarding such matters. The shareholder or his representative duly authorized in writing must sign the proxy form.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The shares of the Corporation conferring voting rights at the Meeting are the common shares. As at February 4, 2003, the Corporation had a total of 32,718,560 common shares outstanding, and each such share entitles its holder to one vote.

As indicated in the notice of Meeting, the record date to determine the shareholders entitled to receive notice of the Meeting is the close of business on February 17, 2003. Each person who is registered as a holder of common shares at the close of business on February 17, 2003 will be entitled to vote at the Meeting or any reconvening of such Meeting if such person is present or represented by proxy. The transferee of common shares, as the case may be, acquired after the record date is entitled to exercise the voting rights pertaining to such shares at the Meeting or any adjourned meeting if he produces duly endorsed share certificates representing such shares or if he otherwise proves his title to such shares and if he requires, not less than ten days prior to the Meeting, that his name be registered on the list of shareholders entitled to receive notice of the Meeting, which list has been prepared as of the record date.

As at February 4, 2003, the only persons or entities known by the directors and officers of the Corporation to hold 10% or more of the voting shares of the Corporation's share capital are Fonds de solidarité des travailleurs du Québec (FTQ) (the "Fonds"), which holds 3,930,373 common shares, namely 12.01% of the issued and outstanding common shares and 650,000 warrants entitling the holder to subscribe to the same number of common shares at an exercise price of \$6.75 each; and Caisse de dépôt et placement du Québec and its subsidiaries (collectively, the "CDPQ"), which hold 3,759,133 common shares, namely 11.5% of the issued and outstanding common shares and 650,000 warrants entitling the holder to subscribe to the same number of common shares at an exercise price of \$6.75 each.

RESTRICTIONS ON VOTING SHARES

Pursuant to the *Canada Transportation Act*, Air Transat A.T. Inc. must establish, at all times, that it is a "Canadian" within the meaning of such act in order to hold the appropriate licence to operate an air service. As Air Transat A.T. Inc. is wholly-owned by the Corporation, the Corporation must, in order that Air Transat A.T. Inc. may qualify as 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 such act.

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

- a) will not accept any subscription of its Voting Shares;
- b) will not issue any of its Voting Shares; or
- c) will not register or acknowledge the transfer of any of its Voting Shares;

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

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

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

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

To the best of the Corporation's knowledge, as at December 31, 2002, approximately 7.5% of the Voting Shares of the Corporation's share capital were owned by "non-Canadians" within the meaning of such act.

MANAGEMENT REPORT AND FINANCIAL STATEMENTS

The management report, the consolidated financial statements and the auditors' report thereon, for the year ended October 31, 2002, included in the Corporation's 2002 Annual Report, will be submitted to the shareholders at the Meeting, but no vote is required or anticipated in respect thereof.

ELECTION OF DIRECTORS

Pursuant to the articles of the Corporation, the Board of Directors must be made up of a minimum of nine and a maximum of fifteen directors. In accordance with a resolution of the Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been established at twelve.

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

One of the individuals whom the management proposes to nominate at the Meeting for election as director of the Corporation has been proposed by CDPQ in accordance with an agreement entered into between CDPQ, Fonds, Air Transat A.T. Inc. and the Corporation on January 10, 2002. One of the individuals whom the management proposes to nominate at the Meeting for election as director of the Corporation has been proposed by the Fonds in accordance with the same agreement.

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

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

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

JEAN-MARC EUSTACHE

Director since: February 1987
Common shares owned or controlled: 867,700
Non-convertible debentures held: \$500,000
Number of common shares subscribed
for by a warrant: 32,500

Mr. Jean-Marc Eustache is Chairman of the Board, President and Chief Executive Officer and one of the founding members of the Corporation. Mr. Eustache is also President of Look Voyages S.A., a subsidiary of the Corporation and also sits on the board of directors of several subsidiaries of the Corporation. Other than that of the Corporation and its subsidiaries, Mr. Eustache does not sit on the board of directors of any other profit-making corporation. However, he is a member of the board of directors of several non-profit organizations, such as the Canadian Chamber of Commerce, the Cercle des présidents du Québec, Espace Go Theatre and the Canadian Tourism Commission, on whose Executive Committee he also sits.

ANDRÉ BISSON, O.C.

Director since: April 1995
Common shares owned or controlled: 13,243
Non-convertible debentures held: \$100,000
Number of common shares subscribed
for by a warrant: 6,500

Mr. André Bisson is Chancellor of the Université de Montréal and Chairman of the Board thereof. An officer of the Order of Canada, Mr. Bisson is a member of the Board of Directors of Rockvale Resources Limited, Chairman of the Board of Directors of Branchez-Vous and of the Advisory Committee of Julius Baer Investment Advisory (Canada) Ltd. and a member of the advisory committees of Carlyle Partners (Washington, D.C.), Intégrale M.B.D. and Pirelli Cables and Systems North America. Mr. Bisson is also a member of the board of directors of several non-profit organizations, such as INSEAD (Fontainebleau, France) and the Council for Canadian Unity, Chairman of the Board of Directors of CIRANO and Honorary Chairman of the Board of Société d'Investissement Jeunesse.

LINA DE CESARE

Director since: May 1989
Common shares owned or controlled: 207,969
Non-convertible debentures held: \$200,000
Number of common shares subscribed
for by a warrant: 13,000

Ms. Lina De Cesare is Executive Vice-President, Tour Operators of the Corporation and one of its three founding members along with Messrs. Jean-Marc Eustache and Philippe Sureau. She is also President of two subsidiaries of the Corporation, namely Cameleon Hotel Management Corporation and Transat Tours Canada Inc., the latter comprising two tour operators operating under the banners Air Transat Holidays and World of Vacations/Nolitour. Ms. De Cesare also sits on the board of directors of several subsidiaries of the Corporation. Other than that of the Corporation and its subsidiaries, Ms. De Cesare does not sit on the board of directors of any profit-making corporation.

BENOÎT DESCHAMPS

Director since: April 1997
Common shares owned or controlled: 9,043
Non-convertible debentures held: \$100,000
Number of common shares subscribed
for by a warrant: 6,500

Mr. Benoit Deschamps is a Director of Corporations and provides consulting services on business financial strategies and securities regulations. He sits on the board of directors of 3838366 Canada Inc. (subsidiary of Diversified Investment Grade Income Trust) and SAS La Tour de Mons.

MARCEL GAGNON

Director since: March 1999*
Common shares owned or controlled: 0

Mr. Marcel Gagnon is Senior Director, Investments at Capital d'Amérique CDPQ Inc., a subsidiary of the Caisse de dépôt et placement du Québec, and a member of the Advisory Committee for the investment funds Glencoe Capital Partners III, L.P., North Castle Partners, II, L.P. and Atlantic Equity Partners III, L.P. Mr. Gagnon also acts as observer for several boards of directors of corporations in which investments were made in partnership with these funds.

JEAN GUERTIN

Director since: April 1995
Common shares owned or controlled: 6,487
Non-convertible debentures held: \$15,000
Number of common shares subscribed
for by a warrant: 975

Mr. Jean Guertin is a Director of Corporations and Honorary Professor at the École des Hautes Études Commerciales (HEC) of Montreal as well as a Corporate Advisor. He sits on the Board of Directors of Investissement Desjardins, of which he is also a member of the Executive Committee and Investment Committee and Vice-Chair of the Portfolio Evaluation Committee, as well as on the board of directors of Vogue Pool Products and of Technology MindAvenue Inc. of which he is also Chair of the Human Resources Committee. Mr. Guertin is also a member of the advisory boards of Capital Benoit and of Agence de Voyages Aller Retour. He also works with non-profit organizations, such as the Fondation du Docteur Maurice Bertrand and the Société de développement économique Ville-Marie as member of their respective board of directors.

H. CLIFFORD HATCH JR.

Director since: March 2001
Common shares owned or controlled: 730
Non-convertible debentures held: \$25,000
Number of common shares subscribed
for by a warrant: 1,625

Mr. H. Clifford Hatch Jr. is President and Chief Executive Officer of Aurdysyl Management Corporation and Clifco Investments Limited. Mr. Hatch Jr. sits on several boards of directors, including that of Equity Link Management Limited, SMK International Limited, whose Audit Committee he also chairs, Consolidated HCI Limited, Geneka Biotechnology Inc., Brookdale Treeland Nurseries Limited (BTN) and Carrizuelo S.A. (Madrid, Spain). Mr. Hatch Jr. is also involved with several non-profit organizations, including the McMichael Canadian Art Gallery, of whose board of directors he is a member, and the foundation of the Federation of Ontario Naturalists, for whom he acts as President.

HELEN K. SINCLAIR

New nominee
Common shares owned or controlled: 5,000

Ms. Helen K. Sinclair is being proposed at the Meeting as a new nominee for membership to the Board of Directors of the Corporation. Since 1996, Ms. Sinclair is acting as President and Chief Executive Officer of BankWorks Trading Inc., a business that offers consultation services to and meets the technological needs of the financial services industry. Before filling this office, Ms. Sinclair was President of the Canadian Bankers Association for seven years. Ms. Sinclair currently sits on several boards of directors, namely that of the Toronto-Dominion Bank, the Canada Pension Plan Investment Board, Davis and Henderson, McCain Capital Corporation and SuperBuild. She also sits on the board of directors of York University.

JACQUES SIMONEAU

Director since: November 2000
Common shares owned or controlled: 0

Mr. Jacques Simoneau is Senior Vice-President - Industries of Fonds de solidarité FTQ. Mr. Simoneau sits on the board of directors of Groupe ADF Inc., of 9048-6499 Québec Inc. and of Société de développement économique Ville-Marie.

PHILIPPE SUREAU

Director since: February 1987
Common shares owned or controlled: 649,973
Non-convertible debentures held: \$300,000
Number of common shares subscribed
for by a warrant: 19,500

Mr. Philippe Sureau is Executive Vice-President of the Corporation and one of its three founders, along with Mr. Jean-Marc Eustache and Ms. Lina De Cesare. Mr. Sureau is also President of Consultour Inc. and sits on the board of directors of several affiliates of the Corporation. Other than that of the Corporation and its subsidiaries, Mr. Sureau is a member of the board of directors of Manoir Richelieu and the Conseil québécois de l'Industrie du Tourisme.

JOHN D. THOMPSON

Director since: April 1995
Common shares owned or controlled: 18,243
Convertible debentures held: \$25,000
Non-convertible debentures held: \$50,000
Number of common shares subscribed
for by a warrant: 3,250

Mr. John D. Thompson is Deputy Chairman of the Board and Director of Montreal Trust Company and a director of other corporations of the Scotia Bank Group, including Scotia General Insurance Company and The Bank of Nova Scotia Trust Company. He also sits on several boards of directors, including that of Benvest Capital Inc., Shermag Inc., Capital d'Amérique CDPQ Inc. and Triton Électronique Inc. Mr. Thompson is also involved in various community organisations such as the Board of Governors of the St. Mary's Hospital Center, of which he is the Chairman, and the Audit Committee of McGill University, of which he is a member. Mr. Thompson is also a director for the MacDonald Stewart and Windsor Foundations.

PETER G. WHITE

Director since: March 2000
Common shares owned or controlled: 853

Mr. Peter G. White is Executive Vice-President of The Ravelston Corporation and Argus Corporation Limited, two affiliates of Hollinger Inc., of which he is also a member of the board of directors. A Chevalier of France's Ordre National de la Légion d'Honneur, Mr. White also sits on the board of directors of Cinram International Inc. and Normerica Building Systems Inc., and he is Chairman of the Board of Proprietary Industries Inc. and Peter G. White Management Ltd. and its affiliates. Mr. White also sits on the board of directors of several organisations, such as Inter American Press Association, the Fraser Institute and The Canadian INSEAD Foundation.

* Mr. Gagnon was also director of the Corporation between April 1991 and September 1997 when he worked for the Fonds as Portfolio Manager.

The management of the Corporation does not anticipate that any of the nominees among the persons named above will be unable or no longer willing to act as a director, but if such should be the case prior to the election, the persons named in the enclosed proxy form will vote in favour of electing as director(s) any other person(s) that the management of the Corporation may, upon advice from the Corporate Governance and Nominating Committee, recommend in place of such nominee(s) among those named hereinabove, unless a shareholder indicates his intention to abstain from voting for the election of directors.

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

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

The information set out below lists the meetings held by the Board of Directors and its committees as well as the participation of the directors therein during the year ended October 31, 2002.

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

Board of Directors and Committees	Number of Meetings Held During the Financial Year
Board of Directors	15
(a) Executive Committee	2
(b) Audit Committee	6
(c) Corporate Governance and Nominating Committee	3
(d) Human Resources and Compensation Committee	9

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

Name of Director	Participation in Meetings of the Board of Directors	Participation in Meetings of the Committees
Jean-Marc Eustache ^{(Chairman of the Board) (a, Chairman and d)}	15/15	2/2 ^(a) , 9/9 ^(d) , 4 ⁽¹⁾
André Bisson, O.C. ^(a, b, Chairman and c, Chairman)	14/15	1/1 ^{(a)(2)} , 6/6 ^(b) , 3/3 ^(c)
Lina De Cesare	8/15 ⁽³⁾	N.A.
Benoît Deschamps ^(a, b and c)	15/15	2/2 ^(a) , 6/6 ^(b) , 3/3 ^(c)
Marcel Gagnon	13/15	N.A.
Jean Guertin ^(a, b and d, Chairman)	14/15	2/2 ^(a) , 3/3 ^{(b)(4)} , 9/9 ^(d)
H. Clifford Hatch Jr. ^(c and d)	14/15	1/1 ^{(c)(5)} , 9/9 ^(d)
Michel Lessard ⁽⁶⁾	14/15	2/2 ^{(c)(5)}
André Lévesque ⁽⁶⁾	11/15	N.A.
Jacques Simoneau	14/15	N.A.
Philippe Sureau ^(a)	14/15	2/2 ^(a)
John D. Thompson ^(b and d)	15/15	6/6 ^(b) , 9/9 ^(d)
Peter G. White	14/15	N.A.

N.A.: Not applicable.

- (1) Mr. Eustache is not a member of the Audit Committee or of the Corporate Governance and Nominating Committee, although he does attend the meetings of these committees when invited. He announced his intention not to renew his mandate as member of the Human Resources and Compensation Committee. His mandate will expire at the Meeting, but he will attend committee meetings when invited.
- (2) Mr. Bisson was appointed member of the Executive Committee on March 27, 2002, and was not required to attend one of the two meetings held by this committee as it took place prior to his appointment.
- (3) Ms. De Cesare was unable to attend several meetings of the Board of Directors due to illness.
- (4) Mr. Guertin was appointed member of the Audit Committee on March 27, 2002, and was not required to attend three of the six meetings held by this committee as they took place prior to his appointment.
- (5) Mr. Hatch Jr. was appointed member of the Corporate Governance and Nominating Committee on March 27, 2002 as a successor of Mr. Lessard, and was not required to attend two of the three meetings held by this committee, as they took place prior to his appointment.
- (6) Messrs. Lessard and Lévesque announced their intention not to renew their mandate as of the Meeting.

APPOINTMENT AND REMUNERATION OF AUDITORS

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

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

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

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

ADOPTION OF NEW BY-LAWS

By resolution adopted at its meeting held February 4, 2003, the Board of Directors of the Corporation repealed the general by-laws of the Corporation adopted by the directors and ratified by the shareholders on February 13, 1987, as amended by By-Law No. 1991-1 adopted by the directors and ratified by the shareholders on April 23, 1991 (the "General By-Laws"), which generally dealt with the business and internal affairs of the Corporation. In the same resolution, the Board of Directors of the Corporation authorized and approved the adoption of By-Law No. 2003-1 (containing the new by-laws of the Corporation), the details of which are set out in the shareholder resolution attached hereto as Schedule "A" (the "By-Laws"). The By-Laws come in the wake of recent amendments to the *Canada Business Corporations Act* (hereinafter the "CBCA"), which came into force on November 24, 2001 and aim to modernize such act to allow federal corporations such as the Corporation to better compete at an international level.

In its By-Laws, the Corporation has opted for a simplified format in an effort to give the Corporation greater flexibility. The By-Laws therefore only deal with elements that the Corporation deems crucial, namely rules respecting the conduct of meetings, as well as the affairs of the Corporation, which are not already dealt with in the CBCA. By adopting this approach, the Corporation refers to the CBCA for all matters pertaining to rules specifically provided for therein, namely notice of and time frames for calling meetings of shareholders, the determination of record dates for the purposes provided in the CBCA, notice of date, time and place of meetings of shareholders and the declaration of the chairperson. By proceeding in this manner, the Corporation reduces the need to resort to amending its by-laws should the CBCA be amended yet again at some future date.

Pursuant to the By-Laws and as authorized by the CBCA, the Corporation may hold its meetings of shareholders either at a determined place or by telephonic, electronic or other means of communication allowing all participants to communicate adequately with each other during such meeting, or by any combination of such means. Moreover, it will allow shareholders to vote by telephonic, electronic or other means of communication made available for such purpose. As did the former General By-Laws, the By-Laws provide for an obligation, on the part of the Corporation, to indemnify directors and officers.

The By-Laws of the Corporation took effect upon their approval by the Board of Directors on February 4, 2003. However, the CBCA provides that the Board of Directors must submit the By-Laws to the shareholders for approval at the Meeting.

The Corporation will therefore ask shareholders to examine and, should they deem it appropriate, approve, by a simple majority of the votes cast at the Meeting, the ordinary resolution, a copy of which is attached hereto as Schedule "A".

Unless a shareholder indicates otherwise the voting rights attached to the shares represented by the enclosed form of proxy will be exercised in favour of the repeal of the former General By-Laws and of the adoption of the new By-Laws.

The Board of Directors and management recommend that shareholders vote in favour of the ordinary resolution attached hereto as Schedule "A".

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

Composition of the Committee

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

The Committee is currently made up of Messrs. Jean Guertin (Chairman of the Committee), Jean-Marc Eustache, H. Clifford Hatch Jr. and John D. Thompson. Except for Mr. Eustache, none of the members of the Committee is currently employed by the Corporation or any of its subsidiaries or is a former officer or employee of the Corporation or any of its subsidiaries. None of the executive officers of the Corporation is a member of the board of directors of the corporations that employ Messrs. Jean Guertin, H. Clifford Hatch Jr. and John D. Thompson. Mr. Eustache withdraws from the meetings of the Committee when questions concerning him are discussed. Mr. Eustache has announced that he does not intend to renew his mandate, which expires March 19, 2003, although he will attend meetings of the Committee when invited.

Executive Compensation Policy

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

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

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

The total compensation of executive officers is comprised of the following items:

- compensation consisting of a base salary;
- a short-term incentive program in the form of an annual bonus;
- a long-term incentive program with three components: a stock option plan, a permanent stock ownership incentive plan and, exceptionally, a share appreciation units plan;
- a perquisites program; and
- a benefits package, including a group insurance plan and retirement arrangements for executive officers.

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

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

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

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

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

Long-term incentive program: The long-term incentive program has the following three components:

- i. **Stock Option Plan:** The objective of the common stock option plan for directors, officers, and employees of the Corporation is to align part of the executive officers' compensation with the creation of added value for shareholders. Subject to the approval of the Board of Directors, the President and Chief Executive Officer shall recommend to the Committee which executive officers are to be granted stock options as well as the aggregate number of options that may be granted.**
- ii. **Permanent Stock Ownership Incentive Plan:** The Permanent Stock Ownership Incentive Plan is designed to promote the acquisition and holding by eligible executive officers of a significant block of the Corporation's common shares, in order to motivate them to create added value for shareholders and to help the Corporation retain these executive officers. Subject to participation in the Share Purchase Plan offered to all the Corporation's employees (by subscribing annually for a number of common shares, the total subscription price of which is equal to the percentage of salary contributable under the plan), the Corporation will grant annually to each eligible executive officer a number of common shares, the total subscription price of which shall be equal to the aforementioned percentage of salary contributed. The common shares thus granted by the Corporation will vest progressively to the eligible executive officer, subject to his retaining, during the vesting period, all the common shares subscribed for under the Corporation's Share Purchase Plan.***
- iii. **Share Appreciation Units Plan:** The Share Appreciation Units Plan for Canadian executives of the Corporation and its subsidiaries and for the directors of the Corporation is an exceptional plan. Its goal is to encourage eligible executives and directors to achieve, over the years ending October 31, 2002 and October 31, 2003, results leading to a substantial increase, from now until January 30, 2004, in the market price per share as compared to its March 26, 2002 level, when the price per share of the Corporation was under pressure due to the events of September 11, 2001. As a result, the executives and directors eligible to the plan were granted a number of units of appreciation of the Corporation's share price determined by the Committee in accordance with the terms and conditions described at greater length in the said plan. The units thus granted will be redeemable by the Corporation on the redemption date specified in the plan and will, on such date, entitle the holder thereof to payment by the Corporation of a cash amount equal to the redemption price multiplied by the number of units of appreciation of the Corporation's share price granted to the participants, multiplied by the redeemable fraction of said units in accordance with the terms and conditions of the plan.****

The objective of the long-term incentive program is to ensure a target compensation value that serves to position the total compensation (base salary, annual bonus, options, stock ownership and units of appreciation of the Corporation's share price) in the first quartile of the reference market when all targeted objectives are reached, with the potential to exceed the reference market when all maximum targets are attained.

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

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

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

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

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

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

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

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

Compensation of the President and Chief Executive Officer

The total compensation of the President and Chief Executive Officer is determined according to the same policy, principles and objectives as those applicable to other executive officers, including as regards base salary, but based on similar positions in the corporations making up the reference market. Moreover, under the short-term incentive program, the President and Chief Executive Officer is entitled to a bonus representing 45% of his annual base salary, which bonus could reach a maximum of 112.5% of his annual base salary. Under the long-term incentive program, the President and Chief Executive Officer is also eligible to receive stock options representing 1.0 time his base salary and to units of appreciation of Transat's share price representing 0.50 time his base salary. He is also eligible to participate in the Permanent Stock Ownership Incentive Plan up to maximum of 10% of his base salary. Each component of the total compensation of the President and Chief Executive Officer is reviewed annually by the Committee, without the President and Chief Executive Officer being present, in accordance with the objectives and principles described in "Executive Compensation Policy".

In 2002, Mr. Jean-Marc Eustache received an annual base salary of \$428,000 in his capacity as President and Chief Executive Officer of the Corporation, having received a 20% wage cut as compared to fiscal year 2001 as part of steps taken by the Corporation following the events of September 11, 2001. As regards his total compensation for the year ended October 31, 2002, Mr. Eustache received a bonus of \$481,500 under the short-term incentive program, namely 112.5% of his 2002 base salary. This bonus is in recognition for having provided the Corporation and its subsidiaries with exemplary leadership amid the uncertainty generated by the events of September 11, 2001, by adopting appropriate measures, such as reducing the Corporation's capacity and personnel, consolidating the team of executive officers, decreasing spending and implementing various financings, all measures which resulted in a very significant turn-around and produced far greater earnings before taxes as opposed to the projected loss before taxes for financial year 2002.

The Committee also granted Mr. Eustache 61,230 stock options and awarded him 30,615 units of appreciation of the Corporation's share price in accordance with the terms and conditions of the respective plans.

The Committee believes that the total compensation of the President and Chief Executive Officer of the Corporation takes into account his excellent performance, which is evidenced by the Corporation's turn-around in a very difficult year when it successfully brought back in line both its financial position and its state of affairs in its markets in the aftermath of the abovementioned events.

Due to the 20% cut in the President and Chief Executive Officer's base salary for 2002, the total compensation of the President and Chief Executive Officer falls somewhere near the market median, whereas the Corporation's compensation policy aims for the first quartile or better when objectives have been reached or surpassed.

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

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

EXECUTIVE COMPENSATION

The total cash compensation (salary and bonus) paid to executive officers assuming policy-making functions within the Corporation and its subsidiaries in consideration of services rendered during the year ended October 31, 2002 amounts to \$4,912,687.

Summary Compensation Table

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

Name and Principal Occupation	Year	Annual Compensation			Long-Term Compensation ("LTIP")			
		Salary	Bonus ⁽¹⁾	Other Annual Compensation	Securities under Options Granted/SAUs Granted ⁽³⁾	Restricted Shares or Restricted Share Units ⁽⁴⁾	LTIP Payouts	All Other Compensation
		(\$)	(\$)	(\$)	(#)	(\$)	(\$)	(\$)
Jean-Marc Eustache	2002	428,000	481,500	(2)	61,230/30,615	39,130	—	—
Chairman of the Board,	2001	535,000	—	(2)	54,040/N.A.	51,437	—	—
President and Chief Executive Officer of the Corporation and President, Look Voyages S.A.	2000	485,000	346,472	(2)	61,705/N.A.	49,021	—	—
Philippe Sureau	2002	259,250	213,881	(2)	24,849/16,690	7,110	—	—
Executive Vice-President of the Corporation and President, Consultour Inc.	2001	305,000	—	(2)	20,641/N.A.	29,318	—	—
	2000	290,000	122,377	(2)	24,720/N.A.	29,309	—	—
Lina De Cesare	2002	243,100	200,558	(2)	23,301/15,650	11,110	—	—
Executive Vice-President, Tour Operators of the Corporation,	2001	286,000	—	(2)	19,356/N.A.	27,475	—	—
President, Cameleon Hotel Management Corporation and President, Transat Tours Canada Inc.	2000	265,000	111,062	(2)	22,589/N.A.	26,782	—	—
Denis Jacob^(a)	2002	225,250	185,831	(2)	21,590/14,501	—	—	—
Senior Vice-President, Air Transportation of the Corporation	2001	265,000	—	(2)	16,242/N.A.	23,069	—	—
	2000	220,000	53,298	(2)	12,723/N.A.	20,216	—	—
Lorraine Maheu^(b)	2002	207,630	155,723	(2)	14,807/13,326	18,982	—	—
Vice-President, Finance and Administration, Transat Tours Canada Inc.	2001	230,700	—	(2)	11,652/N.A.	21,062	—	—
	2000	201,000	57,436	(2)	12,786/N.A.	17,689	—	—

N.A.: Not applicable

(a) Mr. Jacob ceased holding his office with the Corporation on November 1, 2002. Prior to becoming Senior Vice-President, Air Transportation with the Corporation, Mr. Jacob was President and Chief Executive Officer of Air Transat A.T. Inc. from May 2000 to May 2002.

(b) Before holding the office of Vice-President, Finance and Administration of Transat Tours Canada Inc., Ms. Maheu was Vice-President, Finance and Administration and Chief Financial Officer of the Corporation from January 15, 1997 to August 23, 2002.

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

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

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

(4) The value of the restricted shares or restricted share units granted under the Permanent Stock Ownership Incentive Plan is computed by multiplying the number of shares granted to each Named Executive Officer by the closing price of the Corporation's common shares on the Toronto Stock Exchange on the date of grant, namely \$6.40 for 2002, \$9.55 for 2001 and \$7.00 for 2000.

Stock Option Plan

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

The Option Plan enables the Corporation to grant stock options (the "Options") to eligible persons, at a price per share equal to the average weighted market price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the granting of Options. As at October 31, 2002, a balance of 1,398,208 options remain available for granting. The Corporation's Board of Directors or, as the case may be, its Executive Committee, upon recommendation of the Human Resources and Compensation Committee, may determine, from time to time and in its entire discretion, the directors, officers and employees to whom Options are to be granted, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the holders may purchase shares. The Options granted under the Option Plan expire ten years after the grant date or earlier if the option holder ceases to hold a position with the Corporation or any of its subsidiaries or if he or she dies.

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

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

Options granted during the financial year ended October 31, 2002

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

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Options Exercise Price (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiry Date
Jean-Marc Eustache	61,230	12.91%	6.99	7.05	March 26, 2012
Philippe Sureau	24,849	5.24%	6.99	7.05	March 26, 2012
Lina De Cesare	23,301	4.91%	6.99	7.05	March 26, 2012
Denis Jacob	21,590	4.55%	6.99	7.05	March 26, 2012
Lorraine Maheu	14,807	3.12%	6.99	7.05	March 26, 2012

As at October 31, 2002, a total of 2,120,690 Options were issued and outstanding. During the financial year ended October 31, 2002, 318,489 Options were granted at \$6.99 and 10,000 Options were granted at \$6.92 to holders other than the Named Executive Officers; 708,522 options were cancelled during this financial year. In addition, Options representing 3,104 common shares at an exercise price of \$6.45 per share and 10,000 common shares at an exercise price of \$6.99 per share were exercised during the last financial year.

Options exercised during the financial year ended October 31, 2002

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

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End		Value of Unexercised in-the-Money Options at Financial Year-End ⁽¹⁾ (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jean-Marc Eustache	—	—	150,102	97,416	35,272	—
Philippe Sureau	—	—	41,338	38,567	4,848	—
Lina De Cesare	—	—	54,417	35,967	12,569	—
Denis Jacob	—	—	35,434	29,462	7,171	—
Lorraine Maheu	—	—	51,685	21,901	7,171	—

(1) The value of Unexercised in-the-Money Options* was calculated using the closing price of the Corporation's common shares on the Toronto Stock Exchange on October 31, 2002, (namely, \$6.95), less the exercise price of the in-the-Money Options.

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

Share Purchase Plan

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

The purpose of the Share Purchase Plan is to enable employees of the Corporation and its subsidiaries to purchase common shares of the Corporation at the then current market price, less a ten percent (10%) discount, the payment of which may, at the option of the employees, be financed by the Corporation through interest-free loans reimbursed over no more than 52 weeks by means of withholdings made on their salaries. In such a case, the participant's shares are kept by a trustee as security for the full reimbursement of the loan, and the trustee shall be entitled to sell the shares under certain circumstances. Should the participant's employment be terminated, the participant be laid off, become disabled or die, or should certain other events more fully described in the plan occur, the outstanding balance of the loan shall then become immediately due. A participant may not sell all or part of the common shares included in this plan prior to the expiry of a one (1) year period from the date of issue of said shares.

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

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

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

During the financial year, the Corporation issued 123,690 common shares under the Share Purchase Plan, and the remaining number it is authorized to issue as at October 31, 2002 is equal to 862,017 common shares.

Permanent Stock Ownership Incentive Plan

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

Common shares granted during the financial year ended October 31, 2002

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

Name	Securities, Units or Other Rights ⁽¹⁾	Performance Period or Other Period to Maturity or Payment ⁽²⁾	Projected Future Payments under a Plan not Based on the Price of the Securities		
			Threshold	Target	Maximum
	(#)		(\$ or #)	(\$ or #)	(\$ or #)
Jean-Marc Eustache	6,114	February 25, 2005	N.A.	N.A.	N.A.
Philippe Sureau	1,111	February 25, 2005	N.A.	N.A.	N.A.
Lina De Cesare	1,736	February 25, 2005	N.A.	N.A.	N.A.
Denis Jacob	2,403	November 1, 2002 ⁽³⁾	N.A.	N.A.	N.A.
Lorraine Maheu	2,966	February 25, 2005	N.A.	N.A.	N.A.

N/A: Not applicable.

(1) Common shares granted on February 26, 2002.

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

(3) In accordance with the terms and conditions of the Stock Ownership Incentive Plan and as explained above, Mr. Jacob lost all of his rights resulting from the said plan upon termination of his employment with the Corporation, namely on November 1, 2002.

Share Appreciation Units Plan of the Corporation

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

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

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

* The Reference Price is calculated based on the highest average closing price of the shares of the Corporation on the Toronto Stock Exchange for five (5) consecutive days during which the stock has traded over a period of five (5) months beginning September 1, 2003 and ending on the Date of Reference.

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

The Human Resources and Compensation Committee of the Board of Directors of the Corporation is responsible for the administration and interpretation of the plan and, specifically, of the determination of the number of SAUs granted to a participant, which number depends on factors such as the participant's annual salary, the percentage applicable to the participant's salary specified by the Human Resources and Compensation Committee, according to the position held by the participant, and the price upon granting. The full number of SAUs granted to the participant, who is an eligible executive, is then computed by multiplying his or her salary by the applicable percentage and dividing the number thus obtained by the price upon granting. The percentage applicable to the salary of an eligible executive for the purposes of determining the number of SAUs granted in the financial year ended October 31, 2002 varied between 0.35% to 0.45% for the offices of executive officers, depending on the office held in the Corporation, with the exception of the President and Chief Executive Officer. The number of SAUs granted to a participant who is a director was set at 800.

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

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

SAUs granted over the financial year ended October 31, 2002

Name	SAUs Granted	% of Total SAUs Granted to Employees during the Financial Year	Price upon Granting	Expiry Date
	(#)		(\$)	
Jean-Marc Eustache	30,615	7.65%	6.99	January 30, 2004
Philippe Sureau	16,690	4.17%	6.99	January 30, 2004
Lina De Cesare	15,650	3.91%	6.99	January 30, 2004
Denis Jacob	14,501	3.62%	6.99	November 1, 2002 ⁽¹⁾
Lorraine Maheu	13,326	3.33%	6.99	January 30, 2004

(1) In accordance with the terms and conditions of the Will-Share Plan and as explained above, Mr. Jacob lost all rights resulting from the said plan upon termination of his employment with the Corporation on November 1, 2002.

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

Retirement arrangements

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

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

The eligible earnings include the base salary and the target bonus. The annualized eligible earnings of each Named Executive Officer for 2002 are as follows:

Jean-Marc Eustache	\$694,140
Philippe Sureau	\$378,580
Lina De Cesare	\$347,740
Denis Jacob	\$305,235
Lorraine Maheu	\$271,823

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

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

For the purpose of calculating their retirement allowances, on October 31, 2002, Mr. Jean-Marc Eustache had 10.26 recognized eligible years of service, Mr. Philippe Sureau, 10.26, Ms. Lina de Cesare, 9.55, Mr. Denis Jacob, 6.73 and Ms. Lorraine Maheu, 4.26.

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

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

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

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

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

On October 31, 2002, the amount of the estimated annual retirement allowances payable at the usual retirement age, namely 65, to the Named Executive Officers under the standard retirement agreements, without taking into account deductions of benefits payable pursuant to the Pension Plan and those payable under the Québec Pension Plan, is equal to \$106,828 for Mr. Jean-Marc Eustache, \$58,263 for Mr. Philippe Sureau, \$49,814 for Ms. Lina De Cesare, \$30,813 for Mr. Denis Jacob and \$17,369 for Ms. Lorraine Maheu.

Employment/Change of Control Agreements

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

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

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

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

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

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

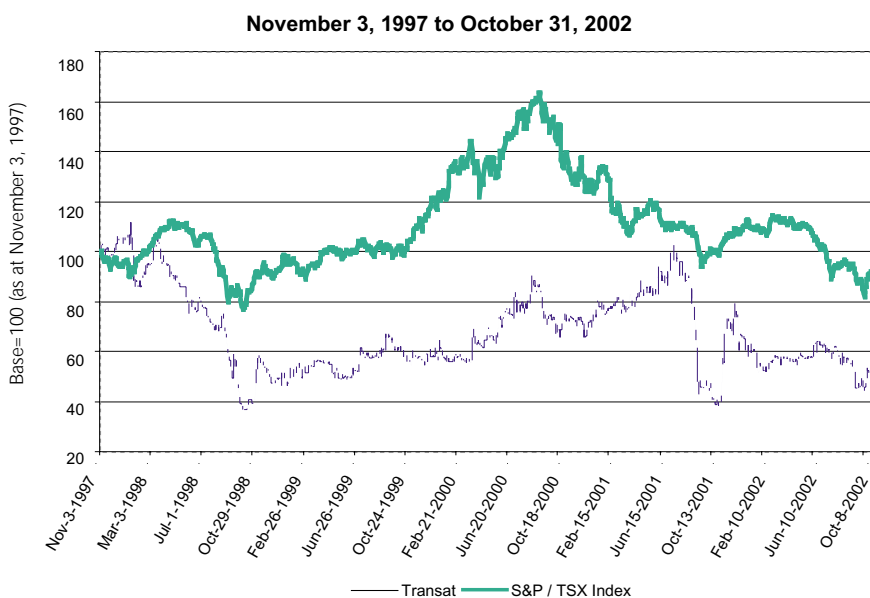
COMPENSATION OF DIRECTORS

Due to the 20% reduction in compensation as compared to financial year 2001, each director who is not employed by the Corporation or one of its subsidiaries received, in 2002, reduced annual fees of \$8,000 for his or her services, \$2,000 of which is payable in common shares of the Corporation. Every chairman of a committee of the Board of Directors received reduced annual fees of \$2,000 for his or her services. The Corporation also paid reduced attendance fees of \$800 to each director who is not employed by the Corporation or one of its subsidiaries for Board or committee meetings attended by such director, unless the meeting is conducted by conference call, in which case the attendance fee is \$400. Compensation in cash is paid quarterly. Every director who is not employed by the Corporation is entitled annually to a grant of Options in accordance with the terms and conditions of the Corporation's Stock Option Plan. The number of Options granted during a regular annual granting to a director who is not employed by the Corporation is equal to \$12,000, reduced to \$9,600 for financial year 2002, divided by the price* per share at the time of granting. On March 26, 2002, the Corporation granted to each director not employed by the Corporation 1,362 Options at an exercise price of \$6.99. Pursuant to the Will-Share Plan, each director not employed by the Corporation who held office on November 1, 2001 or who became a director prior to March 26, 2002 was granted 800 SAUs at a price upon granting of \$6.99 per SAU, redeemable in accordance with the terms and conditions set out in "Share Appreciation Units Plan".

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

RETURN ON THE SHARES

The following graph compares the cumulative total return obtained on an investment of \$100 in the common shares of the Corporation made on November 1, 1997 to the cumulative total return of the TSX Composite Index of the Toronto Stock Exchange over the last five fiscal years*.



The Corporation is part of the TSX Composite Index (Industrial Sub-Group).

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

INDEBTEDNESS OF OFFICERS

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation takes out insurance at its own expense covering the liability of its directors and officers, in their capacities as directors and officers. This insurance was obtained pursuant to a policy, which also covers the directors and officers of the Corporation's subsidiaries, with the exception of Look Voyages S.A., which has purchased its own insurance.

The Corporation's insurance policy provides a maximum coverage of \$50,000,000 per claim, subject to a deductible of \$100,000 payable by the Corporation. The premium paid under the policy for 12 months' coverage was \$173,000 for the year ended October 31, 2002. The insurance policy of Look Voyages S.A. provides a maximum coverage of approximately 16 million Euros per claim, subject to a deductible of approximately 37,500 Euros for certain claims. The premium paid under the policy for 12 months' coverage was approximately 17,900 Euros for the year ended October 31, 2002. Neither the insurance premium nor the premiums paid distinguish between insurance covering the liability of the directors of the Corporation and the liability of its officers, the coverage being the same for both groups.

CORPORATE GOVERNANCE

Last year was a turning point for corporate governance; regulatory authorities implemented major changes in this respect, especially in the United States, thus influencing practices in Canada.

The Board of Directors (the "Board") and executive officers of the Corporation follow new trends closely and are of the opinion that leading-edge corporate governance is a cornerstone of the efficient management of the Corporation.

To maintain a high standard of good corporate governance in a constantly changing environment, the corporate governance practices of the Corporation are regularly reviewed and assessed by the Corporate Governance and Nominating Committee, which is currently comprised of three outside and unrelated directors. To this end, during the year ended October 31, 2002, the Corporate Governance and Nominating Committee saw to the development of a Corporate Governance Manual of the Corporation (the "Manual"), which was adopted by the Board on February 4, 2003. This Manual contains, among other things, charters describing the mandate of the Board and its committees and enacts rules respecting the corporate governance of the Corporation. The Manual is a living document that the Board will regularly review in order to meet constantly changing regulatory standards and expectations of investors.

The Board assumes responsibility for all of the management of the Corporation and is vested with the full power and authority to manage and control the affairs of the Corporation. It establishes policies and general standards for the Corporation while delegating a certain portion of its authority and responsibilities to committees and to corporate management. It retains real control over the Corporation and supervises executive officers.

The Manual defines the mandate of the Board, whose responsibilities include, among other things:

- (1) the adoption of a strategic planning procedure that takes into consideration the identification of opportunities or risks relating to the Corporation, its mission and its objectives;
- (2) the determination of annual objectives;
- (3) the approval of the annual operating and capital expenditure budgets of the Corporation, short- and long-term financing of the needs of the Corporation and of its subsidiaries and the authorization of financial commitments based on policies respecting financial commitments of the Corporation and of its subsidiaries;
- (4) the planning of hiring, compensation and development of officers and planning for their succession; and
- (5) the evaluation of the competence of the President and Chief Executive Officer and of executive officers of the Corporation.

The Board established the four following committees: the Audit Committee in March 1990, the Human Resources and Compensation Committee in February 1996, the Corporate Governance and Nominating Committee in October 1998 and the Executive Committee in April 1989. The charters of the Audit, Human Resources and Compensation and Corporate Governance and Nominating committees are appended to this Management Proxy Circular as Schedule "B".

As of March 19, 2003, the committees will be comprised exclusively of outside and unrelated directors, with the exception, naturally, of the Executive Committee.

In its efforts to continually improve itself, the Corporation, through its Corporate Governance and Nominating Committee, has provided for certain changes which will apply over the course of the upcoming year.

- It will increase to 66 2/3% the number of outside directors who sit on its twelve-member Board. The three inside directors, all founding members of the Corporation, are Mr. Jean-Marc Eustache (Chairman of the Board, President and Chief Executive Officer of the Corporation and President, Look Voyages S.A.), Mr. Philippe Sureau (Executive Vice-President of the Corporation and President, Consultour Inc.) and Ms. Lina De Cesare (Executive Vice-President, Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation and President, Transat Tours Canada Inc.).
- In light of the President and Chief Executive Officer's announced intention to withdraw from the Human Resources and Compensation Committee, the said committee will, as of March 19, 2003, become exclusively comprised of outside and unrelated directors.
- The Corporate Governance Committee will take on the name Corporate Governance and Nominating Committee. This new name more accurately reflects the current mandate of this committee and the importance the Corporation places on the selection procedures of new members called to sit on the Board from time to time.
- The Corporation has developed a code of ethics it expects to implement this year as soon as the enforcement policies will have been harmonized among all its subsidiaries. The goal of the Corporation is to publish its code of ethics in its next Management Proxy Circular.
- The Audit Committee, Human Resources and Compensation Committee and Corporate Governance and Nominating Committee are each chaired by an outside and unrelated director. Each assumes responsibility for chairing and coordinating the meetings of the committees over which he presides and reports to members of the Board, to the Chairman of the Board and President and Chief Executive Officer on the substance of these meetings, on their decisions and on their recommendations. Where necessary, they report on the issues and recommendations of the other directors and are deemed by the Corporation as such, to be lead directors. Among other things, the lead directors ensure that the responsibilities of the Board are well understood by the Board and management, and that the distinction between the mandate of the Board and the duties of management are respected. They also provide the necessary leadership to ensure a certain cohesion within the Board and may call any meeting of the Board, following notice to the President and Chief Executive Officer, with or without the presence of the three inside directors and executive officers.
- The Manual and rules of corporate governance of the Corporation will be reviewed on a regular basis in light of the new guidelines and requirements of regulatory authorities.
- The Corporate Governance and Nominating Committee is examining the possibility of implementing a performance evaluation program for the directors and the Board.

The Corporation does not have any shareholders who control the majority of voting rights for the election of members of the Board.

The following table offers a description of the Corporation's practices with respect to each of the fourteen corporate governance guidelines of the Toronto Stock Exchange (the "Guidelines"). The roman numerals appearing in parentheses correspond to the numbered paragraphs of each committee charter attached hereto as Schedule "B".

TORONTO STOCK EXCHANGE CORPORATE GOVERNANCE GUIDELINES	COMMENTS
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically assume responsibility for the following:	
(a) adoption of a strategic planning process	The Corporation complies with this guideline. The Board adopted a charter describing its mandate and responsibilities. Among other things, the Board supervises and contributes to the strategic planning process and adopts outlines of the Corporation's strategic measures while taking into consideration the identification of the opportunities and risks for the Corporation. In connection with this process, the Board expects the Corporation's management to assume responsibility for preparing and implementing the strategic orientation adopted by the Board. This strategic planning process includes, notably, financial planning of the business, investments, technology and staffing. The Board periodically re-examines and supervises implementation of the strategic plan throughout the year.
(b) identification of the principal risks and implementation of risk management systems	The Corporation complies with this guideline. Through its Audit Committee (XII) and its Corporate Governance and Nominating Committee (XV), the Board identifies and evaluates the principal risk factors related to the business of the Corporation, and approves strategies and systems proposed to manage such risks, including those specifically related to the environment, aviation industry, derivatives relating to fuel, foreign currencies and interest rates, as well as any other element deemed pertinent. The Audit Committee also reviews insurance coverages (XIV). Under these circumstances, decisions made by the Board seek to establish a balance between the principal risk factors affecting the business of the Corporation, and the potential return for shareholders.
(c) succession planning and supervision of senior management	The Corporation complies with this guideline. Through its Human Resources and Compensation Committee, the Board establishes measures to ensure the development and training of successors (III). It adopts and follows up on the performance objectives for the President and Chief Executive Officer and executives answering directly to him (IV, V, VI).
(d) communications policy	The Corporation complies with this guideline. In this respect, the Audit Committee oversees compliance of a policy respecting the external communication of financial information and ensures that the quality, scope and communications process are in keeping with the said policy (VIII). Requests for information from shareholders and the financial community are initially sent to and dealt with by the Vice-President, Finance and Administration and Chief Financial Officer and, when necessary, by the Executive Vice-President overseeing internal communications and the Vice-President, General Counsel and Corporate Secretary of the Corporation. These officers coordinate, with the Audit Committee where applicable, the appropriate solution and monitor communications, thus ensuring the coherence of information disclosed with respect to the Corporation and therefore preventing the Corporation from selectively disclosing information. This policy is reviewed annually by the Audit Committee.
(e) integrity of internal control and management information systems	The Corporation complies with this guideline. Through its Audit Committee, the Board ensures that management adopts and maintains effective internal control and risk management systems (XVI).

2. Unrelated directors

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

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

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

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

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

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

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

Mr. Marcel Gagnon (Senior Director, Investments, Capital d'Amérique CDPQ Inc.) and Mr. Jacques Simoneau (Senior Vice-President – Industries, Fonds de solidarité FTQ) are outside and related directors. After a review of the January 2002 financings, pursuant to which the Fonds and CDPQ increased their position as creditors of the Corporation (or a subsidiary thereof), in addition to the prior financings of the said institutions and their position as shareholders, the Corporation concluded that the rights conferred to the Fonds and to CDPQ could be perceived as interfering with the independence of the representatives appointed by the Fonds and CDPQ to sit on the Board of the Corporation. Notwithstanding the foregoing, the Corporation wishes to emphasize that the director appointed by the Fonds or by the CDPQ, whichever the case may be, is required, pursuant to the law and corporate governance rules of the Corporation, to disclose any conflict between the interests of the shareholder that appointed him and those of the Corporation and to abstain from voting – see Note C.

Mr. André Bisson, Chancellor, Université de Montréal, is an outside and unrelated director.

Mr. Benoît Deschamps, Director of Corporations and Consultant on business financial strategy and securities regulations, is an outside and unrelated director.

Mr. Jean Guertin, Director of Corporations, Honorary Professor at the École des Hautes Études Commerciales (HEC) of Montreal and Corporate Advisor, is an outside and unrelated director.

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

Ms. Helen K. Sinclair, President and Chief Executive Officer of BankWorks Trading Inc., will be an outside and unrelated director once elected at the Meeting.

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

Mr. Peter G. White, Executive Vice-President of The Ravelston Corporation and Argus Corporation Limited, is an outside and unrelated director.

The Corporate Governance and Nominating Committee, in accordance with its charter (II, III, V and VI) and for the purposes of maintaining the composition of the Board at 66 2/3% of outside directors and a majority of unrelated directors, has recommended the name of one new outside and unrelated nominee competent to be elected to sit on the Board at the Meeting.

4. Nominees of the Board

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

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee is developing a list of the main criteria to consider when selecting potential nominees to sit on the Board, such as competencies, skills and personal qualities (II).

The Corporate Governance and Nominating Committee has the mandate to explore whether potential nominees are interested in sitting on the Board (III) and recommend to the Board nominees for directors of the Corporation (IV). The Corporate Governance and Nominating Committee examines the qualifications of all nominees, and has the authority to recommend candidates to fill any vacancy on the Board.

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

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee is currently composed of three outside and unrelated directors, namely Messrs. André Bisson, Benoit Deschamps and H. Clifford Hatch Jr. The Committee meets at least three times a year or more, as needed.

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

The Corporation complies in part with this guideline. The Board is of the opinion that it performs its duties effectively. The Corporate Governance and Nominating Committee is examining the possibility of implementing a performance evaluation program for directors and the Board in order to evaluate the global performance and general operation of the Board and its committees. The Corporate Governance and Nominating Committee regularly discusses the efficiency of the Board on an informal basis.

6. Providing orientation and education programs for new directors

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

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

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

The Board, through its Corporate Governance and Nominating Committee, considers the adequacy of its members (II) and, among other things, has determined that the age for retirement is normally 72 years for outside directors and 65 years for directors employed by the Corporation. This rule of inadmissibility only applies to new directors joining the Corporation at a meeting of shareholders to be held in a given year; therefore, directors who are already in place and those who, at this Meeting, will be renewing their mandate, benefit from vested rights and are not subject to this rule.

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

The Human Resources and Compensation Committee regularly examines the compensation of directors in order to ensure that it realistically reflects the responsibilities and risks of the position of director. The committee makes its recommendations regarding such matters to the Board (XII). Furthermore, the Human Resources and Compensation Committee ensures that the Corporation abides by information disclosure rules enacted by securities authorities in Canada with respect to the compensation of directors (XI).

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

The Human Resources and Compensation Committee is currently composed of three outside and unrelated directors, namely Messrs. Jean Guertin, H. Clifford Hatch Jr. and John D. Thompson, as well as one inside and related director, Mr. Jean-Marc Eustache. The latter announced his intention not to renew his mandate, which will be ending March 19, 2003.

The Human Resources and Compensation Committee meets at least three times a year or more, as needed, and is also responsible for establishing and setting up executive compensation policies (VII, IX).

9. Composition of committees

(a) Committees should generally be composed of outside directors

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

The Executive Committee is currently comprised of five members, three of whom are outside and unrelated directors, namely Messrs. André Bisson, Benoît Deschamps and Jean Guertin, and two of whom are inside and related directors, namely Messrs. Jean-Marc Eustache and Philippe Sureau. The President and Chief Executive Officer coordinates the activities of this committee.

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

(b) The majority of committee members should be unrelated

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

10. Responsibility for the approach to governance issues

The Corporation complies with this guideline. The Corporate Governance and Nominating Committee is charged with developing policies and implementing procedures related to governance issues (X). This committee, among other things, reviews the mandates of the Board and its committees, and recommends the approval of governance policies (I, X). It also recommends Board nominees (IV), and ensures that the Corporation complies with all information disclosure rules enacted by the Toronto Stock Exchange and Canadian securities commissions regarding corporate governance (X, XIV). During the last financial year, the Corporate Governance and Nominating Committee met three times and, since November 1, 2002, met more than four times to ensure, among other things, the development and adoption of the Manual, which specifically describes the mandates of the Board and committees, and the rules of corporate governance the Corporation intends to comply with.

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

The Corporation complies with this guideline. The Corporation has entrusted and vested three of its committees (Audit Committee, Human Resources and Compensation Committee and Corporate Governance and Nominating Committee) with specific duties and powers to help the Board assume its responsibilities efficiently. The mandates of the Board and its committees as well as the description of the duties of the Chairman of the Board and President and Chief Executive Officer were developed, specifying their respective responsibilities, in the Manual.

The Human Resources and Compensation Committee is responsible for evaluating the performance of the President and Chief Executive Officer (V), and to report thereon to the Board.

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

The Corporation believes that it complies with this guideline. Outside directors have direct and unlimited access to all executive officers and to the external auditors of the Corporation. The Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee will, as of March 19, 2003, be exclusively comprised of outside and unrelated directors. Each of these committees is already chaired by an outside and unrelated director, namely Messrs. André Bisson and Jean Guertin. Each assumes the responsibility of chairing and coordinating the meetings of the committees over which they preside and report to the members of the Board, to the Chairman of the Board and President and Chief Executive Officer on the substance of these meetings, on their decisions and on their recommendations. Where necessary, they report on the issues and recommendations of the other directors and are treated by the Corporation, as such, to be lead directors. Should they so request, after notice to the President and Chief Executive Officer, the directors may meet with or without the presence of internal directors or executive officers to review any matter deemed necessary. The role of the lead directors is to: (a) ensure that the responsibilities of the Board are well understood by the Board and by management and that the distinction made between the mandate of the Board and the duties of management is respected; lead directors also ensure that the Board respects its mandate and does not encroach on the role reserved to management; (b) provide the necessary leadership to ensure a certain cohesion within the Board; (c) ensure that information important to the Board is adequate and available to the Board in a timely manner; (d) co-ordinate the agenda of the Board with that of the President and Chief Executive Officer; and (e) adopt the procedures necessary to ensure that the business of the Board is dealt with efficiently, especially as regards the structure and composition of committees and the management of meetings. Whenever necessary, committees are fully authorized to retain the services of an independent advisor.

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

The Corporation complies with this guideline since, as mentioned previously, the Audit Committee is entirely composed of outside and unrelated directors. The Audit Committee meets at least five times a year, more when necessary, and maintains relations with the external auditors of the Corporation, meeting with them annually without management being present (XVIII). This committee reviews the Corporation's quarterly and annual financial statements, along with any other financial document requiring public disclosure (IV, V), and ensures that the Corporation disposes of accounting systems that specifically allow it to draw up the financial statements in accordance with generally accepted accounting principles (VI). All members of the Audit Committee are financially literate and at least one member has financial expertise. The Audit Committee adopted the definition of financial literacy and expertise proposed by the Toronto Stock Exchange in November 2002, which definition is included in its charter. For more information on the mandate of the Audit Committee, refer to the charter of this committee attached hereto as Schedule "B".

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

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

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

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

NOTE C: The agreements between the Corporation and the Fonds, on the one hand, and the Corporation and the CDPO on the other, are described at greater length in the Annual Information Form of the Corporation, updated annually, for its financial year ended October 31, referred to below in "Additional Documents". These agreements deal mainly with: (a) the issuance to CDPO, in November 1995, of a \$10,000,000 debenture; (b) the issuance to CDPO, in January 2002, of a \$10,000,000 debenture; and (c) the issuance by Air Transat A.T. Inc., in January 2002, of a \$10,000,000 debenture to the Fonds.

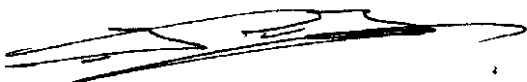
ADDITIONAL DOCUMENTS

The Corporation is a reporting issuer in the various provinces of Canada and is required to file its financial statements and Management Proxy Circular with each of the securities commissions of these provinces. The Corporation also files an annual information form yearly with the same commissions. Copies of the Annual Information Form, the Management Proxy Circular and the financial statements may be obtained upon request made to the Corporate Secretary. The Corporation may charge a reasonable fee if the request is made by a person who is not a shareholder of the Corporation, unless the Corporation is in the course of a distribution of its securities pursuant to a short-form prospectus, in which case these documents will be provided free of charge.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

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

Montreal, February 18, 2003
BY ORDER OF THE BOARD OF DIRECTORS



Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

Transat A.T. Inc.

Schedule "A"

IT IS RESOLVED:

THAT the repeal of the general by-laws of the Corporation, as adopted on February 13, 1987 and amended on April 23, 1991 by By-Law No. 1991-1 (the "General By-Laws"), as well as the adoption of By-Law no. 2003-1 containing the new by-laws of the Corporation, a complete copy of which is reproduced below, which adoption was authorized and approved by the Board of Directors of the Corporation on February 4, 2003 in replacement of the General By-Laws, taking effect on such date, be and they are hereby confirmed.

BY-LAW NO. 2003-1
BY-LAWS

PART 1 - INTERPRETATION

1.1 Definitions

The definitions provided for in the *Canada Business Corporations Act* R.S.C. (1985), c. C-44 (the "Act") shall apply to the terms used in the By-laws.

1.2 Computation of Time

The computation of time and any period of days shall be determined in accordance with the provisions of the *Interpretation Act* (Canada), R.S.C. (1985), c. I-21.

PART 2 - SHAREHOLDERS

2.1 Ways Meetings May be Held

The Board of Directors (the "Board") or the shareholders may determine, when calling a meeting of shareholders pursuant to the Act, the manner in which such meeting shall be held, either at a specific place or by means of a telephonic, electronic or other communication facility that permit all participants to communicate adequately with each other during the meeting, or a combination of the foregoing.

2.2 Notice of Meeting

Joint Shareholders – In the case of joint shareholders, the notice of meeting and any document pertaining to the meeting may be given to whichever of such persons is named first in the securities register of the Corporation. Any notice and documents so given shall be sufficient for all of them.

Unsent or Irregular Notice – The accidental failure to give, deliver or send any notice of a meeting to any person entitled thereto, the non-receipt of any notice by any such person or any irregularity or error in such notice that does not materially affect its substance or in the giving, delivery or sending of such notice shall not invalidate any action taken at the meeting held pursuant to such notice or otherwise founded thereon.

Impossibility to Give Notice – In the event that it is impossible for any reason whatsoever to give notice otherwise than as permitted under the Act, a notice may be given by advertisement published once in a newspaper in such cities or places as the Board may determine.

2.3 Quorum and Adjournment

Quorum – The holders of ten percent (10%) of the outstanding shares of the Corporation entitled to vote at a meeting, present at the meeting or represented by proxy, shall constitute a quorum for the transaction of business at the meeting.

Adjournment – If a quorum is not present within 30 minutes of the opening of the meeting, the meeting may be adjourned to such date, and to such time and place as may be designated by the chairperson of the meeting. At the adjourned meeting, the holders of shares of the Corporation present in person or by proxy, whether or not they hold at least ten percent (10%) of the outstanding shares of the Corporation entitled to vote at the meeting, and whether or not they were present or represented at the original meeting, shall constitute a quorum and may transact the business for which the meeting was originally called.

2.4 Chairperson

Person Acting – The Chairman of the Board shall act as chairperson of all meetings of shareholders. If there is no Chairman of the Board or the Chairman of the Board is not present or is unwilling to act as chairperson, the President of the Corporation, who is a director, shall act as chairperson of the meeting, if present and willing to act, failing which any other director appointed to that end by the Board shall act as chairperson of the meeting. In any other case, the shareholders present or represented at the meeting shall choose either a director or a shareholder who is present to act as chairperson of the meeting.

Power – The chairperson of the meeting shall preside over its deliberations and ensure its orderly conduct. The chairperson has all powers necessary to ensure that the meeting is able to effectively conduct the business for which it was called. To this end, the chairperson shall determine and conduct the procedure in all respects, and his or her decisions, including those pertaining to the validity or invalidity of proxies, shall be conclusive and binding. Everyone attending the meeting, whether or not a shareholder, must comply with the instructions of the chairperson.

Casting Vote – In the case of a tie vote, the chairperson of any meeting of the shareholders shall have a second vote or casting vote with respect to any matter put to vote at the meeting.

Adjournment – At all times during the meeting, the chairperson may, of his own initiative, suspend the meeting for a specified amount of time; he may also adjourn the meeting for a valid reason such as a disturbance or confusion rendering the harmonious and orderly conduct of the meeting impossible.

2.5 Secretary

Person Acting – The Secretary of the Corporation shall act as secretary at all meetings of the shareholders. If he is absent or unwilling to act as secretary of the meeting, any assistant secretary may act as secretary of the meeting, if present and willing to act. In any other case, the chairperson of the meeting may appoint an individual, who need not be a shareholder or a director of the Corporation, to act as secretary of the meeting.

2.6 Scrutineers

The chairperson of a meeting of shareholders may appoint for that meeting one or more scrutineers, who need not be shareholders, and who shall act in accordance with the instructions of the chairperson.

2.7 Vote

Show of Hands – Unless a voice vote or a vote by ballot is held, the vote shall be taken by a show of hands. In such case, the shareholders or their proxyholders shall vote by raising one of their hands, and the number of votes shall be calculated in accordance with the number of raised hands, irrespective of the number of shares held or represented by each said shareholder or proxyholder.

Voice Vote – If the chairperson of the meeting so orders and if a vote by ballot is not requested, a voice vote shall be taken. In such case, each shareholder or proxyholder shall verbally (or, as the case may be, electronically) declare his name and that of each shareholder for whom he holds a proxy, the total number of votes he has and the manner in which he shall cast such votes. The number of votes so cast shall determine whether or not a resolution is carried.

Ballot – If the chairperson of the meeting so orders or a shareholder or proxyholder entitled to vote so requests, the vote shall be taken by ballot. A request for a vote by ballot may be made at any time prior to the adjournment of the meeting, even after the holding of a vote by show of hands (but not after a voice vote) and such a request may also be withdrawn. The ballot is taken in such manner as the chairperson directs, and a prior vote by show of hands on the same matter has no effect.

Joint Shareholders – In the case of joint shareholders and if more than one of such persons is present at any meeting, in person or by proxy, that one of the said persons so present whose name stands first in the securities register of the Corporation in respect of such shares shall alone be entitled to vote in respect thereof.

PART 3 - DIRECTORS

3.1 Number of Directors

The number of directors to be elected shall be established from time to time by resolution of the Board, which number shall fall between the minimum and maximum numbers established in the articles of the Corporation.

3.2 Frequency of Meetings

Where No Executive Committee Exists – The Board shall hold at least four (4) meetings per annum, and no more than four (4) months shall elapse between meetings.

Where an Executive Committee Exists – The Board shall hold no less than two (2) meetings per annum, and no more than eight (8) months shall elapse between meetings.

3.3 Calling of Meetings

Meetings of directors may be called by order of the Chairperson of the Board, the President of the Corporation, any vice-president who is a director or any three (3) directors. Meetings of directors are held at the registered office of the Corporation or at any other place within or outside Canada fixed by the Board.

3.4 Notices

Time Limit - Notice of a meeting of directors shall be sent to the directors at least five (5) days prior to the date fixed for the meeting or within twenty-four (24) hours, in the case of an emergency meeting. The meeting of directors held immediately after the annual meeting of shareholders for the purposes of appointing the officers and dealing with any question which may be raised thereat requires no notice.

Content – Any notice of a meeting of directors shall indicate the place, date and time of such meeting.

Delivery – Any notice of a meeting of directors shall be delivered personally, by courier, special delivery or, subject to the provisions of the Act in this respect, by electronic transmission. Notice of any emergency meeting may be sent, subject to the provisions of the Act in that respect, by electronic provision or by facsimile provided, in the latter case, that receipt thereof by its recipient is confirmed and the said notice of meeting is sent thereafter as soon as possible either by personal delivery, courier, special delivery or, subject to the provisions of the Act in that respect, by electronic transmission.

3.5 Quorum

The quorum for any meeting of directors shall be the majority of the number of directors in office at any given time. The quorum need not be maintained for the entire duration of the meeting.

3.6 Chairperson

The Chairman of the Board or, should no Chairman of the Board be in office or should he be absent or refuse to act, the President of the Corporation, who is a director, shall chair the meetings of directors. In the absence or refusal to act of these persons, the directors shall choose a chairperson from their number.

The chairperson shall preside over the Board's deliberations and ensure the meeting's orderly conduct. The chairperson has all powers necessary to this end, including the power to determine and conduct the procedure in all respects, conclusively.

3.7 Vote

Voting by proxy shall not be permitted. The chairperson shall have a second or casting vote in case of a tie vote.

3.8 Adjournment

The chairperson of a meeting of directors, with the consent of the majority of the directors in attendance, may adjourn such meeting to another place, date and time. The reconvening of any meeting so adjourned may take place without notice if the place, the date and the time of the adjourned meeting are announced at the original meeting. Upon reconvening of the meeting, the directors may decide on any matter which was not settled at the original meeting, provided a quorum is present. The directors who constituted the quorum at the original meeting need not be those constituting the quorum at the reconvened meeting. If a quorum does not exist at the reconvened meeting, the meeting shall be deemed to have ended at the previous meeting when the adjournment was pronounced.

3.9 Validity

Decisions made during the course of a meeting of directors shall be valid notwithstanding any irregularity, thereafter discovered, in the calling of the meeting of directors.

3.10 Interested Director

At the request of the chairperson, a director who has an interest in a contract with the Corporation and is prohibited by the Act to vote on such contract shall leave the meeting while the Board discusses and votes on the contract in question.

PART 4 - COMMITTEES AND OFFICERS

4.1 Committees

Subject to the provisions of the Act and unless otherwise determined by the Board, the Board shall fix the quorum of each committee at not less than the majority of their respective members. The chairperson of each Board committee shall be appointed by the Board, save that of the Executive Committee, if any, which shall be chaired by the President of the Corporation. Each committee shall appoint its own secretary, who need not necessarily be one of its members. Save for those provisions respecting notice of meetings, which shall be given in accordance with Subsection 3.4 hereof and except for the quorum, which is fixed by the Board, each Board committee may establish its own procedures. Each committee shall draft the charter governing it, which charter shall be approved by the Board. Once such approval is received, each committee may from time to time amend its charter, although such amendments shall be subject to the approval of the Board.

4.2 Officers

After each annual meeting, the Board (i) shall elect a president and one or several vice-presidents, certain of whom may also be elected as executive vice-presidents; (ii) may elect a chairman of the Board; (iii) shall appoint a treasurer and a secretary; and (iv) may appoint all officers it deems appropriate and, where applicable, determine their functions. The Board may also from time to time elect or appoint any other officer.

PART 5 - INDEMNIFICATION

5.1 Indemnification of Directors and Officers

Subject to the limitations contained in the Act, but without limiting the right of the Corporation to indemnify any individual under the Act or otherwise to the full extent permitted by law, the Corporation:

- a) shall indemnify each of its directors or officers or former directors or officers and each other individual who acts or has acted at the Corporation's request as a director or officer, or in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity, provided:
 - (i) the individual acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity; and
 - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was consistent with the Act;
- b) shall at his request advance monies to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to hereinabove in accordance with the Act, which advances of monies the director, officer or other individual shall reimburse to the Corporation should the conditions set out in (i) and (ii) not be satisfied.

Notwithstanding the foregoing, any such indemnity or advance of monies in respect of an action hereinabove referred to by or on behalf of the Corporation or other entity to procure judgment in its favour shall be subject to approval of a court.

PART 6 - PAYMENTS

6.1 Cheques

General - Any amount payable in cash to shareholders (including dividends payable in cash) may be paid by cheque drawn on any of the Corporation's bankers to the order of each registered holder of shares of the class or series in respect of which such amount is to be paid. Cheques may be sent by ordinary mail, postage prepaid, or by air mail in a sealed envelope, to each such registered holder at that holder's address as shown in the records of the Corporation, unless that holder otherwise directs in writing. The mailing of a cheque as aforesaid shall satisfy and discharge all liability for the applicable dividend or other payment to the extent of the sum represented by such cheque plus the amount of any tax which the Corporation is required to and does withhold, unless such cheque is not paid on due presentation.

Joint Shareholders - Cheques payable to joint shareholders shall be made payable to the order of all such joint shareholders unless such joint shareholders direct otherwise. Such cheques may be sent to the joint shareholders at the address appearing on the records of the Corporation in respect of that joint holding, to the first address so appearing if there is more than one, or to such other address as those joint shareholders direct in writing.

Non-Receipt - The Corporation shall issue a replacement cheque in the same amount to any person who does not receive a cheque sent as provided in these by-laws, if that person has satisfied the conditions regarding indemnity, evidence of non-receipt and title as determined by the Board from time to time, either generally or for that particular case.

Non-Deposit - A dividend represented by cheque that has not been presented for payment with the Corporation's banker or otherwise claimed for a period of five (5) years from the date on which it is made payable shall be forfeited in favour of the Corporation.

6.2 Currency of Dividends

Dividends or other distributions payable in cash may be paid to some shareholders in Canadian currency and to other shareholders in equivalent amounts of a currency or currencies other than Canadian currency.

PART 7 - REPRESENTATION

7.1 Banking Arrangements

The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the Board may designate by resolution and all such banking business shall be transacted on behalf of the Corporation by such one or more officers and/or other persons as the Board may designate, by resolution and to the extent therein provided.

7.2 Execution of Instruments

General - Subject to any resolution of the Board stating otherwise, any contract, document, instrument and other writing including, without limiting the generality of the foregoing, any notarized deed, charge, conveyance, hypothec, transfer and assignment of property of all kinds, specifically including, but without limitation, transfers and assignments of shares, warrants, bonds, debentures or other securities and all paper writings, may validly be executed for and on behalf of the Corporation manually or by facsimile signature, either by a director, one (1) of the individuals elected or appointed as Chairman of the Board, President, Vice-President or General Manager acting jointly with either a director, one (1) of the individuals elected or appointed as Chairman of the Board, President, Vice-President, General Manager, Secretary, Treasurer, Assistant Secretary or Assistant Treasurer or any other office created by resolution of the Board.

Specific - Notwithstanding the foregoing, the Board may, from time to time and by resolution, limit or prescribe the powers with which directors and officers are vested under the above paragraph and thus dictate the manner in which any director, officer or other authorized mandatory shall approve or execute a document or any other type of document.

Corporate Seal - Any signatory authorized pursuant to Subsection 7.2 shall be authorized to affix, when necessary, the corporate seal of the Corporation on any document thus executed.

7.3 Declaration

The Chairman of the Board, the President, any vice-president, the Secretary or the Treasurer or, with the authorization of the Board, any other officer or mandatary, shall be authorized and eligible to make answer for the Corporation to all writs, orders or interrogatories upon articulated facts issued by any court and to declare for and on behalf of the Corporation any answer to writs of attachment by way of garnishment in which the Corporation is garnishee and to make all affidavits and sworn declarations in connection therewith or any and all judicial proceedings to which the Corporation is a party and to make demands for assignment of property or petition for winding-up or receivership orders upon any debtor of the Corporation and to attend and vote at all meetings of creditors of the Corporation's debtors and grant proxies in connection therewith.

7.4 Representation at Meetings

The Chairman of the Board, the President, any vice-president, the Secretary, the Treasurer or any other officer or mandatary authorized by the Board shall represent the Corporation and attend and vote at any and all meetings of shareholders or members of any entity in which the Corporation holds shares or otherwise has an interest, and any measure taken or vote cast by them shall be deemed to be the act or vote of the Corporation.

7.5 Declarations under the *Act Respecting the Legal Publicity of Sole Proprietorships, Partnerships and Legal Persons*

Declarations to be filed with the INSPECTOR GENERAL OF FINANCIAL INSTITUTIONS in accordance with the *Act Respecting the Legal Publicity of Sole Proprietorships, Partnerships and Legal Persons* shall be signed by the President, the Secretary, the Assistant Secretary, any director of the Corporation or any other person authorized for such purpose by resolution of the Board. Any director and/or officer having ceased to hold such office as a result of his resignation, removal or otherwise shall be authorized to sign on behalf of the Corporation and file an amending declaration to the effect that he has ceased to be a director and/or an officer, from 15 days after the date of such cessation, unless he receives proof that the Corporation has filed such a declaration.

PART 8 - REPEAL AND EFFECTIVE DATE

8.1 Repeal

Upon the date of these By-Laws becoming effective, the General By-Laws adopted by the directors and ratified by the shareholders on February 13, 1987, as amended pursuant to By-Law No. 1991-1 adopted by the directors and ratified by the shareholders on April 23, 1991 (the "General By-Laws"), shall be repealed.

8.2 Validity of Prior Acts

Such repeal shall not affect the prior application of the General By-Laws or affect the validity of any act done, resolution passed, or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to such General By-Laws prior to their repeal.

Transat A.T. Inc.

Schedule "B"

BOARD COMMITTEE CHARTERS

Audit Committee

Constitution

The Board established an audit committee (the "Audit Committee") composed entirely of outside and unrelated directors, whose members and chairperson it designates. The Audit Committee is made up of at least three (3) persons.

The Audit Committee helps the Board discharge the oversight responsibilities it owes to shareholders, employees and other interested parties. It is responsible for the financial statements and internal control systems of the Corporation, identifying risks (in collaboration with the Corporate Governance and Nominating Committee), performing the statutory audit of annual financial statements and ensuring compliance with legislation, regulations and codes established by management and by the Board.

Role of External Auditors

Management is responsible for ensuring the integrity of the financial information and the efficiency of the internal control procedures of the Corporation. External auditors are responsible for auditing and certifying the fair presentation of the Corporation's financial statements and, in carrying out this mission, evaluating the internal control procedures in order to determine the nature, scope and chronology of the audit procedures used. The Audit Committee is responsible for supervising participants in the preparation procedure of financial information and to report thereon to the Board of the Corporation.

The Vice-President, Finance and Administration and Chief Financial Officer of the Corporation will attend and be heard at Audit Committee meetings. He must present himself before the Audit Committee when ordered to do so by the said committee. Moreover, the Audit Committee will meet with the external auditors of the Corporation on a quarterly and an annual basis, at the option of the Committee (but no less than once a year), without the presence of management.

With the help of management and external auditors, the Audit Committee must ensure that the financial statements accurately reflect the financial situation of the Corporation in accordance with Canadian generally accepted accounting principles (the "GAAP"), including their evaluation of the quality of the accounting principles and policies adopted, the coherence of the accounting estimates and the clarity of the financial information disclosed. Furthermore, the Audit Committee will question the external auditors as to the results of the annual audit and any other matter that must be communicated to the Audit Committee under the Canadian generally accepted auditing standards (the "GAAS").

The auditors are appointed by the shareholders each year at the annual meeting upon recommendation of the Board, which base their recommendations on the opinion of the Audit Committee. Only shareholders may remove auditors from office.

When auditors resign or are on the verge of being dismissed or replaced, they are entitled to remit to the Corporation, with copy to the Audit Committee, a written declaration indicating the grounds for their resignation or their objection to the dismissal or replacement.

Powers

The Audit Committee shall have all powers and duties conferred by legislation governing the Corporation. Within the performance of its duties, the Audit Committee is entitled to examine and discuss the books, registers and accounts of the Corporation and its subsidiaries and any other issue respecting the financial situation of the Corporation and its subsidiaries with the officers and auditors of the Corporation and its subsidiaries.

Expertise

All members of the Audit Committee are financially literate¹, and at least one member has financial expertise².

Mandate

The duties of the Audit Committee are as follows:

- I. Recommend to the Board their choice of external auditors;
- II. Recommend to the Board the compensation of the external auditors;
- III. Review, with the external auditors of the Corporation, the approach and scope of their audit plan and report to the Board any significant caveat the Audit Committee may have or the external auditors may have expressed as regards their work;
- IV. Examine and recommend to the Board the acceptance of the audited annual financial statements and any other financial statement or report the examination of which is required by the Audit Committee pursuant to applicable legislation or which is requested by the Board, along with any financial information relating thereto; including any press release, message to shareholders and management's discussion and analysis for the purposes of the Annual Report;
- V. Review and recommend to the Board the acceptance of the unaudited quarterly financial statements, along with any other financial information relating thereto; including any press release, message to shareholders and management's discussion and analysis for the purposes of the quarterly report;
- VI. Receive and examine the external auditors' report following their year-end audit and their interim review, if any, and follow up on the letter they send thereafter to management containing the latter's comments. Moreover, with the help of management and the external auditors, the Audit Committee ensures that the said financial statements present fairly the financial position of the Corporation in accordance with GAAP. The Audit Committee will also evaluate the external auditors' work as to quality, and not just acceptability, of the accounting principles and policies adopted by the Corporation, the consistency of the accounting estimates and the clarity of the financial information disclosed in the financial statements. The Audit Committee ensures that the procedures the external auditors used in connection with the audit and interim review, if any, and the nature of the items communicated to the Audit Committee are in keeping with GAAS;

¹ Financially literate means the ability to read and understand a balance sheet, an income statement and a cash flow statement.

² Financial expertise means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with GAAP.

- VII. Examine the expediency of implementing an internal audit system and, once such system is in place, ascertaining the scope of its work. The internal auditors are responsible, among other things, for evaluating the internal controls implemented by management to:
 - determine whether they are efficient and effective; and
 - identify any weaknesses and, if any, point them out to the Audit Committee and parties at issue;
- VIII. Oversee compliance of the policy respecting the external communication of financial information and ensure that the quality, scope and communications process are in keeping with the said policy;
- IX. Evaluate, from time to time, the expertise and independence of the external auditors within the performance of their duties and, where appropriate, recommend that the Board call a meeting of shareholders to consider the removal of the external auditors;
- X. Obtain annual confirmation of the independence of the external auditors of the Corporation and file any written confirmation required by standards and regulations;
- XI. Receive and examine the quarterly report of the Vice-President, Finance and Administration and Chief Financial Officer and, where necessary, review the provisions and adjustments made, the acquisition and disposal of assets, the risk factors that could influence the financial results or structure of the Corporation, the redemption of shares and the coverage of foreign exchange;
- XII. Identify and evaluate, in collaboration with the Corporate Governance and Nominating Committee, the principal risk factors related to the business of the Corporation and approve strategies and systems proposed to manage such risks, including those specifically related to the aviation industry, derivatives relating to fuel, foreign currencies and interest rates as well as any other element deemed pertinent. In addition, the Audit Committee will receive updates from management, either on request or periodically, respecting the management of the Corporation's key risk factors, including those set out above and those arising from risks relating to information system infrastructures, operation strategies and measures taken to protect the human capital and intangible assets of the Corporation;
- XIII. Review the capital expenditures statement;
- XIV. Review the status of current and potential legal disputes and insurance coverage;
- XV. Retain external advisors to assist it in its duties, when necessary;
- XVI. Ensure that management of the Corporation maintains efficient internal control and risk management systems, monitor the proper operation of the internal control system and periodically receive from management and, where applicable, from the internal auditors, confirmation of:
 - the efficiency of operations;
 - the reliability of the financial information disclosed;
 - compliance with legislation and regulations;
- XVII. Review the loans, financings, guarantees, granting of security and other major financial commitments and make sure the Corporation and its subsidiaries are in compliance with their obligations;
- XVIII. Implement structures and procedures to meet separately with the President and Chief Executive Officer, the Vice-President Finance and Administration and Chief Financial Officer and the external auditors;
- XIX. Approve all unrestricted mandates, as part of the independence of external auditors and the restrictions imposed on services other than the auditing services they are authorized to provide. A restricted mandate is any mandate that cannot normally be granted with respect to restricted services, as defined from time to time by the Canadian Public Accountability Board ("CPAB"). As of the date hereof, such services include:
 - internal auditing;
 - design and implementation of information technology systems;
 - legal services;
 - actuarial services; and
 - financing advice.

The external auditors may render all other non-restricted services, including taxation services, provided these services are first authorized by the Audit Committee. For the sake of efficiency, a pre-authorization procedure or delegation of authorization to a member of the Audit Committee can be established in accordance with current best practices in order to ensure compliance with the said policy and the orderly operation of the Corporation.

As for mandates respecting restricted services, they may only be attributed to external auditors with the approval of the Audit Committee, which approval will only be granted under special circumstances. The Audit Committee will then report on such attributions and on the justifications therefor in the Management Proxy Circular prepared for the Annual Meeting following the said attribution; and
- XX. Review, with the external auditors of the Corporation, any complaints or concerns arising from their audit and report to the Board on the following points:
 - efficiency of the registers and the accounting, internal control and information systems of the Corporation, and the extent to which such registers are appropriately kept and such systems are uniformly applied;
 - in collaboration with the Human Resources and Compensation Committee, the skills and efficiency of personnel allocated to finances, accounting and the internal control of the activities of the Corporation; and
 - examine any other issue or carry out any other work the Board may deem appropriate to entrust to the Audit Committee from time to time.

Annual Work Program

The Audit Committee has elaborated and adopted its annual work program, which appears in the Manual.

Additional Comments

The Audit Committee approves the disclosure policy and reviews it periodically. When a follow-up is required of the Audit Committee, it will coordinate an appropriate solution and supervises the communication thereof in order to ensure the coherence of any information that is disseminated regarding the Corporation.

Human Resources and Compensation Committee

Constitution

The Board established a human resources and compensation committee (the "Human Resources Committee") composed entirely of outside and unrelated directors, whose members and chairperson it designates. The Human Resources Committee is made up of at least three (3) persons (see Paragraph 8 of the comments with respect to the Toronto Stock Exchange Corporate Governance Guidelines).

Mandate

The Human Resources Committee is responsible for establishing policies relating to the compensation of executive officers and relating to the development and training of their successors. It also controls the implementation of these policies.

The Human Resources Committee also makes recommendations on the hiring, staffing and compensation of executive officers who answer directly to the President and Chief Executive Officer. These recommendations must be approved by the Board, especially as regards any question relating to the appropriate use of financial incentives, fringe benefits and retirement plans.

It also recommends to the Board a basic annual general compensation policy applicable to all personnel and the structure of compensation programs governing the total compensation of management.

More specifically and without limiting the generality of its mandate, the Human Resources Committee, which makes appropriate recommendations to the Board, will:

- I. Examine any proposal respecting the total compensation policy and each component thereof, including base salary, short- and long-term financial incentive programs, fringe benefits and other advantages; and annually, ensuring that the said policy and all of its supporting programs meet with the internal equity objectives of the Corporation and are competitive with the market;
- II. Examine the policies adopted to evaluate the performance of officers;
- III. Examine the measures adopted to ensure the development of the President and Chief Executive Officer and his or her successors, and senior management answering directly to the President and Chief Executive Officer;
- IV. Approve, for each fiscal year, the objectives of the President and Chief Executive Officer and review the objectives of the officers and senior management answering directly to the President and Chief Executive Officer;
- V. Evaluate the performance of the President and Chief Executive Officer;
- VI. Review the performance of senior management answering directly to the President and Chief Executive Officer;
- VII. Recommend to the Board the remuneration of the President and Chief Executive Officer;
- VIII. Recommend to the Board appointments to and conditions of employment of senior management positions answering directly to the President and Chief Executive Officer;
- IX. Examine the proposals of the President and Chief Executive Officer as regards the minimum and maximum wages to be paid to senior management of classes I through VI and the compensation he intends to pay them and inform him of the comments and suggestions of the Human Resources Committee;
- X. Approve those persons eligible for and the targets for short- and long-term incentive plans as well as those persons eligible for executive officer retirement agreements; recommend to the Board any action to be taken or securities to be granted pursuant to any plan that is part of the abovementioned incentive plans and approve any bonus to be paid to eligible members of management;
- XI. Review the report set out in the Management Proxy Circular, the Report to Shareholders and any other report required by regulatory authorities governing the compensation of executive officers and directors; and
- XII. Recommend to the Board the compensation of its members and the compensation of directors sitting on the various committees of the Corporation.

Annual Work Program

The Human Resources Committee has elaborated and adopted its annual work program, which appears in the Manual.

Corporate Governance and Nominating Committee

Constitution

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

Mandate

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

- I. Review the mandates of the Board and its committees, the matters dealt with by the Board and such committees, the quality of the documentation provided and the organization and frequency of meetings, as well as follow up on decisions made by management;
- II. Develop a list of the main criteria to consider when selecting potential nominees to sit on the Board, such as competencies, skills and personal qualities;
- III. Explore whether potential nominees are interested in sitting on the Board;
- IV. Recommend the names of nominees competent to be elected to the Board and propose the number thereof;
- V. Develop and implement an orientation and education program for new directors;
- VI. Recommend the names of directors who will sit on the committees of the Board and assume the chairs thereof;
- VII. Establish the criteria for evaluating the performance of members of the Board, both as individuals and collectively;
- VIII. Review, annually, the reports respecting the evaluation of the performance of members of the Board, both as individuals and collectively;
- IX. Implement, where necessary, procedures and structures that will allow members of the Board or its committees to meet with members of management, either together or separately;
- X. Prepare a program and policies relating to corporate governance, oversee and update them once they come into force, as well as prepare a report that will appear annually in the Management Proxy Circular or Annual Report;
- XI. Develop and update a code of ethics, ensure compliance therewith once it is implemented and make recommendations to the Board whenever an application for a special exemption from compliance therewith is made;
- XII. Implement, once it comes into force, and monitor a compliance program with the *Competition Act*;
- XIII. Establish, where necessary, a procedure for resolution of conflicts of interests within management and/or the Board;
- XIV. Oversee the application of legislation and regulations³ as well as the policies and procedures respecting corporate governance, health, welfare, security and the environment, including flight safety; and
- XV. Identify risks to the Corporation (in collaboration with the Audit Committee (XII)).

Annual Work Program

The Governance Committee has elaborated and adopted its annual work program, which appears in the Manual.

Additional Comments

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

³ The Governance Committee must ensure the Corporation's compliance with the Toronto Stock Exchange Guidelines, but it must also take into account the rules of the New York Stock Exchange and standard practices in such matters.

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