



TRANSAT A.T. INC.

Notice of Meeting and Management Proxy Circular in respect of the

2012 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT MCGILL UNIVERSITY'S NEW RESIDENCE HALL, 3625, AVENUE DU PARC, BALLROOM, LEVEL C,
MONTRÉAL, QUÉBEC, CANADA, H2X 3P8

On March 15, 2012 at 10:00 a.m. (Eastern Time)



January 25, 2012



WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2012 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the holders of Class A Variable Voting Shares and Class B Voting Shares (collectively, the “voting shares”) of Transat A.T. Inc. (the “Corporation” or “Transat”) will be held in the **Ballroom, level C, of McGill University’s New Residence Hall, 3625, avenue du Parc**, Montréal, Québec, Canada, H2X 3P8, **on March 15, 2012 at 10:00 a.m. (Eastern Time)** (the “Meeting”), for the following purposes:

1. To receive the financial statements of the Corporation for the year ended October 31, 2011 and the auditors’ report thereon;
2. To elect the directors;
3. To appoint the auditors for the ensuing year and to authorize the Board of Directors to determine their remuneration;
4. To consider and, if deemed appropriate, approve the resolution set out in the Management Proxy Circular, ratifying the Corporation’s 2012 Employee Share Purchase Plan as amended and updated;
5. To consider and, if deemed appropriate, approve the resolution set out in the Management Proxy Circular, amending the Corporation’s general By-Laws as described in the Circular;
6. To consider and, if deemed appropriate, approve the shareholder proposal no. 1 set out in Appendix “C” of the Management Proxy Circular;
7. To consider and, if deemed appropriate, approve the shareholder proposal no. 2 set out in Appendix “C” of the Management Proxy Circular;
8. To transact any other business which may properly come before the Meeting or any adjournment thereof.

We hope you will take the time to familiarize yourself with the information on the above-mentioned items as described in the Circular. It is important that you exercise your vote, either in person at the Meeting or by completing and returning the proxy form. We invite you to join us at the Meeting, where you will have the opportunity to ask questions and meet with our management and Board of Directors as well as your fellow shareholders. At the Meeting, the Corporation will also report on its activities during the year ended October 31, 2011. **This Circular is furnished in connection with the solicitation, by the management of Transat, of proxies for use at the Meeting of the holders of voting shares of Transat.**

If you have any questions or require assistance with voting your shares by proxy, please contact our Proxy Solicitation Agent, Laurel Hill Advisory Group toll free at 1-877-452-7184 (or 416-304-0211 collect) or by email at assistance@laurelhill.com.

Made at Montréal, Québec, on January 25, 2012.

BY ORDER OF THE BOARD OF DIRECTORS



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

In order that the greatest possible number of voting shares may be represented and voted at the Meeting, registered shareholders who are unable to attend the Meeting should return their duly completed proxies to our transfer agent, Canadian Stock Transfer Company Inc. (CST), administrative agent for CIBC Mellon Trust Company, before 5:00 p.m. (Eastern Time), Tuesday, March 13, 2012 or, in the event that the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Time) two business days prior to the day fixed for the adjourned or postponed Meeting. The enclosed form of proxy must be completed, dated, signed and sent to Canadian Stock Transfer Company Inc. (CST), administrative agent for CIBC Mellon Trust Company, before the above-mentioned date and time either (i) by MAIL in the enclosed prepaid envelope provided for that purpose; (ii) by FAX at (416) 368-2502, Attention: Proxy Unit; or (iii) in person at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit. Please refer to the annexed Circular for details. If you are not a registered shareholder (i.e., if your

voting shares are held through a bank, trust company, securities broker or other nominee), please refer to the sections entitled “How can a Non-Registered Shareholder Vote?” and “How can a Non-Registered Shareholder Vote in Person at the Meeting?” in the Circular, which explain how to vote your shares. The deadline for the deposit of proxies may be postponed/waived by the chairman of the Meeting at his sole discretion without notice.



MANAGEMENT PROXY CIRCULAR

INFORMATION REGARDING THE MEETING

To ensure representation of your shares at the annual and special meeting of the holders of Class A variable voting shares (the “**Variable Voting Shares**”) and Class B voting shares (the “**Voting Shares**”) and collectively with the Variable Voting Shares, the “**voting shares**”) of Transat A.T. Inc. (“**Transat**” or the “**Corporation**”) (the “**Meeting**”), please select the most convenient way for you to express your voting instructions (by fax, by mail or in person) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of January 25, 2012. In this Circular, any mention of “dollars” or “\$” refers to Canadian dollars, unless otherwise indicated. The following questions and answers provide guidance on how to vote your shares.

YOUR QUESTIONS AND OUR ANSWERS ON PROXY VOTING

1. Q: WHO IS SOLICITING MY PROXY?

A: The management of Transat is soliciting your proxy for use at the annual and special Meeting scheduled to be held in the Ballroom, level C, of McGill University’s New Residence Hall, 3625, avenue Du Parc, Montréal, Québec, Canada, H2X 3P8, on Thursday, March 15, 2012 at 10:00 a.m. (Eastern Time).

2. Q: WHAT WILL I BE VOTING ON?

A: You will be voting on the following items:

- (i) The election of each of the directors of Transat;
- (ii) The appointment of Ernst & Young LLP as Transat’s auditors;
- (iii) An ordinary resolution ratifying the renewal of the Corporation’s 2012 Share Purchase Plan approved by our Board of Directors on January 11, 2012 (the “**2012 Employee Share Purchase Plan Ratification Resolution**”);
- (iv) An ordinary resolution ratifying the amendments to Transat’s general By-Laws (the “**General By-Laws Amendment Ratification Resolution**”);
- (v) The shareholder proposal no. 1 set out in Appendix “C”;
- (vi) The shareholder proposal no. 2 set out in Appendix “C”.

3. Q: HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?

A: The election of each of the directors, the appointment of the auditors, the 2012 Employee Share Purchase Plan Ratification Resolution, the General By-Laws Amendment Ratification Resolution and the two shareholder proposals must be approved by a majority of the votes cast by all of our shareholders present or represented by proxy at the Meeting.

4. Q: WHAT ARE THE RESTRICTIONS ON OWNERSHIP OF MY VOTING SHARES?

A: The Articles of the Corporation include restrictions on the ownership and control of voting shares of the Corporation. The following is a summary of the restrictions set forth in our Articles.

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

In this respect, our Articles provide for Variable Voting Shares and Voting Shares. The Class A Variable Voting Shares can only be owned or controlled by persons who are not Canadian and carry one vote per share unless: (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the Corporation and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

The holders of Voting Shares and Variable Voting Shares vote together at the Meeting, except if the holders of a given class are entitled to vote as a class, as provided in the *Canada Business Corporations Act*. Only votes attached to voting shares represented by shareholders present in person or represented by proxy at a meeting and legally entitled to be voted thereat can be exercised or cast at such meeting.

Pursuant to its powers under Transat By-law No. 1999-1 and the regulations under the *Canada Business Corporations Act*, and in accordance with the provisions of our Articles and the *Canada Transportation Act*, the Board of Directors of Transat (the "**Board of Directors**" or the "**Board**") has implemented a series of administrative measures to ensure that the Voting Shares are owned and controlled by Canadians and the Variable Voting Shares are owned or controlled by non-Canadians at all times (the "Ownership Restrictions"). The measures are notably reflected in the forms of declaration of ownership and control. Shareholders who wish to vote at the Meeting either by: (i) completing and delivering a proxy form or a voting instruction form, or (ii) by attending and voting in person at the Meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If you do not duly complete such declaration or if it is determined by Transat or its transfer agent, Canadian Stock Transfer Company Inc. ("**CST**"), administrative agent for CIBC Mellon Trust Company ("**CIBC Mellon**"), that you indicated (through inadvertence or otherwise) that you owned or controlled the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat (through inadvertence or otherwise), we may take any action that we deem appropriate with a view to ensure compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, CST, the vote attached to such declarant's voting shares will not be tabulated. Such declaration is contained in the accompanying form of proxy (or in the voting instruction form provided to you if you are a non-registered shareholder).

Please note that certain legislative amendments concerning the current restrictions on foreign investment contained in the *Investment Canada Act* and the *Canada Transportation Act* are currently being examined. The proposed amendments include a possible increase from 25% to 49% in the limit applicable to foreign investments in Canadian airlines through bilateral negotiations with Canada's trading partners.

5. Q: HOW MANY SHARES CARRY VOTING RIGHTS AND MANY VOTES DO I HAVE?

A: As at January 25, 2012, 942,140 Class A Variable Voting Shares and 37,135,547 Class B Voting Shares of the share capital of Transat were issued and outstanding. You are eligible to receive notice of, and vote at the Meeting or at any adjournment thereof if you were a holder of voting shares on January 25, 2012, the record date for the Meeting.

The Variable Voting Shares may only be owned or controlled by persons who are not Canadians within the meaning of the *Canada Transportation Act*. The Variable Voting Shares carry one vote per share held, except where (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of the total number of issued and outstanding Class A Variable Voting Shares and Class B Voting Shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the number of votes attached to each Variable Voting Share will decrease proportionally such that (i) the Variable Voting Shares as a class do not carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting does not exceed 25% of the votes that may be cast at such meeting.

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

6. Q: WHO ARE OUR PRINCIPAL SHAREHOLDERS?

A: To the knowledge of our directors and officers, and based on publicly available information, as at January 25, 2012, the only persons who beneficially own or exercise control or direction over 10% or more of the outstanding Class B Voting Shares are:

- (i) **Letko Brosseau**, which held 5,577,501 Class B Voting Shares representing approximately 15.02% of all issued and outstanding Class B Voting Shares; and
- (ii) **Fonds de solidarité FTQ**, which held 4,888,526 Class B Voting Shares representing approximately 13.16% of all issued and outstanding Class B Voting Shares.

Moreover, as at January 25, 2012, the following persons beneficially own or exercise control or direction over 10% or more of the outstanding Class A Variable Voting Shares:

- (iii) **Connor, Clark & Lunn Investment Management Ltd.**, which held 334,000 Class A Variable Voting Shares representing approximately 35.45% of all issued and outstanding Class A Variable Voting Shares; and
- (iv) **Norges Bank**, which held 276,667 Class A Variable Voting Shares representing approximately 29.37% of all issued and outstanding Class A Variable Voting Shares.

7. Q: HOW DO I VOTE?

A: If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by proxy.

You may vote by proxy in one of the following three ways:

by telephone;
via Internet;
by mail or fax.

By telephone

Voting by proxy using the telephone is only available to shareholders located in Canada or the United States. Call 1-866-249-5639 (toll-free in Canada and the United States) from a touch-tone telephone and follow the instructions. Your voting instructions are then conveyed by using touchtone selections over the telephone.

You will need your 12-digit control number, which you will find on your proxy form.

If you choose to convey your instructions by telephone, you cannot appoint as your proxy holder any person other than the directors of Transat A.T. Inc. named on your proxy form.

The cut-off time for voting by telephone is 5:00 p.m. (Eastern Time) on March 13, 2012.

On the Internet

Go to the website www.proxypush.ca/trz and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need your 12-digit control number, which you will find on your proxy form.

The cut-off time for voting by telephone is 5:00 p.m. (Eastern Time) on March 13, 2012.

By mail or fax

You may vote by completing and signing the enclosed proxy form and forwarding it to CST in one of the following three ways: i) by fax at (416) 368-2502, Attention: Proxy Unit; ii) by mail, in the prepaid envelope provided for this purpose; or (iii) in person at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit.

Please note that in order for your proxy form to be considered as duly completed and therefore, for your votes to be tallied, you must duly complete and return to CST, no later than March 13, 2012 at 5:00 p.m. (Eastern Time), the declaration of ownership and control included on the proxy form.

If your shares are held in the name of a nominee, please see the instructions below under the headings “HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?” and “HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?”.

8. Q: CAN I VOTE BY PROXY?

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

If your shares are held in the name of a nominee, please see the instructions below under the heading, “HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?” if you wish to attend or appoint someone else to attend and vote at the meeting.

9. Q: HOW WILL MY PROXY BE VOTED?

A: On the proxy form, you can indicate how you want your proxy holder to vote your shares, or you can let your proxy holder decide for you. If you have specified on the proxy form how you want your shares to be voted on a particular matter, then your proxy holder must vote your shares accordingly.

If you have not specified on the proxy form how you want your shares to be voted on a particular matter, your proxy holder can then vote in accordance with his or her judgment. **Unless contrary instructions are provided in writing, the shares represented by proxies received by management will be voted:**

- (i) **FOR the election as directors of each of the nominees listed under the heading “Nominees for Election as Directors” of this Circular;**

- (ii) **FOR the appointment of Ernst & Young LLP as auditors of Transat;**
- (iii) **FOR the 2012 Employee Share Purchase Plan Ratification Resolution;**
- (iv) **FOR the General By-Laws Amendment Ratification Resolution;**
- (v) **FOR the shareholder proposal no. 1; and**
- (vi) **AGAINST the shareholder proposal no. 2.**

10. Q: WHAT IF THERE ARE AMENDMENTS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: Subject to the foregoing noted in answer 8, the enclosed proxy form gives the persons named on it the authority to use their discretion in voting on amendments or variations to matters identified in the notice of the Meeting or any other matter duly brought before the Meeting.

At the date of printing this Circular, management is not aware of any amendments to the matters set out in the notice of the Meeting or of any other matter to be presented at the Meeting. If, however, any such amendments or other matters properly come before the Meeting, the persons named on the enclosed proxy form will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred in writing by you pursuant to the proxy form.

11. Q: BY WHEN MUST I VOTE?

A: No later than 5:00 p.m. (Eastern Time) on March 13, 2012 (unless you intend to attend the Meeting in person). All shares represented by proper proxies accompanied by duly completed declarations received by CST prior to such date and time will be voted in accordance with your instructions as specified in the proxy form, on any ballot that may be called at the Meeting.

12. Q: CAN I CHANGE MY MIND AND REVOKE MY PROXY?

A: You can revoke your proxy at any time before it is acted upon. To do this, you must clearly state, in writing, that you want to revoke your proxy and deliver this written notice to the attention of the Corporation's Vice-President, General Counsel and Corporate Secretary at: Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, no later than two business days before the Meeting, namely by March 13, 2012 at 5:00 p.m. (Eastern Time), or to the Chair of the Meeting at the opening of the Meeting or any adjournment thereof, or in any other manner permitted by law.

13. Q: WHO COUNTS THE VOTES?

A: Proxies and votes are tallied by duly authorized representatives of CST, the Corporation's transfer agent.

14. Q: HOW ARE PROXIES SOLICITED?

A: Our management requests that you sign and return the proxy form to ensure your votes are exercised at the Meeting. Proxies will be solicited primarily by mail or by any other means our management may deem necessary. Members of our management will receive no additional compensation for these services, but will be reimbursed for any transaction expenses they incurred in connection with these services. Transat has retained the Laurel Hill Advisory Group, a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately [\$30,000] plus additional charges related to telephone calls and other services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares registered in the names of these persons and Transat may reimburse them for the reasonable transaction and clerical expenses they will incur. We will pay for all costs related to this proxy solicitation, including printing, postage and delivery costs.

15. Q: HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?

A: If your voting shares are not registered in your name, they are held in the name of a "nominee", which is usually a trust company, securities broker or other financial institution. Your nominee is required to seek your instructions as to how these

shares are to be voted. Consequently, you will have received this Circular from your nominee, together with a voting instruction form. Each nominee has its own signing and return instructions, which you should follow carefully to ensure your shares are voted. If you are a non-registered shareholder who has voted by mail, telephone, Internet or fax and want to change your mind and vote in person, contact your nominee to discuss whether this is possible and what procedure to follow.

16. Q: HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?

A: Since we do not have access to the names of our non-registered shareholders, if you attend the Meeting, we will have no record of your shareholdings or of your entitlement to vote, unless your nominee has appointed you as proxy holder. Therefore, if you are a non-registered shareholder and wish to vote in person at the Meeting (or have another person attend and vote on your behalf), please fill in your name or such other person's name in the space provided on the voting instruction form sent to you by your nominee. By doing so, you are instructing your nominee to appoint you or such other person as proxy holder. Then follow the signing and return instructions provided by your nominee.

17. Q: WHY IS THIS MANAGEMENT PROXY CIRCULAR SENT TO MY ATTENTION?

A: These securityholder materials are being sent to both registered and non-registered owners of voting shares. If you are a non-registered owner, and Transat or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding these shares on your behalf.

By choosing to send these materials to you directly, Transat (and not the intermediary holding the shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

18. Q: WHO DO I ASK IF I HAVE QUESTIONS ABOUT THE MEETING OR REQUIRE ASSISTANCE WITH VOTING?

A: PLEASE CONTACT OUR PROXY SOLICITATION AGENT, LAUREL HILL ADVISORY GROUP COMPANY TOLL-FREE AT 1-877-452-7184 (OR 416-304-0211 COLLECT) OR BY EMAIL AT ASSISTANCE@LAURELHILL.COM WITH ANY QUESTION THAT YOU MIGHT HAVE REGARDING THE MEETING.

GETTING TO THE BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS

The audited consolidated financial statements for the year ended October 31, 2011 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2010 and 2011, which will be presented to our shareholders at the Meeting, are included in the Corporation's Annual Report that has been mailed to our shareholders or can be promptly provided upon written request and which are available at www.sedar.com. No vote is required on this matter.

2. NOMINEES FOR ELECTION AS DIRECTORS

Pursuant to the Articles of the Corporation, the Board of Directors must consist of a minimum of nine (9) and a maximum of fifteen (15) directors. The Board of Directors is presently composed of eleven (11) directors. In accordance with a resolution adopted by our Board of Directors on January 11, 2012, the number of directors of the Corporation to be elected at the Meeting has been set at eleven (11).

Eleven (11) directors will be put forward at the Meeting as nominees for election to the Board, of which eight (8) are independent from the Corporation. See section 9.3 "Independence of Directors and Attendance at Meetings" of this Circular for more information. As you will note in the enclosed proxy form or voting instruction form, the shareholders may vote for each director individually. Moreover, in January 2010, the Corporation has adopted a majority voting policy, which is described in section 2.1 below.

Our management does not anticipate that any of the nominees among the persons named below will be unable or unwilling to act as a director, but if such should be the case prior to his or her election at the Meeting, the persons named in the enclosed proxy form will vote in favour of the election as director(s) of any other person(s) whom the management of the Corporation may, upon the advice of the Corporate Governance and Nominating Committee, recommend to replace such nominee(s) among those named hereinafter, unless a shareholder indicates in his proxy form his intention to abstain from voting for the election of directors. Each director will remain in office until the next annual meeting of our shareholders or until his or her successor is elected or appointed.

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 FOR the election of each of the eleven (11) nominees described below.

The following tables set out the names of the proposed nominees for election as directors on our Board, together with their age, province and country of residence, year first elected as directors, current principal occupation, biography and their main areas of expertise, and whether the nominees are independent. Also indicated for each nominee is, among other things, the number and value of Voting Shares and deferred share units ("DSUs") beneficially owned, directly or indirectly, or over which control or direction is exercised as at January 25, 2012 (where applicable), the number of options to purchase Voting Shares held as at such date, the committees on which he or she serves, the number of committee meetings and Board meetings he or she attended during the year ended October 31, 2011, as well as information regarding compensation received as a director during such year. Information is based on the statements made by the persons concerned and updated on a yearly basis.

André Bisson, O.C.						
Age: 82 Québec, Canada Director since April 1995 Lead Director Independent ⁽¹⁾		<p>André Bisson is Chairman of the Board of CIRANO (Center for Interuniversity Research and Analysis on Organizations). Prior to 1988, Mr. Bisson was Senior Vice-President and General Manager, Québec, for the Bank of Nova Scotia. Until recently, he was also Chancellor and Chairman of the Board of the Université de Montréal. He also served on the boards of many corporations, including AXA Insurance, Power Financial Corporation, Donohue Inc., Julius Baer Advisory Canada, Logistec Corporation, Pirelli Cables and Systems North America, and Quebecor World Inc. He also chaired the Board of Directors of BV! Media Inc., a leading Canadian corporation specialized in Internet advertising and Web content listed on the TSX Venture Exchange, until its recent acquisition by Rogers Media. Mr. Bisson currently serves on the board of many non-profit organizations in the cultural and charitable sectors. Mr. Bisson holds a M.B.A. from Harvard University, two honorary doctorates, and a Fellow honoris causa. He is Chancellor Emeritus of the Université de Montréal and an Officer of the Order of Canada.</p> <p>Areas of expertise: Corporate governance, finance, board service for other public companies, business management and community involvement.</p>				
Board/Committee membership		Attendance		Fees paid during FY 2011⁽²⁾	Value of equity compensation in FY 2011⁽²⁾	
Board of Directors		11 of 11	100%	\$49,500	\$15,000	
Executive Committee		3 of 3	100%	\$7,500	–	
Audit Committee (Chairman)		6 of 6	100%	\$23,500	–	
Corporate Governance and Nominating Committee		6 of 6	100%	\$11,500	–	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
20,762	4,684	24,019	\$173,287.26	\$168,000	Yes	1,627
Madeleine Chenette						
Age: 48 Québec, Canada Director since October 25, 2011 Independent ⁽¹⁾		<p>Ms. Madeleine Chenette acts as a consultant at SECOR, an international strategy and management consulting firm, since 1994. Before becoming Chair of the Board of this firm in June 2009, she served on its executive committee as managing partner of the firm from 2003 to 2005 and she then led the development of the entire firm's intellectual capital from 2005 to 2009. Ms. Chenette serves on the board of directors of the Canadian Club of Montreal since 2006 and was Chair of the Board during the year 2010-2011. She was also a director of Groupe Conseil Omnitech from May to July 2006. Ms. Chenette holds a Master of Science in Management degree from École des Hautes Études Commerciales in Montréal and a bachelor's degree in Recreationology from Concordia University in Montreal. She is also designated as Institute-certified Director (ICD.D) by the Institute of Corporate Directors.</p> <p>Areas of expertise: Business management, finance, healthcare, retail commerce, transport, tourism, natural resources and community involvement.</p>				

Board/Committee membership		Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾	
Board of Directors		n/a	n/a	–	–	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement ⁽⁵⁾	Stock options
–	–	–	–	–	n/a	–

Lina De Cesare						
Age: 60 Québec, Canada Director since May 1989 Non-independent ⁽¹⁾ (ex-executive officer)		Lina De Cesare is Advisor to the President of the Corporation and one of its three founding members along with Messrs. Eustache and Sureau. Until just recently, she was also President of several active subsidiaries of the Corporation, namely: Cameleon Hotel Management Corporation, Cameleon Marival (Canada) Inc., Trafictours Canada Inc. and Transat Holidays USA, Inc. Ms. De Cesare also serves as director on the board of Trafictours Canada Inc. and is a member of the board of directors of Cirque Éloize since April 2008 and of Société Solareh since August 2009. Areas of expertise: Tourism industry, business management, corporate responsibility and community involvement.				
Board/Committee membership		Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾	
Board of Directors		11 of 11	100%	\$50,000	\$12,000	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
62,576	2,502	65,078	\$443,181.18	\$105,000	Yes	73,254

Jean Pierre Delisle						
Age: 67 Québec, Canada Director since September 2007 Independent ⁽¹⁾		Jean Pierre Delisle is a Corporate Director and estate administrator. Mr. Delisle joined Ernst & Young in 1965 and became a partner in their tax group in 1974. From 1980 to 1986, he was in charge of the Montréal office's Entrepreneurial Services Group. He has held the position of Vice-President of Groupe Soficorp Inc., where he advised a number of companies in their Initial Public Offering (IPOs) including Transat A.T. Inc. of which he was a director from April 1987 to October 1988 until his return to Ernst & Young in November 1988. Until his retirement in 2000, Mr. Delisle held a number of positions within Ernst & Young including that of Managing partner of the Montreal South Shore and Laval offices. He is also a member of the board of directors of Placements Verane Inc. since October 2000. From September to December 2001, Mr. Delisle joined Transat's senior management team as Advisor to the President in the context of the crisis facing the airline industry resulting from the events of September 11, 2001. Mr. Delisle obtained a Bachelor of Commerce degree from Concordia University (Loyola College) and became a member of the Ordre des comptables agréés du Québec in 1967. In 2009, he obtained the designation of "Certified Corporate Director" from Université Laval. Areas of expertise: Corporate governance, taxation, finance and accounting, mergers and acquisitions, and board service for other public companies.				
Board/Committee membership		Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾	
Board of Directors		11 of 11	100%	\$49,500	\$15,000	
Audit Committee		6 of 6	100%	\$13,000	–	

Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
28,000	4,070	32,070	\$218,396.70	\$120,000	Yes	–

W. Brian Edwards

Age: 62 Québec, Canada Director since June 2010 Independent ⁽¹⁾	W. Brian Edwards is an entrepreneur and founder of BCE Emergis Inc., serving as its Chief Executive Officer from 1988 to 2002. Mr. Edwards presently serves on the board of directors and board committees of a number of corporations. Since 2004, M. Edwards is Chairman of the Board of Miranda Technologies Inc., a public company listed on the TSX. He also chairs the board of directors of Biotonix 2010 Inc. since its listing on the stock market in March 2010. Since 2010, he is a member of the board of directors of Pethealth Inc., a public company listed on the TSX, as well as a member of its human resources and corporate governance committees. He is a member of the board of directors of Camoplast Inc. since 2004 and Chairman of its compensation committee. He was a member of the board of directors of Copernic Inc. from March 2006 to June 2007. Mr. Edwards is also a member of the board of governors of Concordia University since 2000, of which he was Vice-Chair from 2005 to 2011, in addition to holding a Bachelor of Commerce degree from this university.
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Board/Committee membership	Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾
Board of Directors	11 of 11	100%	\$49,000	\$15,000
Human Resources and Compensation Committee	2 of 2	100%	\$4,938	–
Corporate Governance and Nominating Committee	3 of 3	100%	\$6,438	–

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement ⁽⁵⁾	Stock options
8,790	2,062	10,852	\$73,902.12	\$123,000	n/a	–

Jean-Marc Eustache

Age: 64 Québec, Canada Director since February 1987 Non-independent ⁽¹⁾ (Executive officer)	Jean-Marc Eustache is Chairman of the Board, President and CEO, and Chairman of the Executive Committee of the Corporation, as well as one of its three founding members along with Ms. Lina De Cesare and Mr. Philippe Sureau. Mr. Eustache is also Chairman of the Board of Transat Tours Canada Inc., a subsidiary of the Corporation. He also serves on the board of directors of many other subsidiaries of the Corporation. In addition, he is a director of several non-profit organizations, such as the Cercle des présidents du Québec, Espace Go Theatre and UQAM Foundation (of which he is Chairman). In order to devote himself entirely to the Corporation's operations and its return to profitability, Mr. Eustache gave his resignation, effective January 17, 2012, as director of Quebecor Inc., a public company listed on the TSX of which he was a director since 2005. He was a director of the Canadian Tourism Commission from April 1998 to September 2011 and also served on its executive committee. He also served on the board of directors of the Conference Board of Canada from November 2008 to September 2011. Mr. Eustache holds a B.A. in economics from UQAM (Université du Québec à Montréal). Areas of expertise: Tourism industry, corporate governance, economics, board service for other public companies, mergers and acquisitions, business management and community involvement.
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Board/Committee membership		Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾	
Board of Directors (Chairman)		11 of 11	100%	–	–	
Executive Committee (Chairman)		3 of 3	100%	–	–	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁶⁾	Compliance with requirement	Stock options
401,766	10,331	412,097	\$2,806,380.57	\$1,545,334	Yes	628,896

Jean-Yves Leblanc					
Age: 65 Québec, Canada Director since December 2008 Independent ⁽¹⁾		<p>Jean-Yves Leblanc is a Corporate Director. He was President and Chief Executive Officer of Bombardier Transportation from 1986 to 2001, and Chairman of its board of directors from 2001 to 2004. Mr. Leblanc is currently a director and committee member of various corporations and organizations. Mr. Leblanc has been a member of the supervisory board of Kéolis S.A. (France) and Kuvera Développement S.A. (France) since 2007. For these two corporations, he is also Chairman of the audit and risk management committee, a member of the compensation committee and a member of the railway safety committee. He has also been a member of the board of directors, the audit and risk management committee and the human resources and governance committee of Pomerleau Inc. since 2003. He has been a member of the board of directors of Desjardins Securities since 2004, as well as Chairman of its audit, risk management and ethics committee and a member of its compensation committee since 2006. He is also a member of the board of directors of Premier Tech Inc. since 2005 and a member of its audit and risk management committee, acquisitions committee and innovation committee. Since September 2011, he serves on the supervisory board of Advanced Inflight Alliance AG, a public company listed on the General Standard Trading Segment of the Frankfurt Stock Exchange, in Germany. Since 2010, Mr. Leblanc chairs the board of directors of the Conseil du Patronat du Québec. He also serves on the board of directors of the Montreal Heart Institute since 2001. He was a member of the board of directors of IPL Inc. from 2006 to 2010, as well as Chairman of its human resources and governance committee. Mr. Leblanc was also a member of the board of directors of ADS Inc. from 2004 to 2009, a member of its audit and risk management committee and Chairman of its human resources and governance committee. Mr. Leblanc was Chairman of the Board of Théâtre du Nouveau Monde from 2005 to 2010 and a member of the board of directors of the Montreal Heart Institute Foundation from 2003 to 2009. Mr. Leblanc holds a bachelor's degree in Mechanical Engineering for Université Laval, a master's degree in Industrial Engineering from the University of Toronto and a M.B.A. from the University of Western Ontario.</p> <p>Areas of expertise: Corporate governance, finance, mergers and acquisitions, board service for other public companies, business management, human resources and community involvement.</p>			
Board/Committee membership		Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾
Board of Directors		11 of 11	100%	\$49,000	\$15,000
Human Resources and Compensation Committee		4 of 4	100%	\$9,000	–
Corporate Governance and Nominating Committee		5 of 6	83.33%	\$10,500	–

Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
5,000	3,537	8,537	\$161,902.49	\$123,000	Yes	–

Jacques Simoneau				
Age: 54 Québec, Canada Director since November 2000 Lead Director Independent ⁽¹⁾	<p>Jacques Simoneau is a Corporate Director. He is also designated as Institute-certified Director (ICD.D) by the Institute of Corporate Directors. Mr. Simoneau was Executive Vice President, Investments of the Business Development Bank of Canada (“BDC”) from 2006 to 2010. In that capacity, he was responsible for the venture capital and subordinate financing portfolios. Prior to assuming his current position, he was President and CEO of Hydro-Québec CapiTech Inc., Senior Vice-President of the Fonds de solidarité FTQ and CEO of Société Innovatech du sud du Québec. He also held executive positions at Advanced Scientific Computing and Alcan. He is a director of Sustainable Development Technology Canada and he also serves on the scientific committee of the Centre québécois de recherche et de développement de l’aluminium and on the advisory committee of the University of Montréal’s Faculty of Medicine. Mr. Simoneau was a director of Canada’s Venture Capital and Private Equity Association from 2006 to 2011 and was a member of the Conseil de la science et de la technologie du Québec from 2004 to 2011. He was also a member of the boards of directors of three other public companies and about ten private companies between 1995 and 2010. Mr. Simoneau is a mechanical engineer and holds a M.Sc. from Université Laval as well as a Ph.D. from Queen’s University in Kingston, Ontario. He is a member of the Ordre des ingénieurs du Québec, of Professional Engineers Ontario and of the Institute of Corporate Directors.</p> <p>Areas of expertise: Corporate governance, venture capital portfolio management, finance, mergers and acquisitions, business management and board service for other public companies.</p>			
Board/Committee membership	Attendance		Fees paid during FY 2011⁽²⁾	Value of equity compensation in FY 2011⁽²⁾
Board of Directors	11 of 11	100%	\$50,000	\$15,000
Executive Committee	3 of 3	100%	\$4,938	–
Audit Committee	6 of 6	100%	\$13,500	–
Corporate Governance and Nominating Committee (Chairman)	6 of 6	100%	\$16,022	–

Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
10,580	4,684	15,997	\$209,129.94	\$159,000	Yes	671

Philippe Sureau						
Age: 62 Québec, Canada Director since February 1987 Non-independent ⁽¹⁾ (ex-executive officer)		Philippe Sureau is Advisor to the President of the Corporation and one of its three founding members along with Mr. Jean-Marc Eustache and Ms. Lina De Cesare. Mr. Sureau is also Chairman of the Board of Travel Superstore Inc. Until just recently, he was also President, Distribution of the Corporation and served on the board of directors of several of its affiliates. He has been part of the founding and development of a series of business initiatives, which led to the inception of Transat in 1987 (Nortour, Trafic Voyages, Trafic Tour France), and has been a member of its Board since its inception. As a travel industry professional, his chief contribution has been in the field of public relations as Director of communications, marketing, sales strategy and corporate relationship. More recently, he served as President and CEO of Air Transat (1997-2000) and directed Transat's Internet venture. Until just recently, he was heading the distribution side of the Corporation, overseeing its activities on both online and traditional channels in Canada and France. Among other accomplishments, he was Chairman of the Québec Travel Agency Association (ACTA-Québec) in 1986-87; President of the Air Transport Association of Canada (ATAC) in 1995-96, and from 1999 to 2005, was a member of the board of directors of Manoir Richelieu. From April 2005 to June 2011, Mr. Sureau was appointed by the Québec government as a member of the Comité consultatif des agents de voyages (consulting committee of travel agents). He is also Chairman of the Board of the Corporation du Théâtre Outremont. Areas of expertise: Tourism industry, corporate governance, mergers and acquisitions, public relations, marketing and business management.				
Board/Committee membership		Attendance		Fees paid during FY 2011⁽²⁾	Value of equity compensation in FY 2011⁽²⁾	
Board of Directors		11 of 11	100%	\$49,000	\$15,000	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
316,609	2,502	319,111	\$2,173,145.91	\$105,000	Yes	84,408

John D. Thompson						
Age: 77 Québec, Canada Director since April 1995 Lead Director Independent ⁽¹⁾		John D. Thompson is a Corporate Director. Prior to 1995, he was President and CEO of Montreal Trust and Chairman of the Board of RoyNat Inc. Mr. Thompson currently serves on the board of directors of the MacDonald Stewart Foundation and is a governor of the Windsor Foundation and St Mary's Hospital Centre. Until December 2009, Mr. Thompson chaired the audit and conduct review committees of certain corporations of the Scotia Bank Group, including Montreal Trust Company of Canada from 1989; The Bank of Nova Scotia Trust Company; Scotia General Insurance Company, Scotia Life Insurance Company, Scotia Mortgage Corporation and The Mortgage Insurance Company of Canada from 1998; National Trust Company from 2002; Maple Trust Company from 2006; and Dundee Bank of Canada from 2007. Mr. Thompson holds a bachelor's degree in Engineering from McGill University (1957) and a M.B.A. from the University of Western Ontario (1960). Areas of expertise: Corporate governance, business management, finance, mergers and acquisitions, human resources and board service for other public companies.				
Board/Committee membership		Attendance		Fees paid during FY 2011⁽²⁾	Value of equity compensation in FY 2011⁽²⁾	
Board of Directors		11 of 11	100%	\$40,750	\$23,750	
Executive Committee		3 of 3	100%	\$6,750	\$750	
Human Resources and Compensation Committee (Chairman)		4 of 4	100%	\$13,500	\$2,500	
Audit Committee		6 of 6	100%	\$12,250	\$1,250	

Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
15,000	11,493	26,493	\$180,417.33	\$159,000	Yes	2,943

Dennis Wood, O.C.				
Age: 72 Québec, Canada Director since March 2004 Independent ⁽¹⁾		Mr. Wood is President and Chief Executive Officer of DWH Inc., a position he has held since 1973. He chairs the executive committee and is a director of GBO Inc. (formerly Le Groupe Bocenor Inc.). Between 1992 and 2001, Mr. Wood was President of C-MAC Industries Inc. Mr. Wood is a member of the board of directors of the National Bank Trust where he also chairs the ethics committee and serves on the audit committee. He is also a director of The Jean Coutu Group (PJC) Inc. where he serves on the audit committee, and of Rite Aid Corp. where he serves on the compensation committee. In addition, Mr. Wood is Chairman of the Board of Azimut Exploration Inc. and 5N Plus Inc. Mr. Wood holds an honorary Ph.D. in Administration from the Université de Sherbrooke and was awarded the Order of Canada. Areas of expertise: Corporate governance, finance, mergers and acquisitions, board service for other public companies, business management and human resources.		
Board/Committee membership	Attendance		Fees paid during FY 2011 ⁽²⁾	Value of equity compensation in FY 2011 ⁽²⁾
Board of Directors	10 of 11	91%	\$13,500	\$50,000
Human Resources and Compensation Committee	4 of 4	100%	\$6,000	\$3,000

Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required as at October 31, 2011 ⁽⁴⁾	Compliance with requirement	Stock options
7,143	17,779	24,922	\$169,718.82	\$114,000	Yes	1,627

- (1) "Independent" refers to the standards of independence established under Section 1.2 of Canadian Securities Administrators' National Instrument 58-101.
- (2) Please refer to the "Directors' Compensation" section on page 25 of this Circular for a description of the compensation policy applicable to our outside directors during the year ended October 31, 2011.
- (3) The "Total market value of Voting Shares and DSUs" is determined by multiplying the closing price of the Voting Shares on the TSX on January 25, 2012 (\$6.81) by the number of Voting Shares and DSUs held as of such date.
- (4) Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs having a value equivalent to at least three times the base annual Board retainer paid in cash to which they are entitled after having served three years as director. In addition, it was decided, on January 11, 2012, that the amount used to determine compliance with the directors' minimum equity ownership requirement will be (i) the cost of acquiring the shares for the director or (ii) the market value of the Voting Shares and DSUs held by the director on October 31 of each year, whichever is the higher.
- (5) Ms. Chenette and Mr. Edwards have served as directors for less than three years. Ms. Chenette joined the Board in October 2011 and Mr. Edwards in June 2010. Under the guidelines adopted by Transat, they have a three-year period following their election as directors to comply with the minimum equity ownership requirement.
- (6) For the President and Chief Executive Officer, the guidelines adopted by the Corporation provide that such officer must hold a number of Voting Shares or DSUs having a value equivalent to three times his annual base salary.

To the knowledge of Transat, none of the proposed nominees for election as directors of the Corporation is or has been in the last ten years from the date of this Circular an executive officer or director of a company that, while the nominee was acting in that capacity or within a year of that nominee ceasing to act in that capacity, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, except for: (i) Mr. Dennis Wood, who (a) was, until July 16, 2009, Acting President and Chief Executive Officer of GBO Inc. (formerly Le Groupe Bocenor Inc.), which filed, on June 11, 2004, a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) that was ratified by the Quebec Superior Court on August 5, 2004, and (b) was a director of Blue Mountain Wallcoverings Group Inc., which filed for protection under the *Companies' Creditors Arrangement Act* that was granted on March 20, 2009; and (ii) Mr. John D. Thompson, who served for several years (since 1996) on the board of directors of Shermag Inc., which filed for protection under the *Companies' Creditors Arrangement Act* on May 5, 2008. However, Mr. Thompson ceased to act as director of such corporation on August 8, 2007.

2.1 **Majority Voting Policy**

On January 13, 2010, our Board of Directors adopted a policy providing that, in an uncontested election of the directors, any nominee for whom the number of “abstentions” from voting exceeds the number of votes “for” his election must submit his resignation to the Board of Directors immediately after the annual meeting of shareholders. The Corporate then reviews this offer to resign and recommends that the Board of Directors accept or reject it. The Board of Directors makes its final decision in this regard and announces it by press release within ninety (90) days of the annual meeting of shareholders. A director who submits his resignation in accordance with this policy does not attend any of the meetings of the Board of Directors or the Corporate Governance and Nominating Committee at which his resignation is reviewed.

2.2 **Board Interlocks**

As at January 25, 2012, no member of our Board of Directors serves with another member of the Board of Directors on the board of directors of another operating corporation.

2.3 **Shareholding Guidelines for Directors**

In order to align the interests of the directors with those of the shareholders, the Board of Directors has adopted a minimum equity ownership requirement for directors. Each director must hold a number of Voting Shares and DSUs equivalent to at least three times the annual cash Board retainer to which he or she is entitled after having served three years as director. As at the date of this Circular, all the directors already comply or, in the case of Ms. Madeleine Chenette and Mr. Brian Edwards, are in the process of complying with the shareholding guidelines.

3. **APPOINTMENT OF OUR AUDITORS**

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

Unless a shareholder indicates that he intends to abstain from voting, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted FOR the appointment of Ernst & Young LLP as auditors of the Corporation.

In 2011, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately \$1,188,000 for audit and audit-related fees, \$162,000 for tax fees and \$0 for all other non-audit fees; the comparative figures for 2010 were approximately \$1,144,000, \$204,000 and \$0, respectively. “Audit fees” are fees for professional services provided for the audit of the Corporation’s consolidated financial statements, for services that are normally provided by the Corporation’s external auditors in connection with statutory and regulatory filings or engagements and for other services performed by the auditors to comply with generally accepted auditing standards; “audit-related fees” are fees for assurance and related services; “tax fees” are fees for tax compliance, tax advice and tax planning services; and “all other fees” are fees for any services not included in the first three categories.

3.1 **Auditors’ Independence**

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

4. **2012 EMPLOYEE SHARE PURCHASE PLAN**

At the Meeting, the shareholders will be asked to consider and, if deemed advisable, approve the resolution set forth below (the “**2012 Employee Share Purchase Plan Ratification Resolution**”) ratifying the amended and updated Share Purchase Plan for the Benefit of All Employees or Executives of the Corporation (the “**2012 Employee Share Purchase Plan**”). The 2012 Employee Share Purchase Plan was first established in January 1989, was amended in November 2004, and was restated in March 2007. For the most recent period beginning January 1, 2012 and ending December 31, 2012, a total of 385 employees of the Corporation became members of the Plan. The Transaction and Transcapital Plans (as more fully described below) put in place for the Corporation’s

executive officers are directly tied to the 2012 Employee Share Purchase Plan as regards the total number of shares issuable to a single person or to insiders of the Corporation. On January 11, 2012, the Board of Directors approved the establishment of a new reserve of 525,000 shares issuable pursuant to the 2012 Employee Share Purchase Plan, as well as certain other minor changes. In order for the new reserve established under the 2012 Employee Share Purchase Plan to become effective, the 2012 Employee Share Purchase Plan Ratification Resolution must be approved by a majority of the votes cast by the shareholders present or represented by proxy at the Meeting.

Recent Amendments to the 2012 Employee Share Purchase Plan

The primary objective of the amendments to the existing 2012 Employee Share Purchase Plan is to provide a new reserve of shares issuable to employees in the next few years under the Share Purchase Plan for the Benefit of All Employees or Executives of Transat. Certain other minor changes for concordance purposes have also been made to the 2012 Employee Share Purchase Plan in order to update it. The full text of the amended and updated 2012 Employee Share Purchase Plan is set out in Appendix "B" of this Circular. A summary of the main terms and conditions of the 2012 Employee Share Purchase Plan and of the Transaction and Transcapital Plans that are tied to the 2012 Employee Share Purchase Plan is provided below.

Before deciding to approve the 2012 Employee Share Purchase Plan, the Board of Directors took into consideration the fact that the number of 525,000 shares reserved for future issuance under the 2012 Employee Share Purchase Plan represents 1.38% of the total number of outstanding voting shares of Transat. The maximum number of shares issuable pursuant to the 2012 Employee Share Purchase Plan is 659,125 shares, representing 1.73% of the total number of outstanding voting shares of Transat.

At the meeting, shareholders will be asked to consider, and if deemed advisable, approve the following resolution:

"WHEREAS, at its meeting of January 11, 2012, the Board of Directors of the Corporation passed, subject to shareholder approval, a resolution approving the new reserve of shares to be issued under the 2012 Employee Share Purchase Plan;

BE IT RESOLVED:

1. THAT the Corporation be and is hereby authorized to establish a new reserve of 525,000 shares issuable under the 2012 Employee Share Purchase Plan and to amend the text of the 2012 Employee Share Purchase Plan accordingly, in order to give effect to the establishment of this new reserve of shares;

2. THAT any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute and deliver all documents and to take all actions deemed necessary or advisable to give effect to this resolution, including compliance with all securities laws and regulations."

Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted **FOR** the 2012 Employee Share Purchase Plan Ratification Resolution.

Recommendation of the Board of Directors

The Board of Directors believes that the approval of the new reserve of shares to be issued under the 2012 Employee Share Purchase Plan is in the best interests of the Corporation and its shareholders and recommends that shareholders vote **FOR** the 2012 Employee Share Purchase Plan Ratification Resolution.

In accordance with the rules of the TSX, in order to become effective, the resolution must be approved by a majority of the votes cast at the meeting with respect to such resolution.

Main Terms and Conditions of the Share Purchase Plan for the Benefit of all Employees or Executives

On February 12, 1989, the Corporation's Board of Directors introduced the Share Purchase Plan for the Benefit of All Employees or Executives of the Corporation as well as those of its subsidiaries (each, a "Participant"). This plan was amended on February 6, 1991, May 22, 1992, May 14, 1993, December 5, 1995, October 19, 2004, April 27, 2005, as well as on December 14, 2006 in order to introduce detailed amending provisions to such plan, as the new rules of the TSX then required it.

The purpose of the Share Purchase Plan is to enable regular employees of Transat and its subsidiaries to purchase on a monthly basis, by means of payroll deductions, new Voting Shares issued out of Transat's treasury at the then current market price, being the weighted average closing price on the Toronto Stock Exchange during the 5 trading days preceding the date of subscription, less a 10% discount. No Participant may sell all or any of the Voting Shares subscribed under this plan prior to July 1 of the year following that in which the shares were subscribed, on which date the subscribed shares are unrestricted.

Notwithstanding the foregoing, a Participant may sell all of the Voting Shares subject to this plan prior to the July 1 date mentioned above should Transat be subject to a change of control. For the purposes of the Share Purchase Plan, a change of control occurs when an event or series of events that are unsolicited by Transat, with the exception of events listed at section (iv) through to (vii) below, triggers a *de facto* control of Transat other than what was in place at the time of the coming into force of the Share Purchase Plan, either directly or indirectly, through the ownership of securities, by way of agreement or in any other manner whatsoever. Without limiting the generality of the foregoing, the following events shall be considered to be an acquisition of control: (i) if a person, proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec), becomes the owner or beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock market, by way of private sale or by any other manner, directly or indirectly acquires ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute our Board of Directors on January 11, 2012, and any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board as at January 11, 2012, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors; (iv) if our assets representing 50% or more of the book value of all our assets are sold, liquidated or otherwise assigned, (v) if a majority of voting securities allowing the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned, (vi) if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned, or (vii) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

In the event of termination, retirement, death or permanent disability of the member, all the shares subscribed by the member, regardless of whether or not they became unrestricted, shall become unrestricted automatically.

The number of shares for which each Participant may subscribe pursuant to the Share Purchase Plan may not at any time exceed 5% of the number of issued and outstanding Transat Voting Shares. No Participant may subscribe, throughout each enrolment period, for a number of Variable Voting Shares or Voting Shares of which the aggregate subscription price exceeds 10% of his or her annual salary in effect upon the subscription date.

The number of shares collectively issuable to the Corporation's insiders under this Share Purchase Plan and any other related share purchase plan shall at all times be less than the majority of the shares issuable under this Share Purchase Plan.

The number of shares issuable to the Corporation's insiders, at any time, under this Share Purchase Plan and all of the other share-based compensation plans of the Corporation, cannot exceed ten percent (10%) of the issued and outstanding shares of the Corporation, and the number of shares issued to insiders, within any one-year period, under this Share Purchase Plan and all of the other share-based compensation plans of the Corporation, cannot exceed ten percent (10%) of the issued and outstanding shares of the Corporation.

During the financial year ended October 31, 2011, we issued a total of 129,067 Voting Shares under the Share Purchase Plan and, as at October 31, 2011, we were authorized to issue 134,125 Voting Shares thereunder.

On December 14, 2006, the Board of Directors approved an amendment to the modification procedures included in the Share Purchase Plan to state that an increase in the maximum number of voting shares issuable under the Share Purchase Plan (other than for standard anti-dilution purposes) must specifically be approved by the holders of a majority of the voting shares and that any other modification to the Share Purchase Plan does not require the approval of the shareholders.

The amendments that can be made without shareholder approval may, for example, include, without limitation, amendments related to:

- (i) formal minor or technical modifications to any of the provisions of the Share Purchase Plan;

- (ii) corrections of any ambiguity, defective provision, error or omission in the provisions of the Share Purchase Plan;
- (iii) changes to the restriction provisions of voting shares;
- (iv) the addition of, or changes to, provisions relating to any form of financial assistance provided by the Corporation to participants that would facilitate the purchase of voting shares under the Share Purchase Plan.

The rights and privileges conferred on a member under the provisions of the Share Purchase Plan are non transferable.

Stock Ownership and Capital Accumulation Incentive Plan for Non-Unionized Employees

On October 19, 2004, the Corporation's Board of Directors adopted the Stock Ownership and Capital Accumulation Incentive Plan for Managers, renamed Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees of Transat ("Transcapital") as of September 6, 2006. Transcapital was also amended on December 14, 2006 in order to introduce detailed amending provisions to such plan as required under the new rules of the TSX.

Upon each annual enrolment period beginning November 1, 2004 (until the annual enrolment period beginning November 1, 2006), eligible managers had the option to enrol in Transcapital through monthly contributions by means of payroll deductions of 1%, 2%, 3% or 4% of their base salary to Transat's Share Purchase Plan, for the purposes of subscribing to newly issued Transat shares at 90% of their market price. Transat attributed to each Participant an additional number of shares purchased on the secondary market whose total purchase cost corresponded to 25%, 33 1/3% or 50% of the Participant's monthly contribution, depending on the salary grade of his or her position. Participants were entitled to contribute more than 4% and up to 10% of their salary, but without benefiting from any attribution of additional shares by Transat above and beyond a contribution of 4% of their salary.

Amendments to Transcapital were approved by the Corporation's Board of Directors on September 6, 2006. Pursuant to such amendments, upon each annual enrolment period beginning November 1, 2006, eligible managers now have the option to enrol in Transcapital through monthly contributions by means of payroll deductions of 1%, 2%, 3%, 4% or 5% of their base salary to Transat's Share Purchase Plan, for the purposes of subscribing to newly issued Transat shares at 90% of their market price. Transat will attribute to each Participant in salary grades 7 through 12 an additional number of shares purchased on the secondary market whose total purchase cost corresponds to between 25% and 60% of the Participant's monthly contribution, depending on the salary grade of his or her position. Such Participants may contribute more than 5% and up to 10% of their salary, but without benefiting from any attribution of additional shares by Transat above and beyond a contribution of 5% of their salary.

Effective November 1, 2006, Transcapital also became available to non-unionized employees in salary grades 13 through 19. Upon each annual enrolment period beginning November 1, 2006, such eligible employees have the option to enrol in Transcapital through monthly contributions by means of payroll deductions of 1%, 2% or 3% of their base salary to Transat's Share Purchase Plan, for the purposes of subscribing to newly issued Transat shares at 90% of their market price. Transat will attribute to each Participant in salary grades 13 through 19 an additional number of shares purchased on the secondary market whose total purchase cost corresponds to 20% of the Participant's monthly contribution. Such Participants may contribute more than 3% and up to 10% of their salary, but without benefiting from any attribution of additional shares by Transat above and beyond a contribution of 3% of their salary.

Shares subscribed by a Participant may not be sold prior to July 1 of the following year. Moreover, shares attributed by Transat in a given year will only vest to the Participant at a rate of 1/3 on January 10 of the following year, 1/3 on July 1 of the following year and 1/3 on July 1 of the second following year.

Notwithstanding the foregoing, a Participant may sell, upon prior written notice to Transat, all of the Voting Shares subject to this plan prior to the July 1 date mentioned above should Transat be subject to a change of control. For the purpose of Transcapital, the notion of change of control is similar to the one for the Share Purchase Plan.

Transcapital is directly tied to the Share Purchase Plan as regards the total number of shares that may be subscribed for or the number of shares that may be issued to a single person or to an insider of Transat.

Permanent Stock Ownership Incentive Plan for Top Managers

On June 29, 1999, the Corporation's Board of Directors adopted the Permanent Stock Ownership Incentive Plan, which was in effect for an initial term of five years. On October 19, 2004, our Board of Directors amended this plan with respect to eligibility and frequency of subscription. Further, on January 14, 2005, our Board of Directors extended the initial term of the plan for an additional five years. The Permanent Stock Ownership Incentive Plan was also amended on December 14, 2006 in order to introduce detailed amending provisions to such plan as the new rules of the TSX then required it. These amendments were approved by the Corporation's shareholders at the meeting of shareholders held on March 14, 2007. Finally, on October 29, 2008, the Board of Directors renewed the Transaction Plan for an additional term of five years under the same terms and conditions as the previous plan.

Pursuant to this plan, the Board of Directors or the Human Resources and Compensation Committee may determine, from time to time and at its entire discretion, which top managers (salary grades 1 through 6 of Transat) are eligible to join the Permanent Stock Ownership Incentive Plan. Accordingly, subject to participation in the Share Purchase Plan, the aggregate subscription price of which is equal to 5% or 10% of their salary, depending on the position held, Transat will attribute to each eligible top manager a number of Voting Shares whose total purchase cost is equal to the aforementioned percentage of salary contributed. These attributed shares are bought on the secondary market. One third of the Voting Shares so attributed by Transat shall vest to each eligible top manager on January 10, the second January 10 and the third January 10 respectively following the date of the attribution, provided the top manager holds on to all Voting Shares subscribed for under our Share Purchase Plan at each of these dates. In the event that the eligible top manager ceases to occupy his or her position, retires or in the event that he or she dies or becomes permanently disabled, the said top manager or his or her assigns, as the case may be, shall become the owner of the attributed Voting Shares vested to him or her on the date of his or her termination of employment or on the date of his or her death. The Voting Shares attributed by Transat do not confer any rights to the eligible top manager prior to vesting.

Notwithstanding the foregoing, in the event of a change of control of Transat, any eligible top manager will acquire, automatically and in advance, the right to those shares attributed but not yet vested on the date of the said change of control, provided that on such date he or she still holds the same number of shares subscribed for under the Share Purchase Plan corresponding to each attribution. For the purposes of the Permanent Stock Ownership Incentive Plan, the notion of change of control is similar to the one for the Share Purchase Plan.

This plan is directly tied to the Share Purchase Plan as regards the total number of shares that may be subscribed for or the number of shares that may be issued to a single person or to the insiders of Transat.

5. AMENDMENTS TO THE GENERAL BY-LAWS OF THE CORPORATION

On January 11, 2012, the Corporation's Board of Directors passed a resolution amending certain provisions of the Corporation's general By-Laws. These amendments are part of an effort to have a governance structure ensuring yet further independence of the Board from management by allowing any of the Board committee chairpersons appointed as lead directors to call a Board meeting on their own initiative and at their discretion, without having to satisfy the three-director requirement presently provided for in the general By-Laws. The concept of three lead directors, each of whom is the chairperson of one of the three Board committees, was implemented a few years ago to provide leadership for the independent directors in light of the fact that the Chair of the Board of the Corporation is not an independent director and holds the positions of Chair of the Board and President and Chief Executive Officer of the Corporation..

At the meeting, the shareholders will be asked to consider and, if deemed appropriate, approve the resolution set forth below (the "**General By-Laws Amendment Ratification Resolution**") ratifying the amendments brought to the general By-Laws of the Corporation in order to (i) provide that meetings of directors may be called by order of any of the three Board committee chairpersons, each being a lead director; (ii) eliminate the casting vote of the chairperson in case of a tie vote of the directors at a Board meeting; and (iii) provide that the lead directors shall have a casting vote in case of a tie vote of the directors and that a majority of them shall have the power to decide any matter put to a vote of the directors.

Subsection 3.3 of the Corporation's general By-Laws presently in force provides that 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. On January 11, 2012, the Board of Directors passed a resolution amending the Corporation's general By-Laws in order to grant any of the three Board committee chairpersons, each being a lead director, the power to call a Board meeting, in replacement of the current three-director requirement.

In addition, subsection 3.7 of the Corporation's general By-Laws provides that the chairperson of the meetings of directors, who is 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 have a second or casting vote in case of a tie vote. On January 11, 2012, the Board of Directors passed a resolution amending the general By-Laws in order to eliminate this casting vote of the chairperson and give the lead directors a second or casting vote in case of a tie vote of the directors. Therefore, in the event of a tie vote, a majority of the lead directors will have the power to decide any matter put to a vote of the directors.

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve the following resolution:

« WHEREAS, at its meeting of January 11, 2012, the Board of Directors of the Corporation passed a resolution, subject to shareholder approval, approving (i) an amendment to subsection 3.3 of the Corporation's general By-Laws, which sets forth the procedures for convening Board meetings and (ii) an amendment to subsection 3.7 of the Corporation's general By-Laws, which gives the chairperson a casting vote in case of a tie vote;

RESOLVED:

1. THAT the Corporation be and is hereby authorized to amend subsection 3.3 of its general By-Laws in order to provide, in replacement of the provision stating that three directors may call a meeting of directors, that any of the three lead directors has the power to call a meeting of directors;

2. THAT the Corporation be and is hereby authorized to amend subsection 3.7 of its general By-Laws in order to delete the second phrase, which provides that the chairperson has a second or casting vote in case of a tie vote, and to provide a casting vote for the lead directors in case of a tie vote, as well as the principle that, in such an event, a majority of the lead directors shall have the power to decide any matter put to a vote of the directors;

3. THAT the Corporation be and is hereby authorized to amend the text of the general By-Laws as described in the Corporation's Management Proxy Circular dated January 25, 2012;

4. THAT any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute and deliver all documents and to take all actions deemed necessary or advisable to give effect to this resolution, including compliance with all securities laws and regulations."

Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted **FOR** the General By-Laws Amendment Ratification Resolution.

To become effective, the resolution must be approved by a majority of the votes cast at the meeting with respect to such resolution.

Recommendation of the Board of Directors

The Board of Directors believes that the approval of the General By-Laws Amendment Ratification Resolution is in the best interests of the Corporation and its shareholders and recommends that shareholders vote **FOR** this resolution.

6. SHAREHOLDER PROPOSALS

Appendix "C" attached hereto contains the full text of the two proposals and supporting arguments submitted by a shareholder of the Corporation. This Appendix also sets out the full details of the Corporation's position with regards to the two proposals, as well as voting recommendations.

7. DIRECTORS' COMPENSATION

▪ Annual Retainer and Attendance Fees

During the year ended October 31, 2011, annual retainers and attendance fees were paid to the members of the Board who are not employees or officers of the Corporation on the following basis:

Compensation policy in force since November 1, 2007 with amounts revised as of November 1, 2010

Annual Board retainer (for board service only)	\$35,000 in cash plus an additional amount of \$15,000 paid at a quarterly rate of \$3,750 in DSUs
Additional annual retainer payable to the chairperson of the Audit Committee	\$15,000
Additional annual retainer payable to each of the other committee chairpersons	\$10,000
Additional annual retainer payable to the Audit Committee members	\$5,000
Additional annual retainer payable to committee members (excluding committee chairpersons and Audit Committee members)	\$3,000
Attendance fees for each Board or committee meeting attended	
– in person	\$1,500
– by conference call	\$1,000
Annual grant of stock options under the terms of the Corporation's stock option plan	No new grants; options grants have been suspended since March 15, 2006

A director can choose to have between 0 and 100% of the annual fees and supplements paid in the form of DSUs pursuant to the deferred share unit plan for Independent Directors which was implemented in 2004 (and amended on June 8, 2005 and January 18, 2006) to better link the compensation of directors to the creation of added value for shareholders. Each DSU will be valued on the basis of the market value of a Transat Voting Share on the dates that such DSUs are credited. When the directors cease serving on the Board, all DSUs credited to their name are redeemed in cash by Transat based on the market value of the shares at that time.

Outside directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. In addition, travel privileges are granted to our directors pursuant to the same policy which applies to all the employees of Transat.

▪ **Total Compensation of Outside Directors**

During the year ended October 31, 2011, the following annual retainers and attendance fees were paid to the members of the Board who are not employees or officers of the Corporation:

Name	Compensation (\$)		Share-based awards(2) (\$)	Option-based awards(3) (\$)	Non-equity incentive plan compensation (\$)	Pension value(4) (\$)	All other compensation(5) (\$)	Total compensation (\$)
	Annual retainer(1)	Attendance fees(1)						
André Bisson	56,000	36,000	15,000	–	–	–	–	107,000
Madeleine Chenette ⁽⁶⁾	–	–	–	–	–	–	–	–
Lina De Cesare	35,000	15,000	15,000	–	–	–	1,120	66,120
Jean Pierre Delisle	40,000	22,500	15,000	–	–	–	1,293	78,793
W. Brian Edwards	38,876	21,500	15,000	–	–	–	1,215	76,591
Clifford Hatch ⁽⁷⁾	15,687	13,500	13,875	–	–	–	–	43,062
Jean-Yves Leblanc	41,000	27,500	15,000	–	–	–	–	83,500
Jacques Simoneau	49,461	35,000	15,000	–	–	–	–	99,461
Philippe Sureau	35,000	14,000	15,000	–	–	–	3,448	67,448

Name	Compensation (\$)		Share-based awards(2) (\$)	Option-based awards(3) (\$)	Non-equity incentive plan compensation (\$)	Pension value(4) (\$)	All other compensation(5) (\$)	Total compensation (\$)
	Annual retainer(1)	Attendance fees(1)						
John D. Thompson	39,750	33,500	28,250	–	–	–	1,147	102,647
Dennis Wood	0	19,500	53,000	–	–	–	259	72,759

(1) These amounts represent the portion paid in cash to the outside directors.

(2) These amounts represent the value in cash of the annual retainer paid in DSUs to the outside directors.

(3) On March 15, 2006, the Board of Directors stopped granting options to directors who are not employees or executive officers of the Corporation.

(4) The Corporation does not provide a pension plan to its directors.

(5) These amounts represent the value in cash of the travel privileges.

(6) Having joined the Board of Transat on October 25, 2011, Ms. Chenette did not receive any compensation or attendance fees during the year ended October 31, 2011.

(7) This amount represents the value in cash paid to Mr. Hatch up to the date when he left office as a director of Transat on March 29, 2011.

▪ Credited Deferred Share Units (DSUs)

The following table sets forth the date on which DSUs were credited to directors and their value on such date:

DSUs CREDITED DURING THE YEAR ENDED OCTOBER 31, 2011										
	Quarter								Total DSUs credited (#)	Total value of DSUs credited (\$)
	Q1 January 31		Q2 April 30		Q3 July 31		Q4 October 31			
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)		
André Bisson	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
Madeleine Chenette	–	–	–	–	–	–	–	–	–	–
Lina De Cesare	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
Jean Pierre Delisle	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
W. Brian Edwards	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
H. Clifford Hatch	438	6,937	401	6,938	–	–	–	–	839	13,875
Jean-Yves Leblanc	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
Jacques Simoneau	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
Philippe Sureau	237	3,750	217	3,750	320	3,750	368	3,750	1,142	15,000
John D. Thompson	446	7,063	408	7,063	603	7,063	694	7,063	2,151	28,250
Dennis Wood	837	13,250	766	13,250	1,132	13,250	1,302	13,250	4,037	53,000

(1) Mr. Hatch having left office as a director at the annual meeting of shareholders held on March 29, 2011, the total DSUs he held were redeemed on March 17, 2011 in accordance with the terms and conditions of the Deferred Share Unit Plan.

8. EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

8.1 Compensation Approach and Objectives

The purpose of the Corporation's executive compensation policy is to provide competitive overall compensation commensurate with the Corporation's performance. It seeks to attract the most competent people and keep them motivated and committed, in the interest of all the Corporation's shareholders. Thus, the positioning of the fixed compensation aims at the median of its reference market. The

variable compensation elements are designed so that their value varies according to the organization's performance in order to control the fixed costs when the Corporation does not meet its goals and to reward the Named Executive Officers commensurate with the organizational goals achieved and the Corporation's financial performance. More specifically, the guiding principles for executive compensation are the following:

8.1.1 Performance-Based Compensation:

Most of the Corporation's executive compensation programs are designed so that the compensation granted or paid is based on the Corporation's overall performance, combined, if applicable, with the performance of the subsidiary in which the executive works. Indeed, it is the Corporation's strategy to maximize the relationships and the cooperation between certain subsidiaries. Therefore, it is deemed important that the compensation programs incorporate this principle.

8.1.2 Competitive Compensation:

It is crucial for the Corporation to offer its executive officers competitive compensation to attract the best resources and maintain their loyalty. In the competitive context in which the Corporation conducts its operations and in preparing the succession of key executive officers, this guiding principle is essential. The Corporation, in collaboration with independent external advisors, periodically reviews the nature of the compensation programs and their potential value. The Corporation ensures that, on the whole, the value of overall compensation remains competitive in comparison with the practices of comparable companies and the practices of public companies in general.

8.1.3 Compensation Aligned with the Shareholders' Interest:

Several of the component programs of overall executive compensation seek to establish a direct correspondence between the interests of the shareholders and the interests of the executive officers, whether by programs in the form of equity-based awards or programs which have a long-term relationship with the value created for all shareholders. Moreover, equity-based compensation as a proportion of overall annual compensation increases with the level of the position, thus strengthening the alignment of the executive officers' interests with those of the shareholders.

8.2 Human Resources and Compensation Committee

The Human Resources and Compensation Committee of our Board of Directors (referred to hereinafter in this section as the "Committee") is responsible for establishing the policies regarding the compensation of executives and the development and training of their successors, as well as for continuously supervising the implementation of these policies. The Committee makes recommendations regarding the compensation of the executive officers, which are subject to the approval of the Board of Directors. The Committee also reviews the yearly performance goals of the Chairman of the Board, the President and Chief Executive Officer and the other executive officers and performs the evaluation of the Chief Executive Officer. The Committee also reviews, together with the Chief Executive Officer, the evaluation of the other executive officers by the Chief Executive Officer. The annual evaluation of the Chief Executive Officer is conducted by the Committee without the Chief Executive Officer being present, is then submitted to the Board and discussed by the Board in camera, and feedback is given thereafter.

Composition

The Committee is currently composed of Messrs. John D. Thompson, Dennis Wood, Jean-Yves Leblanc and Brian Edwards, who joined the Committee on March 10, 2011. M. H. Clifford Hatch Jr. was a member of the Committee until March 29, 2011, date on which he left the Board of Transat for personal reasons. Mr. John D. Thompson acts as Chairman of the Committee since 2008. No member of this Committee is currently employed by Transat or any of its subsidiaries, or is a former officer or employee of Transat or any of its subsidiaries. None of our executive officers is a member of the board of directors of the corporations that employ Messrs. Brian Edwards, John D. Thompson, Dennis Wood and Jean-Yves Leblanc. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation, but withdraws from the meeting whenever matters relating to him are discussed.

Each committee member has direct experience that is relevant to his or her responsibilities in executive compensation, as well as the skills and experience that enable him or her to make informed decisions on the suitability of the Corporation's policies and practices. More specifically, each committee member has held a number of executive management roles, in most cases as Chief Executive Officer of companies where the human resources department was reporting to them. For example, Mr. Thompson held the position of

Chief Executive Officer and was a member of the board of directors of various corporations where he gained experience in human resources and compensation. Furthermore, he was a member of several boards of directors, including Domtar Inc., AXA Insurance Inc., Shermag Inc. and Société générale de financement du Québec, where human resources and compensation issues were the object of discussions and recommendations on a regular basis. Mr. Jean-Yves Leblanc has had the opportunity to supervise, control and orient all aspects of the human resources function, including labour relations, bargaining agreement negotiations, staffing, compensation, training, succession plans, etc. He is also a member of the human resources and compensation committee of several other corporations, including Kéolis S.A. (France), Kuvera Développement S.A. (France), Pomerleau Inc. and Desjardins Securities. Mr. Dennis Wood is a member of the compensation committee of Rite-Aid Corp. and also has financial expertise with respect to executive compensation. He is also a member of the audit committees of National Bank Trust Inc. and The Jean Coutu Group (PJC) Inc. Lastly, Mr. W. Brian Edwards, as founder of BCE Emergis, of which he was CEO from 1988 to 2002, has also gained extensive experience with respect to compensation and human resources issues. He is also Chairman of the compensation committee of Camoplast Solideal Inc. and a member of the compensation committee of three other corporations.

No executive officer of the Corporation serves as a director or a member of the compensation committee of another issuer, one of whose executive officers serves as a member of the Board of Directors or the Committee.

The responsibilities, powers and operation of the Committee are described more fully in the charter of the Committee, which is reviewed each year and is available on the Corporation's website at www.transat.com.

Policies and practices

The policies and practices adopted by the Committee to determine the compensation for executive officers are focused on short-term and long-term incentives, which are described below.

Risk Oversight

Each year, the Committee reviews and approves the Corporation's compensation policies and practices, taking into consideration any risks associated therewith, as well as each compensation component [base salary, short-term incentives (annual bonuses), long-term incentives (stock options, restricted share units) and retirement benefits] more fully described hereunder. Moreover, as part of the review of all risks presented to the Corporation's Corporate Governance and Nominating Committee, 83 risks have been identified, 12 of which are related to human resources, including compensation. Each risk identified is presented individually on a roadmap and a follow-up of the implementation of the recommendations according to established priorities is performed. The Committee then reports back to the Board of Directors. During the review performed in the last financial year, the Committee has not identified any risks associated with the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation. The risks and uncertainties that are likely to have a material adverse effect on the Corporation are disclosed quarterly in the financial statements included in the Corporation's Management Discussion & Analysis of the Corporation's financial condition and results of operations. No such risks relate to the Corporation's compensation policies and practices.

Although the Corporation has not adopted a policy forbidding insiders from purchasing financial instruments relating to the Corporation's shares, the Corporation is not aware of any insider having entered into this type of transaction.

8.3 Comparison Group

The last review of the comparison group was conducted in April 2010. The following selection criteria were used:

- size in terms of sales and stock market capitalization;
- sectors of activity, namely the entertainment, discretionary product, distribution and retail sectors;
- company with several business units: integrated or complex operation, i.e. several subsidiaries operating in different markets;
- geographical scope of operations (Canada-wide and international);
- head office in the province of Québec;
- B2C;
- B2B.

The following table sets out the comparison group, comprising 21 corporations.

Company	Comparable size	Sector of activity		Several business units	International scope of operations	Head office in Québec	B2C	B2B
		Entertainment, Discretionary	Distribution, Retail					
Air Canada Inc.		X			X	X	X	
Groupe Aeroplan Inc. (Aimia)		X		X		X	X	X
Astral Media Inc.		X		X		X	X	X
Canadian Tire Corporation, Limited			X	X			X	
Cascades Inc.	X				X	X		X
Cogeco Inc.		X		X		X	X	X
Corus Entertainment Inc.		X		X			X	X
Cott Corporation		X	X		X			X
Alimentation Couche-Tard Inc.			X		X	X	X	
The Forzani Group Ltd.		X	X				X	
The Jean-Coutu Group (PJC) Inc.	X		X		X	X	X	
Metro Inc.			X			X	X	
Quebecor Inc.	X	X		X		X	X	
Reitman's (Canada) Limited		X	X			X	X	
Rona Inc.	X	X	X			X	X	
Sears Canada Inc.			X				X	
Torstar Corporation		X		X			X	X
Transcontinental Inc.	X	X		X	X	X	X	X
TransForce Inc.				X		X		X
Uni-Select Inc.		X	X		X	X		X
Westjet Airlines Ltd.	X	X			X		X	

The Committee reviews the composition of our comparison group as needed and updates the total compensation data from this group. The Committee also annually studies general compensation surveys to compare our compensation policies with the generally accepted practices for public companies. Finally, the Committee reviews the positioning of the compensation of the Corporation's executive officers within the comparison group as needed to ensure that it remains appropriate, particularly in view of the evolution of the group's compensation practices and the market in general, and the Corporation's relative financial results.

8.4 External Advisors

With respect to the Corporation's compensation policy, the Committee resorts to external advisors, if needed, in order to ensure its efficiency in the achievement of the goals set and competitiveness in relation to the comparison group. Since 2006, the Committee retains the services of its own independent consultant, Mr. André Perrault of PCI-Perrault Consulting Inc., to advise it on corporate governance and executive compensation. Mr. Perrault, or any other member of his team, reports to the Committee and attends most of its meetings. Although Mr. Perrault contributes to the Committee's discussions with his expertise and knowledge of compensation and Transat, the decisions are made by the Committee, which remains accountable for them and may consider factors other than those raised by Mr. Perrault. Occasionally, PCI-Perrault Conseil Inc. is solicited by other committees of the Board and by executives to perform assignments other than those mandated by the Committee. PCI-Perrault Conseil Inc. only performs such assignments with the Committee's consent. During financial year 2011, PCI-Perrault Conseil Inc. performed assignments concerning senior executive compensation and evaluation of the Board. In 2011, the total fees paid to PCI-Perrault Consulting Inc. for the services rendered to the Committee and to the Corporate Governance and Nominating Committee amount to \$28,525 and \$12,212 respectively (compared to \$80,328 and \$7,420 in 2010).

8.5 Total Compensation Components

The following table sets forth the components of the total compensation for executive officers, the objectives and the criteria for progression and awards of each of the programs:

Compensation component		Objectives	Compensation period	Short term	Long term	Criteria
FIXED	Base salary	<ul style="list-style-type: none"> Attract and retain. Recognize the level of responsibility, competencies and contribution to the Corporation's results. 	1 year	x		Level of the position, competencies and individual contribution
	Benefits (group insurance)	<ul style="list-style-type: none"> Cover adequately (illness, disability, death). Competitive benefits to promote retention. 	1 year	x		According to the competitive market data; some directly related to the salary
	Perquisites	<ul style="list-style-type: none"> Facilitate access to certain services to favour prioritization of the Corporation's business. 	1 year	x		Related to the level of the position
	Retirement programs:	<ul style="list-style-type: none"> Offer competitive total compensation (attract, build loyalty). 	Benefits accumulate with years of service		x	Related to the level of the position
	<ul style="list-style-type: none"> Defined contribution plan Executive retirement agreements 	<ul style="list-style-type: none"> Offer competitive total compensation (attract, build loyalty). 	Benefits accumulate with years of service		x	Related to the level of the position; the value increases with years of service
VARIABLE	Short-term incentive opportunity ("STIP")	<ul style="list-style-type: none"> Motivate senior executives to achieve and exceed corporate financial goals. 	1 year	x		Adjusted net earnings
	<ul style="list-style-type: none"> Short-term incentive program ("STIP") Special bonus for senior executives 	<ul style="list-style-type: none"> Motivate senior executives to achieve and sustain exceptional performance. 	Payment of the bonus spread over 3 years, potentially 5 years.	x		Adjusted net earnings
	Long-term incentive opportunity	Promote share ownership and: <ul style="list-style-type: none"> Motivate to increase the price per share. Promote retention through vesting conditions. 	10-year term, with 1/3 of options vesting after 1 year, 1/3 after 2 years, 1/3 after 3 years.		x	Adjusted net earnings
	<ul style="list-style-type: none"> Stock options Restricted share units ("RSUs") 	<ul style="list-style-type: none"> Motivate to achieve operational performance targets and create economic value. Promote retention through vesting conditions. 	Vested at the end of the 3-year cycle after the award.		x	Return on equity (for awards prior to the 2010-2013 cycle) Adjusted net earnings (as from the 2010-2013 cycle)

	<ul style="list-style-type: none"> ▪ Stock ownership incentive plan 	<ul style="list-style-type: none"> • Support the achievement of shareholding guidelines. • Stimulate executive interest in increasing the price per share. • Promote executive retention. 	<p>1/3 vesting on January 10 after the end of the plan year in which the shares are awarded, 1/3 vesting on January 10 of the 2nd and 3rd years after the year of the award.</p>		x	Individual investment and price per share
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8.5.1 Base Salary

For the purposes of internal equity, our senior management positions are first evaluated and classified into six different salary grades based on responsibilities, qualification requirements and other conditions specific to each position. Our senior management positions are compared to other similar senior management positions in corporations making up our comparison group, and the salary data gathered are then analyzed to establish the median salaries in the market. Salary scales with minimums and maximums are then developed based on the average of the market medians. Finally, the individual incumbents' salaries are positioned in the scales according to their competencies and experience in the position.

The scales are reviewed annually according to the market movements. Individual salaries are adjusted annually, depending on the evaluation of the contribution to the Corporation's results and the evolution of the incumbent's competencies, as well as his positioning in the salary scale. The executive officers' base salaries are reviewed and recommended by the Committee, usually in the first quarter of each financial year.

The Named Executive Officers, including the President and CEO, Mr. Jean-Marc Eustache, received an annual salary raise of 2% as of January 1, 2011. At the end of financial year 2011, two senior executives left Transat: Mr. Nelson Gentiletti, who held the position of Chief Operating Officer, and Mr. Michael DiLollo, who held the position of President of Transat Tours Canada. On November 1, 2011, a number of senior executives changed positions or took on increased responsibilities under a reshuffle following the departure of the above-mentioned senior executives, including two Named Executive Officers:

- M. Allen B. Graham was appointed head of the operational division Transat Canada and is responsible for the oversight of all operations of the Transat Tours Canada, Transat Distribution Canada, Air Transat, Handlex, ACE and Canadian Affair subsidiaries. He reports directly to the President and CEO, Mr. Jean-Marc Eustache. His salary was raised by 4.8% following this promotion.
- The position of Mr. Denis Pétrin, Vice-President, Finance, and Chief Financial Officer, was reclassified by one level and his base salary was raised by 10%. This is consistent with the benchmarking exercise performed in 2010.

In November 2011, it was decided that the base salaries of Transat's senior executives and managers would be frozen for 2012; consequently, there will be no salary increase as of January 1, 2012 for Named Executive Officers.

A special bonus was established for 2012 only, to offset the management salary freeze (levels 1 to 14) and the increase in the cost of living index. The potential bonus represents 4% of the base salary and will only be paid if the semi-annual financial objectives set for this special bonus are met. The objective of this bonus is to encourage and promote the individual and collective efforts of Transat's senior executives and managers to return Transat to profitability. The amount of this special bonus will be calculated based on the achievement of a financial target set for each operating season, i.e. winter 2012 (November 2011 to April 2012) and summer 2012 (May 2012 to October 2012). Payment of this special bonus, if any, will be made at the end of each season to senior executives and managers then working with Transat and an adjustment may be made based on the financial results for 2012, up to the maximum of 4%.

8.5.2 Employee Benefits Program

The objective of the employee benefits program, to which senior executives are also eligible, is to ensure a target compensation value positioned at the median of the comparison group. The executive group insurance plan includes life insurance, medical insurance, dental insurance and disability insurance. This plan is designed to provide adequate protection to executive officers and their families in the event of death, disability, illness, etc. The design of the employee group insurance plan is based on four guiding principles: financial security, flexibility of choice, simplicity and control of the increase in costs. For the Named Executive Officers, as in the case of all employees, changes made to the plan in 2010 had the effect of preserving or improving the insurance coverage (depending on the choices made) and improved their health management accounts, if applicable. No change was made to Transat's group insurance plan in 2011.

8.5.3 Perquisites Program

The perquisites program provides for the allocation of a dollar value expressed as a percentage of the base salary (which varies between 8% and 10% according to the position held), in order to cover certain business expenses. This amount is granted instead of any other allowance that could be paid or any reimbursement that could be made, such as an automobile allowance, reimbursement of club membership fees, reimbursement of financial services fees, etc.. Regarding perquisites, under the terms of Transat's total compensation policy, it is expressly stipulated that the dollar value of perquisites should be about equal to the comparative market average.

No change was made to the Corporation's perquisites program in 2011.

8.5.4 Retirement Plans

▪ **Defined Benefit Plan**

Since 1999, the Corporation's executive officers are eligible for the defined benefit pension plan, under individual retirement agreements, all of which have similar parameters.

Under the terms of the defined benefit pension plan, the participant is eligible, starting at the age of 65 and for the remainder of his or her life, to a monthly retirement benefit. The amount of this benefit is established by multiplying a percentage, which varies based on the number of credited years of service, by the "final average salary 5 years", which is equal to the sum of the base salary and the target bonus under the short-term incentive program. The amount of the retirement benefit payable by the Corporation is reduced by the sum of the following benefits:

- the retirement benefit payable upon turning 65 under the Transat's retirement plan for non-unionized employees, which is the actuarial equivalent value of the amount accrued by the participant on the date of his or her retirement under such plan, consisting of a group registered retirement savings plan ("RRSP") and a deferred profit sharing plan ("DPSP"); and
- 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 defined benefit pension plan also contains the following terms and conditions:

- the participant may elect early retirement between the ages of 55 and 65. In the event that early retirement is taken between the ages of 55 and 60, the retirement benefit 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 benefit. Furthermore, for participants with over 20 eligible years of credited service, if early retirement is taken upon the date where the sum of age attained plus eligible years of credited service = 85 (provided the participant is at least age 55), no reduction applies to the retirement benefit;
- payment to the participant of the retirement benefit is conditional on his or her continuous and uninterrupted participation in the group RRSP for non-unionized employees of Transat until the date of his or her retirement, at the prescribed contribution level required under the terms thereof;

- if the participant ceases to be employed by Transat before the date of his or her retirement, Transat will issue a certificate or promise of payment of the retirement benefit calculated as of his date of termination of employment, but payable only when the participant turns 65, except in the case of dismissal for cause or if the participant ceases his or her participation to the retirement plan, which results in the automatic cancellation of the participant's right to any retirement benefit pursuant to the standard retirement agreement.

All obligations stemming from the retirement benefits are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit may be used subject to very specific conditions.

Retirement benefits constitute an integral part of the overall compensation of our executive officers. In considering the value of the retirement benefits provided to the executive officers, the Committee takes into account the annual service cost, the accrued benefit obligation, as well as the annual benefit that would be available to the executive officer upon retirement.

- ***Defined Contribution Plan***

The executive officers must first participate in the Transat retirement plan for non-unionized employees, which includes an employee contribution paid to the RRSP and an employer contribution paid to the DPSP. For senior management positions, the contributions are 2% and 2% respectively, not exceeding the maximum contributions permitted by the *Income Tax Act* (Canada).

No change was made to the Corporation's executive retirement plans in 2011.

8.5.5 Short-Term Incentive Program ("STIP")

The objectives of the STIP are to:

- ✓ Motivate the employees and executives of the Corporation and its subsidiaries to support the growth of sales and profit margins;
- ✓ Strengthen the connection between compensation and corporate financial performance;
- ✓ Offer competitive compensation aligned with Transat's compensation philosophy, namely to encourage and reward success through collective work.

The financial indicator on which the bonuses are based is the adjusted net earnings of Transat A.T. Inc., defined so as to exclude unusual items and expressed as a percentage of the revenue.

For 2011, the target was adjusted net earnings equivalent to 1.75% of the revenue, i.e. \$63,868,360.

The following are the main points of the STIP:

- the bonus calculation includes two components with a 50%-50% weighting, namely the Transat adjusted net earnings and the subsidiary's adjusted EBIT;
- if the parent company Transat A.T. Inc. does not reach the 1% adjusted net earnings threshold, no bonus is paid; and
- the participants of a subsidiary which does not reach the threshold set for that subsidiary do not receive a bonus.

The financial targets based on which the bonuses are calculated at year end and paid if the predetermined levels are achieved, are recommended by the Committee and approved by the Board at the beginning of each financial year. At the end of the year, the Committee reviews the financial results achieved in relation to the targets established at the beginning of the year and recommends the bonuses payable for the year concerned for approval by the Board. For 2011, Transat did not reach the minimum threshold required for bonuses to be paid. However, at its meeting of December 14, 2011, the Board approved the payment of exceptional bonuses to the executive officers of Transat Distribution Canada and to the employees of Canadian Affair in recognition of the exceptional financial results of these two subsidiaries in 2011.

For all Named Executive Officers the bonus calculation formula is as follows (those who are attached to the "Transat A.T." unit see their financial result composed only of Transat's adjusted net earnings):

Base salary	x	Target bonus 37.5%, 45%, 50% or 75% depending on the position level	x	Financial result 50% adjusted net earnings and 50% adjusted EBIT of the subsidiary	=	Bonus
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At the meeting of the Board held on January 11, 2012, it was decided that the adjusted net earnings targets for the next year would be the following: (i) adjusted net earnings equivalent to 1.50% of the revenue, (ii) if the adjusted net earnings reach 0.75%, the bonus paid will be equal to 25% of the target bonus, (iii) if the Transat A.T. Inc. 0.75% adjusted net earnings threshold is not reached, no bonus will be paid, and (iv) if the adjusted net earnings reach 2.50% or more, the bonus paid will be the maximum bonus. These changes to the net earnings targets were made following an exercise undertaken to update the net earnings over the sample periods from 2003 to 2014.

- **Determination of the bonus of the President and Chief Executive Officer**

The bonus of the President and CEO, like that of the other Named Executive Officers, is determined according to the same formula as above. For 2011, when the financial criteria calculated at the end of the financial year reaches the budgeted target (i.e. adjusted net earnings of 1.75%), the bonus of the President and CEO is paid at the target, namely the equivalent of 75% of the base salary. When the adjusted net earnings reach 3% or more, the bonus paid is the maximum bonus, namely the equivalent of 150% of the base salary, and when the adjusted net earnings reach 1%, the bonus paid is equal to 25% of the target bonus, i.e. 18.75% of the base salary. When the threshold of 1% of adjusted net earnings for Transat A.T. Inc. is not reached, no bonus is paid to the President and CEO.

No bonus was paid to the President and CEO for 2011.

For 2012, the new adjusted net earnings targets described above that are applicable to the Named Executive Officers will also be used to determine the bonus of the President and CEO. The payment of the bonus to which the President and CEO may be entitled for any given year may not be deferred under any circumstances.

The following table presents, for each Named Executive Officer, the potential bonuses (minimum, target and maximum) expressed as a percentage of base salary, and the actual bonuses paid for 2011:

Name	Minimum bonus opportunity (% of base salary)	Target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)	Bonus paid for 2011 (\$)
Jean-Marc Eustache	0	75%	150%	0
Allen B. Graham	0	45%	90%	0
Daniel Godbout	0	45%	90%	0
Denis Pétrin	0	37.5%	75%	0
Nelson Gentiletti	0	50%	100%	0

- **Special Bonus for Executive Officers**

At the meeting held on January 13, 2010, a special bonus plan was approved by the Board of Directors. This plan is in continuity with the STIP, because it depends on the same financial target and improves the STIP opportunity. The purpose of this special plan is to motivate the executive officers to ensure that Transat achieves an exceptional profit margin and, above all, that it maintains this margin year after year. This plan is essentially intended for position levels 1 to 6, namely the levels of President and Chief Executive Officer, Vice-President, Finance and Chief Financial Officer, Presidents of subsidiaries, and corporate Vice-Presidents.

This plan operates on a three-year cycle and the bonus payments can be spread over a maximum of five years, i.e. two years after the end of the cycle. A bonus is earned and a reserve is constituted when Transat A.T. Inc. realizes adjusted net earnings of 3% or more. Half of the reserve is paid to the participants at the end of each year of the cycle. If, during the cycle, Transat A.T. Inc. does not

reach a performance threshold (adjusted net earnings) of 2%, the reserve is reduced by 50%. The balance of the reserve is paid at the end of the second year after the end of the three-year cycle.

When the 3% target for adjusted net earnings is achieved, the value of the bonus earned for a year corresponds to 50% of the salary of each of the eligible executive officers. In case of achievement of the adjusted net earnings of 3.5% or more, the bonus earned corresponds to 100% of the salary of each of the Named Executive officers. The bonus earned under this special bonus plan is added to the bonus earned under the STIP.

No bonus was earned under this plan in 2010 and 2011.

8.5.6 Long-Term Incentive Program

The long-term incentive plans established by the Corporation are designed to motivate executives to achieve long-term goals and thus contribute to the increase in the value of the capital invested in the Corporation by the shareholders. Their objective is also to ensure a target compensation value that serves to position the total compensation (as defined hereinabove) at the median of our comparison group when all targeted results are achieved, with the potential to exceed the median of the comparison group if results are exceptional.

The following table sets forth, for each Named Executive Officer (as defined on page 47 of this Circular), the guidelines relating to the estimated value of each component of the long-term incentive program:

NAME	ANNUAL LONG-TERM INCENTIVE OPPORTUNITY ⁽¹⁾		
	OPTION GRANTS	RSU AWARDS ⁽²⁾	SHARE AWARDS ⁽³⁾
	Par value (a) = [# of options x price per share on date of grant ⁽²⁾] / salary	Par value (b) = [# of RSUs x price per share on date of award ⁽²⁾] / salary	Par value (c) = [# of shares x price per share on date of award ⁽³⁾] / salary
Jean-Marc Eustache	175.0%	30.0%	0.0%
Allen B. Graham	75.0%	10.0%	10.0%
Daniel Godbout	75.0%	10.0%	10.0%
Denis Pétrin	75.0%	10.0%	10.0%
Nelson Gentiletti	137.5%	25.0%	10.0%

(1) The annual grants and awards under the long-term incentive program are determined according to the par value contemplated for the level of the position.

(2) The price per share for the options granted and RSUs awarded is determined according to the weighted average-trading price of Transat voting shares on the Toronto Stock Exchange for the five trading days preceding the date of grant or award. (See the "Stock Option Plans" and the "Restricted Share Unit (RSU) Plan" sections below).

(3) The value of the shares awarded under the permanent stock ownership incentive plan depends on the value invested by the participant in the Share Purchase Plan for the Benefit of All Employees or Executives, subject to a maximum for the level of the position expressed as a percentage of the salary. The price upon the award is equal to the purchase price of the shares on the secondary market. (See the "Stock Ownership Incentive Plan" section below.)

Each long-term incentive plan in place at Transat and the option-based and share-based awards to the Named Executive Officers in 2011 are described below.

▪ **Stock Option Plans**

The Former Plan

On December 5, 1995, the Corporation established a stock option plan for directors, officers and employees, which was amended from time to time (the "Former Plan"). The Former Plan allows Transat to grant stock options (the "Options") to directors, officers and employees of the Corporation and its subsidiaries in which it holds at least 50% of the voting share capital (the "Beneficiaries"). Under the Former Plan, the Board of Directors may grant Options for issuance of up to a maximum of 7,715,847 voting shares of the Corporation.

The purpose of the Former Plan is to encourage, retain and motivate the Beneficiaries by means of the grant of Options. The Former Plan allows the holder of an Option to purchase one voting share for each Option held. The price at which each voting share may be

subscribed by the Beneficiaries upon the exercise of Options granted pursuant to the Former Plan is determined by the Board of Directors or, as the case may be, its Executive Committee, as to be equal to the weighted average closing price of the voting shares of the Corporation on the TSX for the five trading days preceding the grant of the Options and during which transactions have been effected on the voting shares of the Corporation.

The Board of Directors of the Corporation or, as the case may be, its Executive Committee, upon recommendation of the Committee, may determine, from time to time and in its entire discretion, which Beneficiaries will be granted Options, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the Beneficiaries may exercise their Options. The Options granted under the Former Plan expire ten (10) years after the grant date, or are cancelled earlier if the Beneficiary ceases to hold a position with Transat or any of its subsidiaries or if he or she dies. Also, in circumstances where the end of the option period of an Option falls within, or within ten business days after the end of, a blackout period, the option period of such Option shall be extended so that its expiration date falls on the tenth business day after the end of such blackout period.

The number of voting shares (i) issuable to insiders (within the meaning of the *Securities Act* (Québec)), at any time and (ii) that are issued to these insiders, within any one-year period, under the Former Plan and all of the other share-based compensation plans of the Corporation, cannot exceed ten percent (10%) of the number of issued and outstanding voting shares of the Corporation. The number of voting shares which may be purchased by any person (including insiders and their associates within the meaning of the *Securities Act* (Québec)) within any one-year period under the Former Plan and all of the other share-based compensation plans of the Corporation must not exceed five percent (5%) of the issued and outstanding voting shares of the Corporation.

Under the Former Plan, the Board of Directors may, without shareholder approval, make certain amendments of the following nature: (i) formal minor or technical amendments to any provision of the Former Plan; (ii) corrections to any provision of the Former Plan containing an ambiguity, defect, error or omission; or (iii) changes to the Option termination provisions that do not entail an extension beyond the original expiry date. However, the following amendments require the approval of a majority of the shareholders present at a duly called shareholders' meeting:

- (a) any increase to the maximum number of Voting Shares issuable under the Former Plan (other than for standard anti-dilution purposes);
- (b) the reduction of the subscription price of the Options held by an insider (other than for standard anti-dilution purposes);
- (c) the extension of the term of an Option held by an insider; and
- (d) the extension of the blackout expiration term.

Upon exercise of his Options, the Beneficiary must be a director, officer or employee of the Corporation or its subsidiaries. However, within three months following his voluntary termination of employment or the date on which he ceases to be a director of the Corporation or of one of its subsidiaries, the Beneficiary may exercise the Options then vested to him. In the event of termination of employment following his retirement or permanent disability, termination of employment without serious reason, or death, dismissal or layoff of the Beneficiary, the Beneficiary, heirs or legal representatives, as the case may be, may, within six months following such event, exercise the Options that were vested to him at the date of such event. Options not exercised prior to the expiry of such delays will become null and void. In the event of termination of employment for serious reason, the Options granted will become null and void as of the date of termination of employment.

The Options may not be assigned, traded or pledged by the Beneficiaries. The Options may however be assigned by will pursuant to the provisions of the laws of succession

Furthermore, there is no financial assistance available to the Beneficiaries under the Former Plan.

Notwithstanding the foregoing, in case of a take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), providing for the purchase of shares or securities conferring direct or indirect ownership of 20% or more of the votes that may be cast to elect Transat's directors (the "Offer") or of an acquisition of control, 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. Unless a contrary decision is made by the Board of Directors, in the case of an Offer, these provisions are only applied if the Offer is successful so that the exercise of any unvested option or the exercise forced by the Board of Directors is conditional on the Offer's success.

For the purposes of the Former Plan, an acquisition of control occurs when an event or series of events triggers a de facto control of Transat, either directly or indirectly, through the ownership of Transat's securities, by way of agreement or in any other manner whatsoever. Subject to any contrary decision from the applicable regulatory authorities, and without limiting the generality of the foregoing, the following events shall be considered to be an acquisition of control: (i) if a person proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec) becomes the owner or beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock markets, by way of private sale or by any other manner may directly or indirectly acquire ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute our Board of Directors on March 19, 2003, and any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board as at March 19, 2003, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors; (iv) if our assets representing 50% or more of the book value of all our assets are sold, liquidated or otherwise assigned; (v) if a majority of voting securities allowing the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vi) if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vii) if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure; or (viii) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

At the end of 2008, and more than 13 years after the implementation of the Former Plan, the Corporation had granted most of the available Options with an annualized average of almost 546,556 Options granted and therefore the remaining number of Options available for grant under the Former Plan had become insufficient. The Board of Directors also believed that it was appropriate to amend certain terms of the Former Plan in order to fully comply with the Institutional Shareholder Services Guidelines of the RiskMetrics Group, a provider of risk management and corporate governance products and services to participants in the global financial markets. Consequently, the Board of Directors believed, considering among other things that the stock option plan is an important component of the long-term incentive program, that it was in the best interests of the Corporation to adopt a new stock option plan.

The Options that have been granted pursuant to the Former Plan but that have not yet been exercised continue to be governed by the terms and conditions of the Former Plan

The 2009 Plan

On January 14, 2009, the Board of Directors adopted the 2009 Stock Option Plan for officers and employees (the "New Beneficiaries") of the Corporation (the "2009 Plan"), which was approved by the shareholders on March 11, 2009. The 2009 Plan complies with the rules and policies of the Toronto Stock Exchange (the "TSX") and with the Institutional Shareholder Services Guidelines of the RiskMetrics Group. Under the 2009 Plan, the Board of Directors may grant Options for issuance of up to a maximum of 1,945,000 voting shares of the Corporation, which represent 5.11% of the issued and outstanding voting shares of the Corporation as at January 25, 2012.

The purpose of the 2009 Plan is to attract, retain and motivate the New Beneficiaries by means of the grant of Options. The 2009 Plan allows the Beneficiary of each Option to purchase one voting share for each Option held. The price at which each voting share may be subscribed by the New Beneficiaries upon the exercise of Options granted pursuant to the 2009 Plan will be determined by the Board of Directors or, as the case may be, its Executive Committee, as to be equal to the weighted average trading price of the voting shares of the Corporation on the TSX for the five trading days preceding the grant of the Options and during which transactions have been effected on the voting shares of the Corporation.

Except for the following conditions, the 2009 Plan is identical to the Former Plan:

- ✓ The number of Options granted within one year cannot exceed 2% of the issued and outstanding voting shares of the Corporation.

- ✓ The vesting of the Options granted under the 2009 Plan is subject to a performance condition determined at the time of each grant by the Board of Directors.

Recent Changes Made to the Stock Option Plans

On January 12, 2011, the Board of Directors adopted certain changes to the Former Plan and the 2009 Plan in order to comply with the recent tax amendments to the *Income Tax Act* (Canada) concerning stock options awarded to employees, which came into force on January 1, 2011. The changes made to the 2009 Plan had the sole purpose of allowing the Corporation to establish the necessary measures to comply with the new income tax remittance obligation set out in the *Income Tax Act* (Canada).

Option Grant Process

The annual grant of Options is part of the annual review of executive compensation performed by the Committee. The number of Options granted is established according to the position and base salary of each participant and the exercise price. The Options grants made previously and the number of Options outstanding on the date of the grant are not taken into account in establishing the grants for the year. The number of Options granted is established by multiplying the grant factor applicable to the level of the position occupied according to the grant policy approved by the Board of Directors, by the participant's salary, and dividing the product by the exercise price on the date of the grant. In extraordinary cases, Options may be granted upon new hires or in exceptional situations within the context of succession management for the positions eligible for grants of options. The list of beneficiaries of annual grants proposed is presented for discussion to the Committee, which then makes its recommendation at the next Board meeting for final approval.

Certain executive officers of the Corporation are involved in the management of the stock option plans. The Vice-President, Human Resources and Chief Talent Officer is responsible for providing the Committee with data on the market trends related to compensation and, more specifically, with respect to long-term incentive value and total compensation. He also works in collaboration with the Committee to define the elements of executive compensation, including eligibility for the STIP and the long-term incentive plan, including the stock option plans, and determine the size and conditions of the bonuses and long-term incentive awards. He then prepares the grants for presentation to the Committee and monitors the option reserve on a monthly basis, including the Options awarded, exercised, cancelled and expired. The Vice-President, Finance and Chief Financial Officer participates, jointly with the other executive officers, in preparing the financial budgets, which are submitted to the Board of Directors for approval and which constitute the base of the financial performance goals on which the bonuses are based. He is also in charge of overseeing the financial and accounting aspects of the stock option plans. The Vice-President, Legal Affairs and Secretary is responsible for the legal and regulatory aspects of the stock option plans, including the filing of insider declarations and other reports with the regulators. Any proposed change to the annual incentive plan and the stock option plans is discussed with the President and Chief Executive Officer and then with the Committee, which chooses, as it sees fit, to recommend approval of the change to the Board of Directors and, as needed, to the shareholders.

Option Grants in 2011

In 2011, the annual grant date of Options was changed from May to January of each year. At its meeting on December 15, 2010, the Board approved that, effective from the 2011 grant, the grant date of Options be set at the date of the first meeting of the Board held in January, in order to align the option grant process with the other incentive plans. Accordingly, the 2011 Options were granted on January 12, 2011 and the senior executives then received two thirds of the usual grant, in order to account for the fact that the previous Options had been granted in May 2010.

The options granted during financial year 2011 were first granted under the 2009 Plan, based on the usual grant formula, but at two thirds of the usual grant. In addition, options were granted on an exceptional basis to a total of 28 managers identified as having high potential. Each of these 28 managers received a total of 2,000 options from the reserve of the 2009 Plan. The President and Chief Executive Officer did not receive any exceptional grant but only received a regular grant from the reserve of the 2009 Plan.

The Options granted in 2011 under the 2009 Plan may be exercised as follows:

EXERCISE PERIOD	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE CORPORATION'S REVENUE, FOR THE FINANCIAL YEAR ENDING OCTOBER 31
December 2011	33 ¹ / ₃ %	If equal to or greater than 1%
	(carried over to 2014)	If less than 1%
December 2012	33 ¹ / ₃ %	If equal to or greater than 1%
	(carried over to 2015)	If less than 1%
December 2013	33 ¹ / ₃ %	If equal to or greater than 1%
	(carried over to 2016)	If less than 1%
December 2014	33 ¹ / ₃ % (if tranche carried over from 2011)	If equal to or greater than 1%
	(cancellation of 33 ¹ / ₃ % of the Options) ⁽¹⁾	If less than 1%
December 2015	33 ¹ / ₃ % (if tranche carried over from 2012)	If equal to or greater than 1%
	(cancellation of 33 ¹ / ₃ % of the Options) ⁽¹⁾	If less than 1%
December 2016	33 ¹ / ₃ % (if tranche carried over from 2013)	If equal to or greater than 1%
	(cancellation of 33 ¹ / ₃ % of the Options) ⁽¹⁾	If less than 1%
December 2017	Total balance of Options ⁽²⁾	Not applicable
December 2018	Total balance of Options ⁽²⁾	Not applicable
December 2019	Total balance of Options ⁽²⁾	Not applicable
December 2020	Total balance of Options ⁽²⁾	Not applicable

(1) Any option tranche carried over for three years is cancelled if the adjusted net earnings realized by the Corporation during the year of the carry-over are less than 1%.

(2) The balance of Options is composed of the proportion of the Options vested during the six years after the grant date that are still outstanding.

Status of Outstanding Options – Former Plan

No Options were granted under the Former Plan in 2011.

As at October 31, 2011, an aggregate of 1,142,170 Options, representing approximately 3.0% of the total number of voting shares then outstanding, had been granted under the Former Plan but had not yet been exercised. Also during 2011, an aggregate of 88,688 Options were cancelled and/or expired, and an aggregate of 42,819 Options were exercised. In addition, an aggregate of 105,051 voting shares were reserved and available for future option grants under the Former Plan, for a total of 1,247,221 voting shares, or approximately 3.28% of the total number of voting shares issued and outstanding or available for the purposes of the stock option plans.

Status of Outstanding Options – 2009 Plan

During 2011, an aggregate of 237,239 Options were granted under the 2009 Plan at an exercise price of 19.24\$, including 116,472 to Named Executive Officers, representing 0.31% of the total number of voting shares outstanding as at October 31, 2011.

As at October 31, 2011, an aggregate of 602,307 Options, representing approximately 1.57% of the total number of voting shares then outstanding, had been granted under the 2009 Plan but had not yet been exercised. Also during 2011, an aggregate of 83,577 Options were cancelled and/or expired, and no Options were exercised under the 2009 Plan. In addition, an aggregate of 1,342,693 voting shares were reserved and available for future option grants under the 2009 Plan, for a total of 1,945,000 voting shares, or approximately 5.11% of the total number of voting shares issued and outstanding or available for the purposes of the stock option plans.

The value of the grants of Options to the Named Executive Officers in 2011 is in compliance with the guidelines presented above.

In 2011, Mr. Gentiletti exercised 17,000 Options from the 2009 grant at a price of \$11.22.

Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2011, may be found in our 2011 Annual Report available on the SEDAR website at www.sedar.com.

Recent Grant of Stock Options

On January 11, 2012, 95,791 Options were granted under the Former Plan and 638,582 Options were granted under the 2009 Plan, for a total of 734,373 Options granted at an exercise price of \$7.48. Of this number, a total of 356,633 Options were granted to Named Executive Officers, i.e. 46,791 Options under the Former Plan and 309,842 under the 2009 Plan, representing approximately 0.94% of the total number of voting shares outstanding as at January 11, 2012. Moreover, as part of this grant, a total of 4,000 Options were also granted on an exceptional basis to an employee who is not a senior executive. Options granted under the Former Plan were granted to the senior executives that were promoted in September 2011 as part of the reorganization announced by the Corporation.

The Options granted under the 2009 Plan will vest, on each vesting date, in accordance with the defined exercise conditions, based on the performance criteria described in the following table:

EXERCISE PERIOD	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE CORPORATION'S REVENUE FOR THE FINANCIAL YEAR ENDING OCTOBER 31
Year 2012	33 ¹ / ₃ %	If equal to or greater than 0.75%
	OR carried over to 2015	If less than 0.75%
Year 2013	33 ¹ / ₃ %	If equal to or greater than 0.75%
	OR carried over to 2016	If less than 0.75%
Year 2014	33 ¹ / ₃ %	If equal to or greater than 0.75%
	OR carried over to 2017	If less than 0.75%
Year 2015	33 ¹ / ₃ % (if tranche carried over from 2012)	If equal to or greater than 0.75%
	(cancellation of 33 ¹ / ₃ % of the Options) ⁽¹⁾	If less than 0.75%
Year 2016	33 ¹ / ₃ % (if tranche carried over from 2013)	If equal to or greater than 0.75%
	(cancellation of 33 ¹ / ₃ % of the Options) ⁽¹⁾	If less than 0.75%
Year 2017	33 ¹ / ₃ % (if tranche carried over from 2014)	If equal to or greater than 0.75%
	(cancellation of 33 ¹ / ₃ % of the Options) ⁽¹⁾	If less than 0.75%
Year 2018	All unexercised vested Options ⁽²⁾	Not applicable
Year 2019	All unexercised vested Options ⁽²⁾	Not applicable
Year 2020	All unexercised vested Options ⁽²⁾	Not applicable
Year 2021	All unexercised vested Options ⁽²⁾	Not applicable

(1) Any option tranche carried over for three years is cancelled if the adjusted net earnings realized by the Corporation during the year of the carry-over are less than 0.75%;

(2) Unexercised vested Options comprise the proportion of the Options vested during the six years after the grant date that are still outstanding.

▪ Restricted Share Unit (RSU) Plan

The objective of the Corporation's restricted share unit plan ("RSU Plan") is to attract and retain competent people to hold positions as executive officers and executives of the Corporation and its subsidiaries, and to promote harmonization with the interests of the executive officers and executives and those of the shareholders of the Corporation.

The number of restricted share units (“RSUs”) awarded to each participant is equal to a percentage of base salary divided by the weighted average trading price of the Corporation’s voting shares on the TSX for the five trading days preceding the date of award.

RSUs vest to each participant at the end of a three-year cycle based upon the weighted average return on shareholders’ equity (“RSE”) that was achieved for the three-year cycle (see “Changes Made to the RSU Plan in 2011” below for a description of the performance criterion used since 2011 to determine RSU vesting).

- ✓ All awarded RSUs vest upon the achievement of an average RSE target over a three-year cycle.
- ✓ No RSU vests if the return is lower than an average RSE threshold over a three-year cycle.
- ✓ The vesting percentage is prorated linearly between defined milestones.

For each vested RSU, participants are entitled to receive a cash payment from Transat equivalent to the weighted average trading price of the voting shares on the TSX for the five trading days preceding the ending date of the cycle multiplied by the number of RSUs that have vested during the cycle. The RSU plan contains change of control provisions that provide for the accelerated vesting of the RSUs in certain circumstances. For the cycles prior to the 2010-2013 cycle (grant of January 2011), the vesting and performance criteria parameters are as follows:

PERFORMANCE LEVEL	AVERAGE RSE OVER THE THREE YEARS FOLLOWING THE GRANT		VESTING (% OF RSUs AWARDED)	
	from	to	from	to
Above threshold	≥ 12.00%	< 12.00%	100.00%	< 100.00%
	≥ 11.44%	< 11.44%	75.00%	< 75.00%
	≥ 10.88%	< 10.88%	50.00%	< 50.00%
	≥ 9.94%	< 9.94%	37.50%	< 37.50%
Threshold	≥ 9.00%	< 9.94%	25.00%	<37.50%
Below threshold		<9.00%	0.00%	

No cash payment was made for the 2008-2011 grant cycle, which expired on October 31, 2011, since the financial target set for this cycle was not achieved.

Changes made to the RSU Plan in financial year 2011

Certain changes to the RSU Plan were approved by the Board at the meeting held in November 2010 and apply to any new RSU grant awarded under the RSU Plan, including the one described below made for 2011. The main changes made are as follows:

- The financial performance criterion used to determine RSU vesting henceforth will be the adjusted net earnings as defined in the RSU Plan. Therefore, the target is the same for all incentive plans.
- The RSU vesting cycle remains a 36-month cycle but begins on the date of the first meeting of the Board in January of each year and ends on the end date of the period of about thirty-six (36) months after the grant date, which corresponds to the date when the first meeting of the Board is held in January of each year.

In 2011, an aggregate of 153,767 RSUs were awarded and may vest according to the following parameters. Of this number, an aggregate of 28,395 RSUs were awarded to Named Executive Officers.

Average adjusted net earnings realized (2010-2013), expressed as a % of the Corporation’s revenue for the year ending October 31	Vesting %
If less than 1%	0%
If equal to 1% (threshold)	25%

Average adjusted net earnings realized (2010-2013), expressed as a % of the Corporation's revenue for the year ending October 31	Vesting %
If equal to 1.25%	50%
If equal to 1.50%	75%
If equal to or greater than 1.75% (target)	100%

The vesting percentage is prorated linearly if the adjusted net earnings realized fall between two of the levels of performance described above.

Recent RSU Award

On January 12, 2012, a total of 373,146 RSUs were awarded and may vest if the adjusted net earnings target is achieved for the three-year cycle that will end in January 2015. Of this number, a total of 51,849 RSUs were awarded to Named Executive Officers. These RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2010-2013), expressed as a % of the Corporation's revenue for the year ending October 31	Vesting %
If less than 0.75%	0%
If equal to 0.75% (threshold)	25%
If equal to 1.00%	50%
If equal to 1.25%	75%
If equal to or greater than 1.50% (target)	100%

Moreover, none of the RSUs awarded for the three-year cycle which ended on October 31, 2011 have vested, since the average RSE threshold was not achieved during this three-year cycle.

- ***Stock Ownership Incentive Plan***

The share purchase plan put in place for executive officers, the "Transaction" plan, is part of the long-term variable compensation of the Corporation's executive officers. By this plan, Transat seeks to incite its executive officers to become and remain shareholders of the Corporation, stimulate their interest to increase the price of the Corporation's shares and promote their retention. The objective of the stock ownership incentive plan is also to encourage the participants to meet or exceed the shareholding guidelines adopted by the Corporation by awarding each eligible executive officer shares for which the total cost of purchase is equal to the percentage of salary invested by the said executive in the share purchase plan.

On June 29, 1999, our Board of Directors adopted the initial Transaction Plan. On October 19, 2004, our Board of Directors amended this plan with respect to eligibility and frequency of subscription. Further, on January 14, 2005, our Board of Directors extended the initial term of the plan for an additional five years. On December 14, 2006, the Transaction Plan was further amended in order to introduce detailed amending provisions to such plan as required under the new rules of the TSX. These amendments were approved by the shareholders on March 14, 2007. Finally, on October 29, 2008, the Board of Directors renewed the Transaction Plan for an additional term of five years under the same terms and conditions as the previous plan.

Accordingly, during the additional term above-mentioned, the executive officer who participates in the share purchase plan up to the maximum allowed annually, which is equal to 5% or 10% of their salary depending on the position held, is awarded by Transat a number of voting shares whose total purchase price on the secondary market is equal to the aforementioned percentage of salary contributed. Shares purchased on the market with employee contributions are discounted 10%.

One third of the voting shares so awarded by Transat shall vest to each eligible executive officer on January 10 following the year of the award, the second January 10 following the year of the award and the third January 10 following the year of the award, provided the executive officer holds on to all voting shares subscribed for under the share purchase plan at each of these dates. In the event that the eligible executive officer ceases to occupy his or her position, retires or in the event that he or she dies or becomes permanently disabled, the said executive officer or his or her assigns, as the case may be, shall become the owner of the awarded voting shares vested to him or her on the date of his or her termination of employment or on the date of his or her death. The voting shares awarded by Transat do not confer any rights to the eligible executive officer prior to vesting.

However, in the event of a change of control of Transat, any eligible executive officer will acquire, automatically and in advance, the right to those shares awarded but not yet vested on the date of the said change of control, provided that on such date he or she still holds the same number of shares subscribed for under the share purchase plan corresponding to each award.

As at October 31, 2011, an aggregate of 29,248 shares having an approximate aggregate value of \$333,635 had been awarded to the executive officers of the Corporation under the Transaction Plan. Of that number, 9,750 shares vested on January 10, 2012, 9,749 will vest on January 10, 2013, and 9,749 will vest on January 10, 2014.

The Transaction Plan is directly tied to the Share Purchase Plan for the Benefit of All Employees or Executives of Transat as regards the total number of shares that may be subscribed for or are issuable to a single person or to an insider of Transat.

At its meeting held on January 12, 2011, the Board approved the following changes to the Plan, in order to make it easier for senior executives to meet the shareholding guidelines. In circumstances where a senior executive is hired during the year, an executive becomes a senior executive during the year, a senior executive receives a salary raise during the year, or the salary grade of a senior executive changes during the year, the change becomes effective immediately rather than at the beginning of the following year.

▪ ***Deferred Share Unit Plan***

Following the review of our long-term incentive program in 2007, awards of deferred share units (“DSUs”) to executive officers under the deferred share unit plan were discontinued effective November 1, 2006. Dividend equivalents, when applicable, are converted into additional DSUs according to the terms and conditions of the plan for executive officers who held DSUs before the awards ceased.

8.5.7 *Minimum Shareholding Requirements for the Named Executive Officers*

The shareholding guidelines adopted by the Corporation provide that executive officers (levels 1 to 6) must hold, no later than at the end of the five-year period following their appointment to a senior management position, the number of voting shares or DSUs with a value corresponding to a specific multiple of their annual base salary. The table below indicates the minimum shareholding multiple applicable to each Named Executive Officer. In the event that an executive officer is promoted to a higher position during or subsequent to the five-year period following his appointment, the guidelines provide that he then benefits from an additional three-year period effective from the date of his promotion to reach the new minimum shareholding multiple which will then be applicable to him. In addition, it was decided, at the meeting of the Board of January 11, 2012, that the amount used to determine compliance with the executive officers’ minimum shareholding requirement will be (i) the cost of acquiring the shares for the executive officer or (ii) the market value of the shares held on October 31 of each year, whichever is the higher.

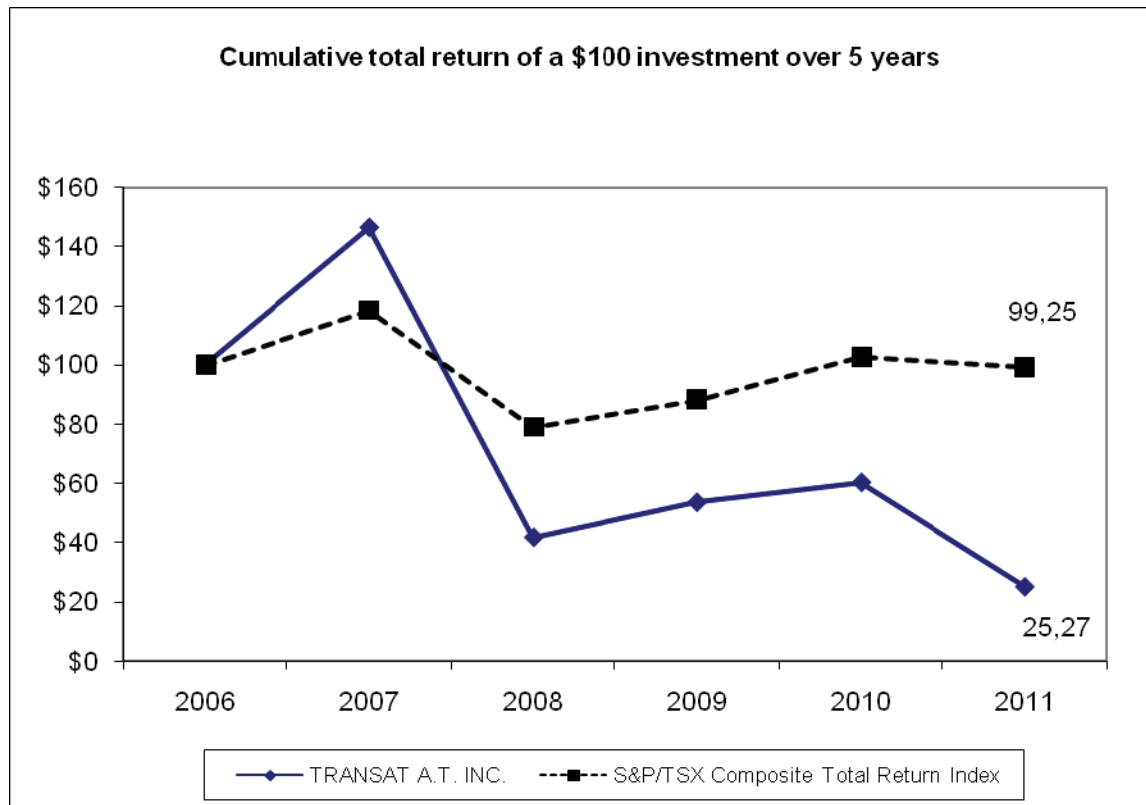
Name	Minimum shareholding multiple based on the annual base salary	Compliance with requirement as at October 31, 2011
Jean-Marc Eustache	3 times the annual salary	Yes
Allen B. Graham	1.0 times the annual salary	In progress ⁽²⁾
Daniel Godbout	1.0 times the annual salary	Yes
Denis Pétrin	1.0 times the annual salary ⁽¹⁾	In progress ⁽²⁾
Nelson Gentiletti	1.5 times the annual salary	n/a

(1) On November 1, 2011, the minimum shareholding multiple applicable to Mr. Denis Pétrin was increased from 1.0 to 1.5 times his annual base salary.

(2) According to the share ownership guidelines adopted by Transat, these senior executives benefit from an additional period from the date of their promotion to achieve the minimum shareholding multiple applicable to them.

▪ **Graph 1**

The following performance graph indicates the cumulative total return over five years, assuming a \$100 investment made on October 31, 2006 in voting shares of the Corporation (assuming reinvestment of the dividends) and in the S&P/TSX Composite Total Return Index.



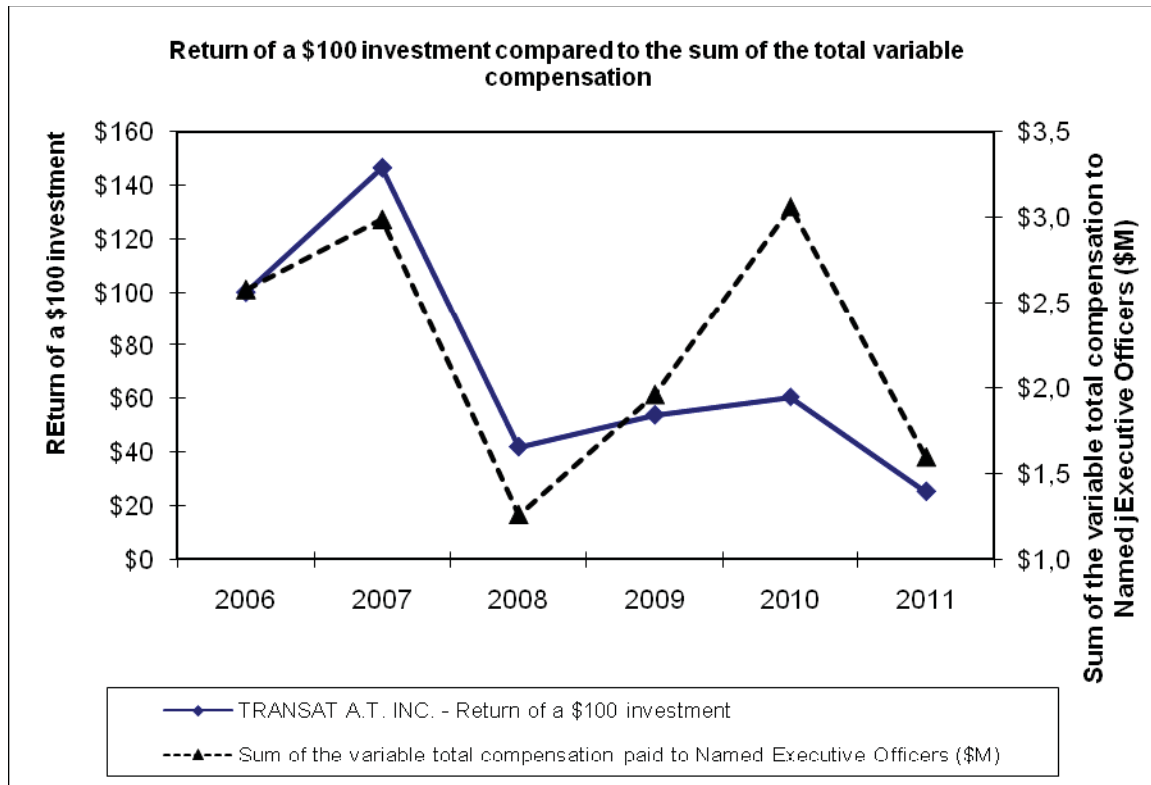
Financial year	2006-10-31	2007-10-31	2008-10-31	2009-10-31	2010-10-31	2011-10-31
TRANSAT A.T. INC.	\$100.00	\$146.46	\$41.93	\$53.80	\$60.49	\$25.27
S&P/TSX Composite Total Return Index	\$100.00	\$118.47	\$79.09	\$88.38	\$102.69	\$99.25

▪ **Graph 2**

The following graph indicates the trend of the total variable compensation paid to the Named Executive Officers over the same five-year period as the previous graph. It compares the sum of the total variable compensation paid to the Named Executive Officers (STIP bonuses paid, DSU and RSU grants, share awards under the Transaction Plan and Option grants) with the cumulative total return over five years, assuming a \$100 investment made on October 31, 2006 in voting shares of Transat. This graph shows that when the value of the return on the voting shares of Transat decreases, as in 2008 and 2011, the variable compensation paid also decreases, thus showing the relationship between variable executive compensation and the value of the voting shares of the Corporation. Conversely, when the value of the return on the voting shares of Transat increases over the previous year, as in 2007, 2009 and 2010, the total variable compensation paid to the Named Executive Officers also increases.

It should be noted that the variable compensation increase in 2010 compared to 2009 is due to the additional grant of stock options to senior executives and to the payment of STIP bonuses based on the achievement of the financial goals defined under the Plan. In 2009, as in 2011, senior executives did not receive any STIP bonus. Therefore, the graph shows a considerable spread between 2009

and 2010 as a result of these two elements. Furthermore, the positive impact of Transat's financial results on the value of the share became apparent when the financial results for 2009-2010 were disclosed in December 2010, the price per share having risen from \$16.35 as at October 31, 2010 (as shown on the graph) to \$19.48 on December 16, 2010. However, because this graph is produced as at October 31, this share price increase is not reflected on the curve in 2010.



Financial year	2006-10-31	2007-10-31	2008-10-31	2009-10-31	2010-10-31	2011-10-31
TRANSAT A.T. INC. – Return of a \$100 investment	\$100.00	\$146.46	\$41.93	\$53.80	\$60.49	\$25.27
Sum of the variable total compensation paid to Named Executive Officers (\$M)	\$2.581	\$2.991	\$1.260	\$1.960	\$3.068	\$1.595

8.6 Summary Compensation Table

The following table sets forth the information regarding the total compensation paid during each of the last three financial years to the President and Chief Executive Officer, the Vice-President, Finance and Administration and Chief Financial Officer and to the three other mostly highly compensated executive officers of the Corporation and its subsidiaries (collectively, the "Named Executive Officers"):

NAME AND PRINCIPAL POSITION	FY	SALARY	SHARE-BASED AWARDS		OPTION-BASED AWARDS (3) (4)	SHORT-TERM INCENTIVE PROGRAM COMPENSATION	RETIREMENT PLAN VALUE (5)	ALL OTHER COMPENSATION (6)	TOTAL COMPENSATION (8)
			RSUS (1)	TRANSACTION (2)					
			(\$)	(\$)					
Jean-Marc Eustache Chairman of the Board of Directors, President and CEO	2011	814,200	246,600	0	494,951	0	239,515	65,136	1,860,402
	2010	772,667	231,648	0	555,930	389,306	360,922	61,813	2,372,286
	2009	760,000	228,000	0	723,082	0	283,846	61,728	2,056,656
Allen B. Graham President Transat Canada	2011	380,663	38,173	38,066	98,506	0	106,603	38,066	700,076
	2010	374,360	37,535	36,944	218,917	112,002	98,762	37,436	915,956
	2009	369,435	36,943	36,943	150,640	0	89,576	37,587	721,125
Daniel Godbout Senior Vice-President, Transport and Revenue Management	2011	331,328	33,216	33,124	85,716	0	58,616	33,124	575,033
	2010	325,334	32,661	31,896	190,499	94,032	472,740	32,533	1,179,695
	2009	318,956	31,896	31,896	130,058	0	128,365	31,896	673,067
Denis Pétrin Vice-President, Finance and Administration, and CFO	2011	283,597	29,000	28,360	74,842	0	78,608	28,360	522,766
	2010	250,677	25,158	24,616	146,735	75,781	38,931	25,068	586,966
	2009	213,647	20,236	6,071	100,729	0	10,682	21,417	372,783
Nelson Gentiletti ⁽⁷⁾ Chief Operating Officer	2011	456,221	121,540	45,622	230,009	0	116,669	1,512,080	2,482,140
	2010	473,525	118,808	46,500	508,160	190,867	104,714	0	1,442,574
	2009	422,422	105,606	42,242	315,779	0	112,160	585	998,794

(1) The value of the RSUs awarded under the RSU Plan is equal to a percentage of the participant's base salary, divided by the weighted average trading price of the voting shares on the TSX for the five days preceding the award, i.e. \$19.24 in 2011, \$21.15 in 2010, and \$12.10 in 2009.

(2) This amount represents Transat's contribution to the stock ownership incentive plan (Transaction plan) on the senior executive's behalf. This contribution is equivalent to 5% or 10% of the senior executive's base salary as at December 31 of the year preceding the beginning of the contributions, depending on the level of the position.

(3) See the "Stock Option Plans" section of this Circular for the detailed option exercise conditions.

(4) The fair value of the Options granted annually is obtained by multiplying the number of Options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions:

	2011	2010	2009
Exercise price	\$19.24	\$12.25	\$11.22
Risk-free rate:	3.26%	3.54%	3.07%
Dividend yield:	-	-	-
Volatility (60 months):	52.9%	49.0%	45.4%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	\$9.93	\$5.02	\$6.10

(5) The value of the retirement plan represents, for each financial year, the sum of the "change attributable to compensatory items" of the defined benefit pension plan and the "compensatory amount" of the retirement plan (defined contribution plan), as presented for the 2010 financial year, in the tables of the "Benefits under a Retirement Plan" section of this Circular. For each financial year, the amount of the "change attributable to compensatory items" was established according to the same actuarial assumptions as those that served to establish the accrued benefit obligation presented in Transat's financial statements for the financial years ended on October 31, 2009, 2010 and 2011 respectively, in accordance with generally accepted accounting principles.

The value of Mr. Godbout's retirement plan is significantly higher for 2010 because the actuarial calculation accounts for the additional 1.96 years of service credited to Mr. Godbout (see the note in the "Benefits under a Retirement Plan" section).

(6) For all Named Executive Officers, this amount represents the value of the dividends paid on the shares held in the Transaction Plan and reinvested in additional shares (see the above "Stock Ownership Incentive Plan" section of this Circular) and value of the dividend equivalents converted into additional DSUs. The amounts also include the value of the perquisites paid under the terms of the perquisites program. In no case does the individual value of a benefit exceed 25% of the total value of the reported benefits. For Mr. Gentiletti, the value of the perquisites paid under the terms of the perquisites program is lower than the minimum thresholds established for reporting purposes. See the "Perquisites Program" section of this Circular.

(7) M. Gentiletti held the position of Chief Operating Officer until the termination of his employment on October 10, 2011.

(8) The salary presented for Mr. Gentiletti represents the salary earned between November 1, 2010 and October 10, 2011, the date on which Mr. Gentiletti left the Corporation. The amount indicated in the "All other compensation" column for 2011 includes the amounts paid at his termination, which were determined in accordance with Mr. Gentiletti's contract of employment, signed on January 8, 2010. It represents the sum of an amount of \$1,458,481 as termination allowance, of \$41,430 as payment for RSUs and of \$12,169 as payment for DSUs.

Incentive Plans

▪ **Table of Outstanding Option-Based and Share-Based Awards**

The following table sets forth, for each Named Executive Officer, the number and value of option-based and share-based awards outstanding at the end of 2011.

Name of the officer	Option-based awards				Share-based awards		
	Number of securities underlying unexercised Options	Option exercise price	Option expiration date	Value of unexercised in-the-money Options ⁽¹⁾	Number of shares or share units that have not vested ⁽²⁾	Market or payout value of share-based awards that have not vested ⁽³⁾	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
Jean-Marc Eustache	30,215	22.34	May 11, 2015	0	23,771	170,676	0
	30,682	22.66	May 3, 2016	0			
	34,295	37.25	May 2, 2017	0			
	62,266	21.36	April 21, 2018	0			
	118,538	11.22	May 6, 2019	0			
	110,743	12.25	May 5, 2020	0			
	49,844	19.24	January 12, 2021	0			
Allen B. Graham	2,276	22.34	May 11, 2015	0	6,538	46,943	0
	4,666	22.66	May 3, 2016	0			
	6,946	37.25	May 2, 2017	0			
	12,780	21.36	April 21, 2018	0			
	24,695	11.22	May 6, 2019	0			
	43,609	12.25	May 5, 2020	0			
	9,920	19.24	January 12, 2021	0			
Daniel Godbout	6,043	22.34	May 11, 2015	0	5,685	40,818	0
	6,289	22.66	May 3, 2016	0			
	5,968	37.25	May 2, 2017	0			
	10,980	21.36	April 21, 2018	0			
	21,321	11.22	May 6, 2019	0			
	37,948	12.25	May 5, 2020	0			
	8,632	19.24	January 12, 2021	0			
Denis Pétrin	1,794	15.68	May 18, 2014	0	4,043	29,029	0
	1,310	22.34	May 11, 2015	0			
	1,995	22.66	May 3, 2016	0			
	2,019	37.25	May 2, 2017	0			
	3,715	21.36	April 21, 2018	0			
	14,880	11.22	May 6, 2019	0			
	29,230	12.25	May 5, 2020	0			
	7,537	19.24	January 12, 2021	0			

Name of the officer	Option-based awards				Share-based awards		
	Number of securities underlying unexercised Options	Option exercise price	Option expiration date	Value of unexercised in-the-money Options ⁽¹⁾	Number of shares or share units that have not vested ⁽²⁾	Market or payout value of share-based awards that have not vested ⁽³⁾	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
Nelson Gentiletti	2,350	22.34	May 11, 2015	0	0	0	0
	5,149	22.66	May 3, 2016	0			
	8,550	37.25	May 2, 2017	0			
	15,731	21.36	April 21, 2018	0			
	17,512	11.22	May 6, 2019	0			
	33,744	12.25	May 5, 2020	0			
	7,721	19.24	January 12, 2021	0			

(1) The value was calculated using the difference between the weighted average trading price of the voting shares of Transat on the TSX for the five days preceding October 31, 2011, i.e. \$7.18, and the option exercise price.

(2) The vesting of RSUs is dependent on the level of achievement of the targets by the Corporation, based upon the weighted average return on shareholders' equity achieved over the three-year cycle. See the "Restricted Share Unit Plan" section.

(3) Includes the restricted share units (RSUs) and the shares purchased under the stock ownership incentive plan. The value was calculated using the weighted average trading price of the voting shares of Transat on the TSX for the five days preceding October 31, 2011, i.e. \$7.18.

▪ **Table of the Value Vested or Earned During the Year**

The following table sets forth, for each Named Executive Officer, the value vested or earned during the financial year under the various compensation plans.

Name of the officer	Option-based awards: value vested during the year ⁽¹⁾ (\$)	Share-based awards: value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation: value earned during the year ⁽³⁾ (\$)
Jean-Marc Eustache	30,425	0	0
Allen B. Graham	6,339	51,821	0
Daniel Godbout	5,472	44,756	0
Denis Pétrin	3,819	14,726	0
Nelson Gentiletti	13,286	59,868	0

(1) The value is determined by assuming that the Options vested during the year would have been exercised on the vesting date of each relevant grant. The value corresponds to the difference between the closing price of the voting shares on the TSX on the vesting date and the exercise price on the vesting date.

(2) For the stock ownership incentive plan, the value corresponds to the shares that have vested during the year multiplied by the price per share on the vesting date. For the restricted share units, the redemption value of the units from the 2008-2011 cycle, which have vested on October 31, 2011, is nil because the financial threshold was not achieved.

(3) Represents the amount paid for 2011 under the Short-term incentive program (STIP).

8.7 Benefits Under a Retirement Plan

The following table indicates, for the each Named Executive Officer, the eligible years of service and estimated annual retirement benefits payable at age 65 accrued as at October 31, 2011 and which will accrue if the participant remains employed by the Corporation until age 65. The table also sets forth the changes in the accrued benefit obligation from October 31, 2010 to October 31, 2011, including the annual cost attributable to compensatory items for 2011. These amounts were calculated using the same actuarial

assumptions used for determining the accrued benefit obligation at year-end presented in our financial statements for the year ended October 31, 2011, in accordance with generally accepted accounting principles.

Each Named Executive Officer has a retirement agreement that provides for payment of a pension at the projected retirement age, based on a percentage of the executive officer's career-end salary, which is established according to the number of years of service and a percentage of the salary and the target bonus of the executive officer per year of service.

At its meeting of January 12, 2011, the Board authorized Transat to credit an additional 1.96 years of service to Mr. Daniel Godbout, equivalent to his years of service in the company where he worked (1987 to 1989) prior to joining Transat, which company was purchased by Transat six months after Mr. Godbout took up his duties for Transat. The value of these additional years of service is reflected in Mr. Godbout's 2010 annual compensation.

▪ **Table of Benefits Under a Retirement Plan**

Name of the officer	Number of credited years of service ⁽¹⁾	Annual benefits payable ⁽²⁾		Accrued benefit obligation as at November 1, 2010 ⁽³⁾	Change in the accrued benefit obligation during the year		Accrued benefit obligation as at October 31, 2011
		As at October 31, 2011	At age 65		Change attributable to compensatory items ⁽⁴⁾	Change attributable to non-compensatory items ⁽⁵⁾	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Jean-Marc Eustache	32.775	806,322	894,133	9,008,000	229,000	701,000	9,938,000
Allen B. Graham	9.000	67,313	106,745	621,000	99,000	69,000	789,000
Daniel Godbout	24.186	208,777	429,087	2,418,000	52,000	231,000	2,701,000
Denis Pétrin	2.000	11,338	204,310	58,000	73,000	14,000	145,000
Nelson Gentiletti	9.126	59,910	59,910	934,000	107,000	- 637,000	404,000

- (1) Number of credited years of service in a position eligible to the senior executives' retirement plan as at October 31, 2011 or before that date following termination of employment or retirement in 2011.
- (2) Represents the benefits payable at age 65 based on the average final salary and the participation at the forecast date and without subtracting the benefits coming from the pension plan and the Quebec Pension Plan.
- (3) Represents the value of the projected pension earned for service up to October 31, 2010 or October 31, 2011 (depending on the column), accounting for the benefits of the pension plan and the Quebec Pension Plan, established in accordance with the assumptions described in Transat's financial statements.
- (4) Corresponds to the cost of the services rendered during the year plus the value of the amendments to the agreement, if any, and the value corresponds to the variation of the compensation that differs from the actuarial assumptions.
- (5) Represents the impact of all the other changes, including the interest related to the obligation for the previous year plus the change in the discount rate used to measure the obligation, the changes in other assumptions and the gains or losses realized other than those related to the compensation.

▪ **Defined Contribution Plan Table**

The following table sets forth the changes in the sums accumulated in the defined contribution plan between November 1, 2010 and October 31, 2011, including the Corporation's contributions for 2011.

Name of the officer	Accumulated value as at November 1, 2010 (\$)	Compensatory amount ⁽¹⁾ (\$)	Accumulated value at the end of FY 2011 (\$)
Jean-Marc Eustache	425,696	10,515	455,842
Allen B. Graham	179,512	7,603	186,781
Daniel Godbout	224,544	6,616	230,923
Denis Pétrin	261,246	5,608	266,588

Name of the officer	Accumulated value as at November 1, 2010 (\$)	Compensatory amount ⁽¹⁾ (\$)	Accumulated value at the end of FY 2011 (\$)
Nelson Gentiletti	138,561	9,669	151,902

(1) Represents the employer contributions, namely 2% of the participant's base salary up to the income tax limits.

8.8 Termination of Employment and Change of Control Benefits

The Corporation has entered into a standard agreement with each of the Named Executive Officers in order to determine the applicable terms and conditions of employment of said officers, 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 Transat. Each of these standard agreements was entered into in exchange for undertakings on the part of the executive officers not to solicit our customers or employees and not to compete with Transat, as hereinafter described.

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

The terms and conditions, except the termination allowance, are the same for all the Named Executive Officers. The termination allowance is paid only if the Corporation terminates the executive officer without a serious reason or if the executive officer resigns for "valid reasons" as described in the agreements.

We also entered into standard agreements with each of the Named Executive Officers in order to define the terms and conditions of termination of employment of said individuals in the event of a change of control of Transat. Each of these standard agreements was entered into in order to ensure that such executive officers would continue to adequately see to the best long-term interests of Transat.

Therefore, for a period of two years following an acquisition of control of Transat, the standard agreement provides that, if the purchaser terminates the employment of the executive officer (otherwise than for cause, or further to his disability or death) or if the Named Executive Officer terminates his or her employment for a "sufficient reason" (as defined in the agreement), the executive officer will be entitled to the payment of an allowance following the termination of his employment.

The executive officer cannot draw any benefit from the agreement unless there is an acquisition of control of Transat and termination of his or her employment occurs as described in the standard agreement prior to its expiration.

For the President and Chief Executive Officer, his non-nomination or non-reelection as director or his discharge or replacement as Chairman of the Board of Directors of the Corporation constitutes a sufficient reason, giving entitlement to payment of the termination allowance.

	Involuntary departure termination allowance	Change of control termination allowance
President and CEO	18 months of base salary plus 2 months per year of service, maximum 30 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	24 months of base salary plus 2 months per year of service, maximum 36 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.
Chief Operating Officer (position abolished in October 2011)	12 months of base salary plus 1 month per year of service, maximum 24 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	18 months of base salary plus 2 months per year of service, maximum 30 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.

	Involuntary departure termination allowance	Change of control termination allowance
Other Named Executive Officers, including the Vice-President, Finance and Administration and CFO	12 months of base salary plus 1 month per year of service, maximum 18 months plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	12 months of base salary plus 1 month per year of service, maximum 24 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.

Other terms:

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan⁽¹⁾	Employee and other benefits
Involuntary departure (termination without cause)	No new grant effective from the termination date; vested Options at the termination date must be exercised within 180 days after the termination date; unvested Options at the termination date are cancelled.	RSUs: amount paid based on 50% of the pro rata of the months worked in the three-year cycle of each grant, at the fair market value of the Corporation's stock on termination date. DSUs: the amount paid is calculated by multiplying the number of DSUs in the executive officer's account on his termination date by the fair market value of the Corporation's stock on that date.	All the shares subscribed by the participant and the vested shares become unrestricted on the termination date.	A certificate of the accrued benefits on termination date is issued to the participant.	All insurance coverages except short-term and long-term disability are maintained for the term of the separation period, unless the executive officer is covered by another private insurance policy before the end of the period.
Retirement	No new Option grants effective from retirement date; vested Options at the termination date must be exercised within 180 days after the termination date; unvested Options at the termination date are cancelled.	RSUs: converted into cash prorated to the time worked at the normal end of the cycle or cycles, on condition of achievement of the fixed goal, at the fair market value of the Corporation's stock at the end of each cycle. DSUs: the amount paid is calculated by multiplying the number of DSUs in the executive officer's account on his retirement date by the fair market value of the Corporation's stock on that date.	All the shares subscribed by the participant, unrestricted or not, and all the shares awarded to the participant, regardless of whether they have vested, become unrestricted on the retirement date.	The participant receives his monthly retirement pension according to the terms and conditions of his agreement; the normal retirement age is 65 but the participant may retire at age 60 or after without penalty.	

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan ⁽¹⁾	Employee and other benefits
Change of control	Any Option granted and not vested may be exercised, or the Board of Directors of the Corporation may force the exercise of any option, whether vested or not, according to the terms and conditions prescribed by the Board.	RSUs: All the RSUs granted and not vested vest on the date of change of control ⁽²⁾ . DSUs: All the DSUs in the participant's account on the date of the change of control are redeemable on that date.	All the subscribed shares, unrestricted or not, and all the shares awarded automatically vest on the date of a change of control of the Corporation.	A change of control does not result in any additional retirement benefits or trigger the accelerated payment of benefits. ⁽³⁾	In case of termination after a change of control, all insurance coverages except short-term and long-term disability are maintained for the term of the separation period, unless the executive officer is covered by another private insurance policy before the end of the period.

(1) Effective from the participant's retirement date, the Corporation undertakes to pay a monthly retirement allowance during his lifetime, equal to 1/12 of the amount resulting from the subtraction of 1.5%, 1.75% or 2%, multiplied by the credited years of service, multiplied by the "average final salary 5 years", minus the amount equal to the annual retirement benefit payable commencing at age 65, which is the actuarial value equivalent to the total sum accumulated by the participant in the Transat RRSP/DPSP, minus a sum equal to n/35 of the maximum annual pension benefit payable commencing at age 65 under the Québec Pension Plan, where "n" equals the total number of the participant's credited years of service on the date of his retirement.

(2) The accelerated vesting of RSUs is at the discretion of the Board of Directors, except if the individuals who constitute the Board of Directors on November 1, 2006 cease to constitute a majority of the members of the Board of Directors, or if a majority of the directors are not re-elected. In such case, vesting occurs as described in the above table.

(3) In November 2008, amendments were made to Nelson Gentiletti's agreement in case of termination of his employment following a change of control. In the event of termination of his employment without cause during the year following an acquisition of control, the percentage applicable to the retirement formula would have been 2% for all the credited years of service.

Table of the Value of Benefits in the Event of Termination of Employment (Involuntary Departure) as at October 31, 2011

The following table reflects the cash value of the additional or accelerated benefits payable to each Named Executive Officer in the event of termination of employment (voluntary departure), as provided in the various compensation plans and the individual agreements with respect to termination allowances.

Name	Termination allowance	Stock options	Restricted share units (RSUs) and deferred share units (DSUs) ⁽¹⁾	Share purchase plan	Retirement plans
Jean-Marc Eustache	\$3,596,250	n/a	\$38,449	n/a	n/a
Allen B. Graham	\$830,254		\$6,143		
Daniel Godbout	\$722,455		\$5,346		
Denis Pétrin	\$630,750		\$4,288		

(1) Represents the amount calculated based on the price per share on October 31, 2011; RSUs: 2009-2012 and 2010-2013 cycles only, RSUs for the 2008-2011 cycle having vested normally on October 31, 2011. There are no additional benefits for RSUs, which are all redeemable in the event of any type of departure.

Table of the Value of the Benefits Paid upon Terminations of Employment in 2011

Name	Termination allowance	Restricted share units (RSUs) and deferred share units (DSUs)
Nelson Gentiletti	\$1,458,481	\$53,599
Michael DiLollo	\$730,210	\$12,698

The terms of the stock option plans, retirement plan and employee benefits program applied as described in the "Other Terms" table on page 52.

Table of the Value of the Benefits in the Event of Termination of Employment in a Change of Control Context as at October 31, 2011

The following table reflects, for each Named Executive Officer, the cash value of the additional or accelerated benefits resulting from termination of employment in a change of control context. The terms and conditions of each compensation component in the event of a change of control are provided in the various plans, except for termination allowances, which are included in the individual agreements.

Name	Termination allowance	Stock options ⁽¹⁾	Restricted share units (RSUs) and deferred share units (DSUs) ⁽²⁾	Share purchase plan	Retirement plans
Jean-Marc Eustache	\$4,315,500	\$0	\$170,676	\$0	n/a
Allen B. Graham	\$1,107,005	\$0	\$43,855	\$19,946	n/a
Daniel Godbout	\$963,273	\$0	\$23,493	\$17,325	n/a
Denis Pétrin	\$841,000	\$0	\$24,024	\$9,657	n/a

(1) The value indicated is for Options that have not vested and which would vest further to termination of employment in a change of control context on October 31, 2011.

(2) The value indicated represents all RSUs at the price per share on October 31, 2011 which would all vest in the event of a change of control as defined in the plan. RSUs for two cycles only (2009-2012 and 2010-2013) would be paid out, RSUs for the 2008-2011 cycle having vested on October 31, 2011. There are no additional or accelerated benefits for DSUs.

8.9 Succession Planning

Regarding succession planning and development, Transat established, in 2004, a systematic “Talent Management and Succession Planning” process. Since then, the Committee reviews, regularly, a progress report on development activities, management training initiatives and staff movements with regard to succession planning for senior management, including the President and CEO. Moreover, under its normal work plan, the Committee annually reviews the strategy on which the talent management process is based and monitors specifically the development of the succession candidates for the positions of President and CEO, and all other senior management positions.

Overall, senior management succession candidates progress in a succession of positions, allowing them to develop their understanding of Transat’s business model and to rapidly apply the leadership skills required in their next positions. This path is supplemented by psychometric evaluations, individual development plans and coaching by the President and CEO and by the Vice-President, Human Resources and Talent Management.

The promotions of Patrice Caradec to President of Transat France in 2008, Yves Lalumière to President of Transat Distribution Canada in 2009 and Denis Pétrin to Chief Financial Officer in 2009 are consistent with this approach and add depth to Transat’s senior management. Following the reorganization of Transat that began with the departures of Messrs. Nelson Gentiletti and Michael DiLollo in September 2011, four (4) other candidates for the succession were promoted to senior executive positions: Messrs. Jon Turner, André De Montigny, Allen B. Graham and Ms. Annick Guérard.

Mr. Jean-Marc Eustache, President and Chief Executive Officer, indicated his intention to remain in office for the next few years. A process will be initiated to identify possible candidates to replace Mr. Eustache in case of an unexpected event. However, in the normal course of events, the succession planning process should ensure the identification in the next few years of an internal or external replacement for Mr. Eustache if he decides to retire.

Finally, Transat favours internal promotion and the approach used for preparation of the senior management succession is also used for the Corporation as a whole. Transat believes that this approach allows it to manage risk and is a guarantee of greater stability in managing the challenges of our business environment. In short, 10% of Transat’s senior executives and middle managers were promoted internally during the past year.

8.10 Securities Authorized for Issuance Under Equity Compensation Plans

The following table indicates the number of Voting Shares available for future issuance under the stock option plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as at October 31, 2011	Weighted average exercise price of outstanding options, warrants and rights as at October 31, 2011	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at October 31, 2011
	(a)	(b)	(c)
Equity compensation plans approved by securityholders ⁽¹⁾	1,744,477	\$19,65	1,447,744
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
Total	1,744,477	\$19,65	1,447,744

(1) As at October 31, 2011, an aggregate of 105,051 voting shares were available for future issuance under the Former Plan and an aggregate of 1,342,693 voting shares were available for future issuance under the 2009 Plan.

9. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporate Governance and Nominating Committee (referred to hereinafter in this section as the “Committee”) closely monitors evolving corporate governance guidelines and best practices. It also evaluates the Board of Directors’ overall performance annually. The Board’s mandate and role include but is not limited to: (i) overseeing and approving the corporate strategy and its implementation as well as risk management; (ii) reviewing the recommendations of the President and Chief Executive Officer on the appointment of Transat’s executive officers; (iii) setting goals for the President and Chief Executive Officer and reviewing those of executive officers with him, monitoring their performance and applying corrective measures as appropriate; (iv) informing shareholders on the performance of the Corporation, its Board of Directors and Board Committees; and (v) approving and ensuring the performance of the Corporation’s legal obligations.

The Corporation believes that good corporate governance is an important asset that promotes and enhances performance and preserves the value of shareholder equity. The Committee is currently composed of Messrs. Jacques Simoneau (its Chairman), André Bisson, Brian Edwards and Jean-Yves Leblanc. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

9.1 Corporate Governance Initiatives

The Committee is made up of four independent directors whose powers and mandate are set out in the Committee’s charter. The Committee regularly reviews our corporate governance practices in light of developing requirements and practices in this field. As new provisions come into effect, the Committee will reassess our corporate governance practices and recommend that changes be implemented where appropriate. Transat’s corporate governance practices meet or exceed *National Instrument – 58-101 Disclosure of Corporate Governance Practices* adopted by the Canadian Securities Administrators (see Transat’s alignment with these requirements at Appendix “A” of this Circular) and ensure transparency and effective governance of the Corporation.

Pursuant to its mandate, the Committee reviews a number of risks and emergency measures relating to the Corporation’s operations including amongst others: risk management of information systems, tour operators, airline & aircraft activities, third party hotels where Transat books space for its guests and insurance coverage and financial approval processes. The Committee has also reviewed the Corporate Governance Manual which has been updated to reflect, amongst others, new legislative and regulatory developments in Governance and Securities’ Law.

Eight (8) of the eleven (11) directors seeking re-election to the Board are independent directors; the three non-independent directors are the founding members of the Corporation, including Mr. Eustache who chairs the Board. The lead directors, being the respective chairs of each of the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, are all independent directors.

9.2 Performance Assessment

In January 2012, the Committee conducted an annual formal evaluation of the Board and its committees' effectiveness and will compare the findings with last year's evaluation in order to target and implement suggested improvements as in previous years. Furthermore, during the same period, each director was asked to complete an annual evaluation consisting of a director peer review and feedback survey with the objectives of assessing the performance of each director and providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback is collected through the survey that allows for both quantitative ratings and written comments. The feedback is then submitted on a confidential basis to PCI-Perrault Consulting Inc. who prepares a report for each director on his or her performance.

The Board of Directors did not adopt a policy setting the retirement age of the directors. It relies instead on the evaluation process to determine if a director should retire.

9.3 Independence of Directors and Attendance at Meetings

All directors, with the exception of Ms. De Cesare, Messrs. Eustache and Sureau (all three being executives or past executives and founding members of the Corporation), are independent within the meaning of section 1.2 of *National Instrument 58-101 – Disclosure of Corporate Governance Practices* and the independence standards approved by the Board. The Committee monitored director attendance at Board and committee meetings and determined that all directors met the requirement to attend at least 75% of the respective Board or committee meetings. Independent directors, at their sole discretion, are able to hold in-camera sessions at every regularly scheduled Board meeting, at which time non-independent directors and members of management are not in attendance, and also when the need arises. This item is included on the agenda of each Board meeting. During the year ended October 31, 2011, the independent directors held two in-camera sessions.

9.4 Orientation and Continuing Education

The Committee developed an orientation and education program for new directors. After taking office, all new directors of the Corporation have the opportunity to meet with certain executive officers of the Corporation in order to help them gain a better understanding of the operating activities of the Corporation and its subsidiaries. For example, Ms. Madeleine Chenette, who recently joined the Board of the Corporation, had the opportunity to meet with each executive officer individually in order to assist her in her new role and enable her to quickly familiarize herself with all the Corporation's operations. Transat's internal and external legal and financial counsels also provide training sessions with the directors, from time to time, in order to update directors on evolving governance trends, requirements and guidelines. Furthermore, Directors are encouraged to attend relevant external seminars and presentations conducted by recognized external legal professionals and financial organizations. A presentation on the latest trends in corporate governance was given to the members of the Committee during the committee meeting held on November 30, 2010.

9.5 Other Board Committees

The Board has no committees other than the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. The Board of Directors and each of its committees have charters which are reviewed annually and which state their respective mandates and define the roles and responsibilities of members, including each chairman.

9.6 Corporate Disclosure Policy

Since 2006, the Corporation follows a disclosure policy setting out the process by which the Corporation discloses its corporate information. The policy is implemented by the disclosure committee. Its members include most executive officers of the Corporation responsible for, amongst other things, earnings announcements, analyst reports, calls and meetings, selective disclosure of information, the use of forward-looking information, dealing with rumours and black-out periods. The policy provides for a disclosure compliance system and procedures to ensure that material information concerning Transat's affairs is brought to the attention of the disclosure committee members in a timely and accurate manner.

The disclosure policy is reviewed on a regular basis by the disclosure committee, in order to update it in relation to the Corporation's practices concerning disclosure within the Corporation.

10. ADDITIONAL DISCLOSURE

10.1 *Indebtedness of Directors and Executive Officers*

None of the current or former directors, executive officers and employees of Transat or its subsidiaries is indebted to Transat or any of its subsidiaries, or has contracted any loan that is secured by a guarantee, a support agreement, a letter of credit or other similar arrangement on the part of Transat or any of its subsidiaries. Pursuant to our Corporate Governance Manual, it is our policy not to grant any loans, whether or not secured by a guarantee, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries, to our directors, executive officers, employees or nominees for the position of director of Transat.

10.2 *Professional Services Agreements*

The Corporation renewed the professional services agreements with Lina De Cesare and Philippe Sureau, who both act as Advisors to the President since their retirement effective November 1, 2009. Each of these agreements, as renewed, is valid from November 1, 2011 to October 31, 2012, unless it is terminated earlier by written notice of either party to the agreement. Each agreement provides for the payment of fees at an hourly rate of \$250 in consideration for the professional services rendered by Mr. Sureau and Ms. De Cesare respectively as consultants. Each agreement, as renewed, includes a confidentiality and non-solicitation undertaking. During the year ended October 31, 2011, the total fees paid amounted to approximately \$45,000 for Lina De Cesare and \$38,000 for Philippe Sureau. These professional services agreements are filed and available on the SEDAR website at www.sedar.com.

10.3 *Directors' and Officers' Liability Insurance*

We have taken out an insurance policy at our own expense that covers the liability of our directors and officers, in their capacities as such. This insurance policy also covers the directors and officers of our subsidiaries. For the twelve-month period ending on March 31, 2012, our insurance policy provides a maximum coverage of \$50,000,000 per claim, subject to a deductible of \$250,000 payable by Transat. The premium paid under the policy for twelve months coverage is \$273,761.

10.4 *Additional Information*

More information on the Corporation is available on the SEDAR website at www.sedar.com or the Corporation's website at www.transat.com. Copies of our annual information form, Circular, financial statements and MD&A may be obtained upon request made to our Corporate Secretary. We may charge a reasonable fee if the request is made by a person who is not a shareholder of Transat, unless we are in the course of a distribution of our securities pursuant to a short-form prospectus, in which case these documents will be provided free of charge. The financial information of Transat can be found in the comparative financial statements and MD&A for our last financial year.

Transat is a reporting issuer in the different Canadian provinces, and we must file our financial statements and Circular with each of the Canadian Securities Administrators. We also file an annual information form with these same administrators.

10.5 *Shareholder Proposals*

The proposals regarding any matter that the persons entitled to vote at the next annual meeting of shareholders wish to submit to this meeting must be received by the Corporation no later than October 26, 2012.

10.6 Approval of the Management Proxy Circular

The content and the sending of this Circular have been approved by the Board of Directors of the Corporation.

Montréal, Québec, January 25, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

TRANSAT A.T. INC.



Bernard Bussi eres
Vice-President, General Counsel and Corporate Secretary

APPENDIX A

CORPORATE GOVERNANCE PRACTICES

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (“TSX”), the Corporation has in place corporate governance practices that are consistent with the requirements of *National Policy 58-201 – Corporate Governance Guidelines* and *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, which are the initiatives of the Canadian Securities Administrators (“CSA”) and which supplant the previous TSX corporate governance guidelines.

We recognize that our governance practices must evolve to respond to changes in the regulatory environment. Many regulatory changes have come into effect in the past years, including rules issued by the CSA relating to audit committees and disclosure of corporate governance practices. The Corporation is regularly adjusting its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

Corporate Governance Disclosure

The following table compares the Corporation’s governance practices against National Policy 58-201 and National Instrument 58-101 as required under form 58-101-F1 – Corporate Governance Disclosure.

Requirement	Implementation by the Corporation
<p>1. Board of Directors</p> <p>a) Disclose the identity of directors who are independent</p> <p>b) Disclose the identity of directors who are not independent, and describe the basis for that determination</p> <p>c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities</p> <p>d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p> <p>e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>For the financial year ended October 31, 2011, the Board of Directors is composed of eleven (11) directors, of whom eight (8) are independent, namely André Bisson, Madeleine Chenette, Jean Pierre Delisle, W. Brian Edwards, Jean-Yves Leblanc, Jacques Simoneau, John D. Thompson and Dennis Wood.</p> <p>The directors who are not independent are the founders and current or past members of management of Transat: (i) Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer, (ii) Lina De Cesare, Advisor to the President, and (iii) Philippe Sureau, Advisor to the President. Each of these directors is considered to have a material relation with the Corporation due to the executive officer position they hold or have held in the Corporation and the role that each of them has played as founder.</p> <p>The majority of Transat’s directors, eight (8) of eleven (11), are independent directors as defined in National Instrument 52-110 of the CSA.</p> <p>See the extensive description of directors’ tenure as members of the boards of other reporting issuers in section 2 of this Circular.</p> <p>Directors, at their sole discretion, may hold in-camera sessions, in the absence of non-independent directors or executive officers of the Corporation, at every regularly scheduled board meeting and also when the need arises. This item is included on the agenda of each Board meeting. Since November 1, 2010, the Board has held eleven (11) meetings, each having an agenda which specifically provided for an in-camera session. Independent directors held two (2) in-camera sessions since November 1, 2010, including the session referred to under paragraph (f) hereinafter regarding the assessment of the Chairman, President and Chief Executive Officer.</p>

Requirement	Implementation by the Corporation
<p>f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p> <p>g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>The Chairman of the Board, President and Chief Executive Officer and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not an independent director. However, all three lead directors, namely Messrs. Bisson, Simoneau and Thompson (each being the respective chairman of each of the three Board Committees) are independent directors and are free to contact each other, or any of the other five independent directors. The lead directors are also members of the Executive Committee, along with Mr. Eustache who is the only other member. They may convene at their discretion the Executive Committee, which has all the same powers (excluding certain exceptional cases) as the Board. Furthermore, if the proposed amendments to the Corporation's general By-Laws approved by the directors at the Board meeting held on January 11, 2012 are ratified by the shareholders at the Annual and Special Meeting of the Shareholders to be held on March 15, 2012, any of the lead directors will have the power to call a Board meeting on his own initiative.</p> <p>As well, in-camera sessions are provided for at each regularly scheduled Board meeting and are always held in the absence of non-independent directors. Each year, members of the Human Resources and Compensation Committee assess, in camera, the performance of the Chairman, President and Chief Executive Officer without him being present and review the results with him and the Board. A report is subsequently made, in camera, at the Board level and further discussed among board members.</p> <p>See the full attendance record of each director for each of the Board and its committees in section 2 of this Circular.</p>
<p>2. Board Mandate</p> <p>Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</p>	<p>The Board, either directly or through Board committees, is responsible for management and supervision of the business and affairs of the Corporation with the objective of enhancing shareholder value. The Board's mandate and role includes but is not limited to: (i) overseeing and approving the corporate strategy and its implementation as well as risk management; (ii) reviewing the recommendations of the President and Chief Executive Officer on the appointment of Transat's executive officers; (iii) setting goals for the President and Chief Executive Officer and reviewing those of executive officers with him, monitoring their performance and applying corrective measures as appropriate; (iv) informing shareholders on the performance of the Corporation, its Board of Directors and Board Committees; and (v) approving and ensuring the performance of the Corporation's legal obligations. The Board assumes the responsibility of defining the main risks related to the Corporation's activities and the implementation of appropriate systems allowing management of these risks.</p> <p>The roles and responsibilities of the Board, each of its committees and the Chair of each committee are set out in formal written charters (the full text of which can be promptly provided upon written request and is available on SEDAR at www.sedar.com). These charters are reviewed annually to ensure they reflect best practices and are in compliance with any applicable regulatory requirements.</p>

<p>3. Position Descriptions</p> <p>a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p> <p>b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</p>	<p>The Board has developed written position descriptions for the Chairman of the Board and each Committee chair. These are included in the Corporation's Governance Manual, which was updated in September 2010 and is available on Transat's website at www.transat.com.</p> <p>The Board has developed a written position description for the Chief Executive Officer, which description is included in the Corporation's Governance Manual.</p>
<p>4. Orientation and Continuing Education</p> <p>a) Briefly describe what measures the board takes to orient new directors regarding:</p> <ul style="list-style-type: none"> i) the role of the board, its committees and its directors, and; ii) the nature and operation of the issuer's business. <p>b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>The Corporate Governance and Nominating Committee is responsible for providing an orientation and education program for new directors. As part of this program, the Chairman of the Committee oversees the orientation and education of directors, with the support of certain members of management. Thus, all new directors have the opportunity to meet with the Corporation's senior executives individually in order to help them gain a better understanding of the operating activities of the Corporation and its subsidiaries. The program is set out in the Corporation's Governance Manual. All the new directors receive a copy of the issuer's key documents, particularly the Code of Ethics, the policies on insider trading, and up-to-date information on the Corporation's activities and financial reporting. They may also ask questions about the nature of the issuer and its activities. As well, new directors are made fully aware of Transat's Charter of Expectations for Directors (the full text of which can be promptly provided upon written request and is also available on SEDAR at www.sedar.com).</p> <p>Transat's internal and external legal and financial counsels provide working sessions with the directors, from time to time, in order to update directors on evolving governance trends, requirements and guidelines. Training sessions are held during certain Board meetings, in addition to regular presentations offered to Board members. The directors are also informed regularly of the strategic issues affecting the Corporation, the Corporation's competitive environment and any other new fact likely to have a material effect on the Corporation.</p> <p>Certain of our directors are either members of organizations dedicated to the evolution of corporate governance practices or regularly attend seminars on such matters.</p>
<p>5. Ethical Business Conduct</p>	
<p>a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</p> <ul style="list-style-type: none"> i) disclose how a person or company may obtain a copy of the code; 	<p>Directors are expected to comply with our Charter of Expectations for Directors in order to promote best practices and ensure ethical business conduct. The Charter of Expectations for Directors sets out the professional and personal competencies and characteristics expected from Transat directors; these include, amongst others, high ethical standards, attendance at meetings, diligence, international experience and accountability. In addition, the Corporation's Governance Manual states clearly the parameters for the disclosure and management of potential conflicts of interest, guidelines to which the directors are currently subject.</p>

	<p>As well, our directors, officers and employees are subject to the provisions of our Code of Ethics, which was adopted in 2003 and updated in 2005 and 2010, is made available to every employee of Transat and is posted on the Corporation's website. The Code of Ethics provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work; it has been implemented throughout Transat and most of its subsidiaries.</p>
<p>ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p> <p>iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p> <p>b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p> <p>c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Board, through its Corporate Governance and Nominating Committee, reviews the implementation and compliance of the Code of Ethics throughout the Corporation and its subsidiaries. In this respect, the Corporate Governance and Nominating Committee receives from our Vice President, General Counsel and Corporate Secretary, and from our internal auditor, on a quarterly basis, a written declaration as to any complaints received during the said quarter pursuant to our Code of Ethics. The Corporation requires its directors, officers and employees to acknowledge that they have read the Code and agree to comply with it.</p> <p>There has been no material change report filed since the beginning of our most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Charter of Expectations or the Code of Ethics.</p> <p>Our Code of Ethics states clearly that directors and executive officers should avoid any transaction or event that could potentially create a conflict of interest. Should an event or a transaction occur in respect of which a director or executive officer has a material interest, full disclosure to the Board is required and such director must abstain from voting on any such matter.</p> <p>Transat's Code of Ethics, Charter of Expectations for Directors, best governance practices (included in its Governance Manual) together with statements included in the Board and Committee charters encourage and promote an overall culture of ethical business conduct. The Board's ongoing review of and adherence to these measures and principles also encourages an ethical business conduct throughout the Corporation.</p> <p>In addition, both the annual Board evaluation questionnaire and the peer feedback survey contain specific questions pertaining to ethical business conduct.</p>

<p>6. Nomination of Directors</p>	
<p>a) Describe the process by which the board identifies new candidates for board nomination.</p>	<p>The Corporate Governance and Nominating Committee is responsible for identifying and recommending to the Chairman and directors suitable nominees for election to the Board. To accomplish this duty, the Committee:</p> <ul style="list-style-type: none"> i) assesses the composition and size of the Board and, in doing so, reviews the breadth and diversity of experience and competencies of the directors; ii) identifies the challenges facing the Corporation; iii) recommends to the Board a list of nominees for election as directors; and iv) approaches competent nominees. <p>The Committee also maintains an updated list of potential nominees for election to the Board for future reference.</p> <p>Prior to agreeing to join the Board, new directors are given a clear indication of the workload and time commitment required.</p>
<p>b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</p> <p>c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The Corporate Governance and Nominating Committee is composed entirely of independent directors.</p>
<p>7. Compensation</p> <p>a) Describe the process by which the board determines the compensation for the issuer's directors and officers.</p> <p>b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</p> <p>c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p> <p>d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>The Human Resources and Compensation Committee of the Board annually reviews, with the assistance of our external advisors PCI-Perrault Consulting Inc., the compensation paid to directors and officers to ensure it is competitive and consistent with the responsibilities and risks involved in being an effective director or officer. Details of the directors' compensation are disclosed in section 5 of this Circular and details of the executive officers' compensation are disclosed in section 6.</p> <p>The Human Resources and Compensation Committee is composed entirely of independent directors.</p> <p>The Human Resources and Compensation Committee charter, which describes the responsibilities, powers and operation of such committee, can be promptly provided upon written request.</p> <p>Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Corporate Governance and Nominating Committee coordinates such requests.</p> <p>Since 2006, the services of PCI-Perrault Consulting Inc., a recognized independent external consultant, were retained to assist the Board and the Human Resources and Compensation Committee in fulfilling their respective duties and responsibilities. This firm was engaged to provide advice and guidance on executive compensation issues. This included conducting a comprehensive review of executive and senior management compensation relative to market practice and suggesting alternatives for the Board's consideration.</p>

	<p>Since 2006, PCI-Perrault Consulting Inc. was retained in connection with the director peer feedback survey described hereinafter.</p>
<p>8. Other Board Committees</p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has no standing committees other than the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. All members of these committees are independent directors.</p>
<p>9. Assessments</p> <p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>On an annual basis during the months of December and January, the Corporate Governance and Nominating Committee conducts a formal evaluation of the Board and its committees' effectiveness and compares the findings with the previous year's evaluation in order to target and implement suggested improvements.</p> <p>Furthermore, during the same period, each director is asked to complete a second evaluation consisting of a director peer feedback survey with the objective of providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback is collected through this survey that allows for both quantitative ratings and written comments. The feedback will be submitted on a confidential basis to PCI-Perrault Consulting Inc. who prepares a report for each director on his or her performance. Following the evaluation consisting of the director peer feedback survey, the Chairman of the Board reviews the results of the survey and meets with each director. The members of the Board can also discuss the performance of another member freely at any time with the Chairman of the Board.</p>

APPENDIX B

2012 EMPLOYEE SHARE PURCHASE PLAN OF TRANSAT

SHARE PURCHASE PLAN

FOR THE BENEFIT OF ALL EMPLOYEES OR EXECUTIVES



Amended as of January 11, 2012

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SHARE PURCHASE PLAN (SPP)

FOR THE BENEFIT OF ALL EMPLOYEES OR EXECUTIVES OF TRANSAT A.T. INC.

1. INTERPRETATION

In this Share Purchase Plan, the following terms shall have the meanings ascribed to them hereinafter, depending on the context:

- 1.1 “Board of Directors” means the Board of Directors of Transat A.T. Inc.;
- 1.2 “Committee” means the Human Resources and Compensation Committee of the Board of Directors;
- 1.3 “Company” means Transat A.T. Inc. and any Canadian subsidiary in which it holds, directly or indirectly, more than 50% of the issued share capital entailing the right to vote in all circumstances;
- 1.4 “Employee or Executive” means all the regular Employees or Executives residing in Canada and holding a permanent position with the Corporation;
- 1.5 “Enrolment Form” means the form, a copy of which is appended hereto, which must be completed and signed by the Employee or Executive to be able to join the Share Purchase Plan;
- 1.6 “Enrolment Period” means the period between November 1 and no later than December 31 preceding the beginning of each Share Purchase Plan Year;
- 1.7 “Member” means any Employee or Executive who will have been designated as eligible for the Share Purchase Plan in accordance with subsection 3.1 and who will have subscribed for Shares of the Company in accordance with subsections 3.2 and 5.2 hereof;
- 1.8 “Salary” means the basic annual salary of the Employee or Executive as at each Share Purchase Plan enrolment date, excluding commissions, bonuses, overtime pay, travel expenses and any special payment for extraordinary services;
- 1.9 “Share Purchase Plan” means the Employee and Executive Common Share Purchase Plan of Transat, hereinbefore and hereinafter also called the “Share Purchase Plan for the Benefit of All Employees or Executives” or the “SPP”, such as it may be amended from time to time;
- 1.10 “Shares or Voting Shares” means the Shares of Transat A.T. Inc., currently listed as “TRZ.B” on the Toronto Stock Exchange, including any fraction of a Share, subscribed and then held by the Trustee on behalf of each Member under this Share Purchase Plan;
- 1.11 “Termination” means that the Employee or Executive has permanently left the Company’s employ and does not include permanent layoff, rotating or voluntary layoff, or temporary layoff;
- 1.12 “Transat” means Transat A.T. Inc.;
- 1.13 “Trust Agreement” means the Share Purchase Plan’s Deposit and Administration Agreement entered into between Transat A.T. Inc. and the Trustee mandated to subscribe, purchase, hold and remit Shares;
- 1.14 “Trustee” means any financial institution or any corporation which may be appointed by Transat from time to time under this Share Purchase Plan.

2. “SPP” STRUCTURE

2.1 “SPP” Effective Date and Duration

The Share Purchase Plan, as amended herein, replaces, effective January 11, 2012, the Share Purchase Plan which came into force on January 12, 1989, as amended thereafter.

Description of Shares Issuable/Subscribed under the “SPP”

The Shares eligible to be subscribed under this Share Purchase Plan shall constitute new Shares in Transat’s share capital.

The maximum number of Shares issuable under this Share Purchase Plan, including the related plans, in particular Transcapital and Transaction, is 525,000, subject to any adjustment under subsection 5.6.

The maximum number of Shares issuable to a single person under this Share Purchase Plan and any other share purchase plan or stock option plan of the Company shall not represent more than five percent (5%) of the outstanding shares in any Enrolment Period.

The number of Shares collectively issuable to the Company’s insiders under this Share Purchase Plan and any other related share purchase plan shall at all times be less than the majority of the Shares issuable under this Share Purchase Plan.

The number of Shares issuable to insiders, at any time, under this Share Purchase Plan and all of the other share-based compensation plans of the Company, cannot exceed ten percent (10%) of the issued and outstanding shares of the Company, and the number of Shares issued to insiders, within any one-year period, under this Share Purchase Plan and all of the other share-based compensation plans of the Company, cannot exceed ten percent (10%) of the issued and outstanding shares of the Company.

The notion of “insider” is as defined in the *Securities Act* (Ontario).

3. “SPP” ELIGIBILITY AND MEMBERSHIP

3.1 Eligibility

Eligibility for the Share Purchase Plan extends to all Employees or Executives designated by the Company or by the Committee, as the case may be, who have no less than three (3) months of continuous service at the last day of each Enrolment Period.

3.2 Membership

Membership in the Share Purchase Plan is completely optional and shall be valid for one Plan Year at a time, namely for the period beginning January 1 and ending December 31 of each calendar year with respect to which he subscribes Shares (including up to January 10 of the next calendar year) (“the Plan Year”).

An eligible Employee or Executive shall become a Member of this Share Purchase Plan only if he joins the SPP by completing the Enrolment Form, a copy of which is appended hereto, and if he subscribes with respect to said Plan Year, subject to any other decision of the Board of Directors or the Committee, for a number of Shares whose aggregate subscription price shall equal between 1% and 10%, in multiples of 1%, of the Member’s annual Salary as at the date of his enrolment, except for Executives who are Members of the Transcapital or Transaction Plans, as the case may be, for whom the rules of membership are defined in each of these Plans.

3.3 Not to be Likened to a Contract of Employment

Membership shall in no case be considered a contract of employment with the Company or become a consideration or a condition of employment. It shall not affect the Company's right to dismiss, terminate, reprimand or lay off the Member at any time, regardless of the consequences that such an act might have on his membership in the "SPP".

4. "SPP" RESPONSIBILITY AND MANAGEMENT

4.1 Responsibility

4.1.1 The Board of Directors bears full and complete responsibility with regard to the Share Purchase Plan, which includes, but not limited to, the power and authority to adopt, amend, suspend or terminate the Share Purchase Plan, as it deems necessary or desirable. Any such adoption, amendment, suspension or termination is subject to the rules set forth by the regulatory authorities.

4.1.2 Subject to subsection 4.1.3, shareholder approval is not required for amendments to the Share Purchase Plan.

4.1.3 Approval by a majority of the voting shareholders present at a duly called shareholder meeting is required for any increase to the number of Shares issuable under the Share Purchase Plan, other than for standard anti-dilution purposes.

4.1.4 No amendment of the Share Purchase Plan may contravene the requirements of any competent regulatory authority to which the Share Purchase Plan or Transat is now or may hereafter be subject to.

4.1.5 The shareholders' approval of an amendment may be given by way of confirmation at the next meeting of shareholders after the amendment is made, provided that no Shares are issued pursuant to the amended terms.

4.2 Management

The Board of Directors mandates the Committee to manage and administer the Share Purchase Plan, which confers full and complete authority on the Committee to interpret and adopt rules and by-laws and any other provisions necessary or desirable for the administration of the "SPP".

The responsibility for maintaining the list of Members and their membership records shall be entrusted to a Trustee acting as administrator of the "SPP" for the benefit and on behalf of the Members. A Member's record shall contain each subscription of Shares he will have made and the Number of Shares Subscribed which are unrestricted. The Trustee shall also be responsible for proceeding, on each date where the Shares become unrestricted, with the transfer of the Shares from restricted to unrestricted; at the Member's request and except as otherwise provided in subsection 6.1 or 6.2, the Trustee may also proceed with the delivery of the share certificates for the Shares subscribed during a Plan Year or proceed with the sale at the market price of the same subscribed Shares, at the earliest after the Shares become fully unrestricted.

All of the Trustee's fees in relation with the management of the "SPP" shall be borne by the Company, except for the fees for delivery of share certificates or sale of Shares, including the brokerage fees upon the sale of the Shares at the Member's request, which shall be at the Member's expense.

5. “SPP” PRINCIPLES AND OPERATION

5.1 Principle

The principle is to incite Employees or Executives to join the Share Purchase Plan in order to subscribe monthly, by payroll deductions, for the Shares of the Company, varying in number according to the Member's Monthly Contribution (hereinafter “the Member's Monthly Contribution”). The Member's Monthly Contribution shall be equal to 2/26 or 3/26 (depending on whether 2 or 3 payroll deductions will have been deducted during the month, in view of the number of pays (2 or 3) made in that same month) of between 1% and 10%, in multiples of 1%, of the Member's annual Salary, at his option. The incentive comes from the 10% discount granted on the subscription price of each Share subscribed, subject to the Member remaining the owner of the Share as long as it is restricted.

5.2 Share Subscription Mechanisms

The principle set out in subsection 5.1 shall be applied as follows: an eligible Employee or Executive shall become a Member of the Share Purchase Plan with respect to a Plan Year by subscribing monthly by payroll deductions for a number of Shares (the “Number of Shares Subscribed”) whose aggregate price shall equal 2/26 or 3/26 (depending on the month) of between 1% and 10% of his annual Salary (in multiples of 1%) as at the date of his enrolment, the number of which shall be obtained by the formula:

$$\{ [2/26 \text{ or } 3/26 \times 1\% \text{ to } 10\% \times \text{annual Salary}] \div [0.90 \times \text{subscription price}] \},$$

where the subscription price under the Plan is equal to the weighted average closing price on the Toronto Stock Exchange (TSX) for the five (5) trading days preceding subscription of the Shares.

5.3 Restriction Mechanisms

The Shares subscribed by a Member shall be escrowed; these Shares are initially restricted and they shall only become unrestricted in accordance with the following conditions: 100% of the Number of Shares Subscribed with respect to a Plan Year shall become unrestricted on the July 1 following the end of the Plan Year with respect to which they were subscribed.

5.4 Issue of the Subscribed Shares

The Number of Shares Subscribed monthly shall be subscribed from the Company's treasury within ten (10) days from the end of the month by the Trustee on behalf of the Member utilizing the Member's monthly contributions (payroll deductions).

5.5 Shareholders' Rights

The Shares subscribed by a Member in accordance with and subject to the provisions of sections 5 and 6 confer on the said Member, upon their subscription, the voting rights, the rights to receive dividends (paid automatically by reinvestment by the Trustee within ten (10) days from the end of the month, in the form of additional unrestricted Shares at a price per share equal to the weighted average closing price on the Toronto Stock Exchange (TSX) for the five (5) trading days preceding the date of reinvestment of the dividends), the rights to receive the financial statements and all the other rights usually inherent to a shareholder.

5.6 Change in the Share Capital

In the event of a change in the share capital of the Company, such as would occur following a stock split, consolidation, stock dividend, etc., the Number of Shares Subscribed by a Member shall be adjusted in the same manner as for all other shares, subject to any other determination by the Committee as a result of the change made to the Company's share capital and subject to the required approvals, if any.

6. PROVISIONS IN CASE OF TERMINATION, RETIREMENT, DEATH, ETC. OR CHANGE OF CONTROL

6.1 Termination

When a Member voluntarily terminates his employment or when the Member's employment is terminated due to his dismissal (with or without cause), all the Shares subscribed by the Member, regardless of whether or not they became unrestricted before Termination, shall become unrestricted automatically. The Member may then ask the Trustee to provide him with a certificate issued for all the Shares subscribed; he may also ask the Trustee to sell all or part of the aforesaid Shares at the market price. If the Member gives no instructions to the Trustee within ninety (90) days from his Termination date, the Trustee shall send him a share certificate at the address shown in its books.

6.2 Retirement, Death or Permanent Disability

In the event that the Member retires (de facto, but after age 55), dies or becomes totally and permanently disabled (qualifying for Transat's long-term disability plan), the Member or the beneficiary, as the case may be, may ask the Trustee to provide him with a certificate issued for all the Shares subscribed, regardless of whether or not they previously became unrestricted, because they will then become unrestricted automatically. The Member or the beneficiary, as the case may be, may also ask the Trustee to sell all or part of all the aforesaid Shares at the market price. If the Member gives no instructions to the Trustee within ninety (90) days from his retirement or disability date, the Trustee shall send him a share certificate at the address shown in its books; in case of death, the Trustee shall act in accordance with the beneficiary's instructions, if applicable.

6.3 Change of Control

In the event of a change of control of the Company, as defined in Schedule "A", the Member shall have the same rights as in the foregoing subsection 6.2.

6.4 Payroll Deductions Not Yet Used for Subscription of Shares

In the event that on the occurrence of one of the contingencies described in subsections 6.1, 6.2 and 6.3, the Member's Monthly Contributions (payroll deductions) have not yet been used by the Trustee to subscribe for Shares, these amounts shall be remitted by Transat to the Member or his beneficiary.

7. GENERAL PROVISIONS

The rights and privileges conferred on a Member under the provisions of this Share Purchase are nontransferable.

The provisions of this Share Purchase Plan shall be governed and interpreted in accordance with the Laws of the Province of Québec, and the applicable Laws of Canada.

SCHEDULE “A”
CHANGE OF CONTROL

For the purposes of the Share Purchase Plan for the benefit of All Employees or Executives of Transat known as “SPP” (the “Share Purchase Plan”), a “Change of Control” occurs when an event or a series of events not solicited by the Company’s management, with the exception of the events set out in paragraph d), results in a Change of Control of the Company. “Change of Control of the Company” means a situation that creates a de facto control of the Company other than which existed on the effective date of the Share Purchase Plan, whether directly or indirectly, by ownership of the Company’s securities, by agreement or in any other manner. Without limiting the generality of the foregoing, the following events will be considered a takeover:

- a) if a person, proceeding by takeover bid in accordance with the applicable provisions of the *Securities Act* (Quebec), becomes the beneficial owner, directly or indirectly, of a certain number of securities of the Company conferring 20% or more of the voting rights for the election of the Company’s directors;
- b) if a person, proceeding by stock market trading, by over-the-counter sale, or in any other manner whatsoever, becomes the beneficial owner, directly or indirectly, of a certain number securities of the Company conferring 20% or more of the voting rights for the election of the Company’s directors; however, the acquisition of securities by the Company itself, by one of its subsidiaries or affiliates, or by an employee benefit plan of the Company or one of its subsidiaries or affiliates (or by the Trustee of such a plan), or by a company or other legal entity of which, after acquisition, almost all of the voting securities are beneficially owned, directly or indirectly, by the persons who, prior to acquisition, were the owners of the securities of the Company which were acquired by the said company or other legal entity, in proportions substantially similar to those of their previous holding of the securities of the Company, shall not constitute a takeover;
- c) if the individuals constituting the Board of Directors of the Company on January 11, 2012, and any new directors whose appointment by the Board of Directors or candidacy for election by the Company’s shareholders has been ratified by a vote of not less than three quarters of the directors then in office and who were in office on January 11, 2012, or whose appointment or candidacy for election by the Company’s shareholders was ratified in the same manner thereafter, cease for any reason to constitute a majority of the members of the Board of Directors;
- d) if assets of the Company representing 50% or more of the book value of all assets of the Company as at the date of the last audited financial statements of the Company, are sold, liquidated or otherwise assigned; if a majority of the voting securities for the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned, or if all or virtually all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; or
- e) if assets of the Company representing 10% or more of the book value of all of the Company’s assets, or if securities allowing the exercise of 10% or more of all of the voting rights for the election of the Company’s directors have been transferred following a takeover, a seizure or a dispossession resulting from or related to: i) nationalization, expropriation, confiscation, coercion, force or compulsion or any other similar action, or to; ii) a confiscatory tax or assessment or any other confiscatory charge or levy. For the purposes of this paragraph, the book value of the Company’s assets shall be established according to the most recent audited financial statements of the Company as at the date of the transfer.

APPENDIX C

SHAREHOLDER PROPOSALS

The following proposals were submitted to the Corporation's management by Montrusco Bolton Investments (« Montrusco »), having a place of business at 1501 McGill College Avenue, Suite 1200, Montréal, Québec, H3A 3M8.

Based on publicly available information, as at the date of its proposals, Montrusco held 855,484 voting shares of the Corporation, representing 2.25% of all issued and outstanding shares of the Corporation.

Proposal No. 1 – Shareholders advisory vote on executive compensation

It is proposed that: shareholders of Transat A.T. Inc. (the "Corporation") urge the Board to adopt a policy that the Corporation's shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by the Corporation's management, to ratify the compensation of Named Executive Officers set forth in the proxy statement.

Montrusco's supporting statement

Ever-improving executive compensation disclosure allows shareholders to become better informed with respect to the amounts to be paid to executives, the circumstances under which payments will be made, and the reasons for specific decisions about compensation structure. However disclosure is not a vote. It does not allow shareholders to provide any input on the decisions that have been made.

Shareholders are seeking assurance that directors are making serious efforts to ensure that executive compensation is linked to corporate performance. Many are also concerned about the arrangements made with executives under pension schemes and severance packages. An advisory vote provides shareholders with an opportunity to register their views on all elements of executive compensation.

In the absence of a pay vote at Transat A.T., the shareholders who do not support some or all aspects of the Corporation's executive compensation packages can only register this view through the relatively imprecise methods of withholding votes from the entire board or the directors on the compensation committee. An advisory vote will allow shareholders to clearly express their views of executive compensation by voting on the matter directly.

Most importantly, a shareholder vote on executive compensation has been found to improve communication between shareholders and issuers on executive compensation.

In the UK, virtually all public companies have been required to provide their shareholders with an advisory vote on executive compensation since 2003. Pension investment manager Railpen and proxy advisor PIRC recently reported that "Having a vote has been valuable in terms of increasing and enriching dialogue between investors and the company. There is now a more sophisticated debate taking place."

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, a say on pay vote must also be provided to shareholders of public companies in the United States beginning in 2011.

A large number of Canadian companies have agreed to provide their shareholders with an annual advisory vote on executive compensation, or "say on pay". An advisory shareholder vote on executive compensation is now corporate governance best practice for public issuers in the Canadian market.

Position of the Corporation

The Corporation believes that the adoption of a policy granting shareholders an advisory vote on executive compensation is part of a growing trend amongst Canadian public companies and represents a good corporate governance practice. Therefore, the Board, at its meeting held on December 14, 2011, approved the introduction of a policy regarding compensation of its executive officers generally known as "Say on Pay" and the principle of proposing each year, on an advisory basis and not to diminish the role and responsibilities

of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular delivered in advance of the annual meeting of shareholders, starting with the next meeting in March 2013. The full text of the policy adopted by the Corporation is set forth in Appendix "D" and is based on the text recommended by the Canadian Coalition for Good Governance ("CCGG").

If proposal no. 1 is approved by the shareholders as submitted, an advisory vote will be held at the next annual meeting of shareholders of the Corporation in 2013 and every year thereafter. The resolution then submitted to the shareholders will be the resolution recommended by CCGG and will read as follows:

« Resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's information circular delivered in advance of the 2013 annual meeting of shareholders.»

Therefore, the Board of Directors and the Corporation's management recommend that shareholders vote FOR Proposal No. 1 of Monrusco.

Proposal No. 2 – Separation of the roles of Board Chair and Chief Executive Officer

Be it resolved that: The Board of Transat A.T. adopts a policy on corporate governance that divides the role of Chair of the Board of Directors (Chair) from the position of Chief Executive Officer (CEO), and to amend any bylaws to reflect that the Chair is to be an independent Board member. The policy should describe how the selection of a Chair will occur between annual meetings of shareholders should the Chair's status as independent cease during this period. The policy can allow for a non-independent director to serve as Chair only when no independent director is available or willing to serve in the position. The policy should be adopted prior to the next shareholders general assembly.

Monrusco's supporting statement

To support the high performance of the Board of Directors it is crucial that the position of Chair of the Board (Chair) be separate from the position of Chief Executive Officer (CEO).

Several companies understand that the division of these roles is consistent with current best practices in corporate governance. The division of roles is highly recommended and securities self-regulators in Canada such as the OSC (Ontario Securities Commission) acknowledge the superior governance structure of a separate Chair and CEO when auditing the companies. According to the Corporate Governance guidelines of National Policy 58-201, the Chair of the Board should be an independent director except where it is not deemed appropriate.

The practice of separating the role of Chair and CEO is also supported by the Canadian Coalition for Good Governance (CCGG). The CCGG states that the separation of these two positions is vital to ensuring good oversight of a company's affairs. The CCGG specifies that a corporate governance structure with separate representatives in these roles "resolves inherent conflicts of interest and clarifies accountability – the Chair to the shareholders and the CEO to the Board."

Position of the Corporation

The Corporation's management and the Board believe that this proposal is not in the best interests of the Corporation or its shareholders for the reasons set out below:

Consideration of all facts and circumstances specific to Transat. While the management and the Board recognize the importance of having in place a governance structure guaranteeing the independence of the Board from management, the proposal put forward by Monrusco does not take sufficient account of all the facts and circumstances specific to Transat. In particular, the following elements must be considered:

- (i) A few years ago, a concept of three lead directors was implemented within the Corporation's Board to ensure the Board can function in accordance with the highest governance standards. Accordingly, three lead directors are

appointed each year among the outside directors and each of these lead directors chairs one of the three board committees;

- (ii) Under proposed amendments to the general By-Laws of the Corporation, any of the three lead directors will now have the power to call meetings of directors at any time on his own initiative. Furthermore, each of the three lead directors already has full power to call a meeting of the executive committee, which has virtually all the powers of the Board of Directors;
- (iii) The Board of Transat is currently composed of a substantial majority of independent directors, eight (8) of its eleven (11) directors being independent. Each board committee is composed solely of independent directors. Immediately after each regularly scheduled board meeting and as needed, the independent directors are also able to hold in-camera sessions, at their discretion, in the absence of non-independent directors or senior executives of the Corporation. Each board meeting agenda specifically provides for this item;
- (iv) Combining the roles of Board Chair and President and CEO offers the advantage of having a Board Chair who has much more in-depth knowledge of the business and the industry in which the Corporation operates than a non-executive Board Chair could ever have.

The Corporation's management and the Board believe that the measures and procedures implemented by the Corporation, which are described above, represent efficient and appropriate governance structures and protection against any risk of conflict of interest that may arise and that, therefore, separating the roles of Board Chair and President and CEO is not required.

Additional considerations. The Corporation's management and the Board have also examined and analyzed the literature and precedents on this matter, including the 2011 Canadian Proxy Guidelines published by ISS, according to which "an independent lead director may be an acceptable alternative to the separation of the two positions as long as the lead director has clearly delineated and comprehensive duties including the full authority to call board meetings and approve meeting materials and engage with shareholders". In such situations, ISS recommends that the Board be composed of a majority of independent directors. This is the case for the Corporation's Board. Furthermore, with the adoption of the proposed amendments to its general By-Laws, the Corporation will satisfy each of the criteria described above.

For these reasons, the Board and the Corporation's management recommend that shareholders vote AGAINST the foregoing proposal.

APPENDIX D

SAY ON PAY

TRANSAT A.T. INC.

Advisory “Say on Pay” Vote

The board believes that shareholders should have the opportunity to fully understand the objectives, philosophy and principles the Board has used in its approach to executive compensation decisions and to have an advisory vote on the Board’s approach to executive compensation.

Purpose of “Say on Pay” Advisory Vote

The purpose of the “Say on Pay” advisory vote is to provide appropriate director accountability to the shareholders of the Corporation for the Board’s compensation decisions by giving shareholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves, for the past, current and future fiscal years.

While shareholders will provide their collective advisory vote, the directors of the company remain fully responsible for their compensation decisions and are not relieved of these responsibilities by a positive advisory vote by shareholders.

Form of Resolution

The management information circular distributed in advance of each annual meeting of shareholders will ask shareholders to consider an annual non-binding advisory resolution substantially in the following form:

Resolved, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in the Company’s information circular delivered in advance of the [insert year] annual meeting of shareholders.

Il est résolu, à titre consultatif et sans que soient diminués le rôle et les responsabilités du conseil d’administration, que les actionnaires acceptent l’approche en matière de rémunération de la haute direction divulguée dans la circulaire de sollicitation de des actionnaires.

Approval of the above resolution will require an affirmative vote of a majority of the votes cast at the annual meeting of shareholders.

[ADOPTED BY THE BOARD OF DIRECTORS ON DECEMBER 14, 2011]

QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR



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